



Toward Solutions for Youth Employment

A 2015 Baseline Report



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Acknowledgments

This report was prepared by a team under the direction of S4YE Coalition Manager Matthew Hobson. Nicole Goldin was the lead author.

Contributing authors were Veronica Lopez, World Bank; Susana Puerto Gonzalez, International Labor Organization; Peter Glick with Nelly Mejia and Francisco Perez-Arce,¹ Rand Institute; and Mattias Lundberg, World Bank. Contributing researchers and writers were Angela Jhanji, S4YE Secretariat, and Maria Andersen.

Country background studies were prepared by consulting and S4YE partner researchers, including Farzana Munshi (Bangladesh), Silvia Margarita Rubio Jovel (El Salvador), Noura Kamel, Thomas Chidiac (Tunisia), Mariska van Gaalen, Tendai Pasipanodya, and Christina Tewes-Gradl (Uganda).

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On behalf of the Board of Directors, it gives me great pleasure to be able to introduce the first baseline report of the Solutions for Youth Employment (S4YE) Coalition.

Only a few weeks ago at the United Nations, we witnessed a historic moment when the international community adopted new goals and targets for achieving sustainable development, eliminating extreme poverty, and boosting shared prosperity for the world's population by 2030.

This is a truly exciting moment, and S4YE is delighted to be able to contribute to inspiring and measuring progress toward meeting some of these goals through this report.

As we look around the world in 2015, a number of evolving trends are likely to have an impact on youth employment over the next 15 years. Rising inequality, rising social unrest, and rising levels of movement of people around the world all herald unprecedented times—and call for unprecedented action.

And as this report shows, these are extraordinary times. We now have a record number of young people on the planet—1.8 billion, with approximately 85 percent of them living in developing and emerging economies and in fragile states. While roughly a third of today's youth—most of them women—are not in employment, education, or training (NEET), a billion more young people will enter the job market over the next decade. We also know that the world's young women and girls and other groups of youth are too often at a disadvantage in getting an education and securing a stable livelihood. And hundreds of millions of young people are on the move: seeking better opportunities in cities or seeking refuge from conflict, war, or disaster. Indeed, the past six months have seen the largest human movement since the 1940s, and this figure is sure to rise.

The challenge to provide employment opportunities for this number of diverse young people is enormous, and it is easy to be overwhelmed simply by the scale.

The reward, however, can be even greater if *all* of the world's youth find opportunities to realize their potential.

Knowing this, the international community has made great promises to achieve full and productive employment for all young people by 2030, and to substantially reduce the number of NEETs by 2020. This is an incredible promise, and one to which our Coalition is designed to directly contribute.

As this report shows, our current responses to youth employment issues are disproportionate and disjointed, and all too often ill informed. Without a renewed sense of purpose and action from us all, our good intentions outlined in the Sustainable Development Goals (SDGs) will ultimately wither—and a generation will be lost.

However, this report notes that—for the first time—we have clear evidence that investments in youth employment pay off. This is important. The report also shows which types of interventions are beginning to realize larger impacts. Now we need to consolidate this knowledge and increase resources toward initiatives that show the most impact, and to intensify our learning to even better inform our practices toward impact and scale.

Fifteen years ago, the international community raised exactly the same concerns—low evidence, lack of clarity and confidence around interventions, low levels of investments—in other sectors, such as financial inclusion and social protection. Through an intensive effort of investing in evidence and using scarce resource wisely, we are now able to say confidently what, why, and how interventions work in these areas.

We need a similar shift in the youth employment arena and a commitment to innovation and collaboration across sectors. I believe this report is a fundamental step in helping S4YE and its partners make this shift.

With the adoption of new global goals, S4YE will pursue its mission in an era of inclusive and sustainable development—an era marked by bold ambition to eradicate extreme poverty, defined by universality and a commitment to leave no one behind. And an era in which today's young people will become the torchbearers of this transformation and of our collective futures.

Against this backdrop, and with this baseline in hand, S4YE is recommitting itself and calling others to action toward our goal of seeing 150 million more youth at work. We need you to work with us too.

Arup Banerji
Chair of the Board of Directors, Solutions for Youth Employment
Senior Director, Social Protection, Labor and Jobs, World Bank

Abbreviations

AfDB—African Development Bank

AFG—Afghanistan

AGEI—Adolescent Girls Employment Initiative

AGI—Adolescent Girls Initiative

ALMP—Active Labor Market Program

CAR—Central African Republic

EAP—East Asia and Pacific

ECA—Europe and Central Asia

ELA—Employment and Livelihoods for Adolescents

EPAG—Economic Empowerment of Adolescent Girls and Young Women

FCS—fragile and conflict-affected states

GEM—Global Entrepreneurship Monitor

GIZ—Deutsche Gesellschaft für Internationale Zusammenarbeit

HIC—high-income countries

IBRD—International Bank of Reconstruction and Development

ICT—Information and Communication technology

IDA—International Development Association

IDEJEN—*Initiative Pour Le Developement des Jeunes*

IEG—International Evaluation Group

IFAD—International Fund for Agricultural Development

IFC—International Finance Corporation

IYF—International Youth Foundation

ILO—International Labour Organization

IMF—International Monetary Fund

IPA—Innovations for Poverty Action

IT—information technology

IYF—International Youth Foundation

LAC—Latin America and the Caribbean

LBY—Libya

LCIP—Liberia Community Infrastructure Program

LGBT—Lesbian, Gay, Bisexual and Transgendered

LIC—low-income countries

LMIC—lower-middle-income countries

MCC—Millennium Challenge Corporation

MDG—Millennium Development Goals
MIC—middle-income countries
MNA—Middle East and North Africa
MOOC—Massive Online Open Course
NEET—not in education, employment or training
NGO—nongovernment organization
NOW—Jordan New Opportunities for Women Program
NUSAF—Northern Uganda Social Action Fund
OECD—Organisation for Economic Co-operation and Development
PPP—public-private partnership
REST—the Relief Society of Tigray
S4YE—Solutions for Youth Employment
SAR—South Asia
SDG—Sustainable Development Goals
SHG—self-help group
SIVP—Stage d’Initiation à la Vie Professionnelle
SMD—standard mean deviation
SME—small and medium enterprise
SSA—Sub-Saharan Africa
STRYDE—Strengthening Rural Youth Through Enterprise
STWOA—School-to-Work Opportunities Act
TVET—traditional vocational and technical training
UMIC—upper-middle-income countries
UN—United Nations
UNDESA—United Nations Department of Economic and Social Affairs
UNESCO—United Nations Educational, Scientific, and Cultural Association
UNICEF—United Nations Children’s Rights and Emergency Fund
UNODC—United Nations Office on Drugs and Crime
USAID—United States Agency for International Development
WB—World Bank
WBG—West Bank and Gaza
WDR—World Development Report
WINGS—Women’s Income Generation Support
YBI—Youth Business International
YOP—Youth Opportunities Program

Overview

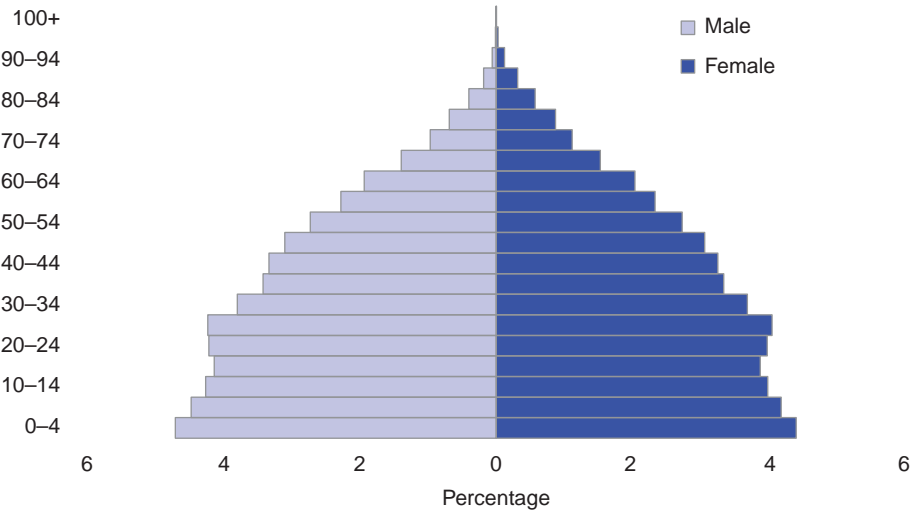
Solutions for Youth Employment (S4YE) was launched in October 2014 as a multistakeholder Coalition to positively disrupt the youth employment landscape. S4YE is a partnership initiated by the World Bank, Plan International, the International Youth Foundation (IYF), Youth Business International (YBI), RAND, Accenture, and the International Labour Organization (ILO) with a view to contributing to a world where all youth have access to work opportunities.

The mission of S4YE is to provide leadership and catalytic action and mobilize efforts to significantly increase the number of young people engaged in productive work by 2030. It seeks to develop innovative solutions through practical research and active engagement with public, private and civil stakeholders, to enable solutions for all youth at scale. This inaugural report explores how S4YE can find and advance solutions to the challenges of getting all youth into productive work.

Youth Employment: A Timely and Strategic Investment

When you think of your first job, you probably remember brimming with energy and optimism. You were likely excited about the sense of economic independence and empowerment that came with work, and were dreaming about a bright future. Yet, as we look ahead 15 years and see economies still struggling to recover from recession and financial collapse, we see that too many of today's young people will likely not have such warm reflections. At present, hundreds of millions of young people are unable to find meaningful work that enables them to support themselves and their families or contribute to their nation's prosperity.

Today we have the largest youth generation in human history.² There are 1.8 billion young people living on the planet—with approximately 85 percent of them living in developing and emerging



“Economists will tell you that countries, regions, continents grow faster with younger populations. It’s a demographic edge and advantage—but only if those young people are being trained. We need only to look at the Middle East and North Africa to see that large numbers of young people with no jobs and stifled voices can fuel instability and disorder. I suggest to you that the most urgent task facing Africa today and for decades ahead is to create opportunity for this next generation.”

—Barack Obama

FIGURE 1: Global Population Pyramid, 2015

Source: United Nations Department of Economic and Social Affairs, Population Division. 2015.

² S4YE defines youth as individuals aged 15–29. This report uses the terms “youth” and “young people” interchangeably.

economies and in fragile states. Yet the constraints and potential for young people differ depending on who they are and where they live.

In many countries (especially in Africa and South Asia), youth make up nearly a third of the population. This creates a window of demographic opportunity similar to the dynamic that contributed to East Asia's so-called miracle of rapid economic growth throughout the 1970s and '80s.

Yet in countries where young people make up a smaller percentage of the population than the adult population, they face high expectations. An aging population that needs to be supported, fewer employment opportunities, and reduced tax revenue raise fundamental questions for governments—especially about the role, nature, and utility of public policy interventions for social outcomes.

Why Youth Unemployment Is Important

"I believe employment and decent work, particularly for young people, are the backbone of development."

—*Ban Ki-moon*

Unemployment in any form is a drag on an economy and society. It undercuts productivity, spending, and investment, stunting national growth. It contributes to inequality and spurs social tension. Joblessness and inactivity and the failure to tap into the economic aspirations and resources of young people carry an even higher price. Experience and increasing evidence show the significant

social and economic costs of youth un- and underemployment and economic inactivity on individuals and families, and on present and future national and global prosperity and security. Without an income, millions of young people find themselves living in poverty. Initial low-paying jobs and delayed entry into the workforce limit lifetime earning potential. The inability to find gainful employment limits young people's income and skill development. Unemployment at an early age can negatively affect future earnings and increase the likelihood of later joblessness. As prospects dwindle, many face social exclusion, or see their emotional, mental, or physical health deteriorate.³

Young people account for roughly 40 percent of the world's unemployed and are up to four times more likely to be unemployed than adults. The International Labour Organization projects that the situation will get worse in most developing and emerging regions. One-third of young people worldwide can be described as NEETs—not in education, employment, or training. The income of as many as a third of young people who are employed falls below national poverty lines. One in four young people in the world cannot find jobs paying more than \$1.25 per day, the international threshold of extreme poverty.

What can be done? Experience and evidence increasingly indicate that we already have some of the policy and program responses to tackle youth employment *now*.

This report, *Toward Solutions for Youth Employment*, will focus on those supply, demand, and intermediation constraints that S4YE is best positioned to help mitigate or areas in which it can influence policy change. Moving constraints into policies and opportunities is becoming a pressing, but manageable, priority.

Why Youth Employment Should Be Tackled Now

When young people are not fully participating in the labor force or are NEETs, governments forgo tax revenue and incur the cost of social safety nets, unemployment benefits and insurances,

³ ILO, 1998; Brewer et al. 2004; Mroz and Savage 2001; Bell and Blanchflower 2011; Morsy 2012.

and lost productivity. Businesses risk losing a generation of consumers. Social costs are ever mounting as well. The Arab Spring and subsequent youth-led uprisings in many countries, along with the rise of economic insurgency and youth extremism, demand that we explore the links between economic participation, inequality, and community security, crime, and national fragility through a lens focused on youth. What we see is a generation in economic crisis.

Why Young People Are Unemployed

A number of factors make the jobs challenge more acute among youth. As shown in Table 1, constraints to youth employment may be borne on the individual level, result from market or government failure, or be a symptom of a weak or unsupportive macroeconomic environment. The financial crisis and global recession of the last decade are among the leading causes, affecting youth more directly because they hold a disproportionate share of temporary jobs whose contracts offer less protection. There are other obstacles as well that make it more difficult for youth to find productive work and fully participate in the labor force. This report will show that most of the constraints that hinder any worker will affect youth to a greater extent.

“This generation of Arab youth are so inspired and so capable. They’ve done the impossible politically; we need to empower them to do the impossible economically.”

—Queen Rania

Inadequate skills and mismatches between education and skills have emerged as chief concerns. Surveys have found that across 24 countries in Europe, between 25 percent and 45 percent

TABLE 1: Constraints to Youth Employment

	Type of Constraint	Youth Only or All Workers
Individual	Inadequate cognitive, non-cognitive and technical skills	Ya
	Lack of social networks	Ya
	Household income	A
	Psychological biases	Ya
Markets and Government Failures	Distorting labor regulations	Ya
	Low bargaining power	Ya
	Lack of information about where the jobs are	Ya
	Employers lack information about workers	Ya
	Lack of access to capital	Ya
Macro	Constraints to business creation and job creation	Ya
	Economic slowdown	Ya
	Age cohort-size	y
	Conflict and violence	Ya

Notes: Y=constraint affects only youth; Ya=affects all workers, but youth more than others; A=affects all workers.

Source: Adapted from Robalino et al. 2013.

of the employed are either overqualified or underqualified for their job; and across 27 low- and middle-income countries worldwide, less than half of employees were considered well-matched.⁴ In emerging economies that are progressively more service-based, employers find a workforce population that lacks necessary skills. Elsewhere, the problem is that many of the unemployed are highly educated but the market demands different competencies or more technical or vocational skills.

Additional factors include a significant gain in life expectancy around the world since the new millennium—with Africa posting the largest gains, 6 percent since 2000 (after increasing only 2 percent over the preceding decade).⁵ Not only

4 ILO. 2014. Sparreboom and Staneva.

5 United Nations World Population Prospects: The 2015 Revision.

are people living longer, but they are working longer—and without new job creation, there are not enough jobs to absorb young entrants to the workforce.

Moreover, certain segments of the youth population see their prospects limited by additional constraints. Young women, young people who live in fragile or conflict-affected environments, young people moving to urban areas and living in slums, rural poor, and disabled youth are all challenged in unique ways that, unless better understood and addressed, will guarantee that global targets relating to shared prosperity and inclusion cannot be realized. A dedicated focus on the constraints, opportunities, and knowledge related to these groups of youth will allow for a more nuanced and representative response.

How Young People and Others Are Responding

“I am convinced more than ever that any society that does not succeed in tapping into the energy and creativity of its youth will be left behind.”

—Kofi Annan

Increasingly, youth are seeking control of their economic fates with high rates of entrepreneurship—though business survival and growth remains a challenge for far too many. Today’s young people are ready and willing (but not necessarily able) to put their ingenuity and resources to work for themselves and their communities.

Policy makers are increasingly recognizing that systemwide interventions (such as stimulus and stabilization packages, education interventions, infrastructure, and so on) do not deliver help to young people with sufficient speed or certainty. They are finding, instead, that specific vulnerabilities related to youth employment can be dealt with through micropolicy interventions with quicker results, and recognizing that public policy should be used to intervene where market failures lead to poor social outcomes for young people. Some solutions to the youth employment challenge, especially microinterventions aimed at the household unit or individuals, show such promise that they demand and justify the greater level of attention accorded to them in recent years.

These realities have brought an invigorated sense of urgency to the youth employment challenge. The public and private sectors share a new awareness that getting the global economy on track, creating new prosperity, and eliminating extreme poverty will not happen if the downward trajectories of youth are not reversed.

This heightened concern is being met with new national and global commitments to address government failures and other environmental or institutional constraints. Nongovernmental, corporate and civil society actors are displaying new activism to improve individual capacities and help mitigate information and other private sector-oriented market constraints. New targets related to youth employment in the United Nations Sustainable Development Goals⁶ (SDGs) reflect this recognition and desire for change: today’s youth will not be able to escape poverty by 2030 or reach their full potential, if they do not have a means of employment.

Nonetheless, despite increasing investments in policy and program initiatives and a strengthened call to action, the needle on youth employment has to date not moved far or fast enough, and it will not budge without a more dedicated and strategic focus.

⁶ *Transforming Our World: The 2030 Agenda for Sustainable Development*. 2015. United Nations.

Youth Employment in the Sustainable Development Goals

Goal 4. Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

4.3 By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university

4.4 By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship

Goal 8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value

8.6 By 2020, substantially reduce the proportion of youth not in employment, education or training

8.b By 2020, develop and operationalize a global strategy for youth employment and implement the Global Jobs Pact of the International Labour Organization

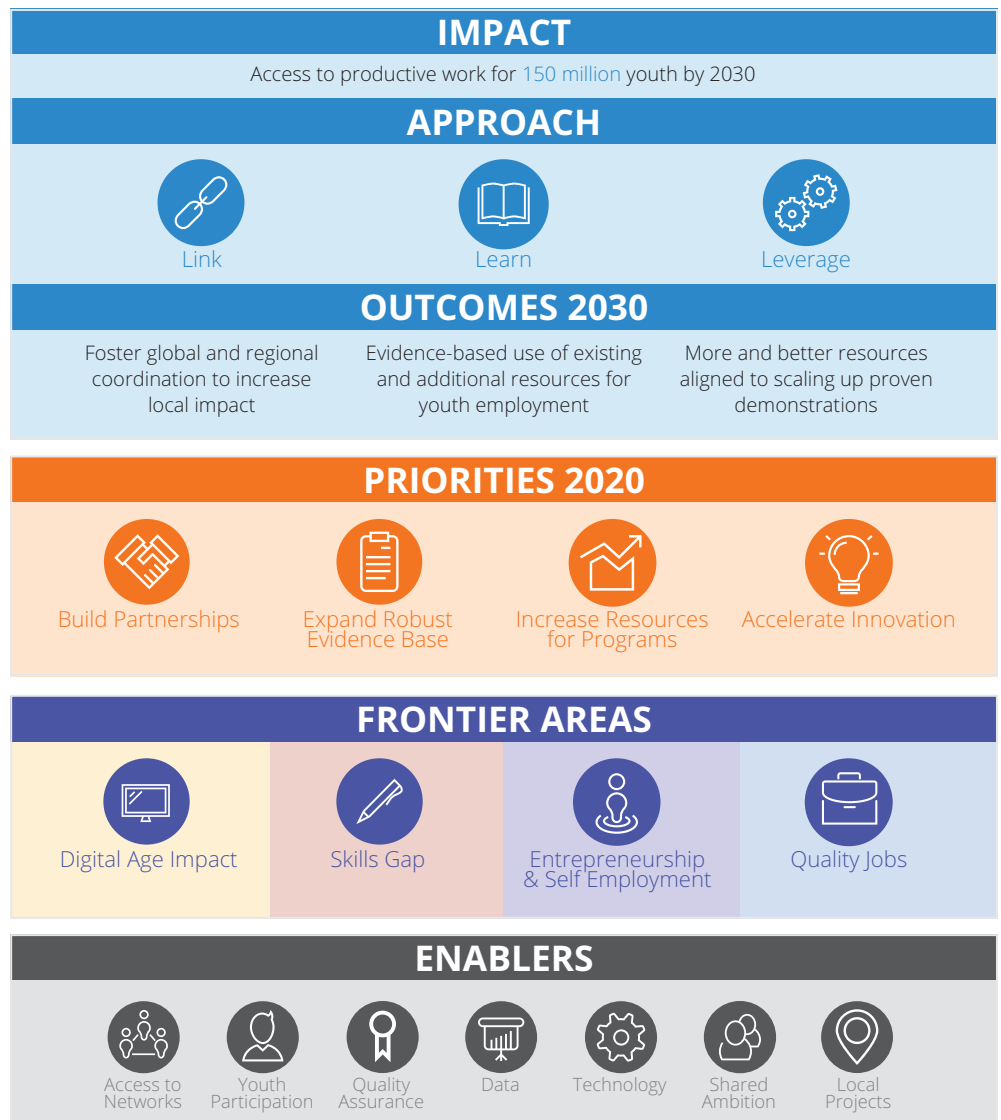
S4YE's Strategic Framework and Theory of Change

S4YE⁷ was launched in October 2014 as a multistakeholder Coalition to positively disrupt the youth employment landscape. S4YE is a partnership initiated by the World Bank, Plan International, the International Youth Foundation (IYF), Youth Business International (YBI), RAND, Accenture, and the International Labour Organization (ILO) with a view to contributing to a world where *all* youth have access to work opportunities.

The mission of S4YE is to provide leadership and catalytic action and mobilize efforts to significantly increase the number of young people engaged in productive work by 2030. It seeks to develop innovative solutions through practical research and active engagement with public, private, and civil society stakeholders to enable solutions for all youth at scale. S4YE combines a pragmatic approach to identifying solutions for youth employment with an evidence-based advocacy platform. S4YE's strategic approach is to link stakeholders from all sectors together, learn more consistently from each other and from high-quality evidence, and leverage each others' actions, knowledge, and resources to increase the number of young people engaged in productive work.

S4YE's strategic framework for action indicates how a dedicated and strategic focus on youth employment can be achieved in practice. The illustration shows how the S4YE Coalition intends to achieve the intended impact.

FIGURE 2: S4YE's Strategic Framework



⁷ For more information on the S4YE Coalition, please visit: <http://www.s4ye.org>.

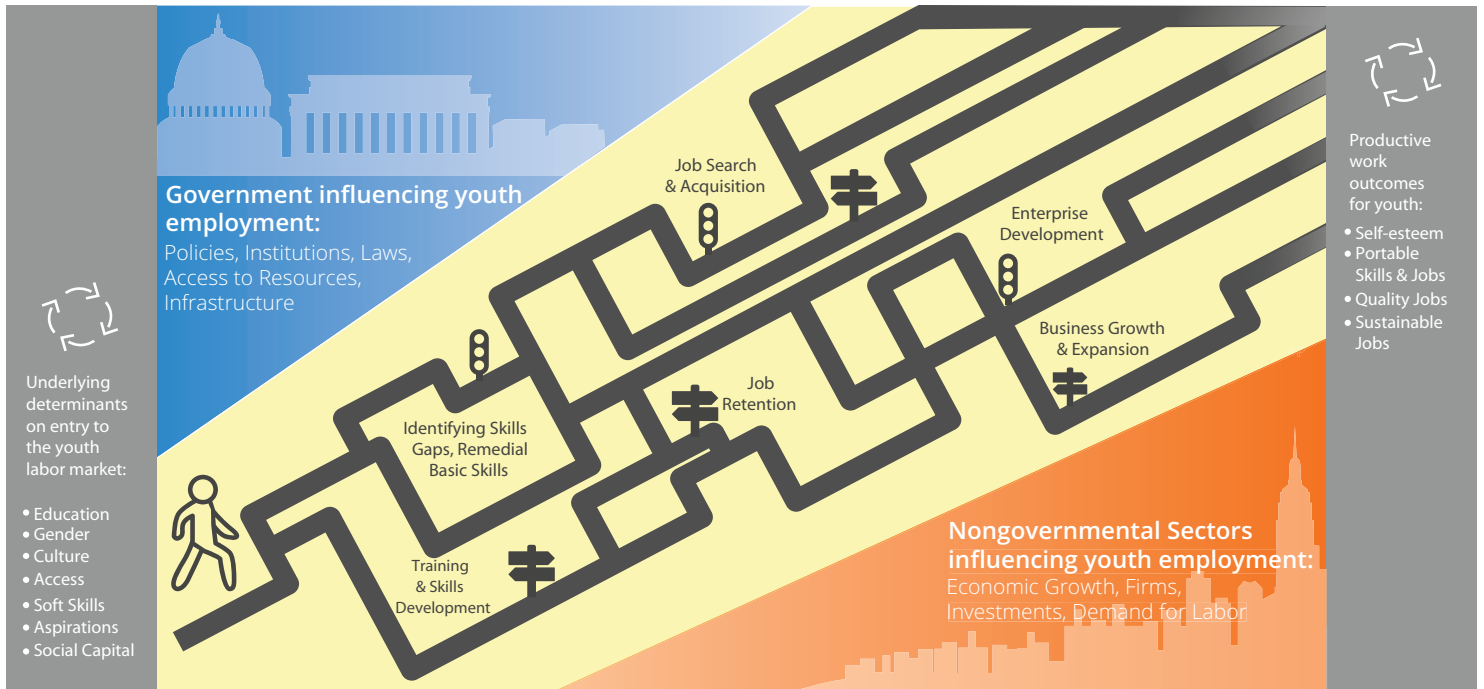


FIGURE 3: S4YE Pathways to Youth Employment

Source: S4YE Strategic Plan 2015–2020.

S4YE’s theory of change, Pathways to Youth Employment, represents the Coalition’s current conceptual thinking on how to provide young people with pathways to economic opportunities and employment—and how all stakeholders can work to achieve youth employment at scale. The Framework portrays a youth’s journey into productive work. It depicts how underlying conditions combine with government and nongovernmental forces and interventions to shape the young person’s trajectory. In doing so, it provides an analytical road map to the report. The Framework is not intended to be static: while it is both tested and validated throughout the report, it may change over time with shifting dynamics and new knowledge.

A Baseline for Youth Employment

The report is intended to set a baseline for youth employment trends, research and analysis, actions, and knowledge in line with S4YE's agenda and comparative advantage. The report sheds light on the areas that S4YE is best positioned to influence, acknowledging that youth employment will also be a function of broader demand and growth dynamics that public and private actors should assess and address. Although a comprehensive analysis of job creation is beyond the scope of this report, it focuses on the areas of action that S4YE's partners can implement and influence to affect youth explicitly.

This report explores the state of play specific to youth employment in 2015 through a three-part quantitative and analytical baseline, examining context, evidence and knowledge, and inclusion.

- Because S4YE wants to be able to track progress against a set of youth employment indicators in line with new global targets, and against representative investment flows, Part I of this report lays down a quantitative *contextual baseline*.
- Because S4YE wants policies, investments, and initiatives to be more strategic, catalytic, and impactful, Part II of this report sets an *evidence and knowledge baseline* to inform further research and programmatic strategy.
- Because S4YE has a vision to advance opportunities for *all* youth, Part III of this report includes an initial *inclusion baseline* for understanding, monitoring, and examining inclusion by first exploring gender, conflict and fragility, and spatial dynamics, and considering disability while recognizing that other minority groups or segments of youth also have distinct needs worthy of attention.

Importantly, there are links between and among these pieces: An integral part of the inclusion baseline will draw upon what is seen on key indicators in the contextual baseline. The evidence baseline is stronger for supply-side interventions, in part due to investment patterns emerging in the contextual baseline.

The global and regional baselines also draw upon and are illustrated with findings from background research in four diverse countries—Bangladesh, El Salvador, Tunisia, and Uganda—to highlight complexities and to help bring macro dynamics and youth employment issues into closer focus.

S4YE will revisit these baselines periodically—every five years—to benchmark progress and knowledge over time and to inform its Framework, approach, and priorities.

The Contextual Baseline

Highlights

- Nearly 85 percent of the world’s young people live in lower-income countries and fragile states.
- Over the next decade, a billion more young people will enter the job market.
- Youth are up to four times as likely as adults to be unemployed.*
- In 2014, across the globe, about 500 million youth were unemployed, underemployed, or working insecure jobs.*
- Roughly a third of youth worldwide—621 million—are classified as NEETs, not in employment, education or training.*⁸
- In education, boys and young men generally post higher attendance levels across ages and regions, except in advanced economies where girls and young women are more likely to be attending school. The difference between the sexes is more pronounced in the Middle East and North Africa.
- Young people are less likely than older workers to find employment in the formal sector, where pay and benefits are generally higher and more reliable. A large share of the youth population is employed in vulnerable work, often in the informal sector. Young women, especially, post very high levels of vulnerable work.
- Young adults between 25 and 34 display the highest early-stage entrepreneurial activity worldwide, but access to credit is a problem for young entrepreneurs.⁹
- Unemployment levels are up to 10% higher for young women than young men.*
- In developing countries, 89% of new work is in the informal sector.
- Data on youth cohorts are a premium and are rarely disaggregated within the ‘youth’ category.*

*These are baseline facts that S4YE will work to influence over the life of the Coalition.

Youth, by S4YE’s definition (ages 15–29), make up roughly a quarter of the world’s population, and in many countries, especially in Africa and South Asia, young people make up nearly a third of the population. Not only do nations in the developing world share high age-dependency ratios (the ratio of dependents [people younger than 15 or older than 64] to the working-age population [those aged 15–64]), but they also have large populations under age 15. This guarantees significant numbers of new entrants to these labor markets over the lifetime of S4YE (2015–2030).

Countries with high numbers of young people could benefit from a “demographic dividend,” but only if strategic labor market and other policies and investments in human capital of children and youth allow for the productive absorption of the growing number of workers. Over the next decade,

⁸ World Bank, 2013.

⁹ Global Entrepreneurship Monitor. 2015.

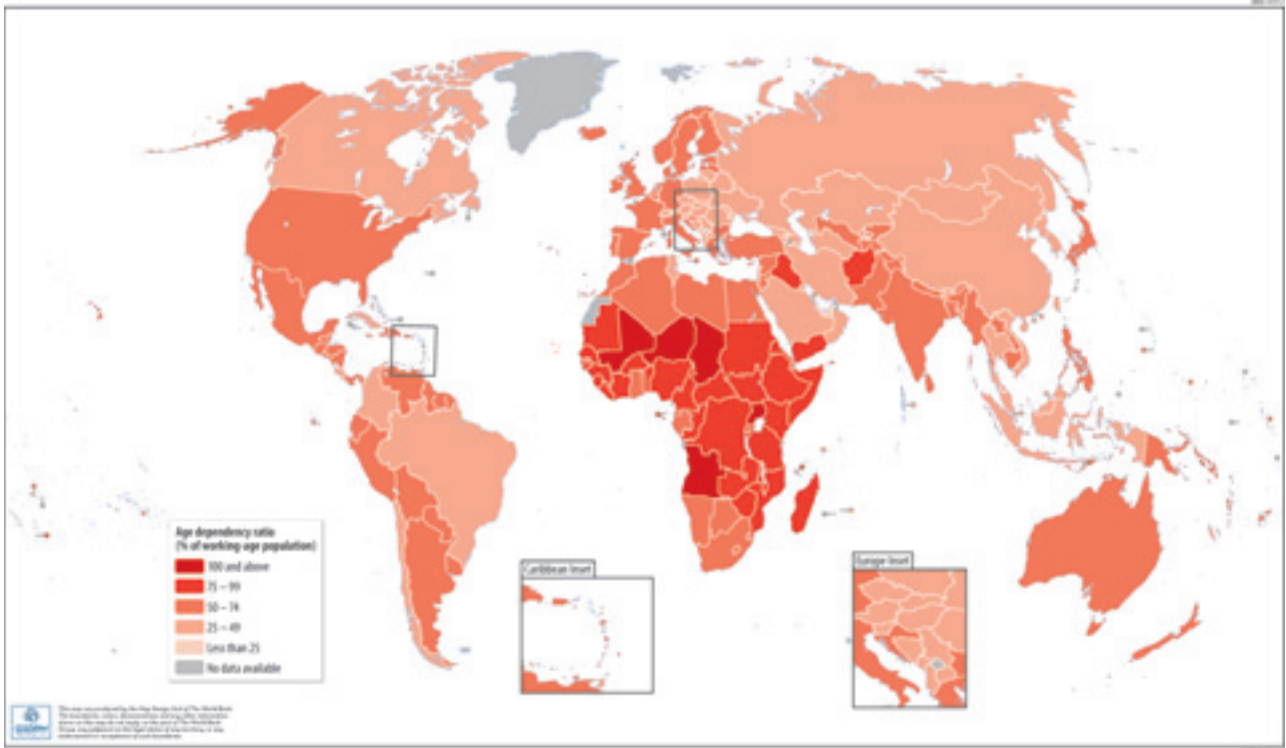


FIGURE 4: Many Countries Have Favorable Age-Dependency Ratios

Source: World Development Indicators, 2010–2014.

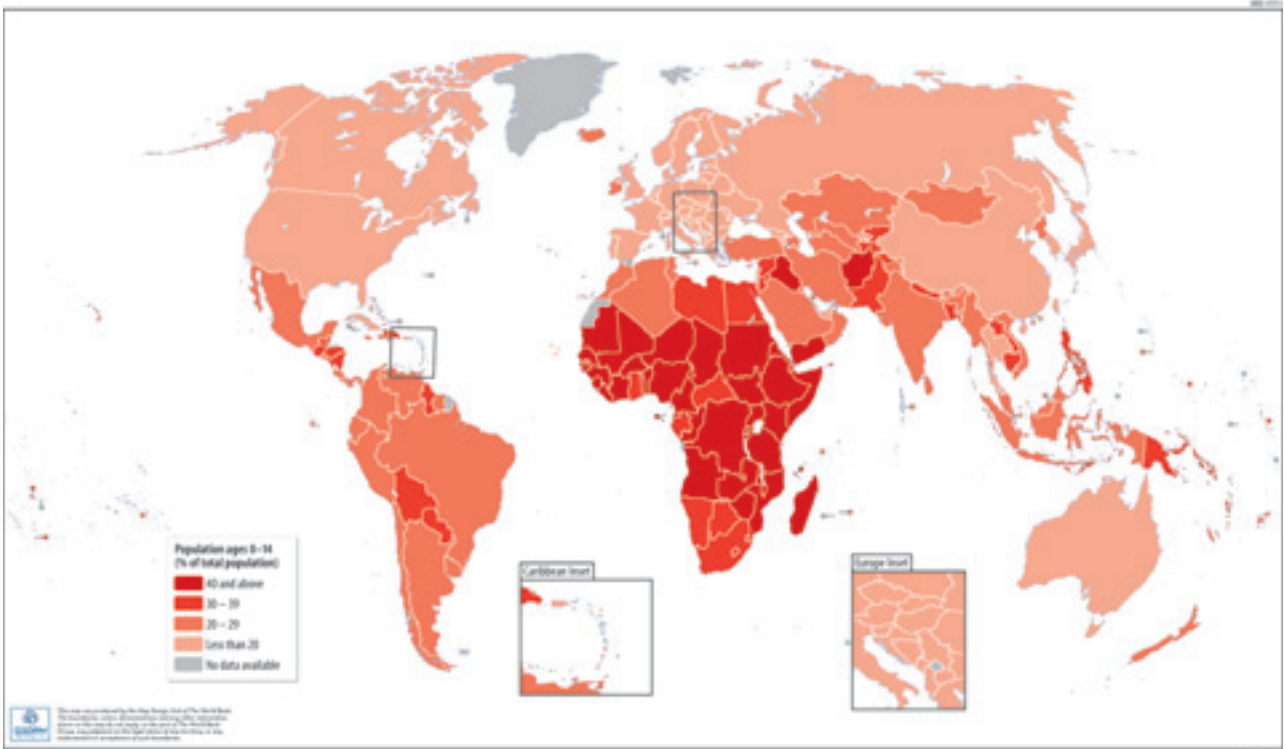


FIGURE 5: Many Countries Have Economic Opportunities Because of Their Youth

Source: World Development Indicators, 2010–2014.

a billion more young people will enter the job market—and only 40 percent are expected to be able to enter jobs that currently exist. The global economy will need to create 600 million jobs over the next 10 years: that's 5 million jobs each month simply to keep employment rates constant.¹⁰

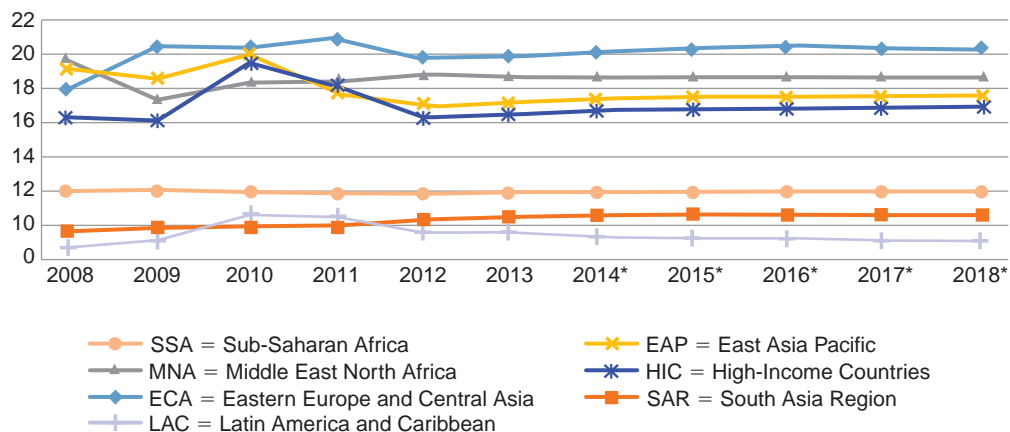


FIGURE 6: Persistent High Youth Unemployment Worldwide

Source: ILO 2015.

The employment situation for a majority of the world's youth is grim. Unsurprisingly, the baseline of youth employment outcomes across key employment indicators is low, including those in the Sustainable Development Goals (SDGs). Since the 2007–2008 financial crisis, youth unemployment and underemployment has reached an apex, and projections indicate the situation is likely to worsen in many low-income countries. Reflecting a weak baseline for SDG target 8.5, about 500 million youth were unemployed, inactive, underemployed, or working in insecure jobs in 2014. Labor force participation data show youth are more economically inactive than adults, by 14 to 22 percent on average.

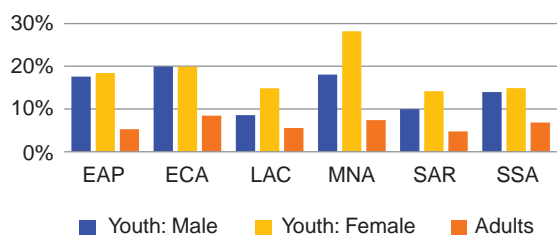


FIGURE 7: Youth Up to 4x More Likely than Adults to Be Unemployed

Source: ILO 2015.

Across all regions, youth are at least twice as likely as adults to be unemployed, with the biggest gap between youth and non-youth employment in East Asia, where youth are four times as likely to be unemployed. Unemployment levels among youth are generally higher for young women than young men. The difference is most notable in the Middle East and North Africa, where young female unemployment is 27 percent for young women and 17 percent for young men. Looking at spatial data, rural youth tend to lag behind urban youth on education, but urban youth lag behind rural youth on employment, though the figures vary by region.

¹⁰ World Bank World Development Report. 2013.

In addition, roughly 621 million young people worldwide are NEETs. It will be challenging to substantially reduce that number (especially for young women) and meet SDG target 8.6.

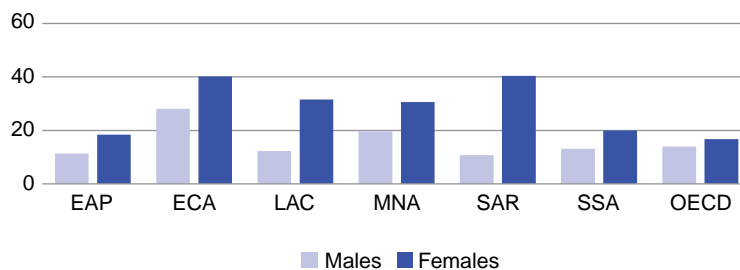


FIGURE 8: One Third of All Youth Are Not in Employment, Education or Training (NEETs)

Sources: WDR 2013.

Despite improvement in education levels, young people—especially young women—are working primarily in the informal sector and in insecure or self-employment. Agriculture remains the dominant source of youth employment (57 percent of 15- to 19-year-olds), and a large proportion of youth worldwide are employed in informal, low-productive, vulnerable (measured by proxy as self-employment) work, with the highest shares seen in sub-Saharan Africa, followed by South Asia, Middle East and North Africa. Young women, specifically, are more likely to be in vulnerable or insecure employment; 86–88 percent of young women are self-employed across these same regions.

However, younger adults 25–34 display the highest early stage entrepreneurial intention and start-up activity worldwide: 1.6 times that of adults. Though youth (18–24) also display robust start-up activity as will be shown in Chapters 2 and 4, they lag behind their older peers. All youth find that access to credit from financial institutions is significantly limited.¹¹ This complements patterns in the baseline for sectoral participation by youth, which show increasing participation in entrepreneurial activities in commerce and other ventures as young people age.

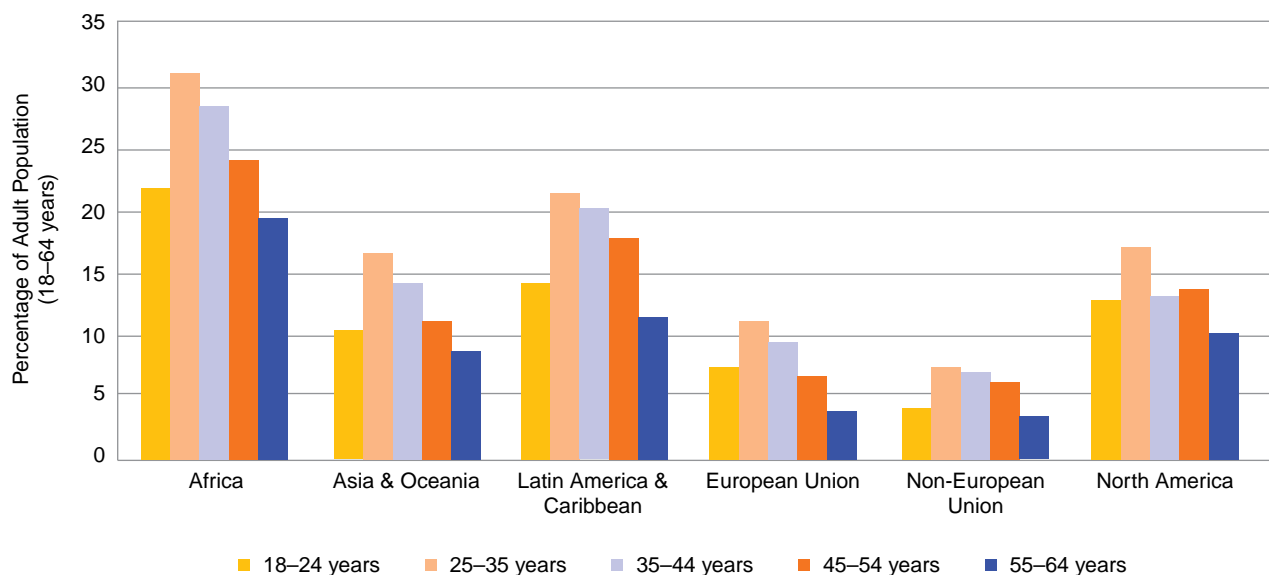


FIGURE 9: Youth Are More Likely to Be Entrepreneurial

Source: GEM 2014.

¹¹ Global Entrepreneurship Monitor. 2015.

Table 2 illustrates the above global data with findings from background research in four diverse countries—Bangladesh, El Salvador, Tunisia, and Uganda—to highlight complexities and to help bring macro dynamics and youth employment issues into closer focus.

Bangladesh	<p>In 2013, the youth unemployment rate was 10.3%, higher than the regional South Asian average (9.45%), but lower than the world average (12.4%).</p> <p>Bangladeshi youth work informally, with more than 95% of youth reporting to work in the informal sector in 2013, of which many work as self-employed (31.7%), or in unpaid family work (11.1%).</p> <p>More than 75% of businesses leaders claimed that a scarcity of skilled young workers was a challenge to hiring youth.</p>
El Salvador	<p>El Salvador suffers from by low education rates; 32.8% of El Salvadorian youth between 15 and 18 are not attending school, and dropout rates remain high.</p> <p>In 2013, 17.2% of young Salvadorans, or 307,106 young people, were classified as “NEETs”—not in employment, education or training.</p> <p>Young Salvadoran women are more than twice as likely to be unemployed as adults; and young men nearly three times.</p>
Tunisia	<p>The Tunisian youth unemployment rate stands at 31.2%, double the national adult unemployment rate and higher than the Arab world standard, 29.3%.</p> <p>The duration of Tunisian youth unemployment is concerning—20.1% of youth report being unemployed for 1–2 years, while 37.7% of Tunisian youth have been without a job for more than two years.</p> <p>Tunisia sees high dropout rates—more than 140,000 drop out of school each year; in 2009, 90% completed primary school, which was higher than the Arab world average (84.6%) but lower than the world average (91.6%).</p>
Uganda	<p>Uganda has the youngest population, with 78% under 30, so the Ugandan young labor force is rapidly growing, having more than doubled in the past decade from 4.2 million in 2005–2006 to an estimated 9.5 million in 2015.</p> <p>While youth unemployment is low (5%), most young Ugandans are self-employed or working informally.</p> <p>Nearly half of Ugandans drop out of school before completing their education.</p>

It is important to note the limitations and challenges in measuring and comparing performance on indicators and youth-development outcomes, especially with regard to disparities among youth. Comparing youth outcomes is complicated by the fact that there is variety among countries in how they statistically define youth. Moreover, the capacity for data collection is often weak in low-income countries. Further, data is not always collected on youth, nor necessarily disaggregated by age cohorts to allow a youth analysis. Most comparative global datasets are inadequately disaggregated by multiple factors to allow deeper analysis of the situation of segments of youth to ensure inclusion. For example, data may be available for youth vs. other age groups, and for male vs. female, but not necessarily for female youth vs. male youth, or rural male youth vs. urban male youth. Such limitations underscore the importance of S4YE’s call to action to improve our collective knowledge, monitoring, and data.

Investment Flows

Generating more and better jobs for young people is the ultimate aim of S4YE. There are two critical means of achieving this: by using existing resources more effectively (through scaling up proven solutions or not investing in interventions where evidence on effectiveness is insufficient) and by mobilizing new resources. So how much do we know about how and where current resources are flowing? For illustrative purposes only, a topline review of two of the leading international organizations' portfolio of youth employment projects was undertaken, using information provided by the World Bank and the ILO, and adopting methodology contained in the Independent Evaluation Group's 2012 report.

An initial review of spending shows that much of the money is being spent strategically. Half of the youth employment portfolio is being spent in sub-Saharan Africa, where statistical baseline performance on most indicators is low.

The data further shows that investments in youth employment initiatives have been dominated by supply-side interventions, especially those to build skills. Investments in supply-side projects make up 52 percent of the total portfolio, compared with 29 percent on the demand side.

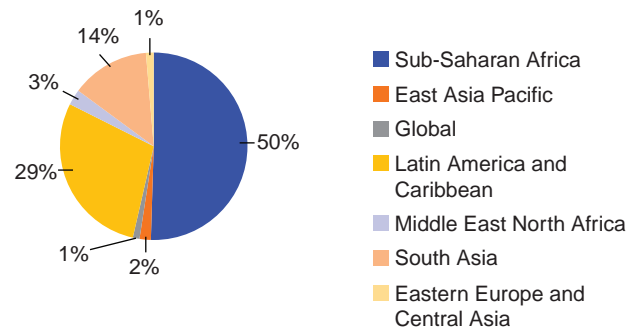
On the supply side, the majority of the portfolio (48 percent) is going toward skills and training interventions, followed by enterprise development: entrepreneurship (4 percent). On the demand side, a quarter of the portfolio is in direct employment interventions.

Notwithstanding the utility of this proxy baseline to understand current investments, the inability to include a wider range of public or private donors in the analysis speaks to a need for further transparency and diligence in foreign assistance and philanthropic reporting and sharing.

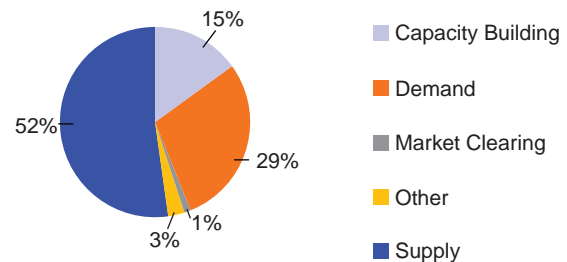
Definitions

- **Supply:** The sum of the following interventions: skills/training, enterprise development (specific to entrepreneurship)
- **Demand:** The sum of the following interventions: enterprise development (specific to Small and Medium Enterprises), direct employment and business growth
- **Market Clearing:** Equals the job search and acquisition intervention
- **Capacity Building:** The sum of the following interventions: capacity building, policy advice
- **Other:** Equals the other intervention

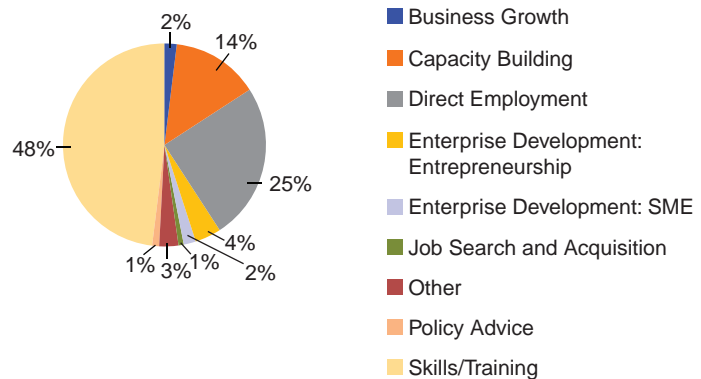
Investments in Africa Dominate



Investments in Supply Side Dominate



Investments in Skills/Training Dominate



The Evidence and Knowledge Baseline

Highlights

The evidence proves that interventions outlined in the S4YE Pathways to Youth Employment can make a difference in the lives of young people.

- Skills training can improve youth's employment prospects.
- Entrepreneurship-promotion interventions activate the highest return on productive work for young people, especially when combined with access to finances.*
- Of all interventions reviewed, those in employment services appear to deliver the lowest outcomes. This has implications for further experimentation and direction of new program resources.*
- Combinations of interventions are important, but we don't know enough about them and certainly not enough about the multiplier effects of combinations of interventions.*
- There is a rich and growing base of knowledge on promising practices and innovative solutions, but further research and debate is needed to answer the more detailed questions, and to bring new questions forward.*

*These are baseline facts that S4YE will work to influence over the life of the Coalition.

What Empirical Evidence Tells Us

Despite the generally dull picture of youth employment in 2015 painted by the contextual baseline, there is better news in the evidence baseline: as shown in Figure 10 by the effect size in standard mean deviation (SMD), the empirical evidence proves that labor market interventions to advance youth employment can have impact. Empirical evidence shows that youth employment interventions, especially those that provide skills or entrepreneurship training, or subsidize employment, yield positive and statistically significant results on labor market outcomes for participating youth. The effects are more visible on a number of indicators, namely probability of employment and hours worked. At the same time, though rigorous evaluation results do prove these investments to be worthwhile, the magnitude of the impact is modest.

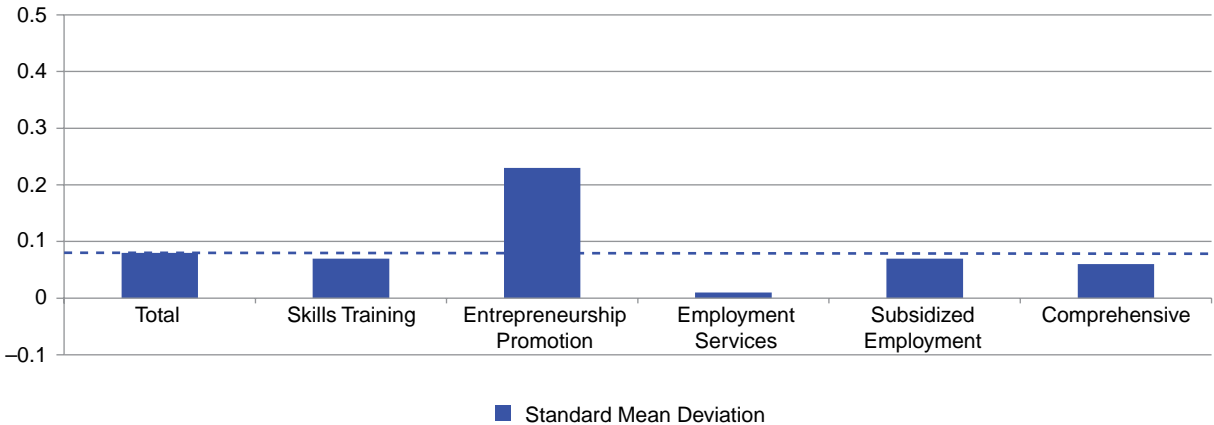


FIGURE 10: Interventions in Youth Employment Work

Source: Authors, based on Kluge et al. 2016.

The baseline also affirms that creating long-lasting positive changes in labor market outcomes of youth seem to take more than the provision of services offered through active labor market measures. For example, interventions to promote entrepreneurship show the largest effects on employment outcomes and earnings. Similarly, access to finance has proven to be an important strategy in reducing barriers, but its impact is sustained only when combined with skills training. This proof of impact paves the way for future innovation and scaling of entrepreneurship and skills initiatives as S4YE Frontier Areas.

On the demand side, interventions that combine a reduction of employer's social security contributions with a reduction of the employer's labor or wage costs also show a positive impact on employment.

The effects from employment services are, on the other hand, generally weaker and deserve further experimentation, particularly in developing contexts where the evidence is still scant.

“We all hold the tools to thinking, drawing, and building a brilliant future for our youth. Let's use them wisely.”

—Christine Lagarde

Rigorous evidence from the Adolescent Girls Initiative (AGI)¹² indicates that five practices are essential for higher impacts on young women. First, outreach is needed to reach the right target audience, especially in environments where young women do not traditionally have opportunities for employment outside the home. Second, it is critical to create the right incentives for the community, participants, training providers, and employers. Benefits such as child care, food and transport, literacy training, flexible schedules, and other accommodations make programs much more attractive. Third, programs will be effective only if they are designed with an understanding of and in response to the local labor market and the most promising training opportunities, including nontraditional jobs. This includes knowing where workers are in demand, and where self-employment will be more successful than traditional employment. Fourth, supplementary training in areas such as business and life skills can strengthen the resilience of program participants. Finally, programs can have catalytic impact if they help build social and financial capital by helping participants to open savings accounts and build financial skills, and by providing incentives to save and invest.

The evidence for success is generally weaker in the area of promoting youth employment in fragile and conflict-affected states. Still, there are a few promising signs. Evidence suggests that higher wages and employment can reduce materially motivated crime and violence. Employment probably helps reduce some types of violence. Public works and employment generation can help modestly in terms of peace and job creation and should be examined further. Finally, rehabilitation programs can work for high-risk young men, resulting in their smooth entry into the labor market. However, there are few solutions that stand out in a review of the evidence base. Once again, the need for quality evidence is paramount.

While the experimental evidence base specific to urban or rural youth employment interventions is still weak, available empirics do point toward the importance of a number of interventions if we

¹² For information on the AGI's South-South learning exchanges, see <http://www.worldbank.org/en/programs/adolescent-girls-initiative>; for detailed analysis of the AGI Nepal project, see Chakravarty et al. 2015; for detailed analysis on the AGI Liberia project, see Adoho et al. 2014; for detailed analysis on the AGI Jordan project, see Groh et al. 2012.

are to provide support. These include clarity of land rights and access for rural youth; the need for soft skills and market-relevant education and training for urban youth; and access to capital and entrepreneurial know-how for young entrepreneurs in both rural and urban settings.

However, much more remains to be learned. Many programs are too expensive to scale up with public funds to all those who might benefit from them. It may be, as noted earlier, that although comprehensive programs outperform single-intervention programs, the subset of program attributes or services that really make a difference is yet to be delineated. The next step is to look inside these multifaceted programs with heterogeneous results to understand the impact of each component. The evidence so far provides limited information on long-term effects of youth employment interventions. Thus it is particularly important to assess cost-effectiveness and explore opportunities to replicate and scale up solutions that work. Many questions remain unanswered.

What We Know—and Don't Know

A great deal of progress has been made in recent years toward understanding the complexities of youth employment and how to promote it, yet many important gaps remain. The baseline review of knowledge reveals that while we do understand how best to move forward in some areas, there is much more to learn. Similarly, as some questions are answered, more arise.

We know that labor markets are shifting, that globalization is expanding value chains, and that employers are demanding different sets of competencies and skills than today's youth are being taught. And while we know that work in much of the global economy is becoming more flexible and less permanent, we do not yet know how these trends will affect the skills that young people will need in the new labor market, or the quality of the jobs to which they will have access.

“These young people are, in a way, the greatest natural resource the [African] continent has. It is therefore essential to help them realize their potential.”

—Mo Ibrahim

We know that a country needs certain fundamentals to provide successful youth transitions to productive work. These include macroeconomic stability, a functioning infrastructure, a working financial system, appropriate labor market and regulatory policies, and public sector capacity. But we do not yet understand the precise institutional and policy factors that allow young people in some countries to thrive, while others suffer. And we are just learning what institutional and policy reforms can improve outcomes for youth in contexts of low economic growth or weak government capacity.

Recent research helps us understand the skills that are needed for work. These include not only technical skills, but also “soft” or behavioral skills. We have learned about the need to involve employers closely in training to ensure that the skills being provided are relevant to the labor market. But we do not yet know the most effective means to teach these skills or the mechanisms to engage employers in skills development, how to validate or signal to potential employers the skills obtained (especially in informal apprenticeships), or the most effective practices for nontraditional mechanisms to prepare young people for work.

We know that youths'—and often their families'—aspirations, behaviors, and expectations impact their educational and occupational choices, but we do not yet know the right incentives to mitigate stigma, change youth attitudes, or encourage employers to take what is perceived as more risk in recruiting and hiring young (usually entry-level) workers.

We have learned that many young people across the world are enthusiastic about starting their own businesses, but they face a number of disadvantages. They lack savings, collateral for loans, and experience, and we do not yet know how best to help their enterprises to survive and grow. We know that entrepreneurship training benefits entrepreneurs starting up, but we do not know if it yields definitive benefits even to youth who eventually enter wage employment. And we don't know whether large-scale promotion of youth entrepreneurs could have negative impacts on markets by driving down prices and returns.

We know that employment placement services can improve and facilitate job search and improve matches, overcoming information failures. And, while we also know that public employment services currently tend to be underfunded and poorly utilized, we do not yet know what it means if information on jobs (for young people) and on candidates (for employers) is lacking. We need to learn how best to leverage the use of information technology—Internet, texting—to scale up and improve employment services, and how to expand the networks of youth to help them learn about opportunities.

And, while we know the demographics and statistics demand a large-scale approach, we do not yet know how to effectively address institutional and resource constraints to youth employment and which specific practices to employ to sustain, adopt, and scale up successful youth employment programs, both within nations in a variety of contexts and internationally.

The Inclusion Baseline

Highlights

Some cohorts of youth are falling behind on key indicators and demand additional focus if we are to ensure that all young people have access to work opportunities that empower them to escape poverty and fulfill their potential.

- Informality, and associated insecure, unpaid, or low-wage jobs and potentially dangerous or exploitive work are a common dynamic across varying contexts, typically faced by economically excluded youth. At the same time, informality can yield creativity, spur innovation, and create markets of opportunity where youth may be uniquely positioned to thrive.*
- The majority of working young women are employed in the informal sector in family businesses or on family farms.
- Success in projects working with women may be attributed partially to the sequencing of interventions.*
- Young women more often need nuanced support, but young men may face distinct challenges that warrant further attention.
- Youth in cities are more likely to work in services, manufacturing, or trade (export/import).
- Rural youth are more likely to be engaged in agriculture and fisheries, forestry, handicrafts, small-scale retail (microenterprise), or cottage industry.
- 70% of the youth in sub-Saharan Africa and south Asia live in rural areas.
- Youth are 40% more likely than adults to migrate to urban area.

*These are baseline facts that S4YE will work to influence over the life of the Coalition.

While young people in lower-income countries commonly face a difficult path toward economic empowerment, each is likely to experience different challenges—and the path is rockier for some youth than others.

S4YE has a vision to create opportunity for *all* youth. This report addresses the inclusivity dynamics that affect larger numbers of youth based on gender, conflict and fragility, and rural or urban location. But S4YE recognizes that full inclusion means paying closer attention to other minority and marginalized groups as well.

Informality, and associated insecure, unpaid or low wage, potentially dangerous or exploitive work is a common dynamic across varying contexts and typically faced by economically excluded youth. At the same time, informality can yield creativity, spur innovation, and create markets of opportunity that youth may be uniquely positioned to fill.

Gender

Young women and young men have different employment experiences, and arguably those differences are more acute in the developing world. Young women are at an inherent disadvantage, as they are frequently kept out of school and subsequently unemployed, are NEETs, or are in insecure employment.

For young women, constraints such as household responsibilities, lack of access to education and health services, social norms, and lack of public safety lead to more isolation and fewer chances to develop the aspirations, skills, networks, and confidence needed to find productive employment. Although countries have made great progress in advancing the education of young women (who can outnumber men in tertiary education), young women are still at a great disadvantage in the labor market. Young women often lack the necessary education and skills for many jobs; as a result, they engage in low-productivity work that affords flexible time commitments. These jobs pay less and tend not to offer benefits such as health care.

The majority of working young women are employed in the informal sector, in family businesses, or on the family farm. These jobs have low barriers to entry, and provide great opportunities for women who lack adequate training or the connections needed to find formal employment. Young women often engage in unpaid work, such as domestic work and household enterprises, as well as lower-paying informal work, all of which lack benefits. Early marriage stifles education, and many young women must find care for their children and meet other obligations if they are to participate in the labor force. In developing countries, between 2000 and 2010, roughly one-third of women were married before the age of 18.¹³ The alternative to economic advancement—early family formation—reduces opportunities and welfare later in life, perpetuating the cycle of vulnerability.

Successful programs to enhance livelihood opportunities for young women have also had some success in promoting other outcomes, such as delaying childbearing. These programs are generally comprehensive, combining life skills and technical or business skills; other evidence suggests that life skills alone are what matter, or access to capital and physical assets. Several projects indicate there is cause for optimism about lessons learned from interventions with young women. For example, the ELA program¹⁴ in Uganda saw that livelihood and life-skills training for young women resulted in positive impacts on income and health. The AGEI job-training and placement program in Nepal had positive results, as participants were more likely to work more hours, gain employment in various trades, and, on average, saw a significant earnings increase. The EPAG¹⁵ program in Liberia saw that women who received business training were twice as likely to gain employment, compared with those who received vocational training. Success in these projects may be attributed partially to the sequencing of activities, where financial support is provided only after the young women are motivated and have a supportive environment to engage in an income-generating activity.

There are indications that actors need to better understand the local labor market in order to identify the most promising training opportunities for young women, including nontraditional jobs. This includes knowing where the young women workers will be in demand, and where

¹³ UNFPA 2014.

¹⁴ Bandiera et al. 2013.

¹⁵ See Adoho et al. 2014.

self-employment might be more successful. Building social and financial capital, by opening savings accounts, building financial skills, and providing incentives to save and invest is critically important.

Arguably inadequate attention and research has traditionally been paid to the distinct employment challenges faced by young men, especially in regions where they may be at a masked disadvantage. For young men, the struggle to find productive employment is inextricably linked to the process of establishing identity and independence. Young men also often face a different set of livelihood challenges in the face of differing societal expectations: masculinity and gender norms, responsibilities (often including military service), higher likelihood of engaging in hazardous work, and more exposure to crime and violence and illicit economic activities.

In addition to living in what is often an all-around hostile and rights-abusive environment, LGBT youth in the developing world commonly face fear, discrimination, and outright exclusion in education, getting a job, and advancing in the workplace.

Like many of their male peers, disadvantaged young women around the world want to participate in programs that enhance their economic empowerment. They want to overcome the barriers to achieving their economic goals, including their lack of skills, insufficient financial and social assets, the depredations of conflict, and social and gender norms. But evidence has shown that unless programs are tailored to their distinct needs, they will not participate—nor will the programs have the desired impact. Recent research has yielded a number of lessons, but much remains unanswered, especially in terms of male deficits, needs, and interventions. In the long run, the institutional and structural constraints, as well as norms and culture that limit young people's opportunities for employment will need to be addressed not only to increase their earnings, but also to unleash their entrepreneurial potential.

Conflict-Affected and Fragile States

In general, the populations of fragile states are young, and half of the world's youngest countries are fragile. Globally, about 1.5 billion people live in areas that are conflict-afflicted or fragile. In these places, youth face unique constraints. The jobs challenge in fragile and conflict states is threefold: to prepare youth for work, to create jobs and generate work opportunities, and—because work is more likely to be in the informal sector—to boost the productivity of activities in which the youth are engaged.

Young people are often disproportionately affected by conflict and fragility. Conflict, especially armed conflict, and violence lead to displacement, breakdown of systems, and weakened infrastructure that cause many young people to miss developmental milestones, especially around education. Roughly half the world's out-of-school children and youth are in conflict-affected environments. At the same time, globally, unemployed young people are at a particular risk for turning to violence, crime, gangs, and rebel movements to compensate for the absence of voice, self-esteem, and belonging that a job might otherwise provide. Among youth ages 10 to 29, an estimated 200,000 homicides occur globally every year, and more than 80 percent of the cases involve a male victim. When surveyed by the World Health Organization, 53 percent of countries reported having a national policy or action plan to prevent youth violence.¹⁶ But although youth

¹⁶ WHO 2014.

unemployment and the associated feelings of exclusion or lack of value may contribute to violence, there is no mechanistic connection between large youth populations and violence.

Without education and skills, youth have a harder time getting a job. In Libya, for example, the ratio of employment among the total population to that among youth was about 2. That is, young people were half as likely to be employed as someone chosen randomly from the general population. Sometime around 2010, this ratio increased to nearly 2.5. This preceded the civil war that began in Benghazi in February 2011.

Job creation insufficient to absorb young workers is not unique to fragile and conflict-affected states. But in these countries, private sector investments are comparatively low and thus the demand-side challenge is especially acute. It is important for policy makers to consider how to encourage investments in fragile states. Governments need to identify and alleviate constraints that drive conflict and instability, such as weak institutions regarding land rights, for example, which are a major restraint on private investment. An even greater constraint against private investment is lack of access to electricity: 70 percent of respondents to a survey of private sector entities cited poor access to electricity as the main reason for not investing, compared with the 55 percent who cited political instability. Moreover, in encouraging private investment, policy makers must often balance trade-offs between economic growth and job creation, and between the urgent short-run needs of stabilization versus those actions and investments needed for medium and longer-run development objectives.

Without enough private sector investment in fragile states to generate jobs, the majority of economic activity occurs in the less productive informal sector, which is also where most youth work. Not enough empirically evaluated interventions have succeeded in improving both the employment opportunities and productivity of youth in fragile environments. More rigorous research is needed.

Rural and Urban Settings

Rural and urban youth face different challenges and likely have different prospects in the world of work. Roughly 70 percent of sub-Saharan African (particularly those in the Horn and the Sahel) and South Asian youth live in rural regions, and half of the youth labor force works in agriculture, making these regions the greatest proportions of rural youth, globally. At the same, these regions are also experiencing the global trend toward rapid urbanization and migration, especially among youth.

Today, more people live in urban areas than in rural areas, with 54 percent of the world's population residing in urban areas in 2014. In contrast to the Americas and Europe, where between 82 and 73 percent of the population lives in cities, Africa and Asia remain mostly rural, with 40 and 48 percent of their populations, respectively, living in urban areas. But all regions are expected to urbanize further over the coming decades. Africa and Asia are urbanizing faster than the rest of the world and are projected to become 56 and 64 percent urban, respectively, by 2050. Overall, the United Nations expects continuing population growth and urbanization to add 2.5 billion people to the world's urban population by 2050,¹⁷ with nearly 90 percent of the increase concentrated in Asia and Africa.

¹⁷ *United Nations World Urbanization Prospects: The 2014 Revision.*

From education to infrastructure, governance, and access to services and technology, youth in different settings have varied experiences with these and other factors. In terms of education and skills training, for example, rural youth are usually at a disadvantage compared with urban youth, yet urban youth tend to have higher rates of un- and underemployment and likely face higher degrees of all-around informality in their lives and work. In Ethiopia, for example, the urban youth unemployment rate was 37 percent, while the total unemployment rate was just 8 percent.¹⁸ Similarly, cultural, ethnic, and social norms are likely to vary between communities, creating special considerations, especially for young women, in finding economic opportunities. In Tunisia, less than one in five rural women are employed, while nearly 40 percent of urban women have a job. And both rural and urban youth are likely to confront distinct health and security risks that could hinder their ability to obtain work or be successful in the workplace.

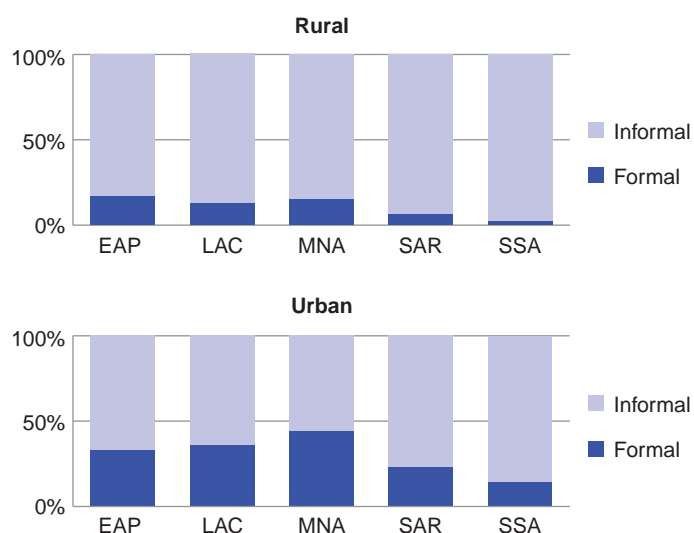


FIGURE 11a and 11b: Informality Dominates in Both Rural and Urban Settings

Source: I2D2, World Bank.

The structure of rural and urban economies also tends to differ greatly; as such, youth's opportunities will vary in different sectors, requiring different resources and rights, competencies and skills. Youth in cities, for example, are more likely to work in services, manufacturing, or trade (export/import). Rural youth, on the other hand, are more likely to be engaged in agriculture and fishery, forestry, handicrafts, small-scale retail (microenterprise), or cottage industry. Though it manifests differently in urban vs. rural settings, informality in work is a dynamic shared by both urban and rural youth.

The concentration of people, business, government, and information creates distinct opportunities for urban youth, while endless demand and rising crop and commodity prices create profitable opportunities for rural youth to engage in agriculture. However, land scarcity and weak or lacking land rights, are hindering youth from engaging in agriculture; and lack of access to loans and leases also prevent youth from obtaining their own land. Even though agriculture accounts for 59 percent of total employment opportunities in Africa and 54 percent in Asia, youth are staying away from agriculture for reasons such as lacking land rights, stigma, lack of finance, irrelevant education, fear of market shock and aversion to risk, or inability to penetrate supply chains.

While there is no doubt economic dynamism afforded by the density in cities, young people may not be poised to capitalize on innovative and inclusive potential that the concentration of people, ideas, and commerce can bring. Although they may have better digital and entrepreneurship opportunities, urban youth face unique challenges in underemployment, inadequate education, crime and violence, migration, and risky work in the informal sector. In developing countries, 85 percent of new work is in the informal sector. Two of every three Africans work in the less productive, low-wage, informal sector. Safety is a big issue for young city dwellers: A UN-Habitat

¹⁸ See Elder et. al. 2015 and Urdal and Hoelscher 2009.

study found that on average, worldwide, only one in four urban youth feel safe. Data show high rates of migration of youth, with UNICEF reporting that roughly 17 percent of youth, ages 10 to 24, are migrants. Data from 29 developing countries found that youth are 40 percent more likely than adults to migrate to urban areas. Young urban migrants are exposed to violence and health risks, as well as high economic costs.¹⁹

While spatial dynamics in youth employment are a relatively as yet underresearched and underevaluated area with weak empirical evidence, there are signs of promising practices. For example, conveying land rights and ownership opportunities to rural youth can encourage them to engage and invest in value-added agriculture. The STRYDE program in Eastern Africa and the World Bank’s Young Rural Entrepreneurs program in Colombia both saw positive impacts on employability of both rural and urban youth participating in business and skills-building programs designed to meet their specific needs and immediate market demand. Similarly, there are signs that rural-urban migration can be lessened if improvements in infrastructure, new technology, and information systems can better connect youth to urban opportunities without incentivizing them to migrate. One poll of youth found that 78 percent of young people were less likely to migrate to urban areas if there were more opportunities in rural areas.

Table 3 illustrates the above with findings from background research in four diverse countries—Bangladesh, El Salvador, Tunisia, and Uganda—to highlight complexities and to help bring youth employment issues into closer focus.

TABLE 3: The Inclusion Baseline in Four Focus Countries

Bangladesh	80% of young women are at home and not in the labor force. Two-thirds of young women are NEET, and two-thirds of school dropouts are women. 36% of urban youth and 42% of rural youth are NEET. 25% of young women who are working are employed in agriculture.
El Salvador	Inactivity rates among young men rose by 20% between 2007 and 2013. About 66% of young men cited studying as reason for their inactivity, while 73% of young women said that domestic and household work was keeping them from jobs. 61% live in urban areas, while 39% live in rural areas. The unemployment rate among young men is lower in rural areas than in urban areas; the reverse trend holds true for young women.
Tunisia	37% of young men and 38% of young women have been without work for more than two years. Less than one in five women (18.5%) in rural areas are employed, while 40% of urban women have jobs. Two out of five rural youth are inactive, while one in three urban youth are inactive. Over 80% of inactive rural youth and 57% of urban youth have not completed secondary school.
Uganda	Unemployment is higher for young women (71%) than young men (55%). Unemployment is higher in rural areas (66%) than in urban areas (54%). Most young employed youth work in agriculture and fishery (58%).

¹⁹ See MacArther 2014, UNHabitat 2013, Cortina et al. 2014.

Toward Solutions for Youth Employment in the Era of Sustainable Development

While this report will show many interesting things, the real test of progress for the S4YE Coalition will come in 2020 when we reassess the findings and compare how our knowledge and evidence has been built over time.

Right now, the prospects for too many young people to be engaged in productive work are dim. For a 15-year-old girl in Uganda, the underlying determinants that shape her future are stacked against her—weak education completion rates, limited cultural acceptance of her as an equal in the workplace, and restricted access to financial services. The policy environment is not conducive to her informal enterprise formalizing and flourishing, and entrepreneurship is constrained. There is very little predictability about the informal sector, or the agricultural basis on which her livelihood depends. Her sources of income are vulnerable. And if this girl happens to live in the more conflict-affected and fragile north of her country, we must assume (because we have little available knowledge of the situation) that she will have even less ability to make informed decisions.

Right now, the prospects for a 15-year-old Chinese boy who has just moved from a rural area to Shanghai are equally as concerning. He has likely arrived without enough money for housing and is forced to live in a slum on the outskirts of the city. It is likely that he doesn't have the requisite skills or training to get a job in the city—he probably worked in agriculture, may not have completed secondary education, and he doesn't have the language or 'soft' skills to work in a customer service job. He resorts to unregulated informal work where he is forced to work long hours, in an unsafe environment for little compensation—and in fear he could lose even this job at any time. Then he does. And, unable to face his family by returning home a "failure," he might feel he has no other choice but to join a gang or engage in illicit activities—trafficking of people, drugs, weapons—for money.

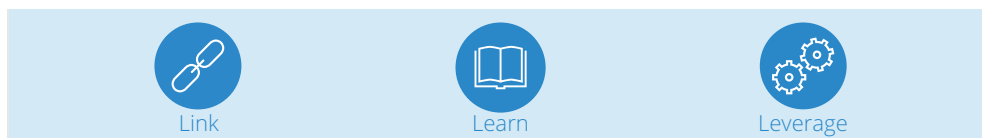
Despite the dire situations of this boy and girl, early signs show promise about what we can do to maximize their chances of changing their trajectories. The challenge to us is this: Will a 15-year-old girl in Uganda, or a 15-year-old boy in China have better opportunities and chances for a smoother transition into employment in 2020? What does this baseline tell us about what we can do to get this girl and boy into a position where they can make more effective and informed decisions? And what does the baseline tell us about what the international community needs to do to facilitate that?

Unsurprisingly, it tells us that we need to act now. We need to act fast. And we need to do more together.

The international community has made great promises to achieve full and productive employment for all young people by 2030, and to substantially reduce the number of NEETs by 2020. This is an incredible challenge, but one the S4YE Coalition is designed to meet head-on. The findings from this report indicate that if we act on proven interventions, there will be a positive impact. This is necessary, but not sufficient. The baseline also indicates that there is a genuine lack of quality evidence and information about what works, and why. S4YE's *raison d'être* is to build evidence to make informed strategic decisions. We know there is a lot to work with,

but we need to consolidate and curate what is there to enrich the current knowledge base. The four country background studies affirm many patterns, but illustrate the need to continue to dig deeper to refine our global learning for application in varying national contexts.

This report confirms that if we are to have a positive impact on young peoples' lives in a timely and dynamic way within the span of a generation, S4YE needs to:



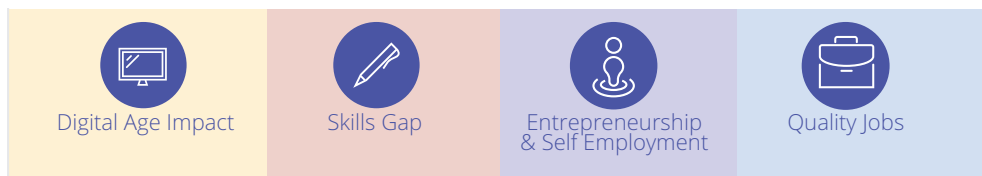
- **Link** public, private, and civil sectors to integrate lessons learned, identify effective solutions, and accelerate impact on the ground through cross-sector collaboration and innovation.
- **Learn** more and better by pursuing a compelling learning agenda, both by collecting and disseminating knowledge across the broad youth employment landscape, and through a targeted portfolio of high-impact initiatives. S4YE will generate and share open knowledge and data, as well as related practical insights across the globe.
- **Leverage** knowledge and partners to catalyze the promotion of public, private, and civil sector innovations and operations that scale up promising youth employment practices. S4YE needs to leverage new resources and innovative investment tools for youth employment—and do so swiftly to stem the tide of the 500 million unemployed young people in the world today. This means more resources, used more strategically, with targeted deployment. S4YE will promote greater transparency on resource allocations, so investments can be reoriented more quickly and more effectively based on robust evidence that an intervention will work.

S4YE's success will likely be limited unless this effort is brought forward not only for youth, but with youth as well. Young people know best the opportunities and challenges they face in entering and succeeding in the workplace or in starting a venture on their own. Surveys show that young people feel underserved and underprepared by most public and some private education and training systems. If we involve young people and seek their opinions in crafting policies and programs, the end products are likely to be more responsive to their needs and interests. To this end, S4YE is committed to ensuring active and meaningful participation of young people in all S4YE activities.

“Let us make our future now,
and let us make our dreams
tomorrow's reality.”

—Malala Yousafzai

Furthermore, S4YE is recommitting itself and looking to others to:



- Leverage improvements in technology that are empowering people to learn in new ways, improving training effectiveness and scalability to respond and adapt to the new employment trends of the digital age

- Play a constructive role in ensuring that the supply side of training is fit for purpose, and ensure that curricula developed to teach skills meet the needs of young people and their future employers
- Identify good practices in entrepreneurship development, provide additional support to those areas where there is a lack of evidence or partnerships, and encourage the supply of appropriately skilled young people who can drive growth and sustainable self-employment forward
- Understand the complex mix of variables that determine the search, acquisition, and retention of quality jobs by young people, which are directly related to an individual's aspirations and self-esteem as well as the demand for jobs from private sector actors.

Success, sustainability, and scale in all these pursuits will not be possible without collaboration involving government and public institutions at all levels (regional, national, municipal, local) to strengthen capacity and policies that foster an environment to enable growth and allow proven interventions to succeed at a greater scale. S4YE stands ready to support the development of evidence-based strategies to promote employment for all young people.

Recognizing the development and growth dividend opportunity in today's young generation, these baselines—context, evidence and knowledge, inclusion—signal the road ahead. Over the next 15 years, S4YE is on a mission to increase the number of young people engaged in productive work in a world where all youth have access to job opportunities that empower them to escape extreme poverty, thus boosting shared prosperity worldwide. With the adoption of new global goals, S4YE will be pursuing its mission in an era of inclusive and sustainable development—an era marked by bold ambition to eradicate extreme poverty, defined by universality and a commitment to leave no one behind. And an era in which today's youth become the torchbearers of this transformation and our collective futures.

You can find S4YE online at <http://www.s4ye.org>.

Together we can continue to advance solutions for youth employment.

Part I: The Contextual Baseline

Part I establishes the first of three baselines, the contextual baseline. In Chapter 1, we will introduce S4YE—Solutions for Youth Employment—and set the stage as action on the S4YE agenda commences. Here we will assess the global landscape for youth employment, especially in the developing world, and take stock of economic, social, and political trends and what these imply for S4YE in its mission to increase the number of young people engaged in productive work. Informing the contextual baseline is the Coalition’s theory of change, including its Framework for conceptualizing a youth’s path to employment in the 21st century, which itself may change as needs shift or new evidence and knowledge comes to bear.

In Chapter 2, we will use available data to look at the current state of youth employment globally, regionally and within our four focus countries. We also illustrate the current direction of investments utilizing data from two leading S4YE members.

Introduction

1.1 Youth Employment: A Timely and Strategic Investment

Today we have the largest generation of youth in human history, with 1.8 billion young people living on the planet, approximately 85 percent of them in developing and emerging economies and fragile states. The constraints and potential for young people differ, depending on the context in which they live.

In many countries, especially in Africa and South Asia, youth make up nearly a third of the population. This creates a window of demographic opportunity, similar to the dynamic that contributed to East Asia's rapid economic growth in the 1970s and 1980s.

Box 1.1: The Demographic Dividend in the East Asian Miracle

Between 1960 and 1990, South Korea's economy experienced a 7 percent growth rate every year for 30 years. As the fertility rate fell, the labor force grew. Strategic investments were made in infrastructure and education and training, and these were coupled with sound economic policies to catalyze productivity (Gribbles 2012). This demographic dividend was not unique to South Korea. Studies (see, for example Bloom and Williamson 1998) show that as much as a third of the economic growth "miracle" can be attributed to a surge in productivity stemming from demographic shifts that created a larger workforce of young people who were suitably educated and trained to be absorbed by the market. The growth effect was compounded by increased consumption from new spenders in the economy.

In 2015, in countries where young people make up a smaller percentage of the population than adults, this younger generation faces great challenges. These include: an aging population that will need to be supported, fewer employment opportunities and less tax revenue. So governments face fundamental questions about the role, nature, and utility of public policy interventions for social outcomes.

Why Youth Unemployment Is Important and Should Be Addressed Now

Unemployment in any form is a drag on an economy and society. It undercuts productivity, spending, and investment, stunting national growth. It contributes to inequality and spurs social tension. Joblessness and inactivity among youth in particular, and the failure to tap into the economic aspirations and resources of young people carry an even higher price. Experience and increasing evidence show the significant additional social and economic costs of youth un- and underemployment or economic inactivity on individuals and families, as well as to national and global prosperity and security, both today and tomorrow. Without an income, millions of young people find themselves living in poverty. Delayed entry and initial low-paying jobs limit lifetime earning potential. The inability to find gainful employment limits young people’s income and skill development. Unemployment at an early age can negatively affect future earnings and increase the likelihood of later joblessness. As prospects dwindle, many face social exclusion, or see their emotional, mental, or physical health deteriorate. The *Global Youth Wellbeing Index* (Goldin et al. 2014) showed that results in the economic opportunity domain both impacted and were impacted by results across the other measures of youth well-being—including education, health, participation, technology, and safety and security. And, of the six domains, young people are faring the worst in economic opportunity across geographies and country income; poor performance on youth unemployment indicators being principally responsible.

A successful transition to work for today’s large cohort of young people will reduce poverty by better allocating their labor and boosting economic growth (World Bank 2007). In one recent analysis (Berman 2014), the International Labour Organization (ILO) explored the economic

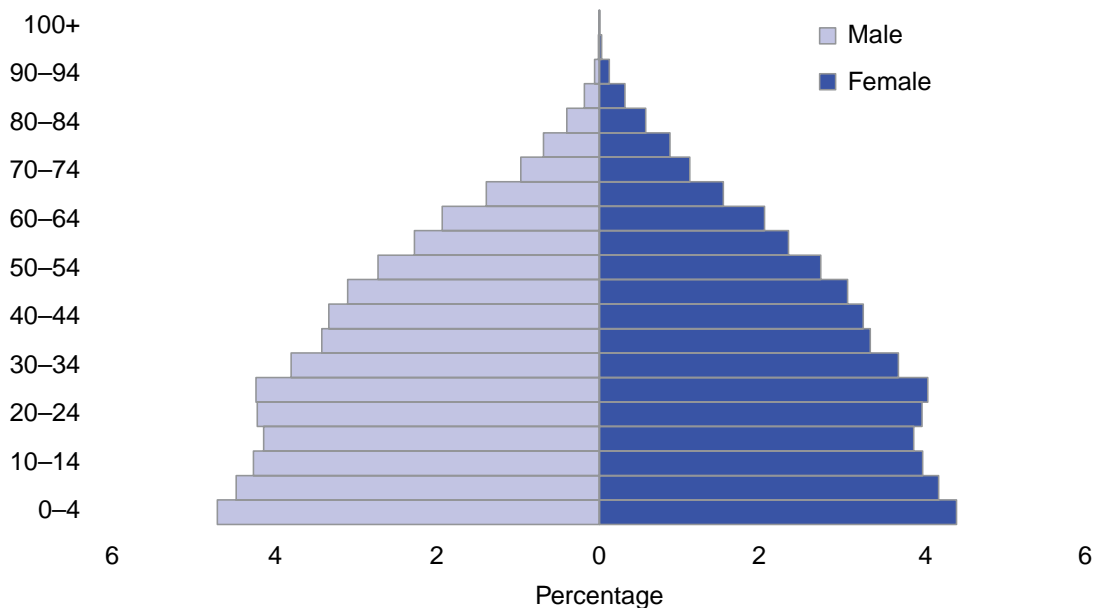


FIGURE 1.1: Global Population Pyramid, 2015

Source: United Nations Department of Economic and Social Affairs, Population Division. 2015.

growth opportunity in fuller employment by comparing youth employment-to-population ratios and GDP in advanced and emerging G-20 countries. It found that if France and Italy lifted their numbers to match the ratio in Australia, they could increase GDP growth by 1.4 and 1.2 percent per year, respectively. Saudi Arabia could increase its annual GDP by 2.3 percent, and the United States by 0.6 percent per year if it reached Australia's levels of youth employment.

When youth are not fully participating in the labor force, or they are NEETs—not in employment education or training—governments forgo tax revenue and incur the cost of social safety nets, unemployment benefits and insurances, and lost productivity (see ILO 1998; Brewer 2004; Mroz and Savage 2001; Bell and Blanchflower 2011; Morsy 2012). Though figures from the developing world are harder to ascertain, one estimate from the United States shows that youth unemployment trims federal and state budgets by nearly \$9 billion annually (O'Sullivan et al. 2014). Businesses risk losing a generation of consumers.

Social costs also mount. The links between economic participation, inequality, and community security, crime, and national fragility—while not new—are becoming clearer (see Chapter 6 for a fuller discussion). The Arab Spring and subsequent youth-led uprisings in Venezuela, Turkey, Brazil, Hong Kong, and elsewhere, along with the rise of economic insurgency and youth extremism, demand that we inspect these links through a lens focused on youth.

Today, we see a generation with massive potential, yet in economic crisis.

Youth account for roughly 40 percent of the world's unemployed and are up to four times as likely to be unemployed as adults. The ILO (2015) projects that the situation will get worse in most developing and emerging regions. One-third of young people worldwide can be described as NEETs. The income of as many as a third of young people who are employed falls below national poverty lines. One in four young people in the world cannot find a job paying more than US\$1.25 per day, the international threshold of extreme poverty.

What can be done? Experience and evidence (as explored in Chapters 3 and 4) increasingly indicate that we already have some of the policy and program responses to tackle youth employment.

Why Young People Are Unemployed—The Specific Constraints Young People Face

A number of factors have made the jobs challenge more acute among youth. Constraints to youth employment may be borne on the individual level, result from market or government failure, or be a symptom of a weak or unsupportive macroeconomic environment. The financial crisis and global recession of the last decade are among the leading causes. An International Monetary Fund (Banerji et al. 2014) study of youth unemployment across the Euro Area attributed half of the region's record-high levels of joblessness among young people to the decline of output. As discussed and reviewed in Lundberg et al. (2012), youth labor market outcomes in the short and long-term are more vulnerable to economic shock for a number of reasons; for example, because they hold a disproportionate share of temporary jobs whose contracts offer less protection.

At the same time, despite recovery in some places, youth labor markets continue to be stymied by inadequate private sector growth and job creation. This is a particular challenge where

TABLE 1.1: Constraints to Youth Employment

	Type of Constraint	Youth Only or All Workers
Individual	Inadequate cognitive, non-cognitive and technical skills	Ya
	Lack of social networks	Ya
	Household income	A
	Psychological biases	Ya
Markets and Government Failures	Distorting labor regulations	Ya
	Low bargaining power	Ya
	Lack of information about where the jobs are	Ya
	Employers lack information about workers	Ya
	Lack of access to capital	Ya
Macro	Constraints to business creation and job creation	Ya
	Economic slowdown	Ya
	Age cohort-size	Y
	Conflict and violence	Ya

Notes: Y=constraint affects only youth; Ya=affects all workers, but youth more than others; A=affects all workers.

Source: Adapted from Robalino et al. 2013.

markets cannot keep pace with population growth. It has been estimated that 600 million jobs must be created over the next decade—mainly in Africa and Asia—just to accommodate young people entering the workforce (IFC 2013, World Bank 2013). An additional factor is the significant gain in life expectancy around the world since the new millennium—with Africa posting the largest gains, 6 percent since 2000 (after increasing only 2 percent over the preceding decade).²⁰ Not only are people living longer, but they are working longer—and without new job creation, there are not enough jobs to absorb young entrants to the workforce.

Beyond the barriers to employment stemming from the global recession and inadequate job growth, several other factors make youth less employable than adults, and make it even more difficult for youth to find productive work and fully participate in the labor force. As shown in Table 1.1, most constraints that hinder workers affect youth more than others.

Inadequate skills and mismatches between education and skills have emerged as chief concerns. Surveys have found that in 24 European countries, between 25 and 45 percent of the employed are either overqualified or underqualified for their job; and in 27 low- and middle-income countries worldwide, less than half of employees were considered well-matched (ILO 2014; Sparreboom and Staneva 2014). In emerging economies that are progressively more service-based, employers find a workforce population that lacks necessary skills. Elsewhere, many of the unemployed are highly educated but the market demands different competencies or skills. In Georgia, for example (World Bank 2013), more than half of unemployed youth have a secondary school diploma and as many as 40 percent hold a college degree. At the same time, young

²⁰ United Nations World Population Prospects: The 2015 Revision.

people feel underprepared for work. In Indonesia, di Gropello et al. (2011) found that more than 40 percent of workers under 27 strongly agreed that their job performance and prospects would improve with more skills.

Other factors explored in this report, particularly in Chapter 4, include expectations and information gaps and institutional failures, disconnect between public investments and the private sector, weak links between small-scale production and larger markets across value chains (see IFAD 2015), and inadequate access to capital and entrepreneurial know-how to start, sustain, and grow a business (Schott et al. 2015). Moreover, as examined in Part III, certain segments of the youth population see their prospects limited by a number of additional constraints. Young women, young people who live in fragile or conflict-affected environments, young people moving to urban areas and living in slums, rural poor, and disabled youth are all challenged in unique ways that, unless better understood and addressed, will guarantee that global targets relating to shared prosperity and inclusion cannot be realized. A dedicated focus on the constraints, opportunities, and knowledge related to these groups of youth will allow for a more nuanced and representative response.

How Young People and Others Are Responding

Increasingly, youth are seeking control of their economic fates with high rates of entrepreneurship—though business survival and growth remain a challenge. Today's young people are ready and willing (but not necessarily able, as this report will discuss) to put their ingenuity and resources to work.

Policy makers are increasingly recognizing that, while important, systemwide interventions (such as stimulus and stabilization packages, education interventions, and infrastructure) do not deliver employment outcomes for young people with sufficient speed or certainty. They are finding, instead, that specific vulnerabilities related to youth employment can be dealt with through micropolicy interventions with quicker results, and by using public policy to intervene where market failures occur. Some solutions to the youth employment challenge, especially microinterventions aimed at the household unit or individuals, show such promise that they demand and justify the greater level of attention accorded to them in recent years.

2030 Commitments: Eradicating Extreme Poverty and Transforming Our World

It is these realities that have brought an invigorated sense of urgency to the youth employment challenge. The public and private sectors share a new awareness that getting the global economy on track, creating new prosperity, and eliminating extreme poverty will not happen if the downward trajectories of youth are not reversed.

This heightened concern is being met with new national and global commitments from public institutions to address government failures and other environmental or institutional constraints. Similarly, nongovernmental corporate and civil society actors are displaying new activism. New targets related to youth employment in the United Nations Sustainable Development Goals (SDGs) reflect this recognition and desire for change.²¹ Today's youth will not be able to escape poverty or address economic exclusion by 2030 if they do not have a means of employment.

²¹ *Transforming Our World: The 2030 Agenda for Sustainable Development*. 2015. United Nations.

This new universal development agenda²²—the SDGs adopted by 193 nations of the UN General Assembly—encompasses 17 goals with 169 targets. The SDGs recognize that “there are enormous disparities of opportunity, wealth and power,” and that “unemployment, particularly youth unemployment, is a major concern.”

Nonetheless, despite increasing investments in policy and program initiatives and a strengthened call to action, the needle on youth employment has to date not moved far or fast enough, and it will not budge without a more dedicated and strategic focus.

Box 1.2: Youth Employment in the Sustainable Development Goals

Goal 4. Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

4.3 By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university

4.4 By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship

Goal 8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value

8.6 By 2020, substantially reduce the proportion of youth not in employment, education or training

8.b By 2020, develop and operationalize a global strategy for youth employment and implement the Global Jobs Pact of the International Labour Organization

Goal 4 to ensure inclusive equitable education and lifelong learning, and Goal 8 to promote economic growth and promote productive employment directly address youth. Several other goals indirectly affect them and their employment and economic opportunities, especially:

- Goal 5 to achieve gender equality
- Goal 10 to reduce inequality
- Goal 11 to make cities more safe and inclusive
- Goal 16 to promote peaceful and inclusive societies
- Goal 17 to support implementation and promote partnerships, especially, Target 17.8 to support data collection, monitoring analysis with increased disaggregation by several characteristics, including age

²² Ibid.

1.2 Introducing Solutions for Youth Employment (S4YE)

Against this backdrop, Solutions for Youth Employment (S4YE) was launched in October 2014 as a multistakeholder Coalition to positively disrupt the youth employment landscape. S4YE is a partnership founded by the World Bank, Plan International, International Youth Foundation (IYF), Youth Business International (YBI), RAND, Accenture, and the International Labour Organization (ILO) with a view to contributing to a world where *all* youth have access to work opportunities.

The mission of S4YE²³ is to provide leadership and catalytic action, and to mobilize efforts to significantly increase the number of young people engaged in productive work by 2030. It seeks to develop innovative solutions through practical research and active engagement with public, private, and government stakeholders to enable solutions for all youth at scale. S4YE combines a pragmatic approach to identifying solutions with an evidence-based advocacy platform. While the youth employment challenge is global, there are contexts where the nature of the problem calls for even more urgent action. For this reason, the Coalition is focusing its interventions (and thus the contents of this baseline report) in the Middle East, North Africa, sub-Saharan Africa, Latin America, the Caribbean, Asia, and countries where the youth employment challenge is a national priority.

Box 1.3: Defining Youth

In its 2015–2020 Strategy, S4YE defines youth as ages 15–29. This report, however, reflects the variation in statistical and policy parameters across nations and regions, as well as in program design, participation, and evaluation. In this report, the terms “youth” and “young people” are used interchangeably (World Bank, 2007; USAID 2012; S4YE 2015).

The S4YE Approach: Link, Learn, Leverage

S4YE believes that there must be a shift in the way relevant actors in youth employment work. It seeks to innovate and improve practice and policy with a three-point model, where each element reinforces and acts upon the others.

Linking. All around the world, individuals, organizations, and corporations are developing and implementing solutions for youth employment, but the current level of effort is not enough to meet the enormous challenge. To reach the scale required, these actors need to work together. Governments need to create an environment and policies that enable the building of skills and the creation of jobs. Private firms must actively invest in finding and rewarding the young people who will be their workers, suppliers, and customers. Foundations, donors, NGOs, and academics have to focus their resources to seek out and amplify effective solutions.

Learning. Advancing solutions for youth employment requires the interaction of many forces. There is no silver bullet. While there have been successes, there are enormous opportunities not yet realized to examine what works, and to amplify the power of what is known to improve outcomes. Too many investments in youth across the world are using outdated or ineffective designs, just because the knowledge of what does work has not been shared. Too many

²³ For more information on the S4YE Coalition, please visit: <http://www.s4ye.org>.

seemingly successful endeavors cannot be replicated because they were based on insufficiently rigorous learning frameworks. To solve the problem, we have to learn—with humility, with rigor, and with each other.

Leveraging. The S4YE Coalition wants to link all stakeholders around this central global challenge, so we can learn together what works and what does not. Nevertheless, for the scale and urgency of the challenge, this is not enough (see Chapter 4, for a discussion of scale).

Theory of change: The Framework for understanding young people’s transition to employment

The S4YE theory of change represents S4YE’s current conceptual baseline for how to provide young people with pathways to economic opportunities and employment, and how all stakeholders can work to achieve youth employment at scale. As a baseline, this Framework is both tested and validated throughout this report, yet may change over time with shifting dynamics and new knowledge. The Framework portrays a youth’s journey into productive work. It depicts how underlying conditions combine with government and nongovernmental forces and interventions to shape the trajectory. In doing so it provides the analytical road map that informs this report’s baseline assessment.

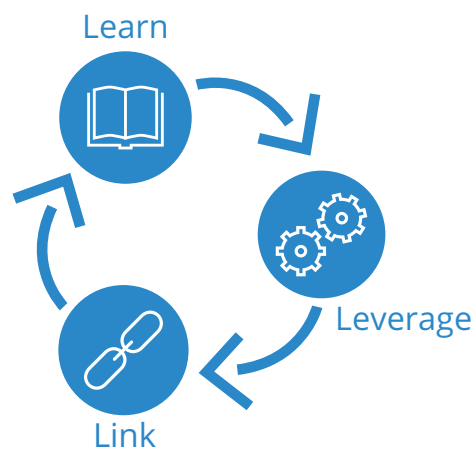


FIGURE 1.2 Link, Learn, Leverage

Source: S4YE Strategic Plan 2015–2020.

Box 1.4: Productive Work

S4YE believes that young people’s economic success is rooted in their ability to secure a sustainable livelihood through productive work. Productive work empowers young people and enables them to provide for themselves and their families, and to contribute to their nation’s growth and prosperity. It is characterized by sustainability and job security, a livable wage, safe and healthy conditions, and protection of employment rights, in the formal sector.

Figure 1.3 shows a young person entering the labor market with a set of underlying determinants—endowments and characteristics reflecting personal assets and prior investment. The youth’s culture, social capital, individual aspirations, education, access, and soft skills all have a bearing on a young person’s trajectory toward productive work. (The role of aspirations and expectations in employment decisions will be discussed in Chapter 4). As the figure shows, the S4YE Framework considers the behavior of and constraints facing young people and employers, as well as the institutions that influence and govern labor markets and the economy. On the youth or labor supply side, these principally include the difficulties young people face gaining skills, or accessing finance, credit, and know-how to start an entrepreneurial activity. On the employer or labor demand side, the Framework considers firms’ perceived costs and the benefits of hiring or training youth, and the

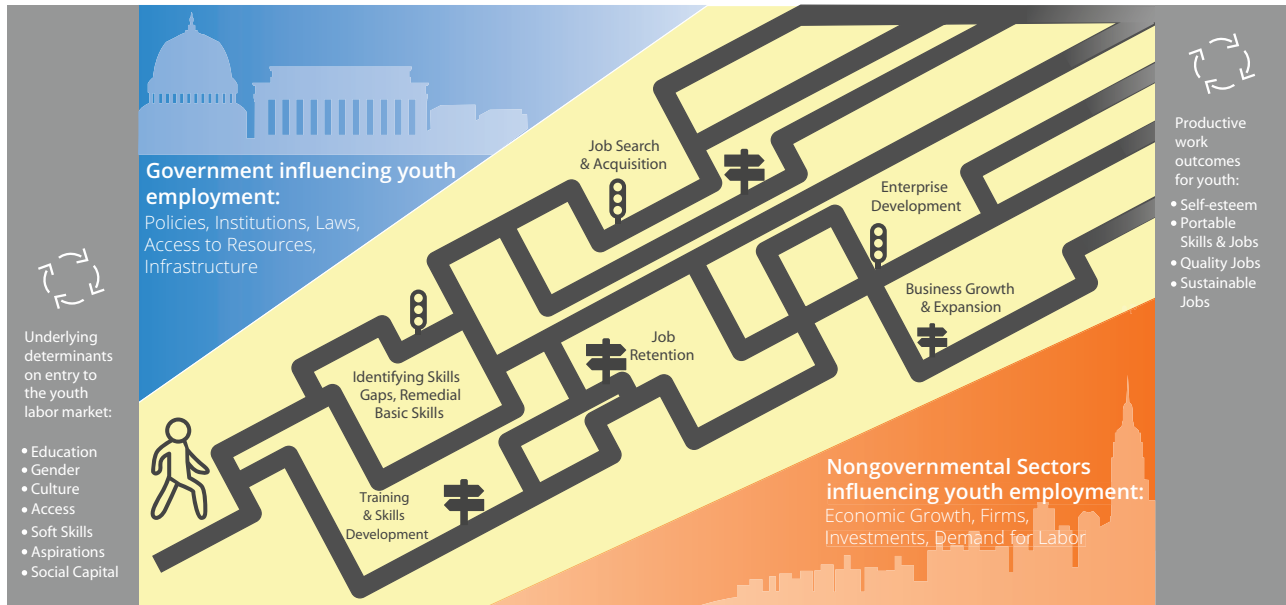


FIGURE 1.3: S4YE Pathways to Youth Employment

Source: S4YE Strategic Plan 2015–2020.

externalities and other market failures that may inhibit business growth and the creation of jobs, or the hiring and training of young workers, or participation in active labor market programs for youth.

Spanning both supply and demand side are other market clearing constraints and institutional failures including signaling and information failures, and expectations gaps. These include issues such as access to information about opportunities and occupations and knowledge about the quality and benefits of training.

Building upon these underlying determinants, public sector and private or nongovernmental actors are using a range of interventions to equip young people with the means to take advantage of economic opportunities and achieve productive work. These include identifying skill gaps, providing training and skills development, assisting with the development and growth of enterprises, assisting with job search and acquisition, and designing interventions to keep young people in jobs once they are employed. Reflecting global agendas (including SDGs), partner priorities, and perceived needs, a subset of these interventions will be the focus of S4YE in its first five years. The Coalition’s “frontier areas,” these will be explored throughout this report.

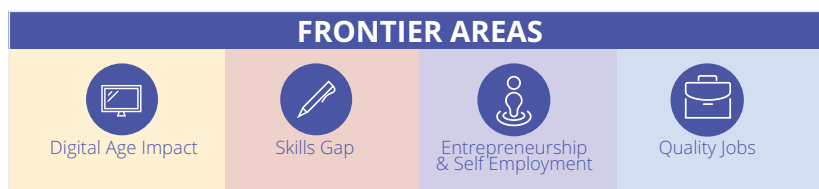


FIGURE 1.4: S4YE Frontier Areas

Source: S4YE Strategic Plan 2015–2020.

Along the pathway, youth encounter the influences of both governmental and nongovernmental actors that enable and shape their outcomes. To different degrees over time, governments, the private sector, and civil society all factor into a young person’s transition into productive employment. Arguably, the younger a person is, the higher the influence of formal government structures and systems over their development through policies, institutions, laws, access to resources, and infrastructure. As the young person enters adulthood, the influence of the private sector and other sectors grows in terms of employment outcomes as economic growth, firms’ development and operations, investments, and labor demand have increasing impact as individuals age.

Prioritizing partnerships

As delineated in the 2015–2020 Strategy, a key priority of S4YE’s approach is the importance of partnerships—within and across sectors—to success, sustainability, and scale. Given the scope and complexity of the challenge, no actor can do it alone. This notion underscores the link, learn, and leverage approach. Stakeholders may have unique roles, but they are complementary. Public institutions need to provide an environment conducive to job creation and youth success through sound governance and management of resources, inclusive policies and plans, equitable delivery of services (education and health), and infrastructure that supports a vibrant and innovative private sector. Moreover, public donors need to allocate sufficient resources to implement policies and programs that advance youth employment. The main role of the private sector has traditionally been job creation and innovation, but more recently the private sector is playing a larger role in education and training and investing in social and community programs that engage and support young people. Civil society has the principal responsibility to hold public institutions accountable, to advocate for youth’s interests, and as effective partners for research and implementation.

Glick et al. (RAND/S4YE, 2015) note that the private sector may be motivated by the need to ensure that the development of skills reflects actual or future needs in the labor market. Yet public-private partnerships (PPPs) can also help overcome “government failures.” Incentivized private providers, for example, can compensate for accountability failures by making training services more effective. Policy makers could see financial benefit as the private sector, in particular multinational companies, may be able to inject substantial resources into local training or other youth-related programs, often combined with resources from multi- or bilateral aid agencies. However, for partnerships in all their forms to be more effective, there needs to be a better way to learn from what has worked and what has not worked—as a matter of both process and program—in partnering to advance youth employment.

In its first five years, S4YE will emphasize seven strategic “enablers” that make up priority features of the multisectoral interventions that will be considered throughout this report.

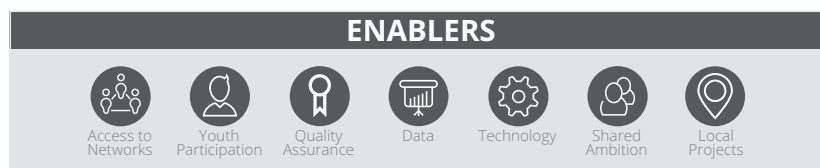


FIGURE 1.5: Enablers of Youth Employment Partnerships

Source: S4YE Strategic Plan 2015–2020.

Box 1.5: Partnering to Bring New Opportunities to Youth in Burkina Faso

In 2011, Plan International Canada, the Canada-based IAMGOLD Corporation, and the governments of Canada and Burkina Faso entered into a five-year partnership to create professional training and employment opportunities for local youth.

Burkina Faso is one of the world's poorest nations, where just 18 percent of youth complete lower secondary school, making vocational training an important option for young people. This project proposes to promote workforce preparedness for emerging industries in Burkina Faso through prevocational and vocational training linked to local labor market demand. Emphasis is being placed on enrolling girls and young mothers, offering gender-equality training and a gender-sensitive curriculum.

A number of milestones already demonstrate the success of the partnership: Existing centers were rehabilitated and new workshop spaces constructed, with equipment provided to facilitate hands-on and practical training. The TVET curriculum and training materials have been revised to reflect labor market demands. Local youth and their parents have been informed of programs and services offered. A concerted effort to improve the quality of training led to a doubling of the number of graduates receiving a passing grade on the national accreditation. And nearly half of youth surveyed report being able to find a job or self-employment within six months of completion.

As the project continues, two key lessons have already emerged. The first is that *public and private sector partnerships have an important role to play* in seeing that investment in the local economy and growth translate into real positive change in young people's lives when they are well-designed, responsibly managed, and aligned with national poverty-reduction plans. At the same time, reputational risks need to be acknowledged and managed. And second, that *all parties can benefit from the PPP if actively involved from the beginning and through implementation*.

In this partnership,

- The Burkina Faso government benefits from the competency-based approaches, and from the use of market studies to inform content and involve of private sector partners.
- By engaging with CSR actors in Burkina Faso—including private sector, NGOs and Government—IAMGOLD leveraged its involvement in the project through supporting a nationally recognized CSR forum as a means of increasing social accountability, while also working with youth to increase their employment opportunities off the mine sites.
- Working with private sector partners, Plan International has organized job fairs and trade fairs to demonstrate that the products and goods made by the young people are quality products for potential employers and businesses.

1.3 Setting a Baseline for Youth Employment

This report is intended as a baseline for youth employment research and analysis, actions, and knowledge in line with S4YE's agenda and comparative advantage. This report sheds light on the areas that S4YE is best positioned to influence, acknowledging that youth employment will also be a function of broader demand and growth dynamics that public and private actors should assess and address. Although a comprehensive analysis of job creation is beyond the scope of this report, it focuses on the areas of action that the Coalition's partners can implement and influence to affect youth explicitly.

This inaugural report explores the state of play specific to youth employment in 2015 through a three-part quantitative and analytical baseline, examining context, evidence and knowledge, and inclusion.

- Because S4YE wants to be able to track progress against a set of youth employment indicators in line with new global targets, and against representative investment flows, this report lays down a quantitative *contextual baseline* (Part I: Chapters 1 and 2).
- Because S4YE wants policies, investments, and initiatives to be more strategic, catalytic, and impactful, this report sets an *empirical evidence and analytical knowledge baseline* to inform further research and programmatic strategy (Part II: Chapters 3 and 4).
- Because S4YE has a vision to advance opportunities for *all* youth, this report includes an initial *inclusion baseline* for understanding, monitoring, and examining inclusion by first exploring gender, conflict and fragility, and spatial dynamics, and considering disability while recognizing that other minority groups or segments of the youth cohort also have distinct needs worthy of attention (Part III: Chapters 5, 6, and 7).

Importantly, there are links between and among these pieces: An integral part of the inclusion baseline will draw upon what was seen on key indicators in the contextual baseline. The evidence baseline is stronger for supply-side interventions, in part due to investment patterns emerging in the contextual baseline. The global and regional baselines also draw upon and are illustrated with findings from background research in four diverse countries—Bangladesh, El Salvador, Tunisia, and Uganda—to highlight complexities and to help bring macro dynamics and youth employment issues into closer focus.

S4YE will revisit these baselines periodically—every five years—to benchmark progress and knowledge over time and to inform its Framework, approach, and priorities.

Chapter 2

State of Youth Employment: Data and Trends

Highlights

- Nearly 85 percent of the world's young people live in lower-income countries and fragile states.
- Over the next decade, a billion more young people will enter the job market.
- Youth are up to four times as likely as adults to be unemployed.*
- In 2014, across the globe, about 500 million youth were unemployed, underemployed, or working insecure jobs.*
- Roughly a third of youth worldwide—621 million—are classified as NEETs, not in employment, education or training.*
- In education, boys and young men generally post higher attendance levels across ages and regions, except in advanced economies where girls and young women are more likely to be attending school. The difference between the sexes is more pronounced in the Middle East and North Africa.
- Young people are less likely than older workers to find employment in the formal sector, where pay and benefits are generally higher and more reliable. A large share of the youth population is employed in vulnerable work, often in the informal sector. Young women, especially, post very high levels of vulnerable work.
- Young adults between 25 and 34 display the highest early-stage entrepreneurial activity worldwide, but access to credit is a problem for young entrepreneurs.
- Unemployment levels are up to 10% higher for young women than young men.*
- In developing countries, 89% of new work is in the informal sector.
- Data on youth cohorts are a premium and are rarely disaggregated within the 'youth' category.*

*These are baseline facts that S4YE will work to influence over the life of the Coalition.

In 2014, nearly 500 million young people around the world were unemployed, underemployed, or engaged in insecure employment. As part of the quantitative contextual baseline, this chapter reviews and compares data on key indicators that S4YE seeks to promote through its work, including labor force participation, education, unemployment levels, vulnerable and informal employment, youth not in employment education or training (NEET), sector of employment, entrepreneurship, and financial inclusion. In line with S4YE's geographic priorities, the main focus of this chapter is, to depict the state of youth employment in low- and lower-middle-income countries (LICs and LMICs); and in contrast with advanced economies. For a number of indicators, the situation in the four focus countries (Bangladesh, El Salvador, Tunisia, Uganda) is also presented for comparison.

Regional data is presented throughout the chapter for country groupings as follows:

- East Asia and the Pacific (EAP)
- Europe and Central Asia (ECA)²⁴
- Latin America and the Caribbean (LAC)
- Middle East and North Africa (MNA)
- South Asia (SAR)
- Sub-Saharan Africa (SSA)
- Organisation for Economic Co-operation and Development (OECD)

A note on data: The analysis and presentation for several indicators uses data from the World Bank's International Income Distribution Database or I2D2, a dataset recently created by the World Bank Group. The I2D2 is a globally harmonized database that draws on more than 600 nationally representative household surveys. Data ranges from 1998 to 2012. In this report, the most recent data point per country per indicator was used; 75 percent of the data points presented in this report are between 2008 and 2012.

2.1 Demographics

As noted in Chapter 1, by S4YE definition, youth make up nearly a quarter of the world's population, and nearly 85 percent live in lower-income countries and fragile states, as further discussed in Chapter 6). Not only do nations in the developing world share high age-dependency ratios (ratio of dependents—people younger than 15 or older than 64—to the working-age population—those ages 15–64), but they also have large populations under age 15, guaranteeing a large youth population and significant numbers of new entrants to these labor markets over the lifetime of S4YE (2015–2030). Over the next decade, a billion more young people will enter the job market, and the global economy will need to create 5 million jobs each month simply to keep employment rates constant (World Bank 2013).

²⁴ Note that data for the ECA region is not available in the I2D2 data set, and thus not included in all charts and analyses.

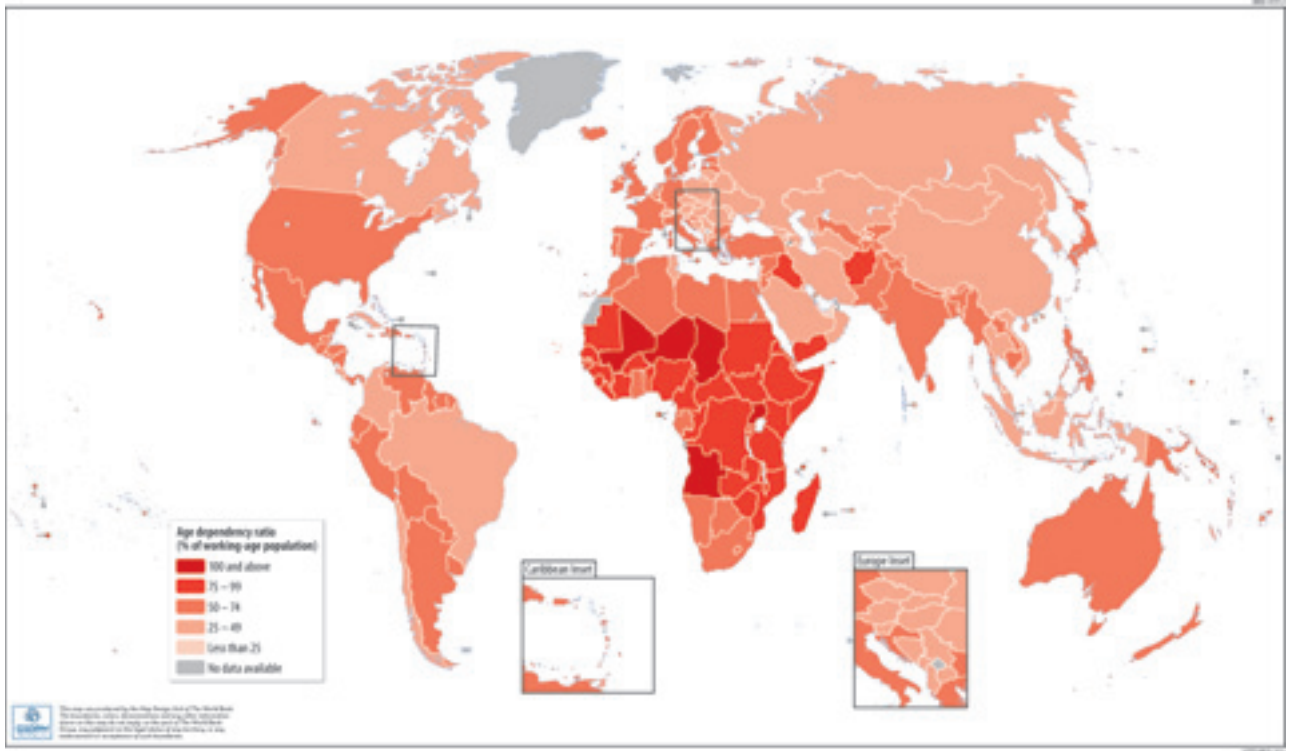


FIGURE 2.1: World Age Dependency Ratios, % of Working-Age Population

Source World Development Indicators, 2010–2014.

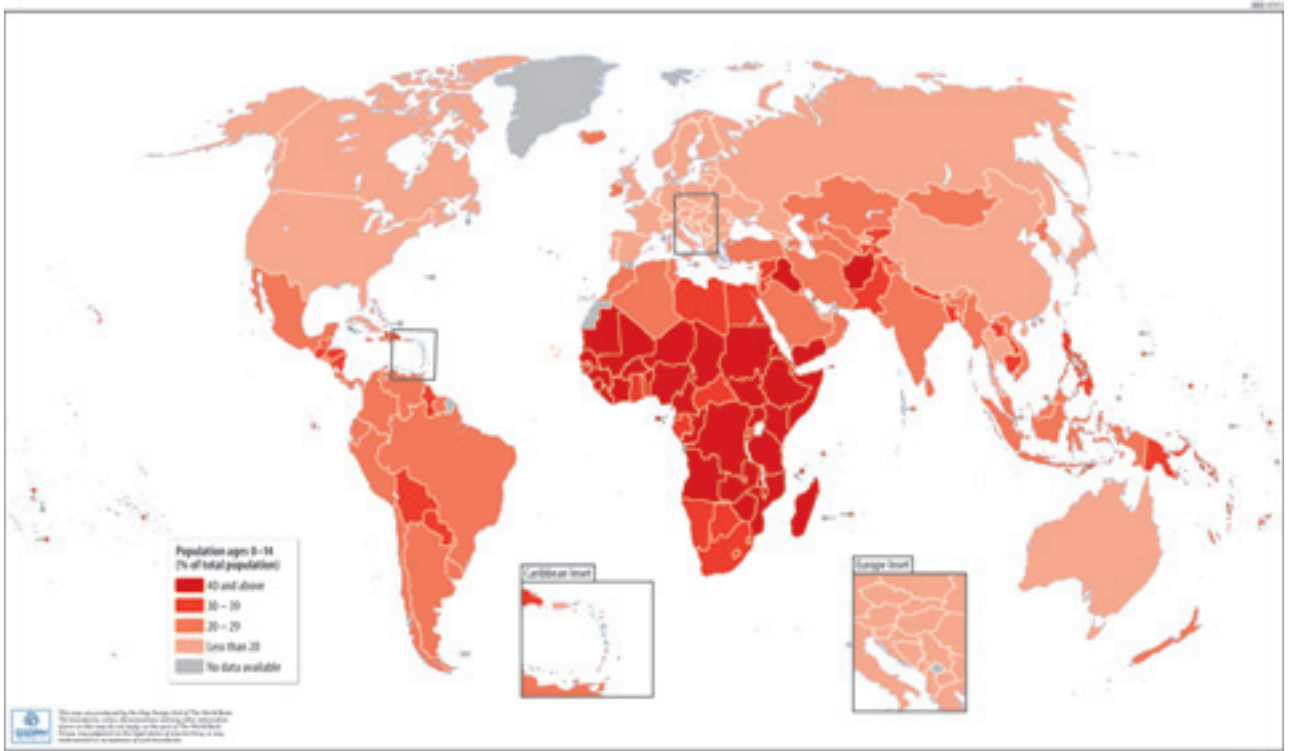


FIGURE 2.2: World Population Ages 0-14, % of Total

Source World Development Indicators, 2010–2014.

2.2 Labor Force Participation, Unemployment and NEETs

Definitions

Unemployment measures persons between the age of 15 and 24 who, during the reference period, were: (a) without work; i.e. had not worked for even one hour in any economic activity (paid employment, self-employment, or unpaid work for a family business or farm); (b) currently available for work; and (c) actively seeking work; i.e. had taken active steps to see work during a specified recent period (usually the past four weeks).

NEET measures the youth population who is not in employment, education, or training, is also referred to as NEETs; often associated with idleness or during the transition from school to work.

Labor Force Participation measures the proportion of the population that is economically active: all people who supply labor for the production of goods and services during a specified period.

Youth Labor Force Participation

Figure 2.3 compares labor force participation rates of economically active youth and adults across regions and age cohorts and shows, overall, that youth have lower rates of labor force participation than adults. Across all regions, the youngest cohort, ages 15–19, has the lowest labor force participation rate. There is a marked difference of 20–34 percent between 15- to 19-year-olds and the next age cohort of 20- to 24-year-olds. For the oldest age cohort categorized as youth, rates are closer to adults in most cases. In East Asia Pacific, Latin America Caribbean, and South Asia, the rates for those ages 25–29 are 1–2 percentage points below adults, while in the Middle East and North Africa, youth of the same age have a higher rate of labor force participation than adults. In sub-Saharan Africa, the gap is 9 percent.

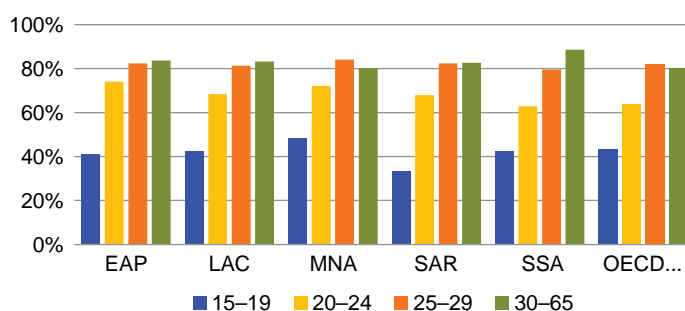


FIGURE 2.3: Labor Force Participation % by Age and Region

Source: I2D2.

Figure 2.4 shows labor participation rates in the four focus countries. In all, the adult labor participation rates are higher than youth labor participation rates. In Bangladesh, the adult labor participation rate is 88 percent, compared with 69 percent of the youth population. Tunisia shows the lowest youth labor force participation rate—50 percent—while Uganda had the highest, 71 percent. Looking at youth age cohorts, across all four countries, those ages 25–29 posted the highest labor force participation, while 15- to 19-year-olds posted the lowest rates.

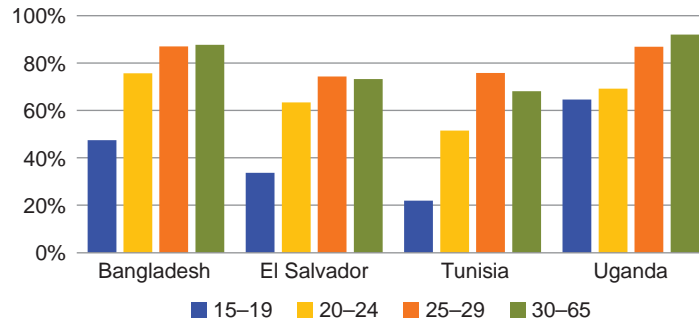


FIGURE 2.4: Country Focus Labor Force Participation, %

Source: I2D2.

“I was a temporary worker, but now I am unemployed for two-and-a-half years. I am an engineer technician, but there are a lot of youths looking for a job.”

—Young unemployed woman, El Salvador

Youth Unemployment

ILO unemployment data complements the story of labor force participation. Unemployment levels are low in Latin America Caribbean (LAC), South Asia (SAR), and sub-Saharan Africa (SSA) relative to those in East Asia Pacific (EAP) and Middle East and North Africa (MNA). This may be explained, in part, by measurement methods and the inclusion of only low-income countries (LIC) and low- and middle-income (LMIC) countries across regions.²⁵ Similarly, national statistics often reveal an even more dire situation. For example most recent national data in the World Development Indicators report the following youth unemployment rates: Libya 49%, Serbia 49%, South Africa 51%, West Bank Gaza 41%, and Jamaica 35%.

Figure 2.5 looks at global youth unemployment trends since the since the 2007–2008 global food, fuel, and financial crisis. Shifting patterns, driven by spikes in the Euro Area, are seen most sharply in high-income economies. Likewise, for EAP there is a distinct rise between 2009 and 2010. By 2012, levels declined below 2008’s, but for the past three years youth unemployment has been

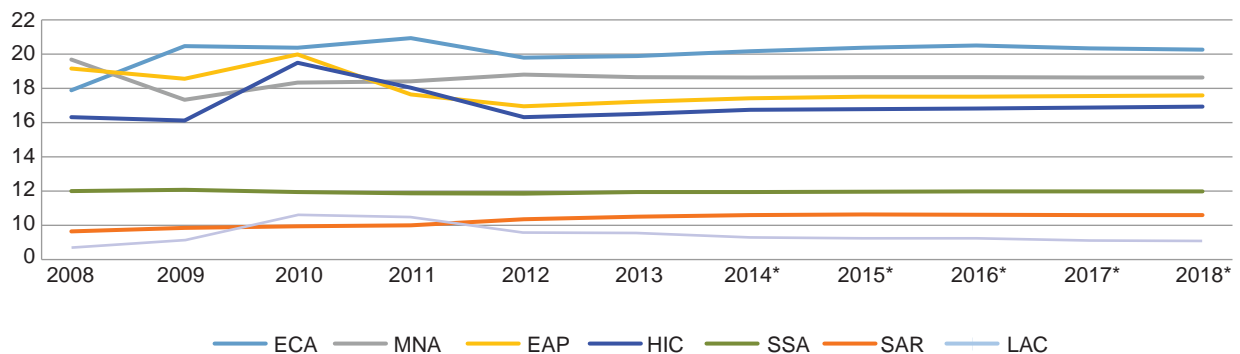


FIGURE 2.5: Youth Unemployment, %

Source: ILO 2015.

²⁵ When including all income levels, the regional division from highest to lowest unemployment is: MNA, ECA, HIC, SSA, LAC, EAP, and SAR.

rising slightly and remains high, at 17.51 percent. The effects of the crisis on unemployment in Europe and Central Asia (ECA) were immediate because of the makeup of the region's primary industries. Unlike EAP, the effects of the crisis on unemployment were prolonged and unemployment levels have not reached pre-crisis levels. MNA also sees sustained high youth unemployment; lingering over the past five years at about 19 percent. Unemployment levels have also been somewhat steady over the past half-decade in SSA, at about 12 percent. SAR shows an incremental increase of one percentage point between 2008 and 2015. LAC shows an increase between 2008 and 2010 of one percentage point, related to the crisis. After the hump, unemployment levels have fallen and are slightly below 2008 levels, at 9 percent. It is worth noting that given the nature of labor markets in low-income economies, the effects of the crisis are not as sharp as in the advanced economies that were affected. In turn, young workers likely suffered the effects of the crisis mostly through a decrease in wages (World Bank 2012). ILO projections indicate the situation is unlikely to improve quickly, and could still worsen in some regions.

Young people in all regions are at least twice as likely as adults to be unemployed, as shown in Figure 2.6. The biggest gap in unemployment is in EAP for both female and male youth, who are four times likely to be unemployed as adults. MNA shows the largest difference between youth and adult unemployment. Unemployment levels are generally higher for female youth, except in ECA. It is most pronounced in MNA, where female youth unemployment is 27 percent and male youth unemployment is 17 percent.

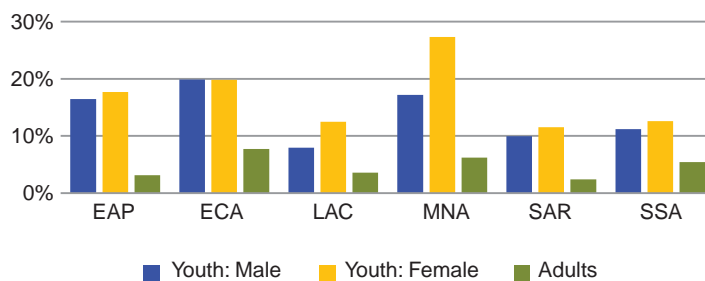


FIGURE 2.6: Male Youth, Female Youth, and Adult Unemployment, %

Source: ILO 2015.

Figure 2.7 shows the unemployment challenge in the four focus countries. As can be seen, youth unemployment rates are at least double the adult unemployment rate in all four countries, and youth are four times as likely to be unemployed in Tunisia. Interestingly, El Salvador and Tunisia differ from global patterns in that male youth post higher unemployment levels than females, possibly owing to education and income levels, and crime and fragility issues that will be discussed in Chapter 6. Further, patterns show that youth unemployment will remain an issue in the future.

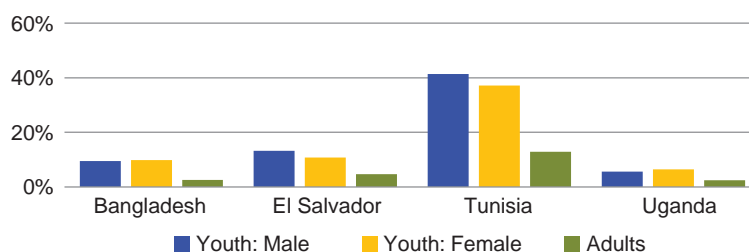


FIGURE 2.7: Country Focus Male Youth, Female Youth, and Adult Unemployment, %

Source: ILO 2015.

For example, in Bangladesh, as observed in a 2013 ILO study, the working-age population will grow annually to more than 2.2 million people over the next 10 years. Because Bangladesh simultaneously experiences a fall in the employment growth rate and a slow uptake in job creation, it is expected that youth unemployment will remain a sizable problem for Bangladeshi policy makers. A 2012 ILO study observed that in the previous decade, the Ugandan labor force had more than doubled, from 4.2 million to an estimated 9.5 million. According to a 2015 study, roughly 700,000 Ugandans entered the labor market, of which 50 percent are youth.²⁶

Youth Not in Education and Not in Employment or Training (NEETs)

As discussed in Chapter 1 and further explored in Chapters 4 and 6, economic inactivity limits youth's prospects, undercuts economic growth, and can fuel unrest. Despite increasing numbers of full-time students, a large number of youth are neither in employment nor education. As reported in the 2013 World Development Report (Figure 2.8), ECA posts the highest rates of NEETs for both male and female youth. Globally, the rate of female NEETs is higher than male NEETs, and in South Asia, female youth are three times more likely than male youth to be NEET.

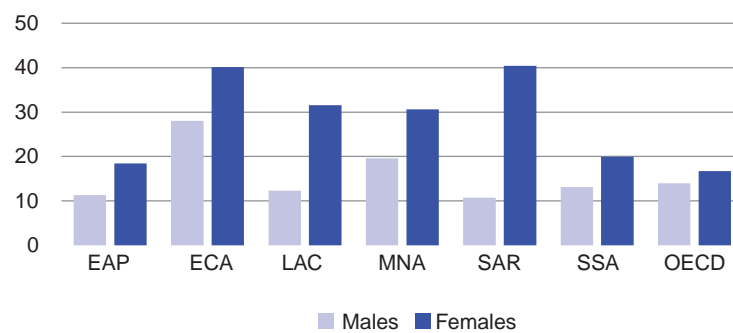


FIGURE 2.8: NEETs Youth Not in Employment, Education, or Training, %

Following the global pattern, young women in the four focus countries are more likely NEETs, as shown in Figure 2.9.²⁷ Compared with Uganda, a greater share of the youth population in El Salvador were NEETs, at 13.5 percent for young men and 36.7 percent for young women; in Uganda, 3.8 percent of young Ugandan males were NEETs. The gender differential in Bangladesh is startling, as young women also constitute the majority of unemployed young NEETs in Bangladesh. In fact, in 2013, about 41 percent of Bangladeshi youth were considered NEET and the portion of young unemployed NEETs was 78 percent. The National Youth Policy of Bangladesh observed different patterns between urban and rural youth as further explored in Chapter 7: 36.4 percent of urban youth were considered NEETs, while 42.4 percent of rural youth were NEETs.

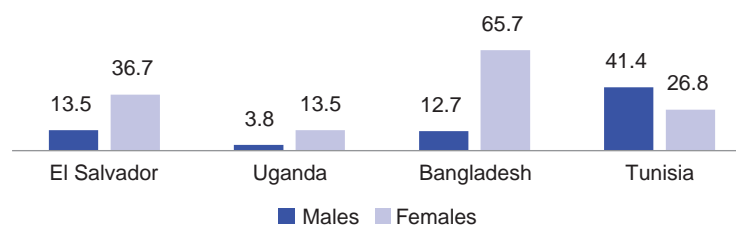


FIGURE 2.9: Country Focus NEETs, %

Source: World Bank 2013, 2014, Country background studies.

²⁶ Pasipanodya et al. (2015) and Munshi (2015), Uganda and Bangladesh country background studies.

²⁷ Data from Bangladesh country study and calculations for Tunisia based on figures in World Bank 2014.

2.3 Participation in Education

Participation in formal education is a critical contributor to youth employment outcomes. Literacy and numeracy provide the foundation upon which higher order technical skills and employment competencies are built. While recognizing that enrollment does not comport with the quality of education or completion, and does not equate to learning outcomes, Table 2.1 shows enrollment levels in formal education, the most consistent comparative data point globally.

TABLE 2.1: Enrollment Rates

	Primary School	Secondary School	Tertiary or Higher
EAP	108%	83%	30%
ECA	105%	97%	64%
LAC	102%	71%	21%
MNA	107%	74%	33%
SAR	99%	48%	23%
SSA	108%	38%	8%

Source: World Development Indicators 2013.

Figure 2.10 uses I2D2 data on working-age population currently attending school as a complement and to compare education levels between the sexes. Perhaps unsurprisingly, school attendance declines with age. Boys and young men generally post higher attendance levels across ages and regions, except in the more advanced OECD economies where girls and young women are more likely to be attending school; the difference between the sexes is more pronounced in MNA. The dynamics behind some of these patterns will be explored in Chapter 5.

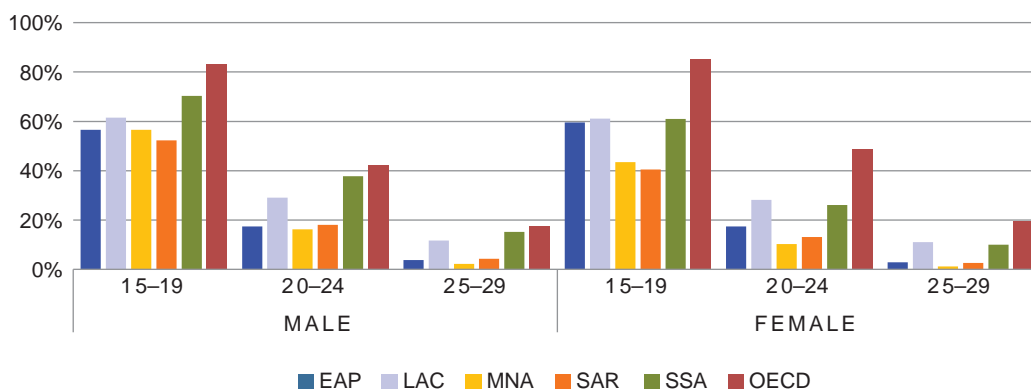


FIGURE 2.10: Share of Working-Age Population Attending School, %

Source: I2D2.

2.4 Vulnerable Employment and Informal Work

Workers can be classified as wage workers, employers, self-employed, and contributing family workers. Some types of work are more insecure and vulnerable to external shocks, where fluctuations in the economy or factors specific to the business, which can in turn affect workers with reduction of wages, termination of employment, more time doing unpaid work, and so on. Young people are likely impacted by these shocks disproportionately, as discussed in Chapter 1. Additionally, the lack of safety nets across lower-income countries puts workers in these sectors in an especially vulnerable position. To better understand where even employed or economically active youth might still face challenges, this baseline uses self-employment and unpaid family work data as a proxy measure for vulnerable employment, with the recognition that not all self-employment among youth is necessarily vulnerable. This report explores entrepreneurship below and in Chapters 2 and 4.

Definitions

Informal employment includes employment in informal establishments that are usually untaxed and unmonitored economic activities, but it can also mean informal employment arrangements in a formal establishment. Given data constraints, informal employment is measured using a proxy of workers in agriculture, construction, commerce and self-employment; and controlled by firm size.

Vulnerable employment measures individuals in work that is insecure and vulnerable to external shocks, where fluctuations in the economy or factors specific to the business can in turn affect workers with reduction of wages, termination of employment, more time doing unpaid work, and so on. Given data constraints, self-employment and unpaid family work are used as a proxy for vulnerable employment, with the recognition that not all self-employment among youth is necessarily vulnerable.

As shown in Figure 2.11, a large share of the youth population is employed in vulnerable work across the developing world, especially in sub-Saharan Africa. Female youth post comparatively high levels of vulnerable work; 86–88 percent across MNA, SAR, and SSA.

Global patterns hold for the focus countries, as shown in Figure 2.12: More young women than young men are in vulnerable employment. The greatest proportion of women in vulnerable employment can be seen in Bangladesh (90 percent) while the lowest is observed in El Salvador (35 percent). El Salvador sees the smallest disparity, with 31 percent of male youth being in vulnerable employment vs. 35 percent of female youth. Overall, Uganda posts the highest levels; 68 percent of young men and 83 young women are in vulnerable employment. This is consistent

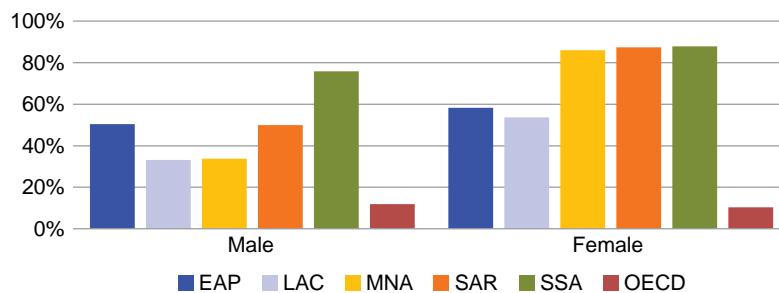


FIGURE 2.11: Share of Youth in Vulnerable Employment, %

Source: I2D2.

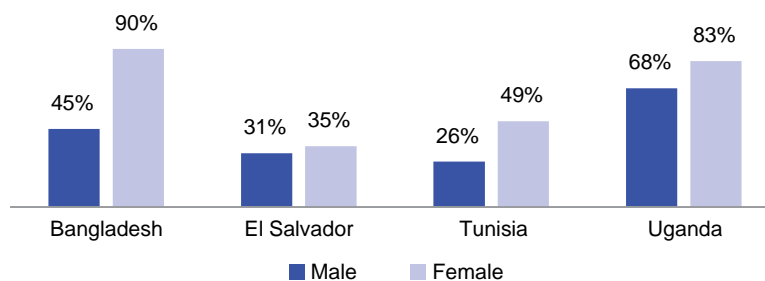


FIGURE 2.12: Country Focus Share of Youth In Vulnerable Employment, %

Source: I2D2.

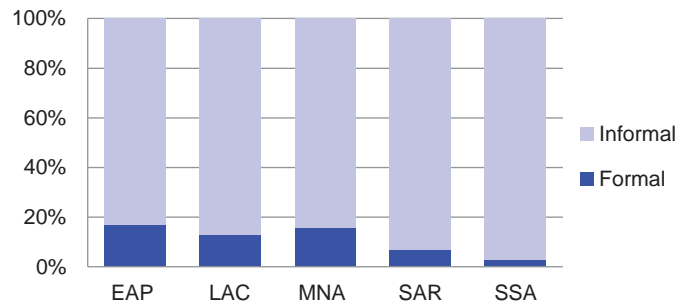


FIGURE 2.13a: Rural Youth Employment, %

Source: I2D2, S4YE 2015–2020.

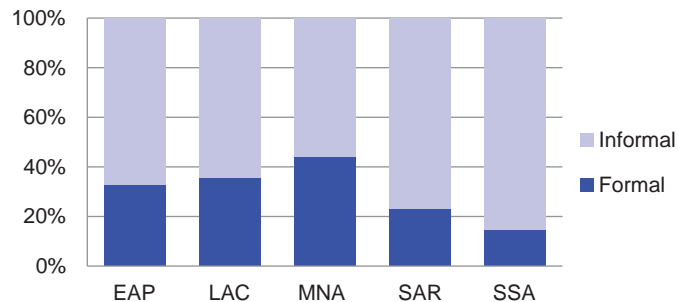


FIGURE 2.13b: Urban Youth Employment, %

Source: I2D2, S4YE 2015–2020.

with the observation that the largest share of youth in vulnerable employment is found in sub-Saharan Africa.

Stability and quality of employment also tend to vary between the informal and formal sectors, and informality in work is common for both urban and rural youth as shown in Figure 2.13. Work in the informal sector is routinely associated with lower wages, lack of benefits or legal protections, and often unsafe or hazardous conditions. Given data limitations on informal work, industry of employment²⁸ was used as a proxy to create an initial baseline of youth in formal and informal work. Although greatly simplified, the results show that youth work mostly in the informal sector. Informal work can cover a wide array of activities, such as work in informal establishments and markets or informal work in formal establishments, and so on. This informal proxy also includes agricultural wage work, which can inflate the share in informal work in regions or countries where agriculture is dominated by large farms. And while informality is often related to lower productivity, in low- and lower-middle-income contexts it does not necessarily mean that formal sectors offer higher productivity (World Bank 2013).

Sector of Employment

In low- and lower-middle-income settings, self-employment is prevalent but there is also a greater share of workers in the agrarian sector. There are, however, singularities in each sector, such as the coexistence of subsistence and industrial farming, low-technology work in labor-intensive manufacturing, and highly skilled technical jobs. Thus, self-employment and/or nonwage work can

²⁸ Informal sector is made up of workers in agriculture, construction, commerce, and transport. It also includes self-employed. Formal sector excludes self-employed, includes workers in mining, manufacturing, public utilities, financial and business services, and administration.

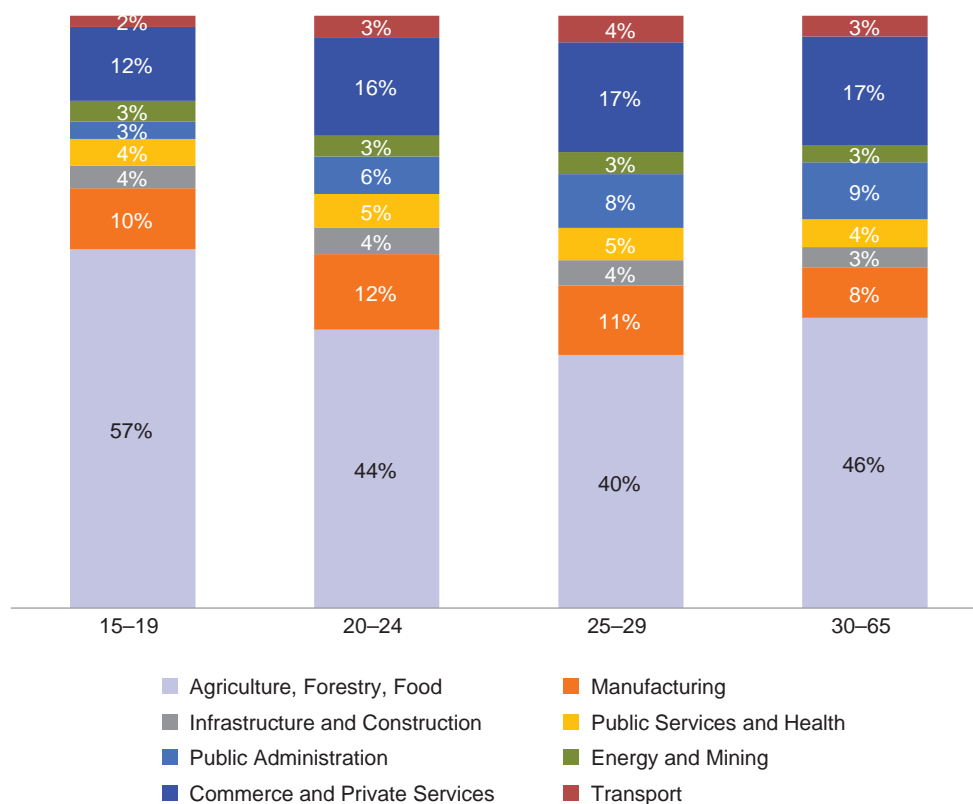


FIGURE 2.14: Sector of Youth Employment (by Age), %

Source: I2D2.

be spread out in agrarian jobs, commerce, manufacturing, and other services. This duality can be observed in the balance of the labor force between informal and formal markets noted above and further explored for rural-urban contexts in Chapter 7.²⁹

In Figure 2.14, the subdivision of the youth workforce across sectors for all low- and lower-middle-income countries shows an interesting pattern of change as youth age. Among the youngest working-age cohort, 15–19, 57 percent work in agriculture, while 12 percent in work in commerce and 10 percent in manufacturing. As the youth population gets older, the number involved in agrarian work decreases while the share in commerce and in public administration increases.³⁰ The share of youth population working in public services and health, transport, energy and mining, and infrastructure remains similar across age cohorts from this cross-country perspective.

When taking into account the differences in the composition of economies across regions, agriculture activities have the largest share of labor across regions, except in LAC (Figure 2.15). The distribution of youth employment by sector does not display a dramatic difference in comparison to adults. However, in SSA and MNA, for example, more youth than adults work in agriculture. In MNA, agriculture represents only 37 percent of the youth labor force; in SSA it is 67 percent. In EAP, LAC, and SAR the share of youth in agriculture is lower than the share of adults.

²⁹ This dataset had data available for the following countries by region: EAP, LAC, MNA, SAR, SSA.

³⁰ Note: The I2D2 data set does not separate ICT as a sector. However, ILO projections show that for LIC and LMIC, expected employment in this sector was only between 0 and 1 percent of the youth population.

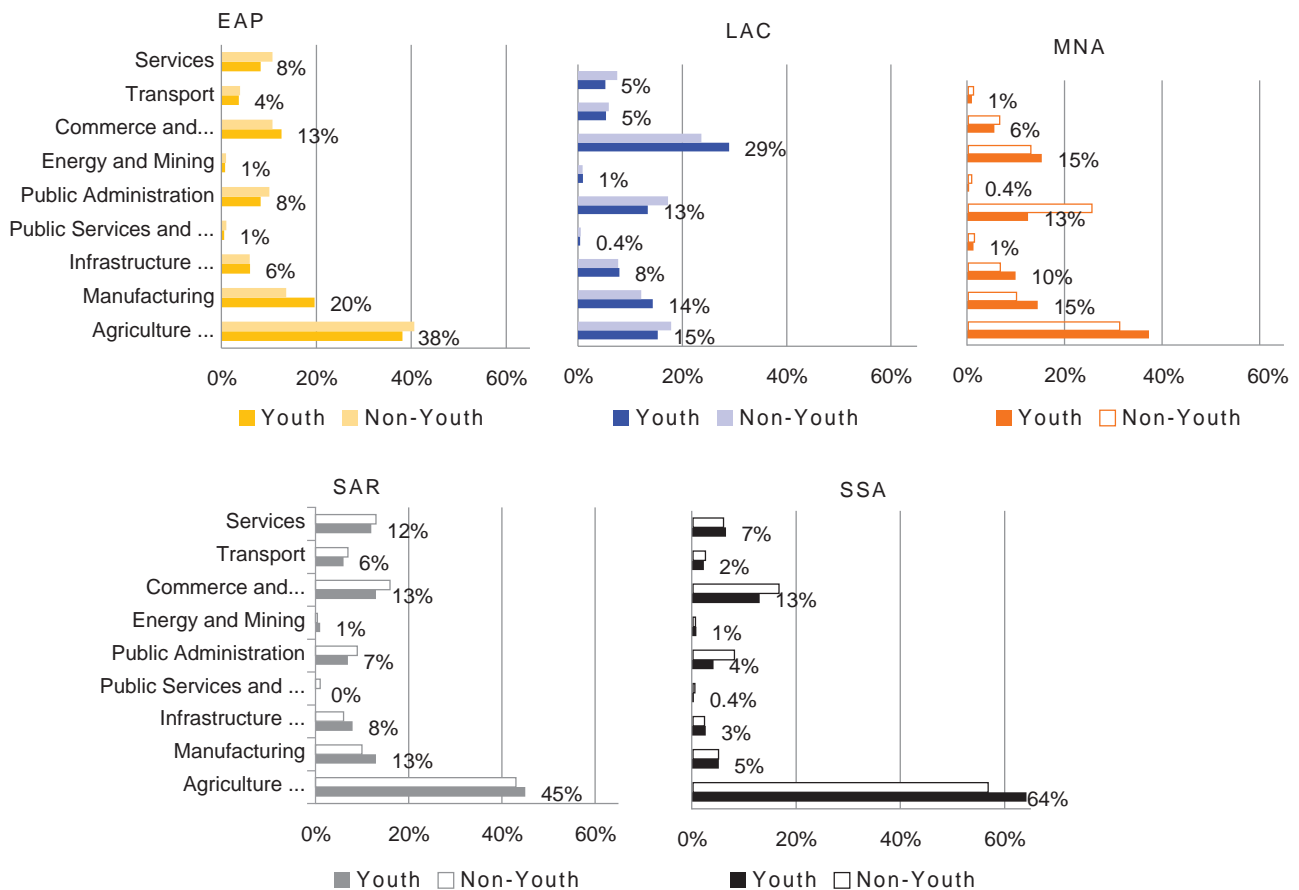


FIGURE 2.15: Sector of Youth and Adult Employment (by Region), %

Source: I2D2.

In most regions agriculture is the main sector; this has implications for underemployment and low earnings rather than open unemployment. However, in EAP, LAC, MNA, and SAR, other sectors show higher participation of youth in relation to non-youth, specifically manufacturing and commerce and private services. Sectoral patterns are likely to shift over time with innovation, technology, urbanization, industrial districting, and diminishing natural resources. These dynamics and their implications for youth skills and employment prospects are explored in Chapters 4 and 7 in the rural and urban contexts.

Figure 2.16 shows that Bangladesh, Uganda, and El Salvador share the pattern above, with agriculture employing the largest share of employed youth. In Bangladesh, about half (52 percent) of the youth population works in agriculture and forestry, while in El Salvador, nearly half (45 percent) of youth were employed in the sector. In general, in El Salvador, only 10.6 percent of youth are employed in water, electricity, and gas, as well as finances and insurance, while 63.6 percent of youth are employed in agriculture, construction, restaurants, and home services. The highest proportion of youth working in agriculture was seen in Uganda, with three out of four youth working in the sector, and more young women (57.8 percent) working in agriculture than men (46.7 percent). Alas, in Uganda, career aspirations do not match up with the realities of working youth. Despite the high proportions of youth working in agriculture, a 2014 ILO study revealed that agriculture is the least popular occupation among Ugandan youth.

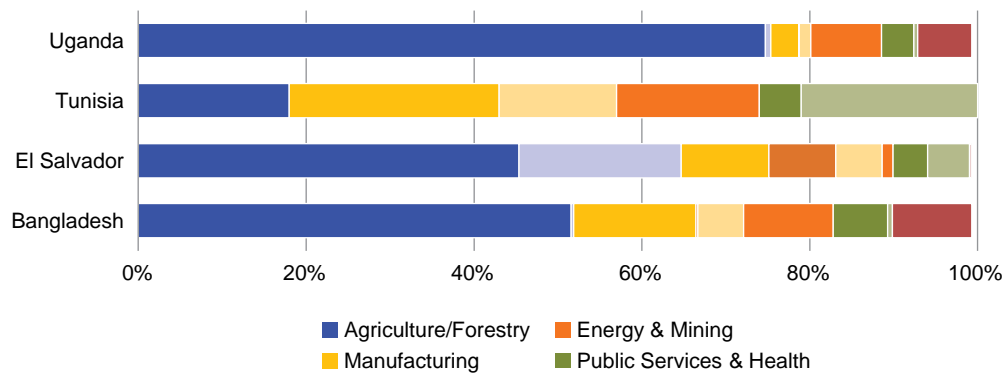


FIGURE 2.16: Country Focus Sector of Youth Employment, %

Source: I2D2.

Tunisia, the sole upper middle income focus country, presents an exception. Here, 25 percent of youth worked in manufacturing, and only 21.9 percent in agriculture, according to the World Bank (2014). In urban areas, 32.2 percent of Tunisian youth and 23.8 percent of youth in rural areas are employed in manufacturing. Manufacturing is strongest in urban areas, while agriculture predominates in rural areas, and tourism is the most common source of employment in coastal areas. It is clear that youth employment outcomes differ significantly by region in Tunisia.

2.5 Entrepreneurship and Financial Inclusion

Because many countries are experiencing stagnant and slow growth in the formal sector without adequate job creation, strategies for better employment and livelihood of youth are increasingly oriented toward alternative models for income generation and employment, particularly for female youth and those living in rural areas. As discussed elsewhere in this report, current youth employment interventions attempt to address these issues and usually consist of literacy, livelihood skills, and entrepreneurial training. Although it is currently not as emphasized in the existing project portfolio, interventions to facilitate access to credit and provide other support services are important. Questions on scalability and sustainability are discussed in Chapter 4.

Youth Entrepreneurship

In response to the employment crisis, fostering entrepreneurship is seen as an additional way of allowing youth into the labor market and to promote job creation. There is an added benefit when focusing on youth entrepreneurship: Young entrepreneurs are more likely than older entrepreneurs to employ other youth, and young people are active in high-growth sectors (Amoros et al. 2013).

Currently, the percentage of youth and adults identified as potential entrepreneurs does not vary by age. In other words, the percentage of the youth and adults indicating that they have adequate entrepreneurial skills and who perceive business opportunities per region are almost identical (ibid). For LIC and LMICs across regions, youth indicating an intention to start a business in the next three years is, with the exception of South Asia (SAR), a bit lower than older individuals (Figure 2.17). The difference is most pronounced for youth and non-youth in EAP, where 22 percent of non-youth indicate an intention to start a business compared with 13 percent of

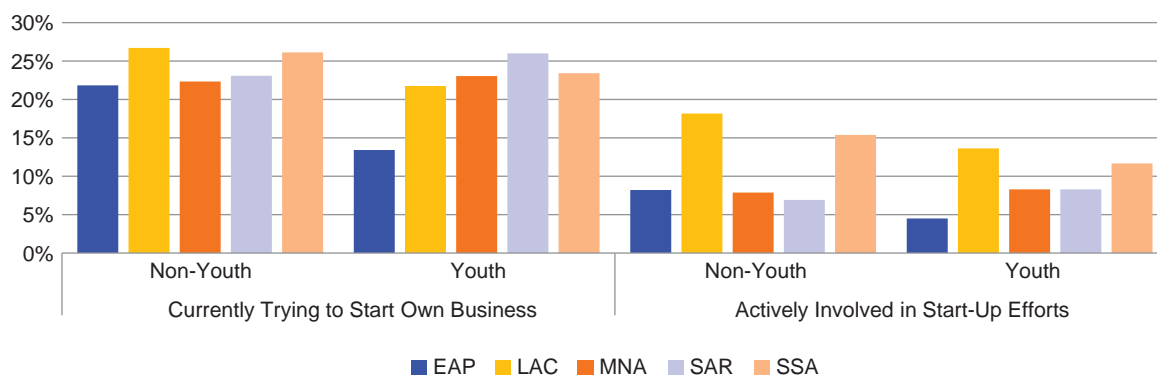


FIGURE 2.17: Share of Population Engaging in Start-up Entrepreneurship

Source: GEM National Expert Survey 2011.

youth. For other regions, the difference is smaller, within 5 percentage points. In SAR, the share of youth indicating an intention to start a business is 3 percentage points higher than the share of adults. The difference between adults and youth is smaller among those who say they are already in the process of starting a new business. On average, the difference is within 4 percentage points and is higher for non-youth. Data was not available for low- or lower-middle-income countries in ECA.

Dissecting youth and non-youth participation in nascent and new businesses by age cohorts, the regional aggregations show that the difference between youth and non-youth is being driven by the 30–34 age group (Figure 2.18). When taking this into consideration 25- to 29-year-olds and 30- to 34-year-olds are, on average, the most active age groups in start-up efforts and owners of businesses less than three years old.

Access to Financial Sector

As we will discuss in Chapter 4, young people’s participation in entrepreneurial endeavors can be greatly hampered by their lack of access to credit. In general, young people have less savings, reduced access to credit, and more limited sources of information than older individuals. Financial institutions regard youth as high risk because of their lack of collateral and experience. As affirmed by the evidence discussed in Chapter 3, entrepreneurship components of youth employment interventions are more successful when they combine training, support services, and access to finance. Access to the financial sector is not only of high priority for youth in self-employment or those starting a business—not having access to a financial institution makes it harder for people to save and be prepared for external shocks. When people have a safe place to save money as well as access to credit when needed, they are better able to manage risk (Demirguc-Kunt et al., 2015).

The tie between employment and financial access is clearest for those trying to start a business or those self-employed, where the trajectory of their future earnings, growth in productivity, and future employment depends on (among other factors) the investment put into the business. The sources of these funds are savings or borrowing. In most low- and lower-middle-income countries, it is more likely for both youth and non-youth to borrow from an informal source (Figure 2.19). Money borrowed from family or friends is the informal source for credit most often in all regions. LAC shows the smallest difference between informal and formal borrowing; it is

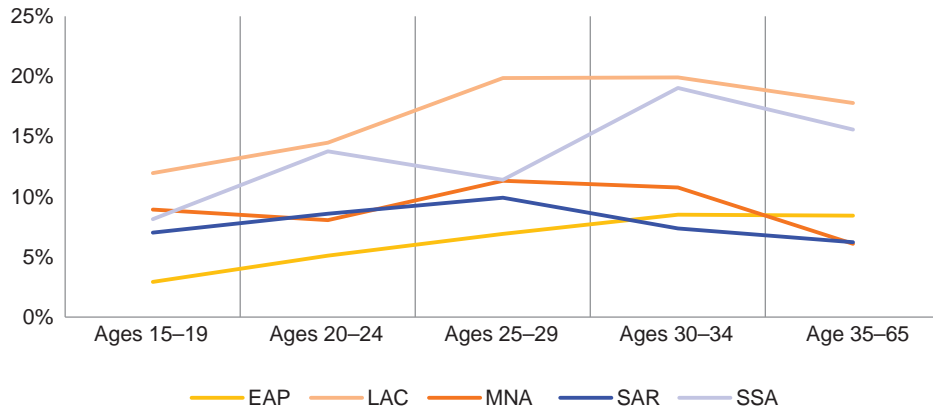


FIGURE 2.18a: Share of Population in Start-up Efforts by Age Group

Source: GEM National Expert Survey 2011.

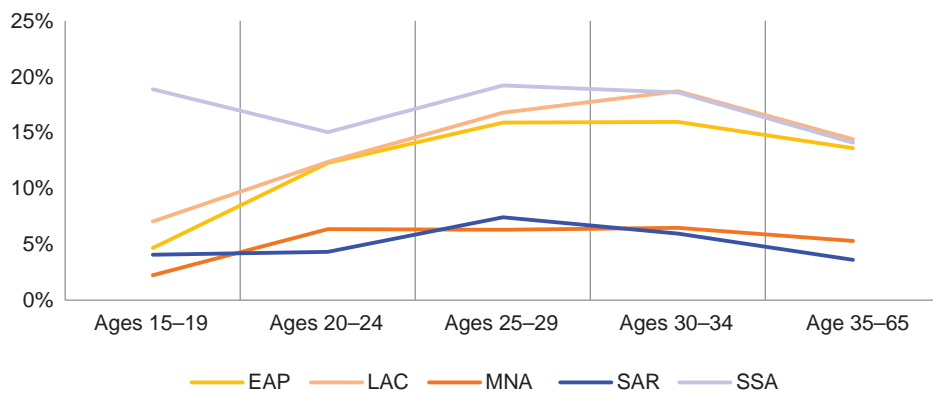


FIGURE 2.18b: Share of Population That Owns a New Business (< 3 years)

Source: GEM National Expert Survey 2011.

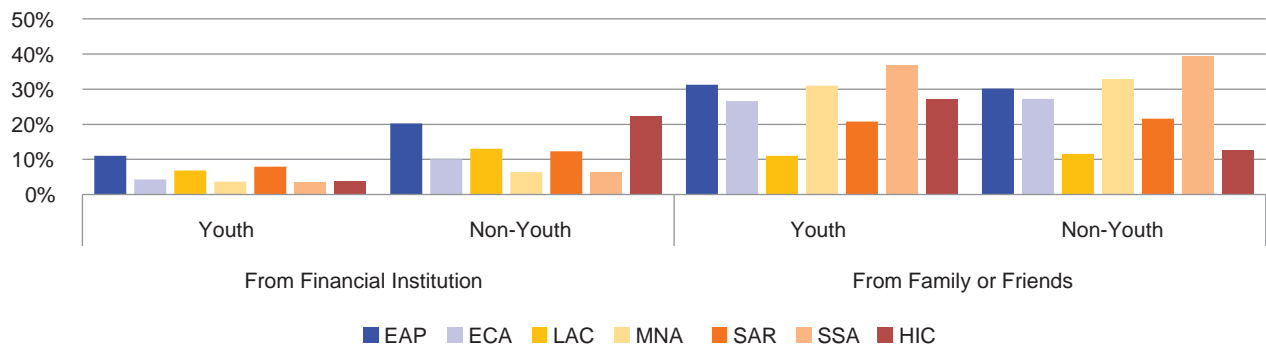


FIGURE 2.19: Share of Population with Access to Credit, %

Source: Global Findex Database 2014.

the only region where non-youth are more likely—by one percentage point—to borrow from a formal source. In the formal sector, the gap between youth and non-youth ranges between just 2 and 9 percentage points. However, given the fact that population shares borrowing from formal sources are so low in places like EAP and SSA, non-youth are almost twice as likely to borrow from a formal source. When looking at informal sources, the gap between youth and non-youth is much less pronounced.

2.6 Conclusions

The employment situation for a majority of the world's youth is grim. Unsurprisingly, the baseline of youth employment outcomes across key employment indicators, including those to be part of the forthcoming SDGs, is low. Since the financial crisis, the youth unemployment and underemployment crisis has reached an apex, and projections indicate the situation is likely to worsen in many low-income countries. Reflecting a weak baseline for SDG target 8.5, about 500 million youth were unemployed, inactive, underemployed, or working in insecure jobs in 2014. Labor force participation data show youth are more economically inactive than adults, by 14 to 22 percent on average. Across all regions, youth are at least twice as likely as adults to be unemployed, with the biggest gap between youth and non-youth employment observed in East Asia (four times more likely). Looking toward SDG target 8.6, the baseline reveals that it will be challenging to substantially reduce the proportion of NEETs (especially for young women): roughly 621 million young people are NEETS.

Youth are increasingly seeking control of their economic fates with entrepreneurship, though business survival and growth remains a challenge for far too many. Displaying high rates of early-stage start-up activity, today's young people represent a generation ready and willing (but not necessarily able) to put their ingenuity and resources to work for themselves and their communities.

Chapter 5 will explore the dynamics behind the data showing unemployment levels are generally higher for young women than young men. Chapter 6 explores some of the factors behind the patterns in fragile and conflict states. Chapter 7 looks at the dynamics driving certain trends, including that rural youth tend to lag behind urban youth on education, while urban youth lag behind rural youth on employment.

As much as can be gleaned from the current baseline, it is important to note the limitations and challenges in measuring and comparing performance on indicators and youth-development outcomes, especially with regard to disparities among youth. Comparing youth outcomes is complicated by the fact that there is variety among countries in how they statistically define youth. Moreover, the capacity for data collection is often weak in low-income countries. Further, data is not always collected on youth, nor necessarily disaggregated by age cohorts to allow a youth analysis. Most comparative global datasets are inadequately disaggregated by multiple factors to allow deeper analysis of the situation of segments of youth to ensure inclusion. For example, data may be available for youth vs. other age groups, and for male vs. female, but not necessarily for female youth vs. male youth, or rural male youth vs. urban male youth. Such limitations underscore the importance of S4YE's call to action to improve our collective knowledge, monitoring, and data as proposed in the SDGs (target 17.8).

Box 2.1: Investment Flows

Generating more and better jobs for young people is the ultimate aim of S4YE. There are two critical means of achieving this: by using existing resources more effectively (through scaling up proven solutions or not investing in interventions where evidence on effectiveness is insufficient) and by mobilizing new resources. So how much do we know about how and where current resources are flowing? For illustrative purposes only, a topline review of two of the leading international organizations' portfolio of youth employment projects was undertaken, using information provided by the World Bank and the ILO, and adopting methodology contained in the Independent Evaluation Group's 2012 report.

An initial review of spending shows that much of the money is being spent strategically. Half of the youth employment portfolio is being spent in sub-Saharan Africa, where statistical baseline performance on most indicators is low.

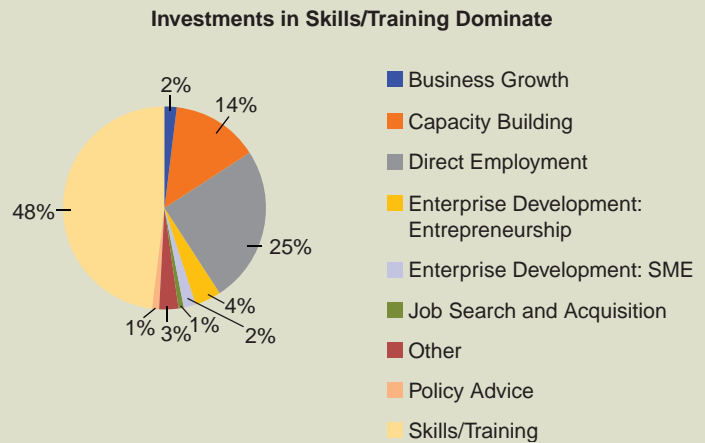
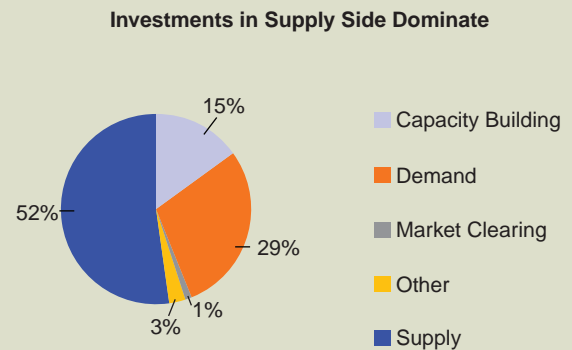
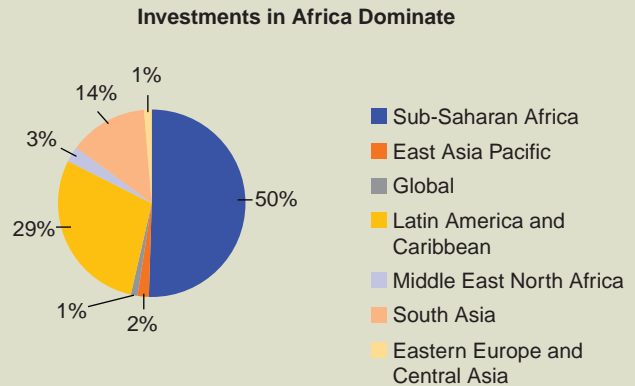
The data further shows that investments in youth employment initiatives have been dominated by supply-side interventions, especially those to build skills. Investments in supply-side projects make up 52 percent of the total portfolio, compared with 29 percent on the demand side.

On the supply side, the majority of the portfolio (48 percent) is going toward skills and training interventions, followed by enterprise development: entrepreneurship (4 percent). On the demand side, a quarter of the portfolio is in direct employment interventions.

Notwithstanding the utility of this proxy baseline to understand current investments, the inability to include a wider range of public or private donors in the analysis speaks to a need for further transparency and diligence in foreign assistance and philanthropic reporting and sharing.

Definitions

- **Supply:** The sum of the following interventions: skills/training, enterprise development (specific to entrepreneurship)
- **Demand:** The sum of the following interventions: enterprise development (specific to Small and Medium Enterprises), direct employment and business growth
- **Market Clearing:** Equals the job search and acquisition intervention
- **Capacity Building:** The sum of the following interventions: capacity building, policy advice
- **Other:** Equals the other intervention



Part II: The Evidence and Knowledge Baseline

In line with its strategic approach to link, learn, and leverage, S4YE is committed to using the best available evidence and knowledge to inform its activities. To this end, Part II establishes the evidence and knowledge baseline against S4YE outcomes and its research agenda. In doing so, it identifies evidence gaps and outstanding questions that the Coalition and its collaborators should take leadership to fill and answer.

Chapter 3 uses newly available findings from an empirical analysis of a selection of rigorous, experimental, and quasi-experimental evaluations to set an evidence baseline in terms of the quantifiable impact different supply, demand, and mediation interventions are having on youth employment outcomes.

Chapter 4 picks up Chapter 3's conclusions on what may be working based strictly on the empirical evidence, to ask and assess the knowledge around broader questions. Examining the literature, programmatic and organizational learning, Chapter 4 creates a knowledge baseline concerning young people's needs; how specific and systemic interventions and influences affect their choices, opportunities, and outcomes; and what we know about promising practices, implementation, and scale.

Highlights

The evidence proves that interventions outlined in the S4YE Pathways to Youth Employment can make a difference in the lives of young people.

- Skills training can improve youth's employment prospects.
- Entrepreneurship-promotion interventions activate the highest return on productive work for young people, especially when combined with access to finances.*
- Of all interventions reviewed, those in employment services appear to deliver the lowest outcomes. This has implications for further experimentation and direction of new program resources.*
- Combinations of interventions are important, but we don't know enough about them and certainly not enough about the multiplier effects of combinations of interventions.*
- There is a rich and growing base of knowledge on promising practices and innovative solutions, but further research and debate is needed to answer the more detailed questions, and to bring new questions forward.*

*These are baseline facts that S4YE will work to influence over the life of the Coalition.

"What works?" is one of the most common questions from policy makers, donors, and practitioners who are trying to support youth in the labor market. Recognizing this, S4YE has prioritized expanding a robust evidence base.

As affirmed in previous chapters, the economic crisis had a dramatic, long-lasting impact on youth employment. It intensified the likelihood of unemployment (particularly long-term

³¹ This section is excerpted and adapted from the forthcoming Systematic Review of Youth Employment Interventions by Kluge et al. For further information, see Kluge et al. 2014.



unemployment), prompting youth's discouragement and detachment from the labor force. About 6.4 million youth worldwide moved into inactivity as a response to the 2007–2008 crisis, while many others continued working yet lived in poverty (ILO 2012). The crisis also drew youth into lower-quality work as they tried to secure an income, however meager.

Today, after the drastic increase observed between 2007 and 2010 (see Figure 2.5), the global youth unemployment rate settled at 13 percent—nearly 73.3 million youth actively looking for a job. While it is expected to remain relatively constant in the near future, the rate is still well above its pre-crisis level of 11.7 percent (ILO 2015).

In consideration of the interventions along the pathway forming the Coalition's conceptual Framework, this chapter reviews the empirical evidence on the impact of youth employment interventions. It draws on the rigorous systematic review by Kluve et al. (2016 forthcoming), which analyzes the relative effectiveness of 105 youth employment interventions—from skills training to entrepreneurship promotion, subsidized employment and employment services—implemented worldwide and evaluated since 1990. The review is the most comprehensive of its kind to date, yet due to the high quality standards required for inclusion in the study, the number of evaluations used was relatively low. This underscores the need for the Coalition and broader research and youth employment community to increase the volume and quality of evidence available.

This chapter discusses results related to the magnitude of impact of youth employment interventions and highlights key findings from single studies with the goal of identifying what works. It does not present a comprehensive discussion of the empirical finding regarding the determinants of impact. This can be explored directly in the upcoming paper by Kluve et al.

3.1 About the Review

Objective: The Systematic Review is a joint effort of the International Labour Organization (ILO), the Rheinisch-Westfälisches Institut (RWI), and the World Bank investigating the impact of labor market interventions on labor market outcomes of young people.³² The following research questions frame the Review's analysis:

- What is the impact of youth employment interventions on labor market outcomes of youth? In particular, the Review will look at skills training, entrepreneurship promotion, employment services, and subsidized employment interventions.
- Which of these interventions are the most effective?

Search methods: In order to ensure inclusion of relevant published and unpublished studies, the search process included (1) a primary search of general and specialized databases, and (2) a complementary (hand-) search of relevant websites, dissertations, theses, and grey literature databases; as well as literature snowballing and contacting authors and experts. The search included terms in English, Spanish, French, German and Portuguese. For each source, the review identified one or more preferred search strategies that yielded a comprehensive and precise set of potentially relevant results.

³² The review is sponsored by the Canadian International Development Agency through the International Initiative for Impact Evaluation, the ILO, RWI, and the World Bank.

Selection criteria: Studies eligible for inclusion in the review were required to meet several inclusion criteria. *First*, studies must have evaluated an active labor market program that included at least one of the following categories of interventions: skills training, entrepreneurship promotion, employment services, and/or subsidized employment, all falling under the S4YE conceptual Framework of interventions. *Second*, studies must have investigated programs that are designed for—or target primarily—young men and women between the ages of 15 and 35. *Third*, studies must reflect completed experimental and quasi-experimental evaluations that measure impacts on eligible labor market outcomes. *Fourth*, studies must have reported at least one eligible outcome variable measuring employment, earnings, or business performance.³³ *Finally*, the study must have been published or reported between 1990 and 2014. No language restrictions were applied.

Data collection: The Systematic Review is based on a comprehensive search of available impact evaluations that yielded 113 studies considered of adequate content and methodological rigor to be included in the meta-analysis. The systematic search and selection process allow addressing potential issues stemming from publication bias and selective reporting. Table 3.1 provides information on included studies. It shows the spread of the evidence across different publication types and points to the growing number of studies which are incidentally of higher rigor in evaluation design. Across outcome measurements, most evaluations provide impact estimates for employment or earnings outcomes. The evidence on the impact of youth employment interventions on business performance is relatively scant.

The analysis: Random-effects meta-analysis methods were employed to synthesize and compare effect sizes reported in the studies. The standardized mean difference (SMD) effect-size statistic captures the relative magnitude of the intervention effect in a way that is unit-less, hence

TABLE 3.1: Characteristics of the Systematic Review

	n	%
(A) Publication Type		
Peer-Reviewed Journal	41	36%
Working Paper	28	25%
Evaluation/Technical Report	30	27%
Other (Book/Dissertation)	14	12%
(B) Evaluation Design		
Experimental	53	47%
Natural Experiment	12	11%
Quasi-Experimental	50	44%
(C) Year of Publication		
1991–2000	14	12%
2001–2010	47	42%
2011–2014	52	46%
(D) Outcome Category		
Employment	98	87%
Earnings	91	81%
Business Performance	10	9%
(E) Category of Intervention		
Skills	53	50%
Entrepreneurship Promotion	15	14%
Employment Services	10	10%
Subsidized Employment	21	20%
Comprehensive	6	6%

Source: Authors, based on Kluge et al. forthcoming 2016.

³³ Employment outcomes include employment and unemployment probabilities, participation rate, hours worked, unemployment duration, and quality of employment. Earnings outcomes include earnings and income, salary and wages, consumption, and household income. Business performance outcomes include profits, sales, number of employees, jobs created, capital and investment, business creation, and business survival.

comparable across outcomes and studies.³⁴ As noted, Kluge et al. also used a multivariate meta-regression model to estimate determinants of interventions' success or failure, including country characteristics and program design. Results from the meta-regression model are not displayed in this chapter but can be explored in the forthcoming paper.

Other reviews: This is the first systematic review and meta-analysis of employment interventions that examines global evidence across relevant labor market outcomes along the causal chain. While some previous studies synthesize the evidence base on the effectiveness of Active Labor Market Programs (ALMPs) (for example, Card et al. 2010 and 2015), very few reviews specifically focus on programs and outcomes for youth. The most relevant review of labor market interventions for youth to date, Betcherman et al. (2007), has served as the basis for technical assistance and policy advice worldwide. Since then, a vast amount of research has been published, using experimental or quasi-experimental methods to determine the impact of new and innovative employment programs. While some recent reviews cover this new evidence, these do not rely on empirical methods to synthesize the evidence (J-PAL 2013) or are limited and selective in scope (IEG 2012). Other studies only include specific types of intervention or outcomes (Tripney et al. 2013, Grimm and Paffhausen 2014 McKenzie and Woodruff 2014).

3.2 Synthesis of the Evidence

The empirical results from Kluge et al. show a positive and statistically significant impact of youth employment interventions on employment, earnings, and business performance outcomes of youth. In other words, the study proves a return on investments made in youth employment programs and policies. The magnitude of this impact (or effect size, shown as standard mean deviation, SMD) is, however, small.

Across intervention types, entrepreneurship stands out with the highest magnitude of overall impact or reported effect size (SMD of 0.15 as shown in Table 3.2). The behavior extends across both employment and earnings outcomes. Skills training, subsidized employment, and comprehensive measures (where it is not possible to identify a primary intervention category)

TABLE 3.2: Summary of Effect-Size Aggregates Across All Outcome Categories

Main Category of Intervention	Number of Interventions	%	Effect Size (Mean)	Number of Effect Sizes
Skills Training	53	50%	0.10	933
Entrepreneurship Promotion	15	14%	0.15	214
Employment Services	10	10%	0.03	90
Subsidized Employment	21	20%	0.10	116
Comprehensive	6	6%	0.11	49
Total	105	100%	0.10	1,402

Source: Authors, based on Kluge et al. forthcoming 2016.

³⁴ The SMD is the ratio of the treatment (the program or intervention) effect for a specific outcome relative to the standard deviation of that outcome within the evaluation sample (program participants) used to estimate the treatment effect.

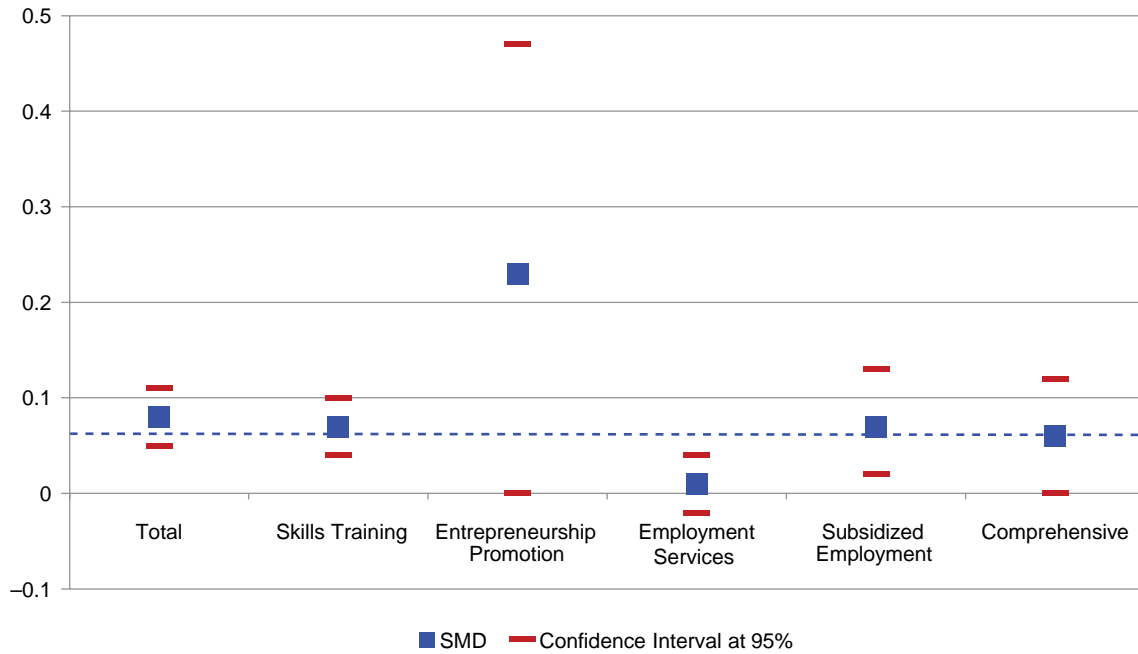


FIGURE 3.1: Effect Sizes of Employment Outcomes Across Main Categories of Intervention

Source: Authors, based on Kluge et al. forthcoming 2016.

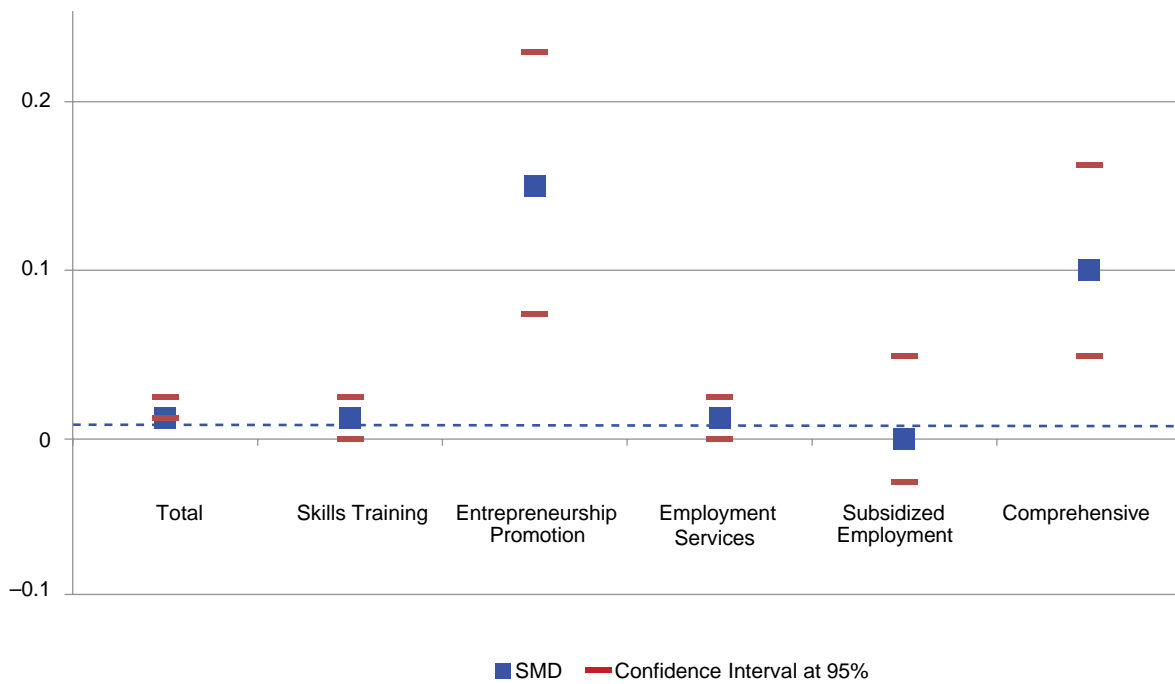


FIGURE 3.2: Effect Sizes of Earnings Outcomes Across Main Categories of Intervention

Source: Authors, based on Kluge et al. forthcoming 2016.

provide a similar magnitude of impact, around the general mean of 0.1 SMD. Employment service interventions, on the other hand, have the lowest magnitude of impact (SMD of 0.01).

Results for employment outcomes indicate that, with the exception of employment services, the aggregate effect size for each main category of intervention had a positive and statistically significant effect.³⁵ In the case of earnings, both employment services and subsidized employment interventions show an effect not statistically different from zero. The overall aggregates per outcomes type suggest youth employment interventions have an effect positive and statistically different from zero on employment (SMD of 0.08) and earnings (SMD of 0.01).

3.3 Labor Supply-Side Interventions

Reviewed labor supply-side interventions include skills training and entrepreneurship promotion interventions.

Skills-Training Interventions

Education and training are key determinants of success in the labor market and strong predictors of nonvulnerable jobs among youth (Sparreboom and Staneva 2014). While they certainly pay off, their returns are far more likely realized if there are strong, explicit links between education and training policies and the world of work. Active labor market training programs for youth aim to bridge the two by strengthening the employment-relevant skills of job seekers. The skills refer to a set of job-specific technical and nontechnical skills ranging *from* specialized skills, knowledge or know-how needed to perform specific duties or tasks *to* individual attributes relevant to work such as honesty and reliability, and the abilities to learn and adapt, to listen and communicate effectively, to think creatively, and to solve problems independently, among others (Brewer 2013). The knowledge baseline on skills is further explored in Chapter 4.

As seen in Box 2.1 on investment flows, skills training is the most widely used youth employment intervention worldwide, and it is increasingly combined with other measures to boost employability (Betcherman et al. 2007; Fares and Puerto 2009). Fifty-three out of the 105 evaluated interventions (50 percent, as displayed in Table 3.2) examined by Kluge et al. (2016, forthcoming) fall under this category with 50 percent of the sample in high-income countries, 35 percent in middle-income countries, and 15 percent in low-income countries.

Nearly a third of the reported impact estimates of skills-training interventions are positive and statistically significant. Evaluation evidence indicates that, on average, skills-training interventions raise the probability of employment among young men and women by 3.35 percent and in aggregate lead to higher earnings (by .01 SMD).

A review of impacts across country income levels shows that skills training tends to yield higher impacts for youth in low- and middle-income countries than for youth in high-income countries (Betcherman et al. 2007). This highlights the role of contextual variables, such as initial levels of human capital and access to social protection and formal technical vocational education and

³⁵ Albeit some at the 10 percent confidence level.

training systems, and suggests that active labor market training programs in rich economies are insufficient to radically improve labor market outcomes of youth.

The multifaceted nature and evolution of skills-training interventions is also observed in the evidence.

Comprehensive, multiservice training interventions: Skills-training interventions have evolved into holistic measures (Fares and Puerto 2009). Forty out of the 105 interventions (40 percent) reviewed by Kluve et al. (2016, forthcoming) combine skills training with one or more additional intervention types: 24 interventions combine training with employment services only, eight interventions with subsidized employment only, and four interventions with entrepreneurship promotion only. There are four cases where skills training is mixed with more than one intervention type.

The combination of skills training and entrepreneurship promotion is particularly popular in low- and middle-income countries, emphasizing youth's scant opportunities in formal employment and the limited ability of public and private sectors to absorb a growing youth labor force. Some examples of evaluated interventions with this particular mix include the Employment and Livelihood for Adolescents (ELA) program in Uganda, the Apprenticeship Training Program and Entrepreneurship Support for Vulnerable Youth in Malawi, the Economic Empowerment of Adolescent Girls (EPAG) program in Liberia, and the Satya/Pratham program in India. Recent evidence also points to the relevance of incentives and profiling mechanisms within the design of the interventions. The Adolescent Girls Employment Initiative (AGEI) in Nepal provided technical and life-skills training with a comprehensive incentive scheme. Several of these are individually examined in Chapters 5 and 6.

Comprehensive in content: While most interventions covered by Kluve et al. (2016, forthcoming) offer technical skills, nontechnical skills are increasingly embedded in training packages (28 out of 53 skills-training interventions), reflecting employers' demand and attention to these abilities (Cunningham, Sanchez-Puerta and Wuermli 2010; Youth Employment Network and IYF, 2009).

As reiterated in skills-related research questions in Chapter 4 there is not yet sufficient evidence on the differential role nontechnical skills play in a training curriculum. Single studies show limited effects on labor market outcomes from interventions that—among other design features—comprise nontechnical skills. The JOBSTART program in the United States applied an intensive exposure model that combined basic education, occupational skills training, training-related support services, and job development and placement assistance—including work-readiness, life, and communication skills—or school dropouts and economically disadvantaged youth. The evaluation showed meager impacts on employment outcomes (Cave 1993). At the other side of the spectrum, the combination of life and vocational skills provided to adolescent girls by the ELA program in Uganda led to large and significant changes in behaviors and an increased probability of employment and self-employment.

It is important to note that while Kluve et al. (2016, forthcoming) do not capture changes in intermediate outcomes such as knowledge, skill acquisition, attitudes and behaviors, there are single studies highlighting (i) positive impacts of youth employment programs on educational

outcomes (in the United States) and (ii) noticeable changes in behaviors, expectations, and noncognitive skills (in the Dominican Republic).

Multisetting approaches: Skills-training interventions have also expanded the exposure of trainees to different environments, particularly by combining in-classroom with on-the-job training (Fares and Puerto 2009). This combination is prevalent in half of the evaluated skills-training interventions in Kluve et al. When not combined, classroom training alone is more frequently observed.

The *jóvenes* programs in Latin America and the Caribbean are well represented in the Systematic Review, with (often several) impact evaluation studies for programs implemented in Argentina, Chile, the Dominican Republic, Colombia, Peru, and Panama. The model, piloted in the 1990s, combined in-classroom and on-the-job training in a demand-driven fashion. On the one hand, the design of the program ensured private sector involvement in the definition of training content, securing the correspondence between the skills taught and those demanded by the productive sector. On the other hand, implementation was demand-driven through stringent, competitive bidding processes for the selection of training providers and incentive payments schemes based on trainees outcomes. The first and most successful of the *jóvenes* programs was *Chile Jóven*, with an effect size for employment outcomes of 0.46 (SMD). The effect sizes of other *jóvenes* programs are lower and close the sample mean for skills-training interventions (SMD 0.07), although with some variation.

Entrepreneurship-Promotion Interventions

Entrepreneurship promotion aims to provide entrepreneurial skills as well as to facilitate access to capital for self-employment—including physical, financial and social capital—which has been proven to be a major constraint for most small enterprises in developing countries. Kluve et al.'s review includes 15 entrepreneurship interventions that offer business skills training, business advisory services, and access to credits and/or grants. These interventions are primarily set in low-income economies (Uganda and Liberia)³⁶ and middle-income economies (Peru, Colombia, Tunisia, and Bosnia and Herzegovina), and their evidence is notably new. Ten of the 15 entrepreneurship interventions were evaluated between 2012 and 2014, with evidence predominantly coming from Africa.

As indicated above, entrepreneurship promotion interventions report the largest effects on employment outcomes and earnings. The same applies when looking only into business performance outcomes. Both Kluve et al. (2016, forthcoming) and Cho and Honorati (2013), observe a wide variation of effects depending on the services provided within the intervention package and the context.

Services: Entrepreneurship interventions also follow a trend toward comprehensive services. About two-thirds of the evaluated interventions combine business skills training, business advisory services (including mentoring), and access to finance. A successful intervention with this multipronged approach is the Women's Income Generation Support (WINGS) program in Uganda, with the largest effect size for employment outcomes across all evaluated interventions examined by the review. The program combined business skills training, cash grants, and follow-up support to young women, leading to an increase in working hours from 14 to 25 hours per week. The

³⁶ Only two interventions were implemented in high-income economies, in France and the United Kingdom.

program seems to largely drive the overall positive impact of entrepreneurship interventions displayed in Table 3.2.

Similarly, interventions providing both entrepreneurship training and business advisory services—irrespective of grants provision—had strong, positive evaluation results on employment outcomes in low- and middle-income economies. For example, the EPAG program in Liberia provided classroom-based training followed by six months of follow-up support; it reported an increase in employment of 47 per cent. In addition to changes in labor market outcomes, the evaluation showed improvements in the self-confidence of participating girls.

Positive business performance outcomes (for example, an increase in profits) are associated with interventions that provide *start-up* grants, either alone or combined with training and advisory services. These results are driven by interventions implemented in low-income economies and aimed at mitigating capital constraints for poor and vulnerable young people, as is the case of the Youth Opportunities Program (YOP) and the WINGS Program, both implemented in northern Uganda; more on these will follow in Chapter 6.

The evidence on grants is inconclusive, however, when it comes to helping existing young entrepreneurs to grow and expand their businesses. A recent randomized experiment of the Start and Improve Your Business (SIYB) program in Uganda shows that access to finance is a real constraint for young business owners and can be addressed through the combination of business training and loans. So far, this has been proven only among young men (Fiala 2014).

Developing a business plan is part of the curriculum in more than one-third of entrepreneurship interventions, and is often used to determine eligibility for participation in the program and/or access to finance. Examples include *CréaJeunes* in France, *Turning Theses into Enterprises* in Tunisia, and *Formación Empresarial De La Juventud* (Project JUMP) in Peru.

Duration: There is insufficient evidence on the effect of training duration on program effectiveness. An exposure of six months through the *Jóvenes Rurales Emprendedoras* program in Colombia led to an increase of 13 percentage points in the probability of employment, whereas a three-day exposure through the WINGS program in Uganda increased the employment probability by 31 percentage points.

3.4 Labor Demand-Side Interventions

Labor demand-side or subsidized employment interventions reviewed include wage-subsidy programs aiming to reduce the labor cost for employers as well as public employment programs which aim to increase aggregate demand for labor in times of crisis or in contexts where markets are unable to create jobs at the required scale and unemployment is an ongoing challenge. Subsidized employment interventions facilitate first-time job seekers' entry into the labor market and keep individuals, often unskilled, disadvantaged or long-term unemployed, in contact with the labor market, thus mitigating the depreciation of human capital. To that end, such programs offer short-term interventions but primarily work toward longer-term labor market effects.

Kluge et al. (2016, forthcoming) studied 21 interventions implemented in high-income economies (Australia, Canada, Chile, France, Germany, Sweden, and the United States) and

upper-middle-income economies (Jordan, South Africa, Tunisia, and Turkey). Most interventions (17 out of 21) were evaluated between 2005 and 2014.

The review identified the following features within wage-subsidy interventions: reductions in employer social security contributions, reductions in employer labor and wage costs, direct subsidy payments to the individual (for example, through vouchers). There were only two evaluated public employment programs, the German ALMP Job Creation Schemes (JCS) and the French program *Travaux d'Utilité Collective* (TUC), both related to infrastructure and social development and community works and services.

Overall, subsidized employment interventions report larger effects on employment outcomes (average SMD 0.07) than on earnings outcomes (average SMD 0). As shown in Table 3.2, after accounting for independent groups and the number of estimates contributed by each study, more than 34 percent of the estimates are positive and statistically significant.

Wage Subsidies

Interventions reducing the employer's social security contributions display significant positive effects on employment outcomes. One example, further explored in Box 3.1, is the *Stage d'Initiation à la Vie Professionnelle* (SIVP) program in Tunisia, which provided an employment subsidy for university graduates by reducing the employer's hiring costs and exempting it from social security contributions, resulting in an average program SMD of 0.16. In comparison, interventions reducing the employer's labor and/or wage costs and interventions by directly paying individual workers yielded lower impacts on employment. The Youth Wage Subsidies for South Africa program provided employment vouchers to unemployed young South Africans to reduce the wage costs for the firms with a resulting average SMD for employment outcomes of 0.10. The program had no significant impact on individual earnings and suffered from a low take-up of the employment vouchers by eligible employers, which partly explains its moderate impact.

The evidence also shows large positive impacts on employment from interventions that combine a reduction of the employer's social security contributions with a reduction of the employer's labor and/or wage costs (Barza 2011, Charpail et al. 2005, SENCE 2006, Pessao e Costa and Robin 2009). The 2008 Employment Package in Turkey combined a payroll tax subsidy for newly hired employees (ages 18 to 29) with cuts in the social security payments made by employers, leading to a 23 percent increase in formal employment for young men. In general, combinations of different wage-subsidy services show larger impacts on individual employment outcomes than single-area wage-subsidy interventions such as the *Contrat Jeune en Entreprise*, a subsidy for French firms hiring school dropouts under the age of 22 on open-ended contracts; in this case, no employment impact was detected (average SMD of -0.01).

Wage-subsidy interventions are prone to displacement effects (Almeida et al. 2013), prompting calls for further examination of general equilibrium effects. The evaluation of the U.S. Targeted Jobs Tax Credit (TJTC) program shows evidence of selective displacement of nonwhite, disadvantaged youth. In addition to changes in labor market outcomes, the evidence on wage subsidies points to improvements in more intermediary outcomes such as well-being, empowerment, and attitudes. One example is Jordan's New Opportunities for Women (NOW) Program, which will be explored further in Chapter 5.

Box 3.1: Tunisia in Focus—The SIVP Employment Subsidy Program

The *Stage d'Initiation à la Vie Professionnelle* (SIVP) program in Tunisia is an employment subsidy program that aims to solve the problem of graduate unemployment, which stands at 61.4 percent for youth and 21.4 percent for adults. The program, which operates under the Ministry of Professional Training and Employment, targets unemployed university graduates who are seeking a job for the first time. Reviewed in 2013 in the *IZA Journal of Labor Policy*, the SIVP program had a budget of 22 million euros in 2010 and benefited 45,000 graduates in 2011. This program aimed to allow for more opportunities for graduates to enter the Tunisian labor market by giving an incentive to employers to hire first-time job applicants, who may be considered to be risky hires. By hiring those enrolled in the program, formally registered firms paid only two-thirds of the salary, while the subsidy covered the rest. The theory was that by reducing the cost of labor, the program would increase demand, while the young people hired would gain valuable work experience and build professional connections. The size of the subsidies varied depending on the size of the firm, the number of hired graduates, and the major of the graduate (those with degrees in certain majors received larger subsidies because it was assumed that they would face more difficulties in finding a job). The subsidies ranged between 50 and 125 euros per month. The program functioned on a first-come, first-served basis.

Evidence shows that the program had positive, though minimal, results. Program participants were 8 percent less likely to be unemployed and 29 percent more likely to find placements in the private sector, especially after leaving the program. There were shortcomings, though. For example, beneficiaries were 24 percent less likely to have permanent contracts and earned 9 percent less than other employees. Furthermore, the program seems to have inefficiently targeted beneficiaries, as graduates who needed the program most, such as those who were unemployed for more than three months and those from areas where the program was most needed did not participate.

Ultimately, confounding factors undercut an evaluation of the program's effectiveness. One issue is that the treatment population was self-selecting, which makes it difficult to attribute positive results to the program rather than some particular aspect of those who signed up. Additionally, we cannot know how many firms would have hired these young people even without the subsidy. Two major lessons include the need for wide and deliberate outreach to minimize self-selection and job-matching services to complement the program.

Source: Tunisia Country Study, Silatech 2015; Broecke, S. 2013. Tackling Graduate Unemployment in North Africa Through Employment Subsidies: A Look at the SIVP Program in Tunisia. *IZA Journal of Labor Policy*, 2 (9).

Public Employment Programs

Rigorous evidence of the impact and effectiveness of public employment programs is generally scarce. The two studies analyzed in the Systematic Review (TUC in France and JCS in Germany) showed effects that were below the “standard” effect size for subsidized employment interventions and also with regard to wage-subsidy programs. Their share of positive and statistically significant impacts is near zero.

3.5 Employment Services

Employment services are generally based on the (matching and) intermediation approach to active labor market policy. They deliver job counseling, job-search assistance, and/or mentoring services for (re)activation, which are often complemented by job placements and technical or financial assistance. The basic idea for providing employment services to youth is that young workers have difficulty signaling their skills and credentials and/or lack the networks or knowledge to effectively search for vacancies and connect with employers. Hence these programs often focus on improving job-seeking skills and the efficiency of the matching process.

The Systematic Review identified a sample of 10 employment services interventions often combining job counseling, job-search assistance, and mentoring services. In fewer cases the interventions provided job placement services and/or financial assistance. The only intervention that focuses only on financial assistance for job search is a subsidized transportation experiment in Ethiopia (Franklin 2014). Interventions are typically of short duration (three months, on average) and their intensity ranges from one-off afternoon visits to job information centers for secondary students in Germany to 12 months in the Counseling and Job Placement for Young Graduate Job Seekers program in France. It is important to highlight the increasing reliance on employment services as supplementary measures in other active labor market measures, mainly training and wage subsidies.

Most evaluations have taken place in high-income countries (Finland, France, Germany, Portugal, the United States) where they are typically implemented by public employment agencies and operate on a national scale. In developing countries, evaluated interventions were implemented in Ethiopia, India, and Jordan.

Different from other main intervention types, evaluated employment service interventions exhibit a trend toward single-pronged approaches, mostly the provision of job counseling, job-search assistance, and/or mentoring services. A relatively successful example of this monotypic intervention is the mandatory visits to job information centers program for German secondary students, whereas a less effective example is the “Job Shadowing” component of the School-to-Work Opportunities Act (STWOA) in the United States.

Aggregate empirical evidence from employment services shows no statistically significant effect sizes for employment or earnings outcomes. Eighteen percent of the estimates are positive and statistically significant, again after taking into account independent groups and the number of estimates contributed by each study. Single studies in high-income countries typically find small or often insignificant effects on employment. Caliendo (2011) is the only study detecting positive long-term effects on youth labor market outcomes from the job-search assistance track of the German ALMP measures. In most studies, the changes in labor market outcomes are transitory and there is no sign of a stepping-stone effect (for example, counseling and job placement for young graduate job seekers, studied by Crépon et al. 2013; transport subsidies in Addis Ababa, studied by Franklin 2014; and mandatory visits to job information centers, studied by Saniter 2014).

Finally, although a very small sample, the three employment service interventions that are evaluated in low-income countries (Groh 2014: Jordan; Jensen 2014: India; and Franklin 2014: Ethiopia) are quite different from those large public sector programs discussed above; because they are exclusively small-scale or pilot interventions, they primarily aim to reduce search costs

for job seekers, via job screening and matching, recruiting services, or transport subsidies. These studies are more likely to find positive employment (not earnings) impacts on participants.

Evaluations also report impacts on intermediary or further outcomes such as attitudes, aspirations and reservation wages in the Addis Ababa transport-subsidy program (Franklin 2014).

3.6 Conclusions

Supporting youth in the labor market pays off. Empirical evidence shows that youth employment interventions, particularly those that provide skills training, promote entrepreneurship, subsidize employment, or support job seekers through employment services yield a positive (and statistically significant) impact. These are found in at least one of three estimates measuring impacts of youth employment interventions on employment, earnings or business performance outcomes, based on a sample of 113 impact evaluations conducted worldwide since 1990. Positive impacts are more visible across employment measures, namely employment probability and hours worked.

While interventions evaluated in developed economies continue dominating the landscape of youth employment evidence, there is a significant recent effort to understand what works in developing countries, primarily through experimental evaluations of pilot projects. Similarly, most evaluated programs rely on skills training as the primary intervention delivered to youth, increasingly combined with employment services and subsidized employment. Reflecting patterns reported in the previous chapter, entrepreneurship has gained scope, particularly in developing contexts with insufficient labor demand to absorb a large and growing youth labor force.

The magnitude of the impact is, however, modest. While many youth employment interventions were relatively successful in boosting labor market outcomes of youth, fostering youth employment in low- and middle-income countries is generally easier than in high-income countries. This finding holds in relative terms, but does not seem to be fully independent from economic and institutional factors affecting labor market policies today, as we will discuss in Chapter 4. Design and implementation and considerations of local and economic contexts are therefore crucial to understand the causality behind impacts of youth employment interventions.

The effects of entrepreneurship promotion interventions are, on average, better than those from other intervention types. This seems to be primarily driven by a multipronged approach that aims to address the multidimensional nature of the constraints to business start-ups and growth in developing countries. Access to finance has proven to be an important strategy to lift the constraints, but their impact is only durable in combination with skills training. The effects of employment services are, on the other hand, on average weaker and deserve further experimentation, particularly in developing contexts where the evidence is still scant.

The evidence provides significantly limited information on certain types of interventions, particularly on public employment programs and employment services, where most of the evidence relates to more developed countries. Evidence is also scant on long-term effects of youth employment interventions. Thus it is particularly important to assess cost-effectiveness and explore opportunities to replicate and scale up solutions that work. Many questions remain unanswered, especially in consideration of the Framework. These gaps inform the S4YE research agenda introduced in Chapter 4.

The Knowledge Baseline³⁷

While a great deal of progress has been made in recent years toward understanding the complexity of the problem of youth unemployment and potential solutions, many questions remain unanswered. In an effort to set the knowledge baseline, this chapter introduces eight priority areas for research on different dimensions of youth employment and skills. These questions emerge from consideration of the patterns and trends in youth employment outcomes presented in Chapter 2 as well as the evidence available to date on what interventions are effective presented in Chapter 3, and are based conceptually on the S4YE Pathways to Youth Employment Framework presented in Chapter 1, which set out in general terms the range of underlying determinants, influencers, and key interventions in youths' path toward productive employment. They directly link as well to several of the S4YE frontier areas and enablers of multisectoral inventions laid out in Chapter 1.

Some of the questions are broad, and involve the identification of shifts in global labor markets that will affect youth, and the institutional and policy conditions needed for successful youth integration into the labor force and productive work. A number of questions arise in the area of skills formation: identifying skills gaps, reforming systems for education and skills provision, and nontraditional means of providing skills to young people. Other questions consider the role of youths' perceptions and behavioral characteristics, the promise of new technology, ways to improve job searches and matching, and factors constraining effective scale-up of proven interventions.

³⁷ The contribution of Peter Glick, Nelly Mejia and Francisco Perez-Arce was made possible through the generous support of the Pardee Initiative for Global Human Progress at the Pardee RAND Graduate School and RAND's Center for Middle East Public Policy.

Box 4.1: The S4YE Research Questions

1. How will labor markets in low- and middle-income countries change in the next two decades, and how can young people be best prepared to meet these challenges?
2. What are the economic, institutional and policy conditions that lead to better youth employment outcomes?
3. How can education and training for young people be made more effective at preparing them for work?
4. What roles do expectations, perceptions, and aspirations play in young people's access to employment, and how do the behavioral characteristics of youth affect choices?
5. How can innovation and technology be harnessed to improve work outcomes for youth?
6. Can entrepreneurship promotion have scaled impacts on youth employment?
7. How can job search and recruiting be made more effective?
8. What are the barriers to adopting and scaling up proven solutions for youth employment, and how can they be overcome?

4.1 How Will Labor Markets in Low- and Middle-Income Countries Change in the Next Two Decades, and How Can Young People Be Best Prepared to Meet These Changes?

“We should be taught a broad range of skills to enable us to navigate the ever-changing job market.”

—*Jacinta, 24, Uganda*

Labor markets and the nature of work are in a state of transition across the globe, with profound implications for young people entering the workforce in the next several decades. Among these changes in labor markets are:

Growing dominance of the private sector and services: The vast majority of new jobs will be created by the private sector, which now accounts for some 90 percent of job creation (World Bank 2012). Further, job growth is likely to be dominated by services, not just in developed countries but in developing ones as well. For many countries, especially in East Asia, rapid growth of manufacturing employment has been a pathway toward opportunity. However, despite continuing expansions of outsourcing of manufacturing to developing countries, improvements in technological efficiencies will place limits on the expansion of such employment in these countries. Indeed, in contrast with the pattern seen in now-industrialized nations of declines in agriculture shares and increases in manufacturing—followed only later by an increase in services related to manufacturing—many developing countries have been moving toward developed-country service-sector shares without this prior rise in manufacturing. It is not yet clear whether a service orientation can lead to massive poverty reduction through expansion of productive employment, and what the implications for youths' work prospects will be.

With regard to agriculture's role in employment, this sector remains very important in regions such as in Africa and South Asia; Figures 2.14 and 2.15 depict the current dominance of agriculture as a source of youth livelihoods across low- and lower-middle-income countries. However, the share of agricultural employment is falling and will continue to decline, mostly reflecting rapid urbanization as will be discussed in Chapter 7. More than half the population in developing countries is expected to be living in cities and towns before 2020. As a result, far more young people will be entering the nonagricultural labor force, seeking employment in services and industry.

Increasing integration into global value chains: Technological change and advances in communication in recent years have made it dramatically easier for developing countries to participate in expanding global values. Outsourcing of manufacturing and services has increased as multinational firms find it easier for activities along the value chain to be more finely split up and carried out in different locations. The rapid increase in offshoring of information technology (IT), back-office processing, and customer support services to countries such as India illustrates this trend. Integration into global value chains provides new opportunities for economic growth, employment, and well-being among young workers, particularly young women. A strong example is seen in focus country Bangladesh, where in little more than two decades employment in export-oriented garment manufacturing rose from to essentially zero to 3.6 million, with 80 percent of these jobs held by women (World Bank 2012). These jobs typically represent a significant improvement over alternative opportunities.

Increasing reliance on flexible employment and informal employment: At the same time, due in part to broader global competition as well as technological change, firms in both the developed and developing world have been moving from formal wage employment to more flexible, task-based, and temporary or semi-permanent jobs. In low- and middle-income countries such as India and elsewhere, this is reflected in, among other things, the rise in the temporary staffing industry. Because workers under these arrangements do not have permanent employment contracts and usually lack job benefits, employment in global value chains is becoming significantly "informalized." While this benefits employers and, potentially, economic growth through greater labor market flexibility, there are generally negative implications for working conditions, job security and social protection, and tax revenues.

It is expected that the majority of new jobs (for youth) in low- and middle-income countries will be created in the informal sector. Other, possibly even more important, causes including demographic trends and rural-urban migration will be considered in Chapter 7, along with slow growth of the formal private sector in many countries and declining public sector employment—which together mean more young people entering the labor force but finding fewer formal sector jobs. Within the informal sector, small and microenterprises will play a very significant role in job creation, not just in poor countries such as Ethiopia, where they account for virtually all manufacturing employment, but also in middle-income countries such as Chile, where they account for almost 40 percent (World Bank 2012). The increasing diversity of the informal sector in low- and middle-income countries needs to be recognized. In addition to featuring a multitude of tiny home-based enterprises operating at low productivity, this sector also contains highly dynamic, high-skill firms that are informal largely to avoid the tax and regulatory burdens of formality.

Changing requirements for skills: Of particular relevance for young people entering the workforce in the coming several decades—and for policy makers—are changes in the skills required by the new labor market. Globally, low-skill occupations and nonroutine manual jobs still make up more than 45 percent of total employment, with medium-skill routine jobs accounting for about 37 percent (ILO 2015). However, in part due to increased trade and offshoring, medium-skill jobs in advanced economies are declining, while they are increasing in low- and middle-income countries. For economies such as China and India, these new jobs will be at the high end of the skills scale nationally even though they might be considered medium-skill jobs in industrialized countries. Therefore the shift via outsourcing and offshoring of these jobs to developing countries points to an increase in the demand for higher-skilled labor in these countries. Among member states of the Association of Southeast Asian Nations, for example, it is estimated that by 2025 the higher skills mismatch (ratio of underqualified workers to higher-skill employment) will be 10 percent in Vietnam, 25 percent in the Philippines, and a staggering 65 percent in Indonesia.³⁸ Having young people enter the workforce with the skills required for this work will be important for both the youth and for the country's economic growth.

The nature of skills demanded, not just their level as measured by level of schooling, is likely changing substantially as a result of this and other trends. In general, as economies develop and diversify, the demand for more general, higher-level cognitive skills increases relative to that for manual skills specific to a particular job. This pattern may be reinforced by the trend noted above toward nonpermanent employment: When such arrangements become common, broader, transferable cognitive skills rather than narrower job-specific skills are more valuable for workers as well as potential employers. More frequent transitions between positions and sectors also increases the importance of youth having a system of credible skills certification that allows them to signal their qualifications to employers. Finally, noncognitive or soft (behavioral) skills may become more valuable. This would be expected, for example, based on the growing importance of services—including offshored customer service operations—that require interaction with customers and clients. Task-based and short-term employment both require the ability to be flexible and adaptable to new situations, which is itself an important noncognitive skill. Finally, more and more jobs in low- and middle-income countries, including outsourced online support jobs and many higher-skilled occupations, will require a high degree of computer literacy. However, it is important to keep in mind that the share of the workforce actually impacted by these changing skill requirements will vary from country to country, which will in turn condition policy responses.

Variation across region and country: As just noted, the stylized trends noted above do not apply equally to every region or every low- or middle-income country. As the 2013 World Development Report stressed, countries at different points in development or with different characteristics will have different job agendas, and these will affect approaches to youth employment. Poorer and largely agricultural economies, such as those in sub-Saharan Africa, will remain agricultural for some time, and employment and productivity gains among youth must happen in that sector first and foremost, though many of these countries will also have the potential to develop low-skilled light-export manufacturing given their low labor costs. More advanced and urbanized developing countries will be better placed for higher-value integration into the global economy with concomitant demand for education and higher skills of new workers. Other countries, particularly large Latin American economies such as Brazil, Chile, and

³⁸ See Goldin "Every Day Should Be World Youth Skills Day": <http://csis.org/publication/every-day-should-be-world-youth-skills-day>.

Mexico, may actually experience greater formalization of employment due to effective legislation to encourage firms to register. This process, if successful, will offer more youth regular, high-quality employment.

In considering the potential implications of these trends for youth skills and employment, a number of research questions arise:

- In which sectors will new jobs for youth be created in the coming several decades, in different regions and countries? What are the implications for skills development? Do these or other trends point to a greater importance of general as opposed to specific technical skills? For soft skills?
- How relevant will the likelihood be of frequent job changes and the shift toward task-based work and other nonstandard work for new labor force entrants (in different regions) in the coming two decades? What does it imply for job quality and economic vulnerability?
- How will globalization of value chains and technical change affect the labor market for young people? What are the potential benefits and potential risks of increasing the outsourcing of manufacturing and services?

4.2 What Are the Economic, Institutional, and Policy Conditions That Lead to Better Youth Employment Outcomes?

The conditions required for a country to help its youth successfully make the transition to productive work are complex. Much of this report, and much of the literature, has considered the potential of specific interventions in the labor market such as training or employment services. However, as outlined in Chapter 1, a broader set of conditions must be in place if such programs are to be successful on a large scale.

At the most basic level are fundamentals such as macroeconomic stability, a functioning infrastructure, a working financial system, adequate education and health services, and rule of law and contract enforcement. These fundamentals make possible economic growth and a robust private sector that can create jobs, for youth and others. Needless to say, the absence of good fundamentals is hardly uncommon in developing economies; for example, fragile states and countries emerging from prolonged conflict will lack many of them. An important direction for research, as discussed elsewhere in this report (see Chapter 6) is to determine appropriate measures for youth employment and well-being when these conditions are not in place. For example, when the formal sector is very weak and demand for workers by informal firms is weak as well, strategies to promote self-employment as a means to secure a basic livelihood may be the best option—though the limits to what can be achieved in such cases must be recognized.

Even having the fundamentals in place for economic expansion is not a guarantee that youth will benefit from job creation and skills development. Economic growth alone may not create enough jobs and—especially—enough jobs for those just entering the labor force. The case of labor-intensive growth in China based on semi-skilled manufacturing employment can be contrasted with growth in India that created far fewer opportunities for the poor (and youth).

With respect to the labor market specifically, institutions and policies related to work play a significant role in setting favorable—or unfavorable—conditions for youth employment. Not surprisingly, the conditions that help young people are generally the same as those that favor job expansion overall, but some labor market institutions or policies particularly affect youth. A key concern is with the levels and types of regulation and taxation related to employment. Regulations that make hiring more expensive via (for example) minimum wages or employer contributions toward social funds paid for their workers, or that make dismissals harder, tend to hurt younger workers the most (Bassanini and Duval 2006; OECD 2006). This is because new workers are the least productive and, lacking experience, the most risky for employers to hire, so where there is significant inflexibility in hiring and firing firms prefer more established workers. This pushes youth toward informal employment, where such protections are absent. Policies need to strike a balance between providing protections to employees and severely disadvantaging youths' employment opportunities. Lower minimum wages for young workers and looser restrictions on contracts (for example, allowing special short-term contracts for new workers) are potential responses to this dilemma, though it is important to avoid negative general equilibrium effects, whereby employers simply replace older workers with younger ones. Similar to minimum wages and hiring and firing regulations, imposition of high nonwage costs to pay for social benefits such as health insurance tend to lead employers to prefer older, more productive workers while dampening labor demand overall. Several countries in Latin America have recently introduced new approaches that decouple employment from social protection (Holzmann et al. 2009). This approach reduces the cost of hiring for firms while making it possible to extend benefits to young workers—and others—who are in the informal sector.

In addition to the stance vis à vis the labor market per se, public policy toward *skills development* forms an essential part of the underlying conditions for successful transitions to work for youth. This includes ensuring—through employer involvement—that orientation of the education and technical and vocational education and training (TVET) systems toward actual labor market requirements and the development of national certification and qualifications frameworks to improve and standardize training and skills certifications. Also important is the approach of the public sector to delivering these services. Given problems of government failure, which we will discuss below, some countries have moved to systems of competitive private providers of training (as well as employment intermediation) services, which have the potential to improve efficiency and coverage. From the point of view of capabilities as well as avoiding conflicts of interest, it is generally effective to separate oversight from delivery, with the public sector involved in finance and oversight, including provision of incentives for good performance, but not the actual delivery of the services (Tan and Nam 2012). For example, this approach has characterized the *jóvenes* training programs for unemployed youth in a number of Latin American countries reviewed in Chapter 3. For on-the-job training, the systems for financing training can have important implications for effectiveness and coverage. The most common form of subsidizing this training is by providing employers with rebates from payroll taxes or levies, but this is relevant only to formal sector employers who pay taxes. Payments from general revenues via reimbursement, matching payments, or vouchers, would make it possible for informal firms to benefit from the subsidies.

As emphasized in Chapter 1, policies toward skills and labor markets are motivated in large part by market failures. These include externalities, in particular the problem of free riding on firms' investments in training; information failures, whereby individuals or firms make suboptimal decisions because they lack full knowledge of the benefits or costs of different choices regarding training or work, or whereby young people cannot signal their skills to employers; and credit market failures, which also lead to underinvestment in training or job search if youth or firms lack access to credit to finance these productive activities. Public interventions seek to compensate for these market failures by providing or subsidizing training to youth or employers, by providing information on careers and the benefits to training and the quality of specific providers, by developing skill-certification systems to better signal competencies for youth and others, and by providing credit to youth to obtain training or finance a job search.

Successfully addressing market failures through policy requires a public sector that is capable of diagnosing the source of the problem, and developing and implementing appropriate responses. *Government failures*, however, often prevent effective responses to market failure. A chief problem is lack of accountability, since individuals in public agencies are often not incentivized to provide high-quality services as well as, in the case of vocational training, to respond to specific skill needs of employers (Betcherman et al. 2004; Kuddo 2009). Government failures also arise from weaknesses in the policy-making process (such as lack of transparency or stakeholder input) or lack of administrative capacity to implement programs well (Robalino, Almeida, and Behrman 2012). Policy makers may also lack the information to make the right policy decisions, and may make poor decisions as a result—for example, picking promising industries on which to focus TVET that end up being the wrong choices.

As the foregoing suggests, adequate government capacity is one of the key underlying conditions for successful transitions of youth to employment: capacity to direct or manage TVET systems that meet current and future labor market needs; to oversee competitive provision of training services; to engage employers in developing effective certification systems; and to diagnose and address market failures without simply replacing them with government failures. In addition, given the need to deeply involve the private business sector in strategies and programs for youth employment, institutional mechanisms for cooperation between public and private sectors must exist—or be developed. For example, Germany's celebrated "dual model" of technical training, in which classroom training is matched with a system of placement of trainees with firms, has proved hard to replicate even in middle-income countries, in part because the necessary close institutional relationship between government and firms (and trade unions) were not present (Euler 2013). Singapore and Korea, as noted, created effective systems of technical training that were closely aligned with those countries' long-term industrial strategies, but such planning is complex and requires sophisticated institutional mechanisms to carry out.

Finally, it is worth noting that even with the institutional preconditions for effective labor market and training strategies, rapid growth of productive employment for youth will not occur in the absence of economic growth that generates demand for their labor. Indeed, some of the strongest TVET success stories, in particular those of "East Asian Tigers" such as Korea and Singapore, were characterized by strong institutional linkages of training to employers *and* ambitious and highly successful industrial strategies for economic growth—dynamically creating both the demand for skilled labor and the supply.

Important research questions in this area include:

- How can the right policy framework be created when government capacity is undeveloped—or when there is not a tradition of collaboration of public and private sectors?
- What is the appropriate legal and regulatory framework with respect both to the labor market and the private business sector (and to youth in the labor market) to enhance youth outcomes? What is the tradeoff between having adequate protections for young workers and expanding their opportunities? What policies have worked to balance these objectives?
- What are appropriate diagnostic approaches to assessing the presence of and distinguishing between different forms of market failures as causes of youth unemployment? And for distinguishing between these and institutional and/or government failures?
- What makes for successful engagement with the private sector for youth skills and employment? What approaches work to develop partnerships and manage private provision of training when public sector capacity is low?

4.3 How Can Education and Training for Young People Be Made More Effective at Preparing Them for Work?

“Many job candidates have diplomas which do not translate into the required skills.”

—*Ziad Oueslati, Tuninvest, Tunisia*

“Institutions have failed to deliver on the promise of education. Parents send their children to school hoping they will get jobs after graduating or earn a decent income. This [is] rarely the case in Uganda.”

—*Hawah Nabbuye, Educate!, Uganda*

“The most important things to be hired are the attitudes: responsibility, teamwork, to have values and principles. We give the training inside the firm.”

—*Human resources manager, El Salvador*

What Skills Are Needed?

Skills matter for better jobs and improved welfare: They lead to higher productivity and incomes, and ultimately, economic growth. As discussed above, the nature of the skills needed is changing rapidly, raising the stakes—and the difficulty—of identifying and remedying skills gaps. The skills relevant for work include general academic or cognitive skills, technical skills, and soft or noncognitive behavioral skills. While all types of work involve some measure of each skill, the amounts required will vary by occupation, sector, and level of technology, hence will vary widely within and across countries. Nevertheless, consistently across the globe, surveys of employers and other sources identify difficulties of getting workers with the right skills as a serious constraint to productivity (Aring 2012; Sparreboom and Stavena 2014; AfDB and OECD 2012).

Chapter 1 outlined how the nature of the skills challenge varies by region and how sometimes the problem is an overall lack of skills, especially in poorer countries, but elsewhere (or also) the problem is one of skills *mismatches*, whereby individuals may be well educated but not in the areas demanded by the labor market. Such a phenomenon is manifested in high unemployment among college-educated youth coexisting with high levels of vacancies for positions in some sectors. In the Middle East especially (but not exclusively), young people continue to obtain degrees in the humanities when the private sector is demanding skills for IT, engineering, and other technical fields.

Further, the skills mismatch problem may be getting worse globally (World Bank 2012). This may reflect the quickening of technological advances and globalization that are changing the nature of work and the skills required (see above), and which would tend to make existing patterns of education and training go out of date more quickly. Further, skills shortages in low- and middle-income countries seem greatest for firms that are more dynamic or are involved in exporting (World Bank 2013). In contrast, agricultural or small informal enterprises are less likely to report skills bottlenecks.

The types of skills that are needed most are not limited to technical skills or academic skills: around the world, employers often stress the importance of noncognitive or behavioral skills and the difficulty in finding young workers who possess them (Aring 2012). Significant strides have been made in recent years by researchers in psychology, economics and other disciplines toward understanding the nature and range of noncognitive skills that matter for work success. Research in the United States by James Heckman and colleagues shows a strong correlation of noncognitive measures in young people—in particular the “Big Five” personality traits of openness, conscientiousness, extraversion, agreeableness, and neuroticism—with later well-being, including labor market outcomes such as job performance and wages (Kautz et al. 2014). The most important trait for labor market outcomes among the Big Five was “conscientiousness,” which captures basic behaviors like being responsible and organized. Which noncognitive skills will matter most? That will likely vary by occupation, location, and even culture, and is an important area for research. As noted earlier, adaptability or flexibility may become especially valued in a future task-based labor market of frequent shifts among employers.

Diagnosing which skills matter and which are in short supply is an essential direction for research and policy. Recent approaches have taken a fine-grain approach to measuring the demand and supply of work-relevant skills. Among them, Skills Towards Employability and Productivity (STEP) surveys collect detailed assessments of adult competencies, in both technical and soft skills, and also collect surveys from employers of the skills of their workers and on skill needs. STEP is focused on low- and middle-income countries and has been implemented in 13 countries to date with several more planned (World Bank 2014). Detailed survey approaches like these provides a means of understanding the distribution of competencies in the working-age population and gaps between needs and supply of such skills, allowing for a more nuanced and policy relevant understanding of where skills gaps exist for specific occupations or sectors.

Making Education and Training Systems More Effective

As noted above, the skills relevant for work include general academic skills, technical skills, and soft or behavioral skills. Typically, the education system focuses on provision of academic

skills, with the provision of work-related technical skills taking place after general education or on a separate education track (e.g. vocational secondary or tertiary education). Technical skills themselves can be taught in several ways. Many countries offer technical or vocational training to youth in addition to formal academic education. Technical and Vocational Education and Training (TVET) refers to the formal provision of training to individuals before they enter the workforce. Work skills training is also directed at youth (and others) who are already in the workforce but are unemployed. Finally, firms often provide training on the job to new employees. With regard to soft skills, such skills are increasingly included as part of programs for work skills development, particularly in programs for unemployed and disadvantaged youth, and are also increasingly integrated into standard school curricula. Skills can also be translated through a range of other means including approaches outside of formal training systems, discussed below.

The analysis in Chapter 3 demonstrated that, overall, training programs in low- and middle-income countries are modestly effective at increasing employment probabilities and incomes of young people.

Although the heterogeneity of programs to provide training makes it hard to draw conclusions, the evidence points to effectiveness of programs that are multifaceted, in particular, combining in-class training with internships or other forms of on-the-job experience. Employer involvement through such internships as well as in the development of curricula—both of which ensure the labor market relevance of the training—appears to be an important aspect of success (Glick et al. 2015).

Most of the programs subject to rigorous impact evaluations have targeted unemployed or vulnerable youth. Analogous evaluations of scaled up pre-employment TVET systems in many countries are uncommon. However, it is clear that in a number of East Asian countries including Singapore, Taiwan, and Korea, TVET systems were effective in identifying and incorporating labor market needs as these countries industrialized. The TVET systems likely played a significant role in making this process of industrialization so successful. Among developed countries, Germany and England among others have developed demand-driven models for TVET that align with national institutions and procedures for public-private interaction; Germany's dual system of training and apprenticeships is particularly well known. In most low- and middle-income countries, however, TVET systems fall well short of these successful cases. A key reason for this appears to be a lack of adequate employer involvement so that the training is not well connected to demands of the labor market and quickly goes out of date. It is often difficult to obtain adequate engagement of private employers (Glick et al. 2015; Goldin 2015). Poor overall quality of public TVET systems and lack of capacity may also be at work. Poorer countries may lack the needed capacity to reform TVET systems and to engage the private sector effectively.

With regard to on-the-job training, while firms may be well-placed to provide job-specific skills training, many or even most employers in low- and middle-income countries do not do so. For firms for which the skills taught are easily transferable (typical of smaller and informal sector firms), fear of poaching of trained workers by other firms is a major explanation for this (Robalino et al. 2012). Even where on-the-job training is subsidized by the government (for example, through rebates on payroll taxes), smaller firms often fail to participate in these programs (Glick et al. 2015). However, countries such as Mexico, Korea, Singapore, and Malaysia have had success addressing this problem by encouraging small firms in an industry to form consortia to manage training, helping to achieve economies of scale and overcome capacity obstacles facing smaller firms.

In many countries, the bulk of skill development likely comes outside the formal training system, through informal training or apprenticeships. In Ghana, as much as 80 percent of skill development is done through the apprentice system (AfDB and OECD 2008). Youth receiving such training generally have no means—such as a diploma—of signaling to employers the training or skills they have gained, leading to asymmetric information between job seekers and employers. This limits access of youth to new jobs, particularly if they seek to move to the formal sector. This problem can be addressed by extending to apprenticeships the kind of skills certification systems normally applied to formal technical training (while also raising quality), so as to provide potential employers with a standardized indicator of competencies obtained through this path (AfDB and OECD 2012). To date, however, experience with such certifications is limited and not very successful, in part because of the complexities of upgrading apprenticeship training and integrating with formal technical systems (Walther 2006, 2013).

As discussed above, the use of private (for-profit) providers to deliver TVET and other job skills training in a managed competitive framework can in principle improve efficiency, quality and coverage. Although contracting out services to private firms may bring gains in competition and efficiency, it also requires adequate oversight, hence institutional capacity, on the part of the public sector. This oversight is also essential to meet social objectives, since profit-making service providers tend to focus on youth who are easier to train and place in jobs, rather than, for example, disadvantaged youth that governments may want to help the most. There have been successes with incentivizing and overseeing private providers in low-income environments as seen in programs under the Adolescent Girls Employment Initiative (see Chapters 3 and 5). More experience with, and assessments of, such approaches in different contexts is needed.

What Is the Potential for Nontraditional Mechanisms to Prepare Young People for Work?

Formal education and training systems will not reach everyone. As shown in the contextual baseline, Chapter 2, record numbers of youth are out of school or are not engaged in employment, education or training (NEET); many of these youth are highly disconnected from formal learning systems (this educational challenge among youth in fragile and conflict states is discussed in Chapter 6). Given these realities, attention is increasingly focused on nontraditional and informal means of providing work-relevant skills to such youth, including activities in sports, arts, volunteering, and video gaming. These activities, while not generally suited for providing hard or technical skills for work, may be effective at building the relevant soft skills that employers value. Sports, for example, teach youth team-building skills, boost their confidence, and help them hone values such as dedication, leadership, and perseverance. Building on this idea, several youth employment programs combine sports with job training and are showing success. For example, the midterm evaluation (Balestino, Bardino and North 2013) of *A Ganar* in Latin America demonstrated positive impacts on self-confidence, outlook and employment status among youth graduates and a positive effect on skills of participants as viewed by private sector informants and employers. Sports can also provide training opportunities for otherwise disadvantaged youth who may not have access to employment programs. Wheeling Happiness, for example, a motor sport program for disabled Indian youth, trains participants in vehicle operations, helping them obtain useful employment skills in this field that they otherwise would not have had access to. These programs also have the potential to promote gender equality, giving girls and young

women, who are more likely be excluded from traditional mechanisms, a chance to develop skills (see, for example, Brady 2005; Sancar and Sever 2005).

Like sports, participation in creative arts can potentially boost behavioral skills, as well as spur creative thinking. Music education and participation has also long been associated with improved learning outcomes in math (Vaughn 2000, Hallam 2010), which is foundational to developing more advanced competencies and skills. In Nigeria, Twim Academy trains youth in new media technology, preparing them for careers in photography, video production, and web design. Widespread mobile phone access, new technologies and media, innovation, and more widely available Internet have also led to the introduction and rapid adoption of “edutainment” and gaming platforms that offer youth engaging, interactive, and social learning and skills-training products both in and out of the classroom (see for example Gee et al. 2005).

Volunteering or service learning programs have also been shown to provide youth with a stronger sense of purpose and confidence—particularly those most at risk or disconnected—in community development and helping prepare them for work. National and community service promotes civic engagement and community development, making youth ready for work in the public sector (USAID, 2011). Volunteering experiences, particularly when youth have the opportunity to control, plan and run projects, can build teamwork and communication, as well as time- and budget-management skills. In the United States, one study (Spera et al. 2013) found that having been a volunteer is associated with a 27 percent higher chance of employment and, importantly, that the association between volunteering and employment had the strongest effect for individuals who live in rural areas (55 percent increase in odds) and without a high school diploma or equivalent (51 percent increase in odds).

In order to advance skills acquisition through such nontraditional mechanisms on a large scale, more rigorous and consistent research is needed on what works, and how, and for whom—differentiating among impact on young men vs. young women for example, or poor and nonpoor youth. Formal evaluations of youth service programs, especially outside North America and Europe are lacking. Most existing studies contain case notes describing programs, their outcomes, and retrospective impressions, rather than rigorous assessment of impacts (World Bank, ICIP 2008). What are needed are valuations of the type applied to many standard employment or skills development programs (reviewed in Chapter 3) using experimental or quasi-experimental methods and standardized criteria for measuring program effectiveness. There is a similar need for evaluation of arts, sports, or other activities, both alone and in comparison to traditional (classroom-based) education and training, before firm recommendations should be made regarding allocation of resources.

The foregoing suggests a number of questions for future research:

- What are the most important skills for work? How does this vary by country or culture as well as sector?
- What should countries, donors, and NGOs do to more effectively engage employers in skills provision? What works best to incentivize firms, especially smaller ones, to engage in on-the-job training?

- Will certification systems and/or national qualifications frameworks be effective at raising standards for training and education and as a credible signaling device for employers?
- How effective are nontraditional programs relative to dedicated (employment-focused) programs in imparting work relevant soft skills? Are some more effective than others—for example, sports vs. youth service? How can quality be measured and certified for employers?

4.4 What Roles Do Expectations, Perceptions, and Aspirations Play in Young People’s Access to Employment, and How Do the Behavioral Characteristics of Youth Affect Choices?

“Widely present lack of motivation, work ethics, and short-term sight. People neither feel personally motivated nor legally bound.”

—*Karim Sehnaoui, CEO of Elham Holding, Tunisia*

As depicted in the S4YE Framework introduced in Chapter 1, young people’s aspirations and expectations regarding work, as well as certain behavioral characteristics associated with youth, have important influences on their engagement with employment. The choice of whether to enroll in school or training, and what to study once they do, will be shaped in large part by young people’s preferences about career and how they think these choices will affect their job opportunities. Beliefs and attitudes thus can shape employment outcomes long before an individual has had any firsthand experience with the labor market. At the same time, employers have expectations of readiness and experience, and assumptions about young people, that can negatively affect their hiring decisions regarding youth and dissuade them from being willing to take risks when it comes to young recruits.

Perceptions and expectations: As established in Chapter 2, youth unemployment rates tend to be much higher than those for adults. In many countries, unemployment is particularly high for youth with high levels of education. One reason for this is that recent college (and in some cases, secondary) graduates may enter the labor market with unrealistic expectations regarding pay or position. While ultimately this may reflect a failure of economies to create jobs that match their level of education, it also shows that some young people need to adjust their expectations to the reality of the job market. Early research in the United States confirms that a large proportion of recent college graduates overestimate their potential earnings (Betts 1996). However, the extent to which this explains unemployment or prolonged job search, especially in low- and middle-income countries, is not yet well known.

If youths’ expectations of starting pay levels are often too high, other evidence suggests that young people or their families *underestimate* the wage benefits of additional schooling, hence will underinvest in more education. Jensen (2010) shows that providing accurate information about

“In El Salvador, in a context of low economic growth and a high flow of remittances, the reservation wage (the lowest wage at which an individual is willing to accept a particular job) and also the labor conditions have gone up in some areas. The result is the paradox that youth unemployment is high and some firms have an “overflow” of CVs, but others have difficulty to hire, because the jobs do not correspond with the youngsters’ expectations.”

—*Rodrigo Ayala, Chamber of Commerce and Industry, El Salvador*

the returns to schooling to students and their mothers increases enrollment. The large benefits of education (which includes a high economic return as well as other effects, such as improved health) are thus a missed opportunity for many youth; such youth could potentially benefit from having better information about the value of schooling. As discussed in Chapter 5, girls may be kept out of school for early marriage, work, or family care because, in part, the value of education is not well understood.

In Tunisia, the ILO School to Work survey reveals that more than a quarter of employed youth who wish to change their jobs want to do so because they find their current working conditions inadequate. This may suggest a mismatch in youth and employer expectations in what constitutes a satisfactory working environment.

In addition to inaccurate expectations—an information problem—youth may have preferences or aspirations regarding work that are not consistent with what the labor market is offering. For huge numbers of secondary and tertiary graduates, this misalignment of preferences and demands results in selection of courses of study that do not correspond with skills required by employers, as well as a lengthy and ultimately unproductive job search, hence prolonged unemployment. A perennial problem in many countries has been to engage more youth in technical fields, and in technical education, rather than in only the humanities and social sciences. At the same time, while agriculture still represents the greatest opportunity for youth in many locales, stigma (particularly among rural youth) keeps many from engaging in this sector, as further detailed in Chapter 7.

Both aspirations and expectations are shaped by culture and tradition—and by policy—in complex ways. For instance, as already noted, in many countries in the Middle East and North Africa (as well as elsewhere) youth are making their education decisions based on the idea that they will be able to obtain secure government careers, which in the past were typically provided to all graduates. While this guarantee of public employment has receded in most countries, higher wages and benefits in the public sector—a policy decision—still induces young people to prepare for careers in civil service rather than more technical fields in the private sector. Indeed, in MNA and elsewhere, many youth—and their parents—hold strongly negative views of many private sector occupations, views that go beyond concerns over compensation (Brown et al. 2104), though this is reportedly shifting.

It would be important to first understand whether perceived attitudes and preferences toward certain sectors are based on a lack of accurate information and unrealistic expectations about the labor market. If not, simply providing information will not work to change behavior. Importantly, comparative reliable subjective data is routinely lacking, especially in the developing world. Not enough is known about youths' values, attitudes, satisfaction, or outlook, hindering the ability to best respond and design effective interventions around expectations based choices and behaviors.

Characteristics of youth: Youth's behavior vis-à-vis education, training, and work also reflect the inherent characteristics of individuals at this stage of development toward maturity. Youth may be more impatient (have a higher discount rate) than adults, and may be less able to plan for the long term and to engage in activities that have high but delayed payoffs—activities such as extended schooling and vocational training, and possibly also entry-level jobs with low starting pay but high growth potential. High discount rates may also cause investment opportunities to be missed, especially when coupled with credit constraints, as depicted in Chapter 2. When there is access to capital markets and borrowing can be done at reasonable interest rates, it is possible for even a relatively impatient individual to make worthwhile investments (such as schooling or training, or starting a business), as he or she can borrow against future income to study or train in the present without forgoing consumption. Otherwise, youth may find training too costly in terms of current consumption: Even if the training is nominally free, young people would have to put off working to enter training programs, which may be viewed negatively by them or their families.

If impatience is limiting the investments youth are making in the development of their skills, the question for policy is whether and how these characteristics can be changed, and if not, how programs can be designed to work around them. There is some evidence that time preference is malleable in young people. Becker and Mulligan (1997) hypothesized that education may affect time preference, and research provides support for this idea (Perez-Arce 2011; Bauer and Chitylová 2010). In the (likely more common) situation that these are behavioral characteristics that programs must take as a given, programs for skill acquisition could be designed to be shorter in duration and/or to provide rewards sooner (for example, "cash for skills," see Fryer, 2013). "Safety rope" programs combine current income support with skills development for longer-term benefit. Combining in-class training with on-the-job internships, an intrinsically valuable way to learn, may also serve to provide a quick reward in the form of an engaging work experience. These effects will be enhanced for paid internships, which also relieve income constraints or at least provide an immediate monetary reward. As noted in Chapter 5, the Liberian Economic Empowerment of Adolescent girls (EPAG) program successfully employed a combination of mechanisms to incentivize participants to join and stay with the program.

Questions in the area of aspirations, expectations, and youth behavior include:

- To what extent do youth aspirations or preferences that are misaligned with the labor market explain high unemployment? Or is the problem unrealistic expectations regarding wage or sector of employment (in essence, lack of information)? How can programs change youth incentive structures so that present and future incentives align?
- What incentives will encourage employers to hire young people, who are inherently riskier to hire? How can risks be mitigated?

- Can interventions be developed to help youth be more forward looking?
- How can expectations data be better collected, captured, and used to improve or create interventions that close expectations gaps.

4.5 How Can Innovation and Technology Be Harnessed for Improved Work Outcomes Among Youth?

Innovation and technological change are bringing enormous changes to labor markets across the globe. As discussed under question 4.1, youth face both new opportunities and new skill requirements as a result of these changes. Innovation and new technologies are not just changing the nature of jobs; they also have the potential to dramatically alter how young people are prepared for the labor market and how they secure work. In light of this, S4YE has included digital skills among its frontier areas, as noted in the introduction to this report (while recognizing that many youth in lower-income countries still face a digital divide and lack reliable, affordable Internet access).

Using technology to improve skill acquisition: New technologies (such as mobile phones and the Internet) as well as innovative use of older technologies (radio) can improve the way the young gain skills for work. One example of this is the proliferation of Massive Online Open Courses (MOOCs) for increasing the reach of college-level courses; radio and mobile phones are also being used to access harder-to-reach youth. The use of information and communication technologies (ICT) in education, including computer-assisted learning, is gaining momentum across the world. This has the potential to improve the learning experience, reduce dropout rates, and make education more focused on improving labor market skills (UNESCO 2012). Computer-based training programs have the potential to enhance traditional schooling and training programs. In Ecuador, for example, an evaluation of a computer-aided instruction program in Guayaquil showed that the program had a statistically significant positive impact on the math scores of primary school students (Winthrop and Smith 2012). Even the far from cutting-edge technology of radio—still the farthest-reaching technology in the developing world—has been proven to have the potential to increase the skills of large groups of people at low cost through programs such as South Sudan Interactive Radio.

However, while some programs have shown promise, simply having a computer (or any other technology item) in the classroom is not, on its own, necessarily enough to have a significant impact on student learning. Successful experiences show that when used to complement teachers' or instructors' pedagogical methods, the introduction of technologies can be effective (see, for example, Accenture 2015).

Digital freelancing and virtual work: The expanding reach of the Internet is leading to a rapid expansion of the number of people who telecommute to work and, through outsourcing, is linking more and more workers in developing countries to global value chains as noted above. Globally, the number of individuals who work online is increasing rapidly, with multiple platforms transferring more than US\$1 billion of compensation for virtual freelance workers (Karple 2013). Youth are in a particularly good position to profit from this trend. In particular, digital freelancing—contracting with clients over the Internet to do web design, accounting, translating and other services—has become an option for youth with digital skills, including those who are

physically disconnected from other opportunities. Virtual work offers a promising opportunity for youth who can gain employment experience through online opportunities emanating from anywhere in the region—or, subject to language skills, the world—thereby opening opportunities and, for many, circumventing constraints imposed by social restrictions on mobility (especially for young women), conflict, or remote location.

However, it is not clear whether virtual work platforms can offer more than a temporary palliative to unemployment and be a path for the young to build careers. For this to happen, virtual work, like other types of work, must enable youth to build, validate, and signal technical and soft skills that can lead to continually improving opportunities (virtual or otherwise, and through entrepreneurship or wage employment). A recent study in the United States (Pallais 2014) suggests that virtual work marketplaces may be a viable option for young, inexperienced workers to improve their employment prospects, not only by gaining experience but also as a platform through which employers can be provided information about workers' past performance.

Virtual work is not applicable to many sectors or occupations—it will not help those in agriculture or manufacturing, for example. How far-reaching the impacts of virtual work will be for youth is an open question. As it relates to the inclusion baseline analysis, online work seems particularly promising for populations that have high levels of digital skills and good Internet infrastructure, on the one hand, and those who may face physical obstacles to work, on the other. The latter includes disabled youth; youth in refugee camps or in conflict zones, where traveling is dangerous (though access to computers and the Internet may also be problematic); and young women facing social or religious norms that make it difficult for them to participate in the workplace. However, the potential scope of digital freelancing and virtual work in low- and middle-income environments, and whether they can serve as a stepping-stone for professional development, is not yet evaluated.

While potential impact remains to be seen, this is—unsurprisingly—an area of significant program innovation and development. Several NGOs are using virtual work to bring employment and supplementary income to people in low-income areas in interesting ways. Samasource, for instance, works with technology clients to generate “micro work” —small tasks distributed to women working with partner service providers in the poorest parts of the world (including remote villages, slums, and refugee camps in countries such as Haiti, Pakistan, Uganda, and others). According to Selim (2012), these practices already represent 4 percent of the entire business-process outsourcing industry, accounting for US\$4.5 billion in total revenues, and employ about 140,000 people around the globe.

Digital employment mediation services and entrepreneurial services: The delivery of employment services has been dramatically changed by the use of the Internet, ranging from posting of CVs and job announcements to providing individualized services to job seekers online. In principle, the Internet can broaden the reach of employment services to more remote areas while lowering costs. Examples include the *Ta3mal* network, a leading NGO for youth employment in the Middle East and North Africa, and also in that region, Soutktel, an NGO and mobile-service provider that provides a platform for firms and workers to connect via text messages. Similarly, LinkedIn, the social media platform for networking professionals, launched earlier this year in Arabic, seeking to reach an estimated 14 million new predominantly youth users. However, the

extent to which Internet job portals have improved youth employment outcomes in developing countries—for example, reducing search time and improving the quality of job matches—and their full potential for doing so, is not well known.

ICT can also lift prospects of young entrepreneurs and would-be entrepreneurs. Web-based social media present the opportunity to bring individual, small-scale investors together with entrepreneurs (through platforms such as Kiva, for example). It also brings the potential to connect young entrepreneurs with each other and allows the sharing of experiences and information. Internet and mobile technologies also make it easier for small business owners to access management training and advice.

Digital skills: Finally, as discussed earlier, the changing nature of work means that new skills are required for many jobs, and often this will include digital skills. As discussed in question 4.3 above, there are still a number of unanswered questions regarding the mix of traditional hard and soft skills that need to be fostered among the young. To these, we need to add technology-related skills that are also needed for many jobs in the new economy. While the need for these

Box 4.2: Tunisia's TACT Academy—Training for Jobs in the ICT Sector

The Tunisian Association for Communication and Technology (TACT) was established as a public-private initiative to advance the ICT sector and increase employment opportunities for young graduates. One of its core initiatives, the TACT Academy, is designed to retrain unemployed IT graduates and connect them to IT jobs based in Tunisia. The first TACT Academy pilot program included 200 unemployed university graduates with a background in ICT in 2011–2012. Potential beneficiaries are selected based on their applications, psychological profiles, technical and linguistic tests, and an interview. Viable candidates include recent (but unemployed) graduates who have a degree in IT management or ICT fields.

The training program prepares graduates over the course of a 10-month training program, which is broken down into 24-week sections on ICT fundamentals, ICT environments, language training, and communication skills. This is followed by 16 weeks of on-the-job training, which focuses on finance, computer science, project management, and other professional skills. By the end of the 10 months, each trainee is expected to take a series of certifications in coding languages and in spoken foreign languages. Selected candidates can participate free of charge as their 3,000-dinar tuition (about US\$1,500) is covered by government funds.

Current objectives are ambitious, as TACT Academy aims to train approximately 1,000 graduates per year for the next five years, introducing them to the IT professional world with permanent, well-paid jobs. Incentives are aligned among the contributing partners, as TACT-associated companies benefit directly from the successful execution of the academy's objectives. The risks, then, are borne fully by the providing organization, as government financing of tuition depends on the successful placement of a trainee. The TACT group companies gain a skilled candidate while the government pays for the successfully trained participant.

Source: Tunisia Country Background Study, Silatech 2015.

skills clearly is increasing, who should acquire skills, and how and which specific skills should be acquired is a complex question. The following are key research questions in this area:

- Will virtual work and/or digital freelancing emerge as an employment option for many youth in low- and middle-income countries? What are the benefits for women in particular? If the opportunity is currently limited to a small segment of youth with the right skills, can this segment be expanded by providing more digital skills?
- Will virtual work provide a pathway to improved skills and career growth? What options for program design could make this more likely?
- How can Internet and mobile technologies be fully exploited to support entrepreneurs in developing countries? Are they an effective way to provide information and connections to young entrepreneurs?

4.6 Can Entrepreneurship Promotion Have Scaled Impacts on Youth Employment?

As reported in Chapter 2, many young people across the world are enthusiastic about starting their own business and, as shown in Figure 2.18, individuals ages 25–34 show the highest rate of new-stage entrepreneurial activity worldwide. Yet, young people wanting to start a business face a number of disadvantages compared with older individuals. They usually lack the savings to start a business, and lack collateral as well as experience that would help them to secure loans. In addition, they have less experience in the business world so have accumulated less know-how about running an enterprise.

Programs to help young entrepreneurs or would-be entrepreneurs are designed to address these constraints and include training in business management and related training (for example, financial literacy), provision of credit or start-up grants, technical assistance, and provision of supplies. As discussed in Chapter 3, evaluation evidence from developing countries suggests that entrepreneurship promotion interventions can increase rates of economic activity and business start-ups among youth, and sometimes incomes as well. Common characteristics of successful programs suggest these outcomes are more likely if training is combined with financial assistance to start an enterprise as well as with mentorship. As further reviewed in Chapter 6, much of the rigorous impact evaluation evidence comes from programs in conflict-affected areas (in Africa) or among disadvantaged youth (in Latin America). Fewer such trials have been carried out elsewhere. Also, there has been relatively little long-term follow-up to learn survival rates of youth-run firms that are started as a result of entrepreneurship programs.

A major question with regard to youth entrepreneurship programs is whether it is realistic to expect them to have major—that is, scaled—impacts on youth employment. Not all youth—or adults—have the aptitude to be business owners (though a 2012 study by Grimm, Knorringer and Lay of enterprise data from seven West African cities suggests that a large share of small informal enterprises have the capacity to be more productive). If only a small share do, youth entrepreneurship programs will not likely have large aggregate impacts on incomes, and are best narrowly targeted at this group, using some sort of aptitude testing to the extent possible.

Otherwise, these programs, in the aggregate, will be far from cost-effective. A further concern is with general equilibrium effects: Do programs that increase the number of youth-run firms in a sector significantly reduce the returns to existing firms? (This of course is a general concern with skills programs). If so, the net employment gains from such programs may be small. However, studies of two large programs for youth entrepreneurship in Uganda (Blattman and Ralston 2015) did not find evidence of such negative effects.

While these concerns are important, in contexts such as fragile states where formal (or any) wage employment is very scarce, self-employment often stands out as the only viable way to earn a livelihood for young people. This situation may hold in many very poor or slow-growing economies as well, fragile or not. In such cases entrepreneurship (in the sense of business ownership) will by necessity be relevant to a large share of youth. Blattman and Ralston (2015) argue that in fragile and high-risk economic environments, household income strategies involve balancing earnings from a variety of sources, and providing self-employment assistance can help with these strategies. In addition, if youth entrepreneurship programs provide general noncognitive skills, such as critical thinking, decision making, and flexibility, as well as financial literacy, they may serve all kinds of youth in the long term, even those who enter wage employment or whose businesses do not last. For this reason, a number of promising programs such as Educate! in Uganda and Linked Learning in the United States are introducing entrepreneurship content and experiential applied teaching methodologies in secondary schools.

Recently (as further explored in Chapter 7), there has been an increased focus within entrepreneurship programs on the integration of youth-led business into value chains of local and multinational firms. These large firms require reliable local supply and distribution networks and are increasingly involved in promoting businesses and quality standards in these networks. Agriculture is a natural focus for value-chain development to benefit small enterprises because agribusinesses often rely on a multitude of small farms as suppliers (Thomsen 2014). For youth, participation in agriculture value chains offers a potentially dynamic livelihood, as producers of high-quality crops and potentially also as participants in high-value-added post-harvest processing and distribution activities. Some hope that the appeal of such work compared with traditional farming could entice more youth to remain in agriculture, reversing the decline of agricultural labor supply, particularly in Africa.

Important questions for research on youth entrepreneurship include the following:

- Does entrepreneurship training impart important general skills for work that benefit youth in wage employment—or help them get this work?
- Is involvement in value chains, especially in agriculture, a realistic, scalable approach to youth unemployment? Will it alter preferences of youth for agricultural work?
- What are the general equilibrium effects of programs that succeed in getting large numbers of youth to start their own enterprises (in terms of changes in returns and survival of existing enterprises)?

Box 4.3: Partnering to Promote Emerging Young Entrepreneurs

Over the past decade, the Accenture/Youth Business International (YBI) partnership has equipped nearly 38,000 young people with the skills to set up and/or grow a business in a range of low- and middle-income countries. YBI is a global network of independent nonprofit initiatives providing integrated start-up business support to underserved young people. Accenture has partnered with YBI since its inception, providing tools, funding, pro bono consulting, mentoring, and training to help disadvantaged youth become successful entrepreneurs, create jobs, and support sustainable economic development. The partnership draws on Accenture's core competencies in project management, technology, and organizational strategy, and YBI's expertise in developing impactful entrepreneurship initiatives.

As part of the company's Skills to Succeed initiative, which aims to equip more than 3 million people by 2020 with the skills to get a job or build a business, Accenture commits cash grants and pro bono consulting services to YBI and its members in over 30 countries. Accenture's grants combine with YBI's unique capacity development methodology to support entrepreneurs by (1) facilitating delivery of entrepreneur training and mentoring at scale; (2) providing organizational capacity development to enhance entrepreneurship support methodologies, technology infrastructure and monitoring, evaluation and learning systems; and (3) generating sectoral knowledge and insights to systematically strengthen entrepreneurial ecosystems. Further, combining predominantly remote support from YBI and long-term in-country support by local Accenture consultants has proven to be a cost-effective, sustainable approach. After a pilot involving YBI's Argentinian member, Fundación Impulsar, the program is now being rolled out across the wider network.

By partnering, both YBI and Accenture have been able to draw upon lessons learned:

- Investing in member mentoring and training programs can bring additional dividends. For example, helping YBI's member in Chile redesign its entrepreneur-training program has helped attract funding from the Inter-American Development Bank's Multilateral Investment Fund to support thousands more businesses.
- Regional capacity development initiatives that are sensitive to language and content are important to ensure relevance to local context and optimal participant experience.
- When rolling out YBI's global technology platform, the seniority, influence, capacity, and business knowledge of the implementation lead continues to be fundamental to success: Where the partnership has struggled to find a suitable lead, projects have struggled.
- Capacity-building in monitoring, evaluation and learning is more effective when linked to a specific grant or funded project. This ensures staff is incentivized to take forward recommendations and use data generated.
- The enhanced ability to demonstrate impact enables member organizations to attract more resources. For example, Kenya Youth Business Trust Mombasa used robust evaluation results, which the YBI/Accenture partnership supported, to secure an additional \$300,000, enabling them to expand their operational reach.

Source: Accenture, YBI, authors.

4.7 How Can Job Search and Recruiting Be Made More Effective?

In Tunisia, for first-time job seekers especially, the “lack of clear channels to labor market information and job vacancies” was highlighted as a concern by an adviser to the Economic Counsel of the Prime Minister.³⁹

High youth unemployment or poor job matches may be the result of failures in the labor market's basic function of matching individuals to jobs. This is essentially an information failure: Youth do not know about openings that match their skills and interests, and employers do not have information on qualified potential candidates. Mobility restrictions may also constrain matching in the labor market: Young people—and in particular young women—may not be able to relocate to specific markets where there are more opportunities, or be able to commute to good jobs.

As reported in Chapter 3, intermediation in the labor market via employment placement services can facilitate job searches and modestly improve youth labor market outcomes. Most countries have some form of public employment service (PES). Those in advanced economies tend to offer significantly more services, such as individualized guidance, than those in low- and middle-income countries, where activities tend to be limited to the traditional employment office model, that is, providing basic referral services. Information and communications technology play vital roles in employment services, in two main ways as discussed in section 4.5.

Levels of utilization in most developing countries—and the numbers of individuals actually placed through them—remain low. Jobs obtained through employment services account for just a small share of all placements (Kuddo 2012). In many countries this is because the programs suffer from a significant lack of resources, being poorly funded and inadequately staffed. For example, in Syria, Morocco, and Lebanon, the ratio of registered job seekers to PES staff was found to be extraordinarily high—14,000:1, 1,500:1 and 1,200:1, respectively (Kuddo 2012). The services also rarely include informal sector employers, even where the informal sector is the main source of job growth, and are rarely found outside of urban centers.

Instead, the primary means to a job remains the use of informal networks—connections to family, friends, or current employees (Cunningham et al. 2008; Peeters et al. 2009). Reliance on who one knows is likely to be inefficient as it limits the pool of potential workers that are available to employers, and limits the number of potential positions available to the worker. Informal networks tend to be localized as well, reducing the pool of firms and workers to those within a limited area. Still, one policy option is to help youth to expand their professional networks, in contrast with moving to formal job intermediation services. In addition, as online and ICT-based job facilitation grows, so might the potential for structured, complementary well-integrated offline networking activities to increase interaction and information flow.

A number of questions need to be addressed regarding the role of employment services:

- What are the most fundamental market-clearing constraints in the youth labor market: Is it a problem of inefficient matching of youth to firms—in essence, information problems; incompatibility of youth skills and/or preferences with employer needs; youths' lack of

³⁹ Interview, Tunisia Country study, Silatech.

information about careers or necessary skills; or lack of ability of youth to signal to employers the skills they have?

- How can information technology help scale up intermediation and make it more effective? Has the use of Internet services or texting reduced search time or improved matching?
- Can and should employment services be expanded to informal employers, which do most of the hiring of youth? Can it be made cost-effective?
- Should policies be designed to develop or expand professional or social networks of youth to help them learn about jobs and make contacts? How does this approach compare to expansion/improvement of formal employment services?

4.8 What Are the Barriers to Adopting and Scaling Up Proven Solutions for Youth Employment and How Can They Be Overcome?

Given the scale of the youth employment problem across the globe, S4YE includes reach and scale in its goal. The quest to scale up is not new or unique to youth programs, of course; it is a goal across all dimensions of development and growth. But there are many potential barriers. These can be institutional, systemic, programmatic, political, or logistical in nature; it may also more simply be a question of limits on the level of resources that can be allocated for expansion of programs. At this point, there is no unified understanding of the obstacles or best approaches to scaling development interventions. Emerging literature—especially from the social enterprise, business responsibility, public sector management consulting, and impact investing perspectives—promotes tactics such as unbundling projects into discrete components that may be easier to replicate; exploring for-profit models; using existing networks and distribution channels for goods and services; creating and demonstrating value for all stakeholders and investors; leveraging technology; advocating for policy change; and building broader ecosystems for interventions (see, for example, Gradl and Jenkins 2011; Bradach and Grindle 2014; IISD 2013; IFC 2011). While the barriers in scaling up youth-development programs specifically may be becoming clearer to practitioners, they remain poorly documented in the literature, and research on successful approaches remains thin.

A significant barrier in scaling up—before even addressing the challenges of how to do so—is the first question of what to scale. As discussed elsewhere in this report (Chapter 3), the evidence base on employment and entrepreneurship programs, especially across lower-income countries, is limited but growing. The numerous types of youth employment programs, the differences in the types of organizations implementing them, and the various contexts in which youth programs are implemented further complicates and prevents successful programs (once proven) from being adopted, replicated and expanded. In view of this complexity, flexible strategies are needed.

In their analysis of three strategies to scale up market-driven youth workforce programs, Meissner et al. (2009) identified four common elements: Models require time to prove their effectiveness; different scale-up strategies work for different cost and funding levels; maintaining quality; and maintaining a market orientation—a crucial factor that should be a prime concern when entering a scale-up phase. Further research, documentation and information sharing from successfully scaled youth employment programs is needed as currently knowledge of best

practices across the range of skills and labor supply, demand, and intermediation or market-clearing interventions is limited.

Recognizing that resource constraints also limit the capacity to scale youth employment programs, the Coalition makes leverage a key pillar of its strategic approach as introduced in Chapter 1. Because nonprofits, NGOs, and private funding can also play an important role by investing or donating, multisectoral partnerships are important for expansion and scale. Single or smaller communities in developing countries, for example, may have enough capital to run a pilot or defined program but not enough to expand or replicate the program. Similarly, international institutional and bilateral donors (including, for example, the World Bank and USAID) have not necessarily prioritized youth-development objectives or allocated the necessary financial or other resources (including human and technical resources). Fortunately, there are a variety of creative solutions to overcoming cost barriers, such as using information technology to circumvent transaction costs or even to raise funds.

Aside from the inherent cost and process challenges that persist when organizations attempt to scale programs, there are also a variety of institutional obstacles that make adopting and scaling programs challenging in any context. In developing countries, programs are likely implemented in weak institutional environments, often with poor government support and shifting youth demographics that may change the levels of need within the youth cohort (for example, 15-year-olds will have different needs than 25-year-olds). This challenge can be further complicated by the fact that institutions governing or managing youth affairs are often weak, lack technical capacity, or are underfunded. Further, among many governments and donors, the budgets, management, and accountability for financing or implementing youth employment programs are shared across several agencies or bureaucratic units. Failure to coordinate commonly undermines efforts to scale up.

“We all say that youth employment is critical, I do not get the impression that it is holistically being addressed in a comprehensive way. We note that different actors are trying to do different things in an uncoordinated way to address this problem and unfortunately as an economy we are not making much headway.”

—*John Kakungulu Walugembe, Uganda Small Scale Industries Association (USSIA), Uganda*

One important observation is that the capacity to successfully scale up youth employment programs tends to be greater when organizations work with local businesses. Moreover, organizations looking to scale should also be mindful of time horizons and, for youth programs specifically, ensure that programs remain relevant to the target age group, implement realistic and strategic funding plans, gradually know when to taper off external funding, and anticipate when the new programs can be financially self-sufficient.

Establishing strong connections with existing organizations and working with local programs helps spur organic, bottom-up growth of the programs. IDEJEN, a youth employment training

program in Haiti, trains thousands of young adults, but its partnership with local partners in the Haitian private sector help ensure the trainees secure jobs (Beauvy et al. 2010). When programs work with local institutions, the potential for sustainability is greater, as locals can eventually learn to take over and run the program on their own. In addition, engaging local partners and working within existing structures and systems can also have a positive spillover effect, as incorporating unemployed individuals in the scaling process can actually create jobs within their own communities.

Finally, galvanizing the resources and political will necessary to adopt and scale demands the kind of global and national awareness and commitment to the youth agenda that has heretofore been lacking. As economies stall or fail and where peace and stability become further at risk, leaders are turning with more urgency to the youth unemployment crisis.

When it comes to understanding how to better adopt and scale youth employment programs, a number of questions remain to be explored. These include, but are not limited to:

- How can new and innovative financial tools and social investing models such as prizes, social impact bonds, and impact investing partnerships, be optimized to drive private capital toward youth employment solutions, thus enabling them to go to scale?
- How can changes in public policies help lift strains on scaling efforts? Are there certain policies on financing, business ownership, property rights, tax laws, and regulatory policies that need to be changed to facilitate new innovations in youth employment programs?
- How can we better inform, encourage, and incentivize policy makers to make scaling of youth employment programs a global and national priority?

Part III: The Inclusion Baseline

S4YE envisions a world where *all* youth have access to job opportunities that empower them to escape extreme poverty, thus boosting shared prosperity. Because of the heterogeneity among youth, realizing this vision requires not only knowing where inequities, deficiencies, and poor outcomes may exist, but also understanding the constraints and drivers of such outcomes by differing cross sections of the youth population. In Part III, by considering youth employment with gender, fragile and conflict state, and spatial (rural vs. urban) lenses, this report explores an initial baseline of inclusion, while recognizing that the unique needs of other groups—including youth with disabilities, LGBT youth, incarcerated youth, homeless youth, refugee and orphan youth, indigenous youth—also warrant deeper examination.

Gender Dynamics in Youth Employment

Highlights

- Although countries have made great progress in advancing the education of young women (who often outnumber men in tertiary education), young women are still at a great disadvantage in the labor market. Labor markets are segregated along gender lines: Women are still expected to shoulder the burden of household chores, and may be constrained in their opportunities to work outside the home.
- The majority of working women, and working young women, are employed in the informal sector, in family businesses or on the family farm. These jobs have low barriers to entry, and provide great opportunities for women who lack adequate training or the connections needed to find formal employment.
- Early marriage and childbearing can severely constrain opportunities for young women. About one third of women in developing countries marry or enter a union before the age of 18; these young women must negotiate childcare and other requirements in order to participate in the labor force.
- Successful programs to enhance livelihood opportunities for young women have also had some success in promoting other outcomes, such as delaying childbearing. These programs are generally comprehensive, combining life skills and technical skills; other evidence suggests that life skills alone are what matter, or access to capital and physical assets.
- Young men face different constraints and different expectations than young women. For young men, the struggle to find productive employment is inextricably linked to the process of establishing identity and independence; young men are also more likely to seek alternative opportunities in criminal and violent activities.

5.1 Why Pay Special Attention to Gender Dynamics and Young Women's Needs in Youth Labor Markets?

Youth is a critical period in human development, for both men and women; the time when they become independent and develop agency, the ability to formulate and attain goals independently of their parents. As depicted in the S4YE conceptual Framework, this transition starts with the development of fundamental cognitive and social skills in childhood, but it is during youth that those skills are applied to the world outside the home. Many of these decisions, such as the economic transition from school to work, health behavior, and family formation, will have lasting consequences. At the same time, boys and young men and girls and young women are likely to experience the pathway to productive work differently, given the considerable heterogeneity in opportunities and expectations they face.

As described in Chapter 2, young men and women generally have different labor market experiences and outcomes. More often than not, young women are at a disadvantage, especially in the developing world, in getting an education and preparing for or finding productive work. Figures 2.6, 2.8, 2.10, and 2.11 show how young women in every region of the world are more likely to be unemployed, in vulnerable work, or out of the labor market altogether.

Five Facts: Young Women and Work

1. Unemployment levels among youth are generally higher for young women than for young men. The difference is most notable in MNA, where young female unemployment is 27 percent for young women and 17 percent for young men.
2. Young women are more likely to work in vulnerable employment, with 86–88 percent of young women working in vulnerable employment across SSA, SAR, and MNA.
3. Globally, the proportion of young female NEETs is significantly greater than the proportion of young male NEETs. In South Asia, female youth are four times more likely to be NEETs.
4. Globally, women were found to spend one to three hours more a day on household duties than men (UN Women 2015).
5. A financial inclusion gender gap persists: 58 percent of women have a bank account, compared with 65 percent of men (Demirguc-Kunt et al. 2015).

Labor markets in low- and middle-income countries remain divided along gender lines. In addition to doing household chores, females do most of the unpaid work; when they engage in paid employment, it tends to be in the informal sector and poorly remunerated. Females often are discouraged from seeking wage employment, have little information about their rights as workers, and remain underrepresented in the ranks of successful entrepreneurs and senior staff.

A large share of the labor force in developing countries works in informal household enterprises. These include self-employed individuals operating a business that may employ their family

Box 5.1: Employment among LGBT Youth

Youth unemployment is frequently an even more pressing issue among marginalized subgroups of young adults, such as LGBT youth. LGBT youth commonly fear that being open about their sexual orientation will put them at a disadvantage in the labor market. Lack of support from families and communities can limit access to education, food, health care, education, and shelter (HRC 2015). In school, bullying can prevent LGBT youth from finishing their education and acquiring necessary knowledge or skills. The situation can brighten once hired. On average, about a third of global LGBT employees fear that coming out at work will jeopardize their promotion prospects; but only a quarter of Mexican LGBT employees and little more than a third of Brazilian LGBT workers said they felt they were unable to disclose their sexuality at their workplace (Out Now 2015).

Unfortunately, harsh rhetoric, prejudice, criminalization, and even legalized violence toward LGBT individuals persist in many developing countries (HRC 2015). The workplace is no exception. Nondiscrimination laws, protection for gay and transgender workers, and wage equality are rare. In 2011, South Africa became the first African nation to propose a resolution to the United Nations Human Rights Commission that would protect LGBT communities (Kyriacou 2014).

members without pay, or self-employed people operating a business that employs a small number of workers from outside the family on a casual basis. With lower barriers to entry, these provide great opportunities for women, many of whom lack the education for a wage job. In addition, as depicted in Figures 2.14 and 2.15, agriculture continues to claim a significant share of the labor force, especially in the poorest countries, where it often provides the first—sometimes only—income-earning opportunity for young people. For example, agriculture occupies more than 70 percent of the labor force in sub-Saharan Africa's low-income countries and more than 50 percent in its lower-middle-income countries (Filmer and Fox 2014).

As economies develop and the locus of work shifts outside the house, traditional gender differences in expected economic empowerment have been changing. Women are now seen as economic agents, and the transition to economic advancement, power, and agency is now regarded as equally important for women as well as men. For young men and women alike, an incomplete transition could lead to worse outcomes at the household, community, and national level, with lower incomes, higher poverty, lower investment in children, and lower economic growth. Incomplete transition may be even more damaging for women, worsening outcomes not only for themselves but also for the next generation. Recent research documents the relationship between a woman's job, earnings, assets, and reproductive health outcomes. Female earnings can lift households out of poverty, and are more likely to be spent on maintaining children. And where women perceive more control over their economic lives, they and their children are less likely to be subject to domestic violence (World Bank 2011).

At the same time, while the economic empowerment of women can lead to broader economic development, female economic empowerment does not happen automatically (Duflo 2012). Supporting young women to find productive and fulfilling employment and learn to exercise effective economic decision making is key to developing better reproductive health, by encouraging them to reduce risky sexual behavior and delay childbirth

5.2 What Determines Employment Outcomes for Adolescent Females in Low-Income Countries?

“Girls’ chances of acquiring appropriate skills are lower than those for boys, who are generally favored to receive more and better education. This unbalance translates into more qualified males who have better access [to] jobs and earn more than women. Men also have higher chances of starting their businesses than women.”

—*Plan International, Uganda*

Although young women and girls have long been the targets of programs to develop human capital, including the United Nations Millennium Development Goals (MDGs), the focus has largely been directed to formal education and health. These efforts have led to some notable successes. The UN MDG Report for 2015 indicates that all countries are at or very near parity for enrollment at all levels of education. The world has not, however, achieved such great success in MDG 3.2, the share of women in paid employment (United Nations 2015). Clearly, investment in girls’ education is necessary but not sufficient to achieve a successful transition to the labor market. In fact, it is difficult to identify a single starting point for facilitating a more effective economic transition, and the economic empowerment that such a transition will bring. Education, fertility and reproductive health, social norms and attitudes, and labor market regulations, may all be important to facilitate the transition for young women. Some of these factors—reproductive health and insecurity, for example—still matter more to women, and affect them disproportionately. As female children become adolescents in low-income countries, the actual and perceived obstacles to their economic empowerment begin to dominate. Girls begin to face specific expectations and constraints to their development that boys do not face, and that often force girls to make decisions or accept decisions made by others with the potential for negative, irreversible consequences.

Traditionally, families have believed that the returns to investing in girls are lower than the returns to investing in boys. This has caused girls’ schooling, health care, and even nutrition to lag for generations. Today, females are as likely as males to attend school. However, other services, such as reproductive health care, are not provided with adequate coverage or intensity, and norms against sexual intercourse outside of marriage may prevent young women from obtaining these services without a parent’s permission. Finally, young women have traditionally helped with household chores and childcare, increasing the opportunity cost of sending them to school. The consequences of poor human capital investments—health and education—are long

lasting. Education is strongly correlated with productivity, and determines what opportunities are available in the labor market. Without a secondary education, “formal” wage employment is unlikely (see, for example, Filmer and Fox 2014). The occupational choices for those who have not completed primary education are more limited, especially for women, who usually cannot obtain the higher-paid, semi-skilled jobs (wage employment or self-employment) that are available to men without a secondary education (in construction trades, mechanics, or transportation services) (Campos-Serna et al. 2013).

Parents may view early marriage as a logical choice for females when fewer income-earning opportunities are open to them. About one-third of women in developing countries entered a marriage or union before the age of 18 between 2000 and 2010 (UNFPA 2014). Early marriage can prevent women from taking advantage of skill-building opportunities, and it usually results in early pregnancy. Births to adolescents are riskier than births to older females. In Bangladesh, for example, girls are the majority of school dropouts, which total 64.4 percent. The most common reason for their dropout is early marriage. Participation of female workers in the labor market is further challenged by early marriage, security, proper day-care facilities, and proper transportation (Munshi 2015).

Without skills or opportunities, and facing a high burden of household chores, younger women may have no other choice than to engage in low-productivity agriculture or other activities with low barriers to entry and flexible time commitments. As they begin to bear children, they may drop out of the labor force altogether. Once children are older, women may try to enter more productive work, but their lack of skills and training can put these out of reach. Historically, working in a family business has been an important pathway for women to become businesswomen themselves (Hallward-Driemeier 2013). It is important to ensure that laws and customs do not block women from owning assets (including land) in their own name, and from keeping control of the income from their businesses.

Lack of public safety is more likely to constrain females, both as adolescents and adults, than males. Public transportation is common, and commonly unsafe for women. The lack of mobility constrains women’s economic activities, access to health care and other services, and the development and expression of agency. Similarly, the threat and experience of gender-based violence (GBV) overwhelmingly affects women.

The employment constraints facing young women are exacerbated by the norms and behaviors modeled by the women they encounter in their lives. The lack of confident, independent women who have gone to school and are earning a living outside the home, who can serve as role models, can limit the aspirations of young women themselves. The key choices (decisions) of adolescent females are sometimes made along with their parents, and sometimes made by their parents on their behalf. Figure 5.1 describes the world facing young women as they try to negotiate the transition to adulthood. These factors and constraints all interact, impinging on the decisions that young women must make, and the outcomes that result.

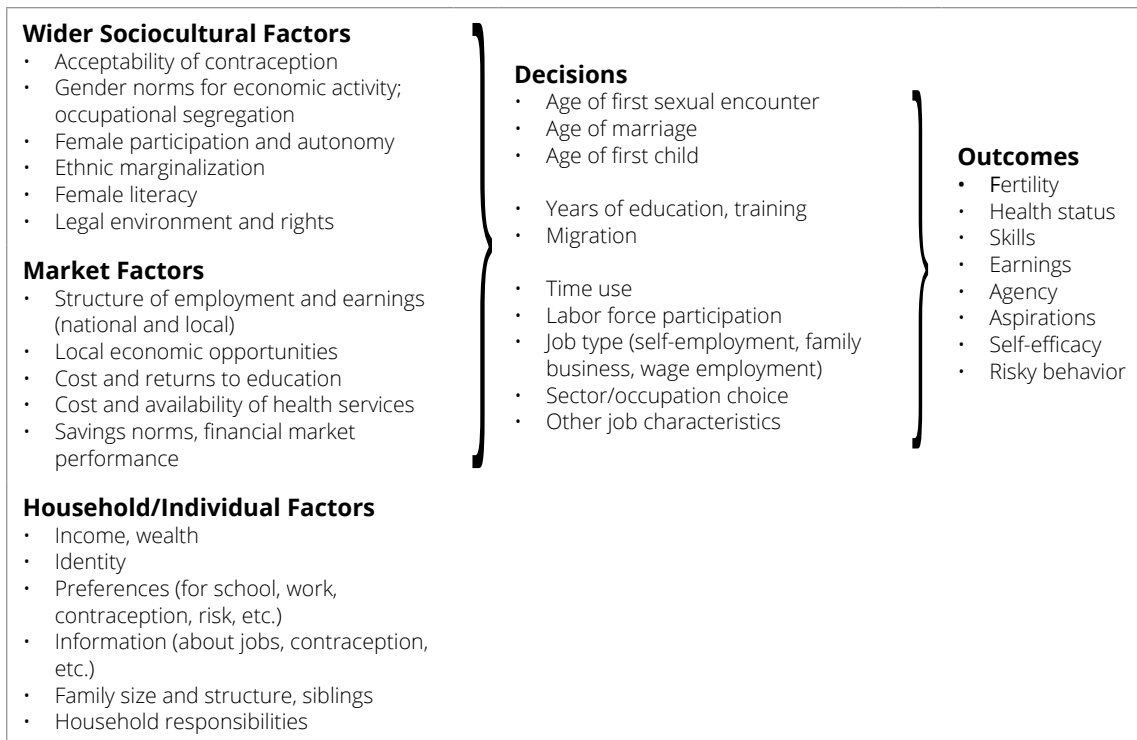


FIGURE 5.1: The Environment Facing Young Women and Consequences for Decisions and Outcomes

Source: Louise Fox and Carolina Romero, “The Economic Empowerment of Young Women,” forthcoming 2016.

5.3 Reviewing the Evidence: What Has Been Tried, and What Has Worked?

In the long run, it will be most important to address the distinct structural drivers of the constraints facing young women and young men—that is, the causes of both market and institutional failures that lead to inferior outcomes. Ideally, families and societies should not perceive undue differences in the returns to human capital investments in boys and girls. In the short run, however, investments and policy interventions attempt to alleviate or compensate for these constraints, including the tradition in many places of marrying off girls at a younger age than young men. This is true of livelihoods interventions that target young women, which try to provide the tools and opportunities for young women to exercise agency in a number of different domains.

As noted, programs to empower young women (or young men) increasingly seek to alleviate multiple constraints to improve outcomes. For example, research on adolescent fertility confirms that simply providing contraception and information does not, by itself, reduce adolescent fertility (McQueston et al. 2012). Programs that increased both opportunities and incentives for young women to attend school have been shown to decrease adolescent fertility. Other programs that showed success combined reproductive health information and services with life-skills training and incentives to families to keep daughters from marrying before age 18 (Baird et al. 2009).

Programs and interventions may encompass multiple components in order to affect multiple outcomes simultaneously. This increases the challenge of attributing outcomes (or even

changes in decisions leading to outcomes) to the actions of a program or intervention. Can improving adolescent girls' access to health services improve education outcomes as well as health outcomes? It is common for governments or donors to bundle interventions, for instance, providing health services in secondary schools or providing health services along with microfinance for women who have left school and want to start a business. The Adolescent Girls Initiative (AGI), further discussed below, provided combinations of inputs in order to increase the probability of success.

Programs to enhance livelihoods among young women and young men have included elements and various combinations of the following:

- vocational education and training
- business training, including financial literacy
- life-skills training, including social or interpersonal skills, emotional coping skills, problem solving, self-efficacy and self-control
- savings groups, include rotating credit associations (ROSCAs), self-help groups (SHGs), and village savings groups (VLSAs)
- microfinance and other interventions to build assets or provide credit (such as the provision of livestock)
- local youth clubs or other kinds of safe spaces to provide social support and mentoring
- health services, including reproductive health and sexuality information and counseling
- efforts to change social norms or legal restrictions that limit women's opportunities
- information on topics like opportunities for self-employment or health and safety
- cash transfers or scholarships to lower the cost of education
- mentors or other forms of psychosocial support
- child care, to relieve girls of the burden of care for younger siblings or own children

Different types of programs often have different theories of change on what drives outcomes and what constraints are most binding. For example, the Employment and Livelihoods for Adolescents (ELA) program implemented by BRAC in Uganda started with interventions to relax social norms. The program identified sociocultural factors as the binding constraints, focusing on human development outcomes as well as broader economic and social empowerment. In contrast, the AGI program in Liberia (Economic Empowerment of Adolescent Girls and Young Women, EPAG) focused on building job-readiness skills to relieve market constraints, targeting economic advancement first, and broader empowerment secondarily. Programs based on a single intervention cannot expect to affect all outcomes, and some recent research suggests that integrated interventions are delivering the best results (Taylor and Perezniето 2014; Filmer and Fox 2014). However, more comprehensive programs tend to be more expensive, and are more difficult to evaluate.

Especially with regard to programming to advance young women's economic empowerment, there is a growing body of evidence on what works, and what doesn't, to improve the chances for girls and young women in the labor market. In the past few years, a number of review papers have tried to capture this evidence (see Table 5.1). The discussion here draws on that evidence, and presents a few examples of carefully evaluated programs and some that are not included in those reviews.

TABLE 5.1: Reviews of Programs to Enhance Economic Empowerment of Young Women⁴⁰

Source	Number of Programs Reviewed	Number with Rigorous (Experimental or Quasi-Experimental) Evaluations	Main Findings on Employment-Related Programs or Outcomes
Quisumbing and Kovarik 2013	38	13	Comprehensive programs are generally more successful than single-component programs.
			Structural and asset-based programs take longer to achieve success than, for example, cash transfer programs.
			Asset-based programs can be used to achieve other non-economic goals.
Taylor and Perezniето 2014	254	33	Mixed programs providing technical and life skills deliver the best results for women's economic empowerment.
			Microfinance programs can help women-owned businesses to grow, but have little impact on household outcomes.
			Technical and life-skills training programs can have a positive impact on economic empowerment.
Buvinic and Furst-Nichols 2014)	135	107	The evidence on capital to women-owned firms is mixed, though stronger for young women.
			Business skills training can help start-ups, but has little impact on enterprise survival or profits.
			Capital plus training is more effective than either training or capital alone.
			Technical skills programs have mixed effects, but are generally more successful among younger women.
			Self-employment programs work better than skills for wage employment, but this may reflect local economic conditions rather than inherent program characteristics.
			Programs work best when women have greater autonomy.

Source: Quisumbing and Kovarik 2013. www.girleffect.org.

These reviews and other evidence (see, for example, Ibarrarán and Rosas Shady 2009) suggest that livelihoods programs work more effectively among younger women than older women. The reviews also agree that comprehensive, multicomponent programs are more effective than programs that address single constraints or issues. This is probably because young women face a multitude of constraints that interact and confound; however, it may also reflect a weakness in the diagnosis or understanding of these constraints and which ones bind, for whom, and in what contexts.

Although these reviews are mostly in agreement about the evidence, there is some inconsistency across reviews, at least in the optimism with which they interpret the results. Taylor and Perezniето (2014) are more sanguine about the impacts of both microfinance and skills training programs than Buvinic et al. (2014), who take a more nuanced view of the evidence: They conclude that training works best when it takes into account the demand for skills in the labor market; however, where the formal labor market is not well developed, training and support for self-employment is more effective than training for wage employment. Neither of these will

⁴⁰ Other reviews include Dickson and Bangpan (2012), Ibarraran and Rosas (2009), and Katz (2013).

be effective in environments where social restrictions prevent firms from hiring young female workers or discourage young women from seeking employment outside the home.

In addition, these reviews, even those that examine a large number of programs, all bemoan the relative lack of rigorous evidence on what works in general, or in the multitude of specific contexts in which young women enter adulthood around the world. Looking from the point of view of the desired outcome, Buvinic and Furst-Nichols write that “(t)here is very little knowledge on the characteristics and determinants of the success of working women (2014: 24).” Just as importantly for policy, few programs report costs, and many of those that do are expensive. Even those that are expensive in budget terms may still be beneficial in terms of opportunity costs, or even in terms of savings to other public expenditures. However, the cost per participant of the AGI program in Liberia, which exceeds by a factor of 20 annual expenses for public health per capita, makes the program as originally designed unsustainable. Efficiency in program delivery, understanding which components matter most, and technological developments such as providing job information through mobile phones, could lower costs dramatically.

The discussion below focuses on the World Bank’s AGI program, but two other programs are worth mentioning. First is the WINGS project from northern Uganda. This project identified the 15 poorest and most vulnerable women in 120 villages that they wanted to support—1,800 in all. Each participant received four days of business skills training, an individual start-up grant of roughly \$150, and regular follow-up by trained community workers. Additional optional components of the program include group formation, training, and self-support; and spousal inclusion, training, and support. Based on records provided by the provider, the total cost of the intervention is estimated at approximately \$688 per person. Economically, the program was significantly successful. For the average WINGS beneficiary, monthly cash income increased by 16,211 Uganda Shillings (UGX) to UGX 32,692, a 98 percent increase over those in the control group. Participants in the WINGS program had a 33 percent increase in household spending, and a tripling of savings for program beneficiaries, from UGX 40,740 (US\$16.36) to UGX 169,862 (US\$68.22). However, these impressive economic gains were not matched by gains in health or empowerment (Blattman et al. 2013).

The second program, also in Uganda, is the ELA program mentioned earlier, which operated through “adolescent development clubs,” meeting places within each community that normally included 20–35 girls and young women between 13 and 20. The ELA program provided life-skills and livelihood training, both of which took place within the clubs, and the clubs hosted popular recreational activities such as reading, drama, singing, dancing, and games. After two years, participants experienced strong positive impacts on economic, health, and agency outcomes. The program increased the likelihood of participants engaging in income-generating activities by 32 percent; self-reported routine condom use by those who were sexually active increased by 50 percent; fertility rates dropped by 26 percent; and there was a 76 percent reduction in adolescent girls reporting having had sex against their will during the previous year (Bandiera et al. 2013). Success may be attributed partially to the sequencing of activities, where financial support was provided only after the girls were motivated and had a supportive environment to engage in an income-generating activity.⁴¹

⁴¹ Interview with Makerere University Business School, Uganda country study. 2015.

5.4 What About Boys and Young Men?

Young men face different constraints to finding productive work, and different expectations. Delays in the transition to work for young men are inextricably linked to problems of identity and belonging, far more than for young women (Yousef 2009). In developing countries, young women are more likely to obtain domestic work, farm or cottage industry, while young men are more likely to work in manual labor (USAID 2006), which may be more hazardous and over time negatively impact health. In countries where health care is weak, an injury—even a minor one—can significantly undermine earning and drive young men and their families into poverty.

Although boys have traditionally received more education than girls, the situation is now reversed in many countries. Recent PISA results reveal that young women are often outperforming their male peers, going to school longer than young men, and that they routinely outperform young men in reading, math and science (OECD 2015). Young women are also more likely than young men in many emerging and transition countries to enroll in university. In Tunisian universities, for example, 62 percent of the student body is female; and only 27.1 percent of young Tunisian men vs. 36.2 percent of young women complete their degrees (Tunisia country background study).

As is described in Chapter 6, young men also are more likely than their female peers to engage in conflict and crime. In developing countries, gang involvement is prevalent among young unemployed men, as the gangs provide them with a means of income when they are unable to find work or education opportunities in the formal economy (Kunkeler and Peters 2011). Similarly, young men are at higher risk than young women for employment by rebel groups, and these groups appeal to unemployed young men, as they serve as a source of income. Historically, in Colombia, the FARC earned roughly US\$700 million a year through its rebels and, in Uganda, the AFL rebel group lured unemployed young men with monthly pay of US\$150 (Collier 2006). When a country is in conflict, more young men than women are uprooted from their jobs and recruited for military service. Absorbing these men back into the labor force has been a serious problem in MNA and the Sahel, resulting in more conflict, as seen in the 2012 conflict in Mali (Azeng and Yogo 2013).

Young men may also be at a disadvantage in obtaining credit, and often report that a lack of access to capital is keeping them from obtaining work and earning an income (Blattman 2015). When it comes to starting a business, young women may sometimes have a slight advantage over young men. Though there is generally a gender gap favoring men's financial inclusion, because of higher repayments among female lenders, microfinance institutions traditionally tend to have a gender bias toward women (D'Espallier et al. 2009). In Uganda, a USAID study found that girls tended to save more and were perceived to take self-employment more seriously than boys (USAID 2006). In this regard, although national law and business regulations may make it easier for a young man to start a business (ILO 2008), it may be the case that young women are more inclined to receive financial assistance and seed money to kick-start a new enterprise.

5.5 In Focus: The Adolescent Girls Initiative

Box 5.2: About the AGI Countries

Rwanda is a poor but stable country; Nepal is poor and economically stable, with periodic eruptions of internecine conflict; Liberia, a poor country, is emerging from years of conflict; Afghanistan and South Sudan are not only poor but fragile, conflict-affected countries where security remains a serious concern; Haiti is a poor, fragile state emerging from disasters and suffering from decades of corrupt mismanagement. Lao PDR is a stable, lower-middle-income country growing rapidly through natural resource exports. Jordan is considered a stable, middle-income state.

Design of the AGI

The World Bank sponsored Adolescent Girls Initiative pilot projects to enhance economic outcomes and empowerment for young women in Afghanistan, Haiti, Jordan, Lao People's Democratic Republic, Liberia, Nepal, Rwanda, and South Sudan. Most of these are difficult environments for girls entering adulthood. Apart from South Sudan, which is not ranked, the poorer AGI countries rank among the bottom third of the United Nations Human Development Index. Literacy in these countries is low, and it is lower for women than for men. In Haiti, 45 percent of women age 15 and over are literate; in Afghanistan, fewer than 20 percent of women are literate; and in Liberia, fewer than 30 percent of women are literate (World Bank 2015). Still, there is progress: Literacy is improving. Young people are more likely to be literate than older people in all AGI countries.

The AGI pilot projects varied in duration, geographic focus, and composition of beneficiary groups. The array of interventions employed in each pilot reflected the specific local constraints faced by girls and young women, local labor market opportunities, and governments' interest in learning which interventions were most likely to provide the outcomes they sought. All projects included life-skills or employability training, generally combined with assorted technical, vocational, and business development skills. Training developers and providers included local and international NGOs as well as private service providers, government agencies, and university/college staff. Arrangements for implementing the pilots varied depending on the setting but involved government ministries, the World Bank, and local implementing partners. Most of the pilots incorporated rigorous evaluations.

These projects sought to address multiple constraints through interventions to (1) reach vulnerable girls and young women; (2) bridge the gap to the labor market; (3) challenge gender norms in the labor market; (4) build assets and skills for entrepreneurial success; and (5) bolster girls' and young women's personal agency. Given local constraints and environments, the pilots followed slightly different models.

Except for Afghanistan, pilots in the low-income countries focused on girls who had not completed (or even started) secondary education. They featured (1) traditional classroom vocational skills training with supplementary programs to instill life skills and business skills; and (2) female youth clubs focused on social support and mentoring, supplemented by short training modules in livelihood skills, life skills, health, and other topics. A different model was used in the middle-income countries (Jordan and Lao PDR), where girls and young women have access to education but face constraints on using their education in the labor force. In these two countries the programs focused on helping young women with more advanced education enter the labor force, either through wage employment (Jordan) or entrepreneurship and career counseling (Lao PDR).

The design of the pilots reflects the fact that the lives of adolescent females are circumscribed in many ways that influence their participation in the labor market and in training programs. The female-friendly design elements were quite diverse, and the fact that most pilots incorporated more than one demonstrates the comprehensive effort that was considered necessary to reach the intended participants. Learning exchanges among the project teams led some pilots to adopt approaches that appeared to increase the success of others.⁴² Experience with safe spaces and childcare in Liberia, for example, led Rwanda's AGI team to incorporate those features; thus the AGI programs in Afghanistan, Haiti, Liberia, and South Sudan all provided safe spaces for participants with strong support from the local community. Afghanistan is notable for building a network of community support for trainees using "social mobilizers" drawn from among local imams and other community leaders. They worked extensively in each community to gain agreement among families, schools, and private and public sector players about the importance of allowing young women to work, the goals of the pilot employment project, and the safety of the training and job recruitment environment. Providing training in the community fostered participation by reducing participants' travel time, and the pilots in Afghanistan, Liberia, Rwanda, and South Sudan held morning and afternoon sessions to accommodate participants' other chores and activities, including schooling. In Haiti, Liberia, and Rwanda, the AGI provided a monthly stipend to cover transportation and food, and Afghan trainees received free transport.

As part of the AGI, the Rwandan government provided child care and sanitary products. Liberia's EPAG pilot provided free child care at each training site (about 70 percent of trainees had one or more children), literacy training, attendance prizes, contests, and a completion bonus. Haiti and Rwanda offered psychosocial counseling as needed. Many of the programs also provided incentives to save, matching savings or opening formal bank accounts, and they employed mentors to encourage the participants to achieve their goals.

In Nepal the program conducted an outreach campaign to encourage the participation of young women. The NOW pilot in Jordan fostered female inclusion in the workplace through employability training and/or job vouchers. The AGI program in Nepal and Lao PDR provided training to both men and women; the Lao PDR program encouraged female participation through a quota. In Nepal, training providers received financial incentives to train disadvantaged young women and successfully place them in jobs. Liberia's EPAG pilot also adopted an incentive system to providers, in which they received an amount proportional to the number of graduates employed.

⁴² For information on the AGI's South-South learning exchanges, see <http://www.worldbank.org/en/programs/adolescent-girls-initiative>.

Impact of the AGI

As noted in Chapter 3, AGI shows promising results. The programs in Liberia and Nepal were unqualified successes, with large returns on employment and earnings. The Jordan NOW project showed success during the voucher period, but this impact disappeared after the first few months.

In the Nepal AGI, the job-training and placement program significantly improved employment and earnings.⁴³ Surprisingly, the program had no discernable effect on outcomes for male participants. The program significantly increased nonfarm employment, especially among young women, partly by increasing access to employment opportunities rather than by increasing work intensity among those already working. For the 2010 and 2011 cohorts, participation in the program yielded a statistically significant 45–67 percent increase in monthly earnings; the increase was 650 Nepali rupees (NR) (about US\$9) for the 2010 cohort, and NR 760 (still about US\$9) for 2011. Young women were likely to have lower earnings at the start, so their earnings effect was stronger, as was the poverty-reduction effect. Young women started from a lower base than young men on most of the variables that were measured, and they gained a lot. The evaluation also confirms results seen in other countries—specifically, that focusing public subsidies for post-school training and skill building on the most vulnerable is most likely to produce results. Youths with some financing and agency will find their way into skill development programs and into gainful employment, but the disadvantaged may not. In South Asia, this group includes most rural females.

The Liberia EPAG program of skill development, mentoring, and savings had considerable success in increasing both economic activity and earnings among participants.⁴⁴ Those receiving business skills training were twice as likely to find employment as those who opted for vocational skills training. The project trained participants living in urban areas in either business skills (in preparation for self-employment) or job-specific vocational skills (in preparation for a wage job) plus minimal business skills training. Wage employment is still scarce in Liberia, even in urban areas; not surprisingly, by the time of the endline survey, most participants were self-employed, regardless of which training track they chose, and those who chose business skills training were more likely to be employed. The project increased trainees' income by 47 percent, compared with incomes of individuals in the control group. Both treatment and control groups improved their incomes by the midline, but the change was significantly larger among the treatment group. EPAG improved earnings through two channels: first, by bringing more people into employment, and second, by increasing the productivity of those who were already engaged in income-generating activities.

Liberia's experience shows that it is possible to help disadvantaged young women, who lost opportunities for education and skill development during a period of violent conflict, to gain economically. It is not necessary (or even desirable, given the limited size of the private enterprise sector in Liberia) to help trainees find stable wage jobs. Disadvantaged females can advance economically through self-employment—even in petty trading, an arena of low barriers to entry and fierce competition—through skill development, mentoring, and support for savings to make

⁴³ For detailed analysis of the AGI Nepal project, see Chakravarty et al. 2015.

⁴⁴ For detailed analysis on the AGI Liberia project, see Adoho et al. 2014.

startup capital available. It is important to note that the improvement was largest for those with more education; no discernible impact was seen among the few participants with no education. It is possible that the program did not deal effectively with the constraints facing those at the very bottom of the income distribution.

The Jordan NOW program, designed to help female graduates of community college find employment, yielded rather disappointing results.⁴⁵ Positive differences in the short term largely dissipated after the vouchers expired and the endline survey was complete. The evaluation report speculates that the program could not overcome social constraints on hiring young Jordanian women. The job vouchers had an encouraging, large, and strongly significant impact on labor force participation at midline, but only a small and statistically insignificant impact on employment.

5.6 Lessons Learned

Young people in lower-income countries face a difficult path toward economic empowerment. For young women, constraints such as household responsibilities, lack of access to education and health services, social norms, and lack of public safety lead to more isolation and fewer chances to develop the aspirations, skills, networks, and confidence needed to find productive employment. The alternative to economic advancement—early family formation—reduces opportunities and welfare later in life, perpetuating the cycle of vulnerability. Young men often face a different set of challenges in the face of societal expectations and responsibilities.

Solutions will differ depending on the context, including the structure of the labor market and economic opportunities, culture, social norms and institutions, household and community resources. Recent research has yielded a number of lessons, but much remains unanswered, especially in terms of male deficits, needs, and interventions. Youth want to overcome the barriers to achieving their economic goals, including their lack of skills, insufficient financial and social assets, the depredations of conflict, and social and gender norms. But evidence has shown that unless programs are tailored to their needs, they will not be able to participate.

Evidence supports a few basic conclusions about effective programming for young women specifically (though several may apply as well to initiatives targeting young men):

- Disadvantaged young women may be more successful in entering the labor market through self-employment, which has relatively low barriers to entry; this process can be facilitated through skills development, mentoring, and access to finance for start-up capital.
- Outreach is essential to reaching the right target audience, especially in environments where young women do not traditionally have opportunities for employment outside the home.
- The right incentives must be created for the community, participants, training providers, and employers. Benefits such as childcare, food and transport, literacy training, flexible hours, and other accommodations make programs more attractive.
- It's important to understand the local labor market to identify the most promising training opportunities, including nontraditional jobs. This includes knowing where workers are in demand, and where self-employment will be more successful.

⁴⁵ For detailed analysis on the AGI Jordan project, see Groh et al. 2012.

- Participants' resilience can be strengthened by offering supplementary business and life skills.
- Social and financial capital can be built by opening savings accounts, building financial skills, and providing incentives to save and invest.

Much more remains to be learned. Many programs are too expensive to scale up with public funds to all those who may benefit from them. As noted earlier, it may be that although comprehensive programs outperform single-intervention programs, we have not yet defined the subset of program attributes or services that really make a difference. A smaller or different package may be more cost-effective. A review conducted by J-PAL concluded: "There is surprisingly little rigorous evidence to guide policy makers. This lack of evidence is especially noticeable in developing countries, where the need for effective youth programming is the greatest."⁴⁶ The next step for evaluation is to look inside these multifaceted programs with heterogeneous results to understand the impact of each component.

⁴⁶ J-PAL 2013:11.

Youth Employment in Conflict-Affected and Fragile Environments

Highlights

- Conflict is expensive, in terms of economic growth, incomes, well-being, and lives; and the costs of violence and conflict affect entire communities and nations, not only those directly involved.
- Although youth unemployment by itself is not a mechanistic cause of violence and unrest, it can be a contributing factor, especially in cases where governance and voice function poorly and where people feel injustice and inequity. Conversely, having a job can contribute to empowerment, belonging, and social cohesion.
- The youth jobs challenge in conflict-affected and fragile contexts is threefold: preparing youth for work, creating jobs, and boosting productivity of more informal activities in which youth are engaged.
- In spite of the uncertain connection between the two, unrest and unemployment among young people are of central concern to policy makers around the world; investments in youth employment are often justified on the grounds that they will enhance stability.
- Investments to satisfy the short-run needs of stabilization (for example, public employment programs) should be designed to minimize conflicts with the needs of longer-run sustained development and job creation.
- Limited evidence suggests that employment programs, especially those targeting youth, can in some cases reduce property crimes, and post-conflict interventions can reduce the incidence of violence. To date, self-employment programs have been more successful than wage employment, but the evidence is weak, especially on cost-effectiveness.

Young people in conflict-affected and fragile environments face additional burdens as they try to enter the world of work. Youth everywhere have a hard time finding jobs, but these societies are unstable, institutions are weak, jobs are scarce and young people must deal with the

risks of crime and violence as well as poverty. On top of those worries, young people in these environments are often feared or treated with suspicion and disdain. It is commonly believed that unemployed young people will turn to violence, and that young people must be given something to do in order to keep them peaceful (see, for example, Cincotta et al. 2003 and Urdal 2004).

This chapter will describe how and why fragile states are different for young people and for job creation, and explain the connections from commonly implemented jobs programs to actual employment, and from there to stability. These questions are relevant for entire economies, not just young people. For instance, what works to promote sustained private investment and job creation in fragile environments? Answers to these questions could help achieve the aspirations of SDG Goal 16 to promote peaceful and inclusive societies for sustainable development, to provide access to justice for all and to build effective, accountable, and inclusive institutions at all levels.

Five Facts: Young People in Fragile Environments

1. Roughly 1.5 billion people live in areas that are fragile or affected by conflict, and half of the world's youngest countries are fragile states (World Bank 2011). More than half of all nations have experienced violent civil conflict since 1960 (Blattman and Miguel, 2010).
2. A country experiencing major violence between 1981 and 2005 had a poverty rate 21 percentage points higher than a country without generalized violence (World Bank 2011). The total economic impact of violence around the world in 2015 is estimated to be \$14.3 trillion (Institute for Economics and Peace 2015).
3. Violence kills more than 1.6 million people each year (Rosenberg et al. 2006). In the Latin America and Caribbean region and in sub-Saharan Africa, violence is among the main causes of death among the young (WHO 2014).
4. As of 2010, an estimated 300,000 children younger than 18 are involved in military forces or armed rebel groups worldwide (Betancourt et al. 2010).
5. According to the International Organization on Migration, an estimated 1 billion people are on the move globally, within and between countries (Swing 2014). The Global Migration Group estimates that 43 percent of the 235 million international migrants in 2013 were under 35 (Cortina et al. 2014).

6.1 Why Are Fragile Environments Different? Why Pay Special Attention to Youth in Fragile States?

Conflict is widespread: Roughly 1.5 billion people live in areas that are fragile or affected by conflict (World Bank 2011). In fragile and conflict states, young people face unique constraints. The jobs challenge in fragile and conflict states is threefold:

- To prepare youth for work
- To create jobs and generate work opportunities for youth
- Since work is more likely in the informal sector, to boost the productivity of activities in which the youth are engaged

Conflict, especially armed conflict, and violence lead to displacement, breakdown of systems and weakened infrastructure that causes many young people to miss development milestones,

especially around education. Roughly half the world's out-of-school children and youth are in conflict-affected environments. Without education and skills, youth have a harder time getting a job. Conflict is also expensive, both in terms of economic growth and in terms of livelihoods and well-being. Too often, youth are most affected, as both perpetrators and victims of conflict or violence. Worldwide, an estimated 200,000 homicides occur each year among youth ages 10–29, accounting for 43 percent of all homicides annually. In more than 80 percent of deaths due to youth violence the victim is a male (WHO 2014). Countries in conflict are poorer, and people in fragile states are poorer, than those in more stable parts of the world. The economic cost of the conflict in the Indonesian province of Aceh was US\$10.7 billion. In Guatemala, criminal violence in 2005 cost US\$2.4 billion, or 7.3 percent of GDP—more than twice the damage caused by Hurricane Stan the same year, and more than twice the budget for the Ministries of Agriculture, Health, and Education for 2006. In El Salvador, criminal violence in 2003 cost about US\$1.7 billion, or 11.5 percent of GDP (World Bank 2011). The 2015 Global Peace Index Report estimates the total economic impact of violence around the world is \$14.3 trillion (Institute for Economics and Peace 2015).

Fragile states are heterogeneous. Most are low-income countries, but the wealthiest country in sub-Saharan Africa is Equatorial Guinea, one of the most violent and corrupt countries in the world, and with a GDP per capita of nearly \$20,000 (about the same as Portugal). Six of the 10 fastest-growing countries in the past decade were fragile or conflict-affected states (FCS). It is important to note that this includes countries where rapid growth may reflect the inflows of large amounts of foreign assistance, such as Afghanistan. But it is clear that instability and conflict are bad for welfare. Three-quarters of the countries at the bottom of the UN's Human Development Index are FCS (World Bank 2015). Fragile states lag far behind in their achievement of the Millennium Development Goals (MDGs). In fact, no low-income fragile or conflict-affected country has yet achieved a single MDG. People in FCS are more than twice as likely to be undernourished as those in other developing countries, more than three times as likely to be unable to send their children to school, twice as likely to see their children die before age five, and more than twice as likely to lack clean water (World Bank 2011).

Fragile states mostly share a few characteristics. Populations in fragile states are generally young, and half of the world's youngest countries are fragile. Some fragile countries have experienced recent rapid population growth. Fragile countries have weak public institutions, and are more likely to be at the bottom of the World Bank's Doing Business indicators. Poor and inconsistent job growth is not merely a question of resource flows. Fragile states are often characterized by high aid dependency. Nine of the top 10 recipients of Official Development Assistance (ODA) in 2010 received grades of "alert" or "warning" on the Index of Failed States published by the U.S. think tank Fund for Peace (Ncube et al. 2014).⁴⁷ However, aid volatility is often higher in fragile states than more stable ones. Fragile states are also often rich in natural resources, which creates opportunities for investment and growth, but also for corruption.

Fragility and the absence of opportunities for productive employment can drive young people to leave their homes in search of a better life. Most of this movement is internal, from rural to urban

⁴⁷ See <http://fsi.fundforpeace.org/rankings-2010-sortable>; the 10th country is West Bank and Gaza, which is included in the Failed States Index jointly with Israel.

areas. As Chapter 7 describes, urban areas are centers of growth and development, permitting agglomeration and increasing returns to scale. Most young migrants arrive in slums, where about a quarter of the world's urban population live today, and where urban growth is happening most quickly. UN-Habitat (2013) predicts that the number of people in informal settlements will triple by 2050, to about 3 billion, or half the world's urban population. Slums are efficient, providing homes and jobs for millions of people at low cost, but they may not be ideal models for future urban development. Kibera, in Nairobi, already has about 50,000 people per square kilometer. Few houses in Kibera have running water, and violence is rampant: Gender-based violence in Kibera appears to be more than twice as high as that in the general population of Kenya (Swart 2012). However, recent research suggests that the movement of rural people into the cities is not enough by itself to create social unrest. Poverty, unequal opportunities for education and employment, and socioeconomic marginalization are required to spur increased levels of urban violence (Østby, 2015).

Young people are also crossing national boundaries; sometimes with tragic consequences, as has been seen among migrants from Africa and the Middle East crossing the Mediterranean during 2014 and 2015. Although there are no precise measures, it is estimated that the largest share of migrants to Europe are between 23 and 27, and that in some countries as many as half are between 18 and 29 (UN Population Division 2011). Most of these young people are economically active. They are also courageous and enterprising, and willing to take considerable risks. However, young migrants also face abuse, exploitation, discrimination, substandard working and living conditions, and few legal protections, especially as many young migrants are undocumented. Young women can face additional risks of abuse and exploitation (Cortina et al. 2014). The problem of the integration and protection of migrant workers has received increasing attention in 2014 and 2015, as growth and youth employment in southern Europe have faltered. Clearly, labor protections must be honored and the rights and lives of migrant workers safeguarded. Public hostility toward the integration of migrants generates a strong incentive in receiving countries to control the influx of people from abroad. These efforts are generally inadequate (Hollifield et al. 2014). Ultimately, an individual's decision to migrate is a consequence of pull-factors and push-factors—the forces that drive someone away from their home and toward another place—notably, insecurity and opportunity.

6.2 What Are the Connections Among Youth Unemployment and Instability, Conflict, and Violence?

“The Arab Spring taught us the importance of investing in youth to avoid instability. Youth employment should be addressed for political purposes.”

—Senior Official, Ministry of Gender, Labor and Social Development, Uganda

Having a job may affect key elements of social cohesion, such as trust and civic engagement. The impact of employment on social relationships is shaped by the quality and performance of other social and economic institutions, such as those governing voice, rights, and justice. Conversely, the quality of these institutions can also affect the creation of and access to jobs (World Bank

2013). Data from developed countries show that unemployment can cause depression, can increase mistrust, and can lead people to abandon community life. This report suggests that unemployment, particularly among youth, and if other social institutions do not function, can turn people to violent or criminal activity to compensate for the absence of voice, self-esteem, and belonging that a job might otherwise provide.

Similarly, the World Development Report for 2011 on conflict contends that unemployment can make conflict more likely. Qualitative studies undertaken for that report show that unemployment and idleness are risk factors for recruitment into both rebel movements and gangs. But the relationship between unemployment (particularly unemployment of youth) and violence is complex, often mediated through social identity and exclusion. Employment is thus more than just a way of generating income: It carries out aspects of identity, status, and social interaction. For young people especially, the sense of value and purpose that stems from work—productive work especially—is critical, and often discounted.

These two reports, and many others, argue that jobs and economic participation of youth lead to peace, and that it is possible to design and implement programs that lead to jobs that promote peace and stability. However, although these links have considerable anecdotal support, there is little robust evidence to support them. While jobs can confer identity and belonging, and lead to greater social engagement, most studies find no statistically significant direct relationship between working and conflict (World Bank 2011).

The argument that unemployment and idleness lead to violence is based partly on a “rational” model of conflict, in which the unemployed are more likely to engage in violence or crime because they have little else to do. The opportunity cost of their time is low, and they calculate that the benefits of engaging in crime or violence outweigh the costs (Becker 1968, Cincotta et al. 2003, Urdal 2004). More recent research casts doubts on this theory, arguing that it is overly simplistic, and cannot explain, for example, participation in ideologically motivated conflict (Berman et al. 2011). The two competing views can be illustrated by the following quotations (emphasis added in both cases). Urdal (2012) argues, “When the labor market cannot absorb a sudden surplus of young job seekers, a large pool of unemployed youths will generate high levels of frustration that *could* morph into protest movements or rebel organizations.” In contrast, Cramer (2010) argues, “There is no remotely convincing evidence . . . to support the claim that unemployment is a *mechanistic* causal factor in violent conflicts in developing countries. The evidence on youth unemployment is even weaker.”

Figure 6.1 illustrates the idea that there is no *mechanistic* connection between youth unemployment and violence. This figure shows the relative employment-to-population ratios for young workers and all workers among a sample of fragile and conflict-affected states. This represents how much more likely it is that someone from the total working-age population is to be working than someone between the ages of 15 and 24.⁴⁸ To take one example for illustration, the topmost line represents Libya (LBY). In Libya, young people were half as likely to be employed as someone chosen randomly from the general population. Sometime around 2010, this ratio increased to nearly 2.5. This preceded the civil war that began in Benghazi in February 2011.

⁴⁸ One can substitute alternative measures without loss of generality.

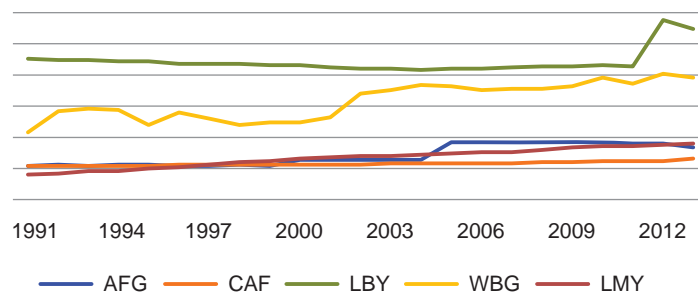


FIGURE 6.1: Ratio of Total Employment to Youth Employment, Selected Countries

In the context of rampant corruption and existing economic decline since 2009, the increase in youth unemployment was probably a contributing factor to the conflict that followed.⁴⁹ The next-highest youth unemployment is seen in West Bank and Gaza (WBG), which has had its share of violence over the past 20 years. However, youth unemployment in Palestine increased between 2001 and 2002, probably as a consequence of the second *intifada*, which began in 2000. The other two countries in this figure are Afghanistan (AFG) and the Central African Republic (CAR), both of which have experienced significant violence but not unusually high levels of youth unemployment. The dashed line shows the unweighted average of this ratio for all low- and middle-income countries in the World Bank's World Development Indicators (WDI) database. The experiences of Afghanistan and CAR are indistinguishable from the average for all developing countries. This is to say that while it may be a contributing factor, high youth unemployment does not invariably lead to violence.

It has been argued that violence is positively correlated with poverty and economic downturns (see, for example, Lundberg and Wuermli 2013). While it is true that wealthier countries generally experience less violence than poorer ones, that doesn't mean that a country will become more peaceful as it becomes wealthier. Economic growth in insecure situations can in fact increase conflict and violence over rents:

- In Afghanistan, Iraq and the Philippines, changes in employment rates are positively correlated with changes in violence (Berman et al. 2011)
- In Colombia, exogenous negative income shocks lead to more violence in coffee producing regions, but positive income shocks lead to more violence in oil producing regions (Dube and Vargas 2013)
- Poor urban Pakistanis are less supportive of militant groups than their fellow citizens, most likely because they are more vulnerable to spillovers from violence (Blair et al. 2012)

The vast majority of economic activity in fragile states is in the informal sector, and that is where most young people work. However, in many fragile states with weak capacity the distinction between informal and formal is unclear, and there is often great heterogeneity among informal or unregistered firms. In fragile and post-conflict situations, informal firms may also engage in illicit activities, which can further erode confidence in and the performance of public institutions, and lead to further violence.

⁴⁹ Hydrocarbon revenues fell from 75 percent of GDP to 40 percent of GDP in 2009, and GDP fell by 1 percent (Caceres et al. 2013); crude oil prices fell 70 percent between June and December 2008 (U.S. Energy Information Administration, <http://www.macrotrends.net/1369/crude-oil-price-history-chart>).

In spite of the lack of evidence on the impact of employment or incomes on crime or violence, policy makers still have the responsibility, and face political incentives, to deal with youth violence, which can have serious consequences for welfare as well as investment and growth. Youth unemployment may not lead directly to violence, but violence can affect income, consumption, and well-being. Merrouche (2008) calculated that clearing land mines in Mozambique is associated with an 11-point decrease in the fraction of impoverished people and a 27 percent increase in daily consumption. Michaelsen (2012) found that a higher incidence of homicides and the presence of armed groups in a neighborhood lead to greater anxiety and poorer mental health, and thereby to reduced labor supply. Thus policy makers are motivated to try to reduce violence, partly through employment creation, in spite of the lack of evidence (emphasis added in both cases):

“. . . there is very limited empirical evidence directly illuminating the impact of employment creation on stability. . . . Notwithstanding this lack of empirical evidence, the UN highlight the centrality of employment creation in the stabilisation and reconstruction process. . . . (Holmes et al. 2013).”

“It is difficult to prove a direct causal link from un- or underemployment to conflict. Yet few African policy makers question the relationship between their ability to support economic opportunity on the one hand, and the maintenance of social and political stability on the other (Dudwick et al. 2013).”

Moreover, it is clear that high youth unemployment, in the context of other factors such as inequality, lack of voice, and corruption, makes countries more susceptible to political instability and insecurity (Azeng and Yogo 2013). At the same time, more than half (53 percent) of countries surveyed by the WHO reported having a national action plan or policy to prevent youth violence. In the same study, 51 percent of countries surveyed by the reported having larger-scale life-skills programs, while a further 15 percent reported having some programs and 34 percent reported none at all (WHO 2014).

6.3 Creating Jobs in Fragile and Conflict-Affected Environments

As has been noted, rapid economic growth among some fragile states does not translate into equally robust job growth. And even though conflict may not arise directly from youth unemployment, fragile environments may still require additional or specific investments and interventions to create opportunities for young people to find productive work. The barriers to job creation in fragile economies differ from those in more stable environments. In addition to violence and conflict, fragile states are characterized by “weak governance and ineffective national institutions . . . economic uncertainty, exclusive politics, extreme inequities . . . ethnic rivalry, weak rule of law, broad-based corruption, low government legitimacy, and state institutions that lack the will or capability. . . to provide basic services (Lamb et al. 2013).” These are overwhelming obstacles to private investment.

However, according to a review by the World Bank’s Independent Evaluations Group, a narrow focus on private sector development has not yielded positive results on jobs. Getting the investment climate right is necessary but not sufficient (World Bank 2013). This is partly because there is more to encouraging sustained investment than reforming business regulation. The

development of institutions for governance, such as the rule of law and control over corruption, is also required to build confidence. This is a long-term project. The successful transition from fragility to stability can take as long as 40 years. Even under the most optimistic scenarios, these transitions take at least 10 years (World Bank 2011).

In addition to encouraging private investment, policy makers must balance the tradeoffs between economic growth and job creation, and between the urgent short-term needs of stabilization vs. those actions and investments needed for medium- and longer-term development objectives. For instance, the sectors that drive growth, especially in the short run, do not necessarily drive job creation. Natural resource extraction, which dominates the economies of many fragile states (and may lead to conflict), is generally capital-intensive rather than labor-intensive, and has few spillovers to the local economy. Roughly 70 percent of the Libyan economy, and 95 percent of its exports, are from hydrocarbons. Production of high-value primary commodities may also provide opportunities for the growth of criminal activities that encourage or even depend on armed groups. Each year, an estimated 40 tons of gold worth \$1.24 billion is smuggled out of the Democratic Republic of Congo (World Bank 2011). Afghanistan is today the world's largest producer of opium (UNODC 2014).

Governments must work to identify and alleviate other constraints to longer-term development such as weak institutions—for example, regarding land rights—which drive conflict and instability and are a major restraint on private investment. The war in Côte d'Ivoire, for instance, has been attributed to conflicts over land as much as to ethnic rivalries (Stewart and Brown 2009); and population growth contributed to increasing pressure over land in northern Uganda, manifest

Box 6.1: Private-Sector Solutions to the Security Constraint: Lessons from Afghanistan

Roshan is the largest mobile phone company, and the largest private employer in Afghanistan. One-fifth of its labor force is women, in contrast to a women's workforce participation of 1 percent in Afghanistan. Roshan is also the largest taxpayer in Afghanistan, accounting for about 6 percent of government revenues.

In 2008, Roshan faced a surge in attacks on its cell towers. In response, Roshan decided to implement a new community-based security model. The first step was to consult with more than 1,000 local *shuras* (councils). The primary complaint was that Roshan was not providing jobs for locals, so communities had no interest in supporting the company. In response, the company paid a leasing fee to each community for the use of the tower site, and the community was required to ensure that the installations were not attacked.

Within a few months, the company saw dramatic positive results. The program is very popular in local communities, where it has generated jobs for local youth and provided much need infrastructure in a war-torn country. The initiative also reduced the company's security bill for its cell towers from \$14 million to \$7.5 million.

Source: Adapted from Iyer and Santos 2012.

in intrafamily conflicts and capture by local elites (Carfield 2011). The most commonly cited constraint to private investment in fragile states is not land rights or business regulation but access to electricity. More than 70 percent of respondents to the World Bank's Doing Business surveys in fragile states cite access to electricity as a major constraint, compared with 55 percent who cite political instability as a major constraint. However, developing power generation and transmission is difficult and expensive. The World Bank Group has invested US\$1 billion in power generation in the Democratic Republic of Congo since 2000, but less than 10 percent of the population has access to electricity (World Bank 2013).

Addressing these bottlenecks and barriers to investment is especially complex in fragile states. Many market and governance failures provide opportunities for criminal extraction of rents, so reforms—which are already difficult where government capacity is weak—may be resisted as well as merely incompetently implemented. Firms may need to address rent-seeking directly (see Box 6.1 on Roshan in Afghanistan, which earmarked local jobs). This raises a question that often confronts development agencies working with weak governments: What is the trade-off between the need for competent implementation—which may necessitate bypassing government implementation—and the need to develop public sector capacity, which may put project implementation at risk? Short-term initiatives can lead to the development of parallel governance structures.

The robust example of Roshan notwithstanding, most jobs in fragile and post-conflict states will likely come from the informal sector, not the formal private sector. The majority of jobs in FCS are on family farms and in nonfarm household enterprises. The problem with most informal firms is that they grow slowly and are less productive than formal firms, and less productive than they could be.

6.4 Reviewing the Evidence

The sad truth is that not much has worked well to improve either the readiness, employment or productivity of young people in fragile environments. The evidence from disarmament, demobilization, and reintegration (DDR) programs is mixed. Most of these are designed thoughtfully, and include training and support, as well as dialogue with local communities. But training programs don't always consider local markets and local demand, and may be driven more by political demands than by economic priorities.

There is a bit more promising evidence from public works programs, which are often oriented toward youth and provide a short-term safety net, offering cash or food for work. These are thought to contribute to peace by providing both income and activities for young people who would otherwise be engaging in violence or crime, though questions remain regarding their scalability or sustainability. Still, they have had positive impacts on welfare and living standards, especially in smoothing consumption in the short-term. The USAID-funded Liberia Community Infrastructure Program (LCIP) was implemented soon after the end of the war in 2004, in areas with the greatest number of ex-combatants. The project provided employment

for 25,000 people, of whom more than 7,000 participated in vocational training (Dudwick et al. 2013). The Feeder Roads Program (FRP) in Mozambique was quickly scaled up after the war to repair war-damaged roads and employ ex-combatants. Over the course of a decade, the FRP employed more than 40,000 mainly rural workers and generated about 8 million worker-days of employment. The program also provided about 5,000 person-weeks of training. By 2002, FRP had opened or repaired about 7,900 kilometers of feeder roads and become a permanent, publicly funded program under the Directorate of Regional Roads. Unfortunately, these programs have done little to improve participants' skills. For example, the LCIP program discussed above provided vocational training, but this did not provide the participating ex-combatants the skills they needed to find other jobs (Dudwick et al. 2013).

In general, the returns to programs that focus exclusively on skills are mostly low. They can be quite expensive and are unlikely to yield significant impacts either on employment or on incomes. Among the few exceptions are the Adolescent Girls Initiative (AGI) programs previously discussed in Chapter 5, which have targeted training to young women in fragile environments. Evidence from the AGI programs in Liberia and Nepal shows considerable success in boosting both employment and earnings.

Echoing findings from the systematic review discussed in Chapter 3, skills programs that focus on entrepreneurship have been more effective, especially when they combine training with cash grants. The relative success of entrepreneurship programs combined with cash in fragile environments has revived attention to microfinance for enterprise promotion. Evidence from countries as diverse as Afghanistan, Iraq, Palestine, Peru, and the Philippines has demonstrated the great potential for expanding access to finance—whether through loans or grants—and the growth of employment (Dudwick et al 2013). As Chapter 5 shows, the self-employment component of the AGI in Liberia was considerably more effective than the component that promoted skills to improve wage employment. This reinforces the evidence from generations of technical and vocational education and training (TVET) programs, which have provided technical skills to hundreds of thousands of young people, including ex-combatants, with little lasting impact on employment. This is partly because, as discussed earlier, there are few opportunities for wage employment in fragile states.

Comprehensive programs may be more successful than simple skills-focused programs, whether they provide skills and cash, or skills and psychosocial support, or all three. The Youth Reintegration Training and Education for Peace (YRTEP) Program in Sierra Leone provided a combination of psychological counseling, skills training, and civic education in an effort to build community support for reconciliation and the reintegration of ex-combatants. Implemented in 2000 and 2001, the YRTEP trained over 45,000 ex-combatants and unemployed, marginalized youth. Unfortunately, the program did not lead to sustained employment. However, there is evidence that comprehensive programs that focus on engendering agency, through promoting self-employment, supported by access to finance, skills, and sustained support can have positive impact on youth employment outcomes in these environments. Table 6.1 describes three of these programs.

TABLE 6.1: Examples of Programs to Promote Agency in Self-Employment in Fragile and Conflict-Affected Contexts

Cash Grant Program in Uganda (Youth Opportunities Program, NUSAF)
<p>Program Description:</p> <ul style="list-style-type: none"> • To provide grants up to \$10,000 to groups of 15–30 youth (age<32) for the purchase of vocational training and tools and materials. • To provide youth with specific vocational skills and tools to enable them to earn incomes and improve their livelihood, and to contribute to community reconciliation and conflict management.
<p>Results:</p> <ul style="list-style-type: none"> • Increased probability of engagement in skilled work and number of hours of paid employment, decreased number of hours spent on household chores; increased business profits and wealth (more for men than for women), no impact on savings. • Increased participation in group meetings, social support and standing in the community. • <i>Decrease in aggressive behavior, incidence of disputes, and incidence of aggressive behavior among friends.</i>
Agricultural Training Program for Youth In Liberia
<p>Program Description:</p> <ul style="list-style-type: none"> • Participants were 10,000 poorly reintegrated high-risk ex-combatants in UN-designated “hot spots.” • Environment included Illicit gold and diamond mining, logging; petty crime and drug trade, fears of recruitment to mercenary gangs. • Program provided residential agricultural training; life-skills training; counseling; \$125 in tools and materials.
<p>Results:</p> <ul style="list-style-type: none"> • Low returns to agricultural skills without capital inputs. • Agricultural employment and incomes crowd out pecuniary crime and lawlessness (individual-level support for the opportunity cost hypothesis). • Only affected the mix of legal and illegal activity, not exit. • No impact on peer effects/social networks or preferences. • No effect on nonpecuniary crime, aggression, or risky networks.
Urban Youth Cash Grant Program In Liberia
<p>Program Description:</p> <ul style="list-style-type: none"> • Participants were 1,000 ultra-poor street youth in Monrovia. • ¼ received cognitive-behavior therapy; ¼ received cash grants; ¼ receive both.
<p>Results:</p> <ul style="list-style-type: none"> • Increase in patience observed among recipients of cash plus behavioral program and recipients of cash only. • Decrease in impulsivity, increase in conscientiousness strongest among recipients of combined behavioral program and cash transfer (cash and therapy are complementary). • Decrease in homelessness, drug use and selling, aggression, theft. • Increase in short-term business investment from cash transfer and the combined intervention, some increase in level of business stocks. • Some short-term increases in earnings, wealth, and consumption among all participants.

Source: Blattman and Ralston 2015.

6.5 Conclusions

Young people in conflict-affected and fragile states face constraints that should be understood and taken into account to promote more inclusive employment outcomes. Among the most important considerations for policy is the need to acknowledge and deal with trade-offs. These include potential conflicts that may arise among different groups of stakeholders, and potential resistance to the removal of economic rents that have been created by market and government failures. In addition, there are the possible trade-offs between what is needed to encourage private investment for long-term job creation vs. income support in the short term, between short-term political needs vs. longer-term economic goals, and between the desire to promote faster short-term growth vs. more sustained broad-based employment.

While it is a cliché to state that more study is needed, that is undeniably true in this case. We still do not know well enough to recommend what works best to create the type of jobs that lead to

peace, much less what works cost-effectively, or what might work well in different environments, or to deal with different forms of conflict. This chapter has not confronted the ostensibly growing problem of violent extremism, for which jobs seem only a small part of the solution.

In spite of the relatively weak evidence of program success, there are a few bright spots. Evidence suggests that higher wages and employment can reduce materially motivated crime and violence. Public works and employment generation can have modest social externalities, both in terms of peace and job creation. Employment probably has some small effect on violence, especially on nonproperty violence. And finally, rehabilitation programs can work for high-risk men.

This baseline analysis shows that more effective programming will require that policy makers understand better the group they are targeting with the intervention, and what constraints they face in finding productive employment. Is the program targeting young male ex-combatants, or young women? What problems are they facing now in trying to find, or make, a job? Are young people constrained by a lack of information, or access to finance, or lack of skills? What prevents employers from making investments in job creation and hiring young workers in fragile states? And finally, policy makers are themselves constrained by resources, and must find cost-effective solutions; that is, not only which interventions work, but which one works best, given a fixed budget. Answers to these questions can help engender peaceful and inclusive growth in fragile environments.

Box 6.2: Including Youth with Disabilities

The UN Department of Economics and Social Affairs estimates that there are about 180–220 million young people with disabilities worldwide. Of those, close to 80 percent live in developing countries. This number may rise over time due to both an increase in youth population and advancements in medicine to prolong the lifespan of people with disabilities.

Disabled young people face a variety of unique challenges when it comes to gaining employment. Starting at home, some families may be inclined to protect their disabled children, unintentionally keeping them from school and the job market. Worse still, are the families who feel shameful or sinful for having a disabled child. For these reasons, homelessness and poverty are prevalent among youth with disabilities (UN Youth 2012). In addition, education can be particularly challenging for youth with disabilities, due to a shortage of inclusive and accessible schools. It has also been found that disabled children have a lower likelihood of entering school at all. Per UNESCO, 98 percent of children with disabilities in developing countries do not obtain an education. This overwhelming lack of education and skills development leads to an inability to then gain adequate employment. Adding to this issue is the negative perception, often held by employers, of the capabilities of youth with disabilities, both to obtain and retain employment.

It can be challenging to shape youth employment policy to address youth with disabilities. For starters, young people with disabilities constitute a small subgroup of all youth that are unemployed across the globe. When youth unemployment is a widespread global problem, prioritizing a small segment can be difficult, given limited time, finances, and resources. Secondly, disabled individuals are often excluded from census and national surveys; as a result, the data on youth with disabilities are even sparser. Without key population information, it can be challenging to address the issue adequately (UN Youth 2012). Lastly, societal norms and cultures surrounding youth with disabilities may, to some degree, have muffled policy deliberation surrounding the issue.

But new policy trends are emerging. Employment programs are being used to help youth with disabilities. In Bangladesh, for example, the World Bank's Young Power In Social Action (YPSA) project used ICT to help 20 disabled youth gain the necessary skills and training for employment (Bhattacharjee 2013). A World Bank project seeks to address the educational gaps of Moldovan children with disabilities. Through pilot programs that integrate the disabled children into mainstream schools, the Bank is hoping to lead by example for the Moldovan government and policy makers (World Bank 2013). In Kenya, young advocates for disabled youth, like Eric Ngondi, are urging employers and lawmakers to give disabled youth a chance. By providing training opportunities for disabled youth in his water consultancy business, Ngondi communicates to both the Kenyan government and employers that disabled youth are an important workforce (Powell 2014). Finally, awareness campaigns can change the donor landscape and international dialogue concerning unemployed disabled youth. The World Program of Action for Youth and the UN's Convention on the Rights of Persons with Disabilities have each emphasized the need for countries to pay more attention to areas of education, skills development, employment, and information and communications technology for youth with disabilities.

Rural and Urban Dynamics in Youth Employment

Highlights

- Rural and urban youth face different challenges in finding employment, ranging from challenges posed by education levels, infrastructure, governance, and access to technology and services.
- Urban youth are more likely to work in services, manufacturing, or trade; rural youth are likely to work in agriculture, fisheries, forestry, handicrafts, microenterprises, or cottage industry.
- In Africa and Asia, even though agriculture accounts for 59 percent and 54 percent, respectively, of total employment opportunities, youth stay away from agricultural jobs, due to lacking land rights, stigma, lack of finance, irrelevant education, or inability to penetrate supply chains.
- Countries also frequently see a spatial disadvantage on employment outcomes within genders. In Tunisia, for example, less than one in five rural women are employed, while nearly 40 percent of urban women have jobs.
- Insecurity, crime, and violence impede employment and entrepreneurial prospects for urban youth. On average, only one in four youth globally reports feeling safe; In Cairo, about half of young people feel safe, while in São Paulo, less than 1 percent of youth report feeling safe.

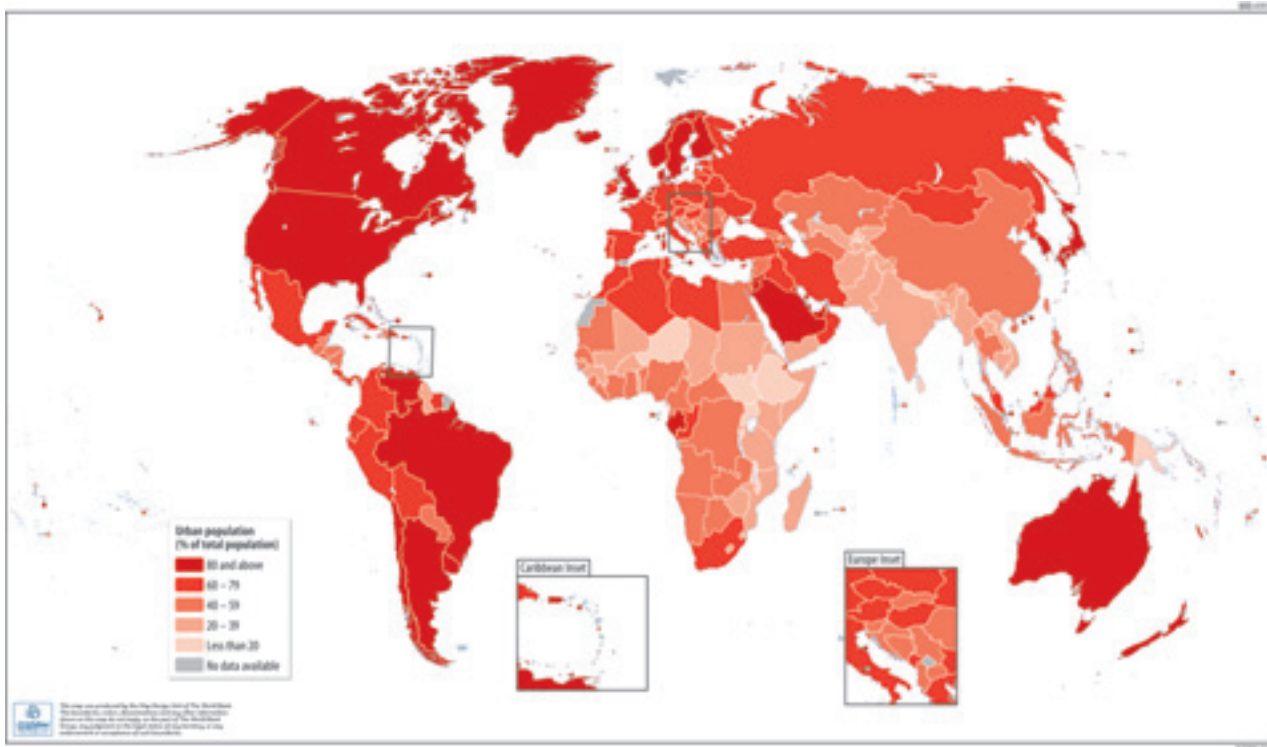


FIGURE 7.1: Urban Population, % of Total

Source: World Development Indicators 2011–2014.

While rural, agricultural productivity still accounts for a large share of economies across the developing world, as countries rapidly urbanize, more and more young people are living in and migrating to cities.

Today, more people (54 percent in 2014) live in urban areas than in rural areas. Overall, continuing population growth and urbanization are projected to add 2.5 billion people to the world's urban population by 2050, with nearly 90 percent of the increase concentrated in Asia and Africa (World Urbanization Prospects, 2014). Rural and urban youth face different challenges and likely have different prospects in the world of work. From education to infrastructure, governance, and access to services and technology, youth in different settings have varied experiences with these and other factors that determine how successfully they transition into secure livelihoods. Van der Geest (2010) notes an interesting distinction between rural and urban youth unemployment patterns in developing countries and countries in transition: Youth unemployment remains a highly urban phenomenon in developing countries, but it trends much higher in the rural areas of transitioning economies.

At the same time, the structures of rural and urban economies tend to differ greatly, and as such, youth's opportunities will vary in different sectors, requiring different resources and rights, competencies and skills. Young people in cities, for example, are more likely to work in services, manufacturing, or trade (export/import). Rural youth, on the other hand, are more likely to be engaged in agriculture and fisheries, forestry, handicrafts, small-scale retail (microenterprise), or cottage industry. Studies in Africa, for example, reveal there are 29 nations that are less than 40 percent urbanized. In seven of these countries (Rwanda, Burundi, Niger, Malawi, Ethiopia, Uganda and South Sudan), over 80 percent of the population resides in rural regions. Only six countries (Republic of Congo, São Tomé and Príncipe, Botswana, Cape Verde, Gabon, and South Africa) are at

Five Facts: Spatial Dynamics in Youth Employment

1. Today, more people live in urban areas than in rural areas, with 54 percent of the world's population residing in urban areas in 2014. Overall, continuing population growth and urbanization are projected to add 2.5 billion people to the world's urban population by 2050, with nearly 90 percent of the increase concentrated in Asia and Africa (World Urbanization Prospects, 2014).
2. Globally, sub-Saharan Africa and South Asia have the greatest proportions of rural youth, with 70 percent of youth living in rural regions and half of the youth labor force working in agriculture (McArthur 2014).
3. Urban youth tend to have higher unemployment rates than rural youth. In Ethiopia, for example, the urban youth unemployment rate was 37 percent, compared with the 8 percent total unemployment rate (Urdal and Hoelscher 2009).
4. By proxy measure, a significant share of both rural and urban youth work in the informal sector: 83–97 percent of rural youth, and 56–85 percent of urban youth.
5. Rural youth are migrating at rapid rates toward better job opportunities in cities and other countries. Youth ages 15 to 24 are roughly one-eighth of the world's 235 million international migrants (Global Migration Group 2014).

least 60 percent urbanized. It is further estimated that, between 2005 and 2010, 70 percent of new entrants to the labor force found nonfarming work, 23 percent of which was in wage employment, while the other 47 percent found work in informal small enterprises (McArthur 2014).

Because cultural, ethnic, and social norms are likely to vary among communities, these special considerations, especially among young women, in finding economic opportunities need to be distinctly explored. Similarly, rural and urban youth are likely to confront distinct health and security risks that could hinder their ability to obtain work or be successful in the workplace. Because rural youth lack access to health services, they are more easily exposed to HIV/AIDS, malaria, and malnutrition. By nature, agriculture is one of the most hazardous economic sectors, so working rural youth are exposed to myriad safety and health dangers. Conversely, urban youth may suffer from poor nutrition in food deserts and do less physical activity. In addition, urban youth are also more likely to use tobacco or alcohol, and incur associated risks and diseases. They are also more likely to experience or be affected by crime or violence.

Spatial dynamics in youth employment is a relatively as yet underresearched and underevaluated area. A number of foundational factors, as well as some of the emerging policies and programs to prepare and employ rural and urban youth, are explored below.

7.1 Rural Youth Employment and Entrepreneurship

The size of the rural youth population varies across developing countries and further within country regions. In general, across sub-Saharan Africa and South Asia, most of the youth population resides in rural areas (Vargas-Lundius and Suttie 2013). A majority of countries in Latin America, for example, have smaller populations of rural youth, but Guatemala, Haiti, Honduras, and Paraguay, among others, still have larger proportions. Globally, sub-Saharan Africa

“There is a significant gap between urban and rural areas. There are very few companies able to create jobs outside Kampala.”

—*Plan International, Uganda*

(particularly in the Horn and the Sahel) and South Asia have the largest shares of youth living in rural areas. Seventy percent of youth in sub-Saharan Africa and South Asia live in rural areas; half of the youth labor force in those regions works in agriculture.

In considering rural youth employment, it is important to differentiate between rural and agricultural youth. Though agriculture does make up the largest share of the rural youth labor market, not all youth living in rural regions are working in agriculture (just as there are youth living in urban areas who work in agriculture). Self-employment in trade or commerce and extractive industries also engage rural youth. It is also worthy to note and explore the challenges of underemployment that can be quite prevalent as well; particularly because agricultural work is often seasonal work and young rural workers often stand idle in the off season. Still, a lack of data keeps us from knowing whether youth are more likely to leave agricultural work than adults. Van der Geest (2010) has presented some evidence that youth in rural areas are more likely to work in nonfarm jobs than adults living in the same areas. Moreover, youth working in farming tend to earn a higher income than adults working in agriculture. An explanation for the differences in income could be that youth are more likely to be exposed to newer technologies, resulting in production of larger crop yields than adults.

There are other considerations, too. In Tunisia, for example, youth unemployment is especially prevalent in rural and inland sections. In a recent report, the World Bank (2014) called disparities between coastal, interior, and southern regions of Tunisia the “principal barrier to economic opportunities,” as almost every measure of economic distress is more pronounced in the inland and rural parts of the country. This can be especially seen in unemployment rates for young women. Only 8.3 percent of young women in the southern and 15.4 percent in the interior regions are working. In contrast, 23.6 percent of young women in the coastal regions are working. In the urban/rural divide, less than one in five women in rural Tunisia (18.5 percent) are employed, while 39.8 percent of young female urbanites have a job.⁵⁰

Youth and Agriculture—An Opportunity Constrained

Because most youth are active in either nonfarm employment or are self-employed in agriculture, stimulation of the agricultural market is critical for boosting youth employment in poor, rural areas (IEG 2012). In Africa and Asia, for example, agriculture accounted for 59 percent and 54 percent of total employment opportunities, respectively, in 2012 (IEG). Yet, for a variety of reasons, many young people find themselves either constrained or choose not to engage in this sector. Stigma, land scarcity or lack of land rights, lack of finance or credit, irrelevant education or training, inability to penetrate value and supply chains, all influence this choice to abstain. By focusing more on land cultivation investments, as well as improving infrastructure, technology, and access to value chains, young workers may grow more attracted to rural employment.

⁵⁰ Tunisia country study, Silatech; and International Bank for Reconstruction and Development. 2014. “Tunisia: Breaking the Barriers to Youth Inclusion.” World Bank, Washington, DC.

Furthermore, there is often little incentive to work in agriculture, as agricultural production tends to yield lower annual earnings than nonfarm work.

Moreover, in many societies, agriculture is seen (or at least perceived by youth to be) a low-status livelihood. In general, many young adults in developing countries have negative opinions of the types of work opportunities offered in rural areas (Vargas-Lundius and Suttie 2013). Nevertheless, there could be underlying cultural factors that push youth toward farming, rather than away from it. For example, many young men in sub-Saharan Africa are traditionally expected to work on their family's land.

Land and Capital Constraints

Land scarcity and weak or lacking land rights are hindering youth from engaging in agriculture; and lack of access to loans and leases also prevent youth from obtaining their own land. Young men are usually limited to gaining access to land through family inheritances, while legal and cultural gender barriers often explicitly preclude young women from inheriting or owning land, or otherwise building and controlling their assets. Until the land is passed onto their hands, most youth work on the family land for little or no compensation. Moreover, the dialogue or legal drafting of property rights and land tenure policy rarely includes youth (FAO 2014).

Poor access to land and credit stifle agricultural productivity and serve as the primary constraints for young rural workers (IEG 2012). In assessing rural youth employment options, Van der Geest (2010) pointed out how India, Southeast Asia, and Egypt face this problem, as the agricultural market is unable to absorb the number of available workers because the land available for them to work remains relatively scarce.

Several programs show promise in addressing the land-constraint issue among youth. In Egypt, for example, the West Nubaria Rural Development Project was created in 2003 to help young farmers who had been dispossessed of their land and resettled onto smallholdings, where they could to improve their living standards through better agricultural production via training in agribusiness and microenterprises and introduction to new farming technologies. Historically, due to its seemingly infertile land, Upper Egypt has been sparsely populated. Since the launch of this project, however, young farmers have been flocking to the area for work opportunities in the fields (CFI 2013). In Ethiopia, the Relief Society of Tigray (REST) has provided 360 youth with 90 hectares of land and the opportunity to obtain income through honey and eucalyptus farmed on this newly acquired land (FAO 2014). In Taiwan, the Small Landlords, Large Tenants Program has established links between elderly landowners and young farmers, whereby the elderly farmers lease land to the youth and the youth share a portion of their earned income from production (FAO 2014).

Human Capital Constraints

When it comes to education and skills training, rural youth, particularly girls, are at a disadvantage compared with urban youth. When education is available to rural youth, it is often irrelevant to the types of skills they need to work in agriculture, to start and operate a small business, or to be employable in other labor markets. Arguably, employment training is biased toward urban employment. Going forward, agriculture will remain a central job provider for young workers, and as such, youth employment interventions need to take an integrated approach toward boosting agricultural productivity. Shenoy, Lakhey, and Shah (2010) found that 80 percent of rural Indian

youth who were trained through the Employment Generation and Marketing Missions program were employed after completing training. Among families working in agriculture, farmers who had participated in the program had income three to four times higher than those who had not. Moreover, Karnani's (2009) evaluation of the same program found that nearly all of the young farmers sent back 20 percent of their earned incomes to their families, who then allocated the money toward education, savings and paying off debts.

Rural Entrepreneurship: Finding Markets, Accessing Value Chains

For aspiring rural youth who are entrepreneurs and “agripreneurs,” finding labor markets and accessing value chains is another constraint. Young people often lack the business and management knowledge necessary to interact with large markets and long value chains. Youth employment programs are aware of this constraint and work to address the issue.⁵¹ In Colombia, for example, the National Federation of Coffee Producers began the Innovating Models for Young Coffee Producers project in 2006. This project not only helps connect young coffee workers to big markets, but it also helps train them in business and entrepreneurship skills. It is estimated that agribusinesses established through the program make up 27 percent of Colombian coffee exports (FAO 2014). In Egypt, farmers of the West Noubaria Rural Development Project have sold their products domestically as well as exported them to international markets. The project has also commercialized Upper Egyptian agricultural production, as the program has given young farmers the opportunity to link with larger businesses, such as processing plants and trading companies (CFI 2013). Finally, the smallholder farmers participating in the program have been embedded in marketing associations with larger companies, providing them with further training opportunities, education on quality control, technology and crop processing, as well as access to supply contracts from exporters and processing companies. Castañeda et al. (2010) observed that the World Bank's support of the Young Rural Entrepreneurs program in Colombia resulted in an increase of 14 percentage points in participants' employment rates, compared with nonparticipants who did not benefit from the program's entrepreneurship training.

Addressing Transportation, Infrastructure, and Information Gaps

“A difficulty to attain a job is the transport from my home to my work.”

—Young man, rural municipality, El Salvador

With economic growth and jobs increasingly concentrated in urban areas, inadequate or unsafe transportation infrastructure further compromises rural youths' access to employment opportunities. This remains particularly challenging for young women. To fill this gap, enterprising young people and thoughtful employers are providing transportation, shared ride platforms, travel subsidies, or relocation support to help ensure that talented youth are not sidelined because they are unable to get to a worksite. In its meta-evaluation of youth employment programs, the IEG (2012) observed that numerous skills-building programs support the transport and residential expenses of trainees, which is particularly helpful for lower-income youth. In Honduras, participants receive a stipend during their training and internship to cover the costs of

⁵¹ For comprehensive programmatic information and resources on value chain development, see Microlinks: <https://www.microlinks.org/good-practice-center/value-chain-wiki/overview-value-chain-approach>.

transportation and food for each day of attendance. In Burkina Faso, World Bank support financed residential boarding capacities for engineering students; in Pakistan, it supports transportation for girls to and from training venues. In Grenada, trainees are paid a stipend during course work for transport and other costs; once they start their on-the-job apprenticeship, the stipend is borne by the employer. Safer transport could also help to curb instances of traffic accidents and fatalities, the leading cause of youth mortality worldwide. At the same time, the lack of roads or rail and poor transport or communications infrastructure can significantly constrain entrepreneurship or agripreneurship among rural youth, and thus further undermine income-generating activities. Government incentives and shared investments with donors and the private sector could further boost business and job creation in inaccessible rural and agricultural communities.

Creating Rural Opportunity

Policies that develop nonfarm work will have an important effect on unemployed youth. Improvements in infrastructure, new technology, and information systems, could connect youth to urban opportunities without incentivizing them to migrate away from their rural homes. Moreover, opportunities in small enterprises and ways to link youth to larger external markets could be better explored to attract rural youth to nonagricultural work in rural areas (World Bank 2007). A 2004 study by Lochner and Moretti noted that although the agricultural sector is a large employer in several developing countries, the lack of employment opportunities for youth in agriculture has resulted in high rural-urban migration, as young people exit rural areas in search of higher earnings (IEG 2012). In one poll, 78 percent of young respondents replied that they would be less likely to migrate to urban areas if there were more employment opportunities in rural areas, compared with 22 percent who disagreed.

Improving partnerships could also help create more rural opportunities for youth employment. In Eastern Africa, the STRYDE program was created to help attract youth to remain in rural areas by providing them with job opportunities as farmers (Murray 2013). In 2015, TechnoServe completed a Phase I evaluation of the East African STRYDE program and found that 29 percent of participants were running micro-businesses, while 70 percent of the programs participants were saving regularly, a sevenfold increase since program implementation (Winter 2013). A 2007 study⁵² revealed that only about 10 percent of World Bank youth employment projects were specifically focused on opportunities for rural youth; it is unclear if this figure has risen since.

7.2 Urban Youth Employment and Entrepreneurship

More than half of the world's population is now urban, just as more than half the world's citizens are under the age of 25. Further, World Bank data (World Development Indicators) show that urban population growth is highest in low-income countries, and in 2013, was just over four times the rate in Yet in countries where young people make up a smaller percentage of the population than the adult population, they face high expectations. high-income countries; as noted earlier, an estimated 90 percent of the world's youth live in developing countries. Urdal and Hoeslscher (2009) predict that by 2050, two-thirds of the global population will reside in cities. Romer and Fuller (2014) posit that urban population is growing at a pace that has reached 60 million people a year and is still increasing toward a possible addition of more than 5 billion new urban residents in the next 100 years—with nearly all of this growth occurring in cities of developing

⁵² As discussed in Vargas-Lundius and Suttie. 2013.

countries. Combined, these demographics make for a large and growing urban youth population, especially across the developing world. Yet, urban youth often face greater unemployment compared with the general population. For example, in Ethiopia, the total unemployment rate was 8 percent, vs. 37 percent for urban youth specifically (Urdal and Hoelscher 2009).

Throughout history, cities have driven wealth and economic advancement around the world (WEF 2014). As Glaeser and Joshi-Ghani (2013) argued, the path to prosperity inevitably runs through cities. At the same time, inequality and social and economic exclusion pervades cities, especially in the developing world. Young people are far more likely to struggle to benefit from and contribute to the enhanced productivity that the agglomeration of urban areas can offer. As Glaeser and Joshi-Ghani (2013) claimed, “agglomeration economies occur because destiny increases the ease of moving goods, people and ideas. Cities remove the physical spaces between people and firms, and proximity is valuable precisely because it makes connections easier.” The concentration of people, business, government, and information creates distinct opportunities for urban youth. The proximity and number of local employers in cities bridges information gaps between workers and employers, thus easing the job-search process and allowing for risk: “Young workers may not know what sector or employer is a good match for their talents and inclinations. A city filled with different workplaces allows workers to try things out, to experiment with action before entering into a career. The fallbacks may also support more risk taking by urban workers, who can try something uncertain, knowing that there will be other opportunities if things don’t pan out.” At the same time they hold that a freer flow of ideas stimulates entrepreneurship and, consequently, demand for labor. Similarly, cities are drivers of human capital where “workers become [more] skilled by being around other skilled people” (ibid). Together these forces can drive up not only wages and incomes, but productivity as well. Similarly, policies tend to be more localized and connected to the citizen in cities, and are thus more innovative, flexible and adaptive to learning (WEF 2014).

Sommers (2010) argued that despite the tendency to see the “danger” in urban youth (especially young men), cities provide young people with opportunities, attractions, and possible trajectories that are simply not available in rural areas: “Through youth’s eyes, the anonymity of city life is not a threat but a resource: cities are places where they can throw off (or at least delay) adulthood expectations and reinvent themselves. Surviving in cities is hardly easy, but if you ‘make it’ there’s a chance to assume a glow of success that may be forever out of reach in home villages.” While there is no doubt economic dynamism afforded by the density in cities, young people may not be poised to capitalize on innovative and inclusive potential that the concentration of people, ideas, and commerce can bring.

At the same time youth can be an asset to cities, as experienced in Shenzhen, China, where a ready supply of skilled and semi-skilled young workers, combined with investments in education and research facilities is helping ensure that the city supplies what its bustling electronics industry needs (World Bank 2009). Yet, very little of the seminal research on urban economics explores youth matters specifically. Similarly, the data, evidence, and rigorous analysis concerning young people in cities, specifically with regard to employment and economics, are inadequate. In his work in sub-Saharan Africa, Sommers (2010) noted the serious challenge posed by weak documentation on vital dimensions of urban life, especially the lack of data on urban youth, and how this absence of data is compounded by a number of prevailing assumptions that limit the ability to accurately grasp and appropriately respond to rapid urbanization and youthful demographics.

Despite the opportunities afforded by cities, available research and theoretical perspectives point to a number of challenges to employment and economic success in cities that, while not necessarily unique to youth, may impact young people more intensely. They include, but are not limited to, informality and underemployment, inadequate education, crime and violence, and migration. Figure 2.13 shows urban youth are less likely than their rural peers to have work or any income-generating activity.

Educational Constraints

While youth in rural areas often suffer from inadequate or irrelevant education, their peers in developing cities are not likely to fare much better. Young people who have migrated from rural areas may not have the skills and competencies for work in urban sectors. Studies have found that uneducated youth tend to face higher unemployment rates than young people who have received an education (Urdal and Hoelscher 2009). Despite student potential and motivation, their education is often undermined by: limited resources and budgets, teacher absenteeism, high dropout rates, and variation in preparation and out-of-school environments. UN-Habitat surveyed youth in Accra, Bangalore, Cairo, and São Paulo for its 2012–2013 State of Urban Youth report, and found that 75 percent of youth see good-quality education as contributing most to their prosperity, while meaningful employment also ranked high (perhaps suggesting these urban youth saw their education and training as inadequate for the job opportunities available to them).

Informality, Underemployment, and Precarious Work

Informality is a common feature in the lives of city dwellers. It permeates how they live, how they work, and how they travel. In the economy, the informal sector tends to be freer of taxes or regulations, and thus also access to public services and in many cases social protections. Because the informal market has more limited barriers to entry, many youth and adults earn livelihoods through the informal sector. In developing countries, it has been found that roughly 85 percent of all new work opportunities manifest in the informal sector. Two of every three Africans earn their livelihood through informal work (Grant 2012). Thus, by default, formal urban employment opportunities are in shorter supply and become competitive as youth are further incentivized to explore options in the informal sector.

Because supply outweighs demand in terms of job creation, and young people increasingly find they do not have the right skills for jobs in the private sector, a significant number of young people find themselves in the informal sector where wages are low, work is insecure, conditions maybe hazardous, and they have little to no legal recourse or safety net. In his research in Luanda, Angola, de Barros (2005) found the average age of those working in the city's outdoor market areas was 21, and that both male and female youth averaged just over five years of education. Moreover, the young women had far fewer prospects than their male peers and earned less. For many less skilled young workers or aspiring (and necessity) entrepreneurs, the informal sector is an "income escape valve" and for too many the only option. In one comparative survey of urban youth (UN-Habitat 2013), nearly three-quarters of youth who believe their cities have initiatives specifically addressing the needs of young people indicate that such programs seek to enhance the quality of informal sector employment. As Sommers also noted (2010), there is also little agreement among countries as to what constitutes "work" or "no work." Importantly, the employment–unemployment dichotomy masks the significance of underemployment as the

Box 7.1: Partnering to Prepare Urban Youth in Mexico for the Aerospace Industry

In Chihuahua, Mexico, the aerospace industry is taking off. With one in three of the nation's aerospace jobs located in this predominantly urban border region and to satisfy the demand for skilled labor, the International Youth Foundation (IYF) is working with industry (including *Cámara Nacional de la Industria y a la Transformación and Fokker*) and education planners (*Colegio de Educación Profesional Técnica and Dirección General de Educación Tecnológica Industrial*) to align the high school curriculum with the needs of one of the region's most dynamic industries. As a result, graduates are better equipped to secure well-paying jobs.

Several critical factors were identified that defined success for this project. Among those are the following: (i) Being able to build a municipal partnership that responds to local businesses' and schools' interests in and incentives to collaborate. For example, businesses want access to qualified workers and schools need to increase their placement rates. (ii) Enabling companies to understand that the competencies they value can be addressed by the schools. (iii) Developing a comprehensive strategy to help schools translate companies' needs into competencies to be included or upgraded in the curriculum.

Efforts are quickly yielding tangible results. Jose Luis Rodriguez Ramos, president of Chihuahua's Aerospace Cluster, said, "In just six months since our first meeting (in 2014) to talk about aligning . . . the curriculum [to better meet industry needs], today it's a reality. The curriculum is aligned, and you are training the first students in the skills needed by our industry."

A number of partnership lessons can be gleaned from the project experience. First, it takes months to build trust among different members of the partnership, and this was best achieved by acknowledging the particular incentives of each stakeholder to collaborate. In this regard, it was also critical to develop a common language and understanding of opportunities and challenges for youth employment, so that school officials and businesses could engage in substantive dialogue. Finally, to build members' commitment to the alliance as a vehicle for effective action, early wins are important.

Source: IYF, authors.

more common basis of economic activity for youth and the majority of urbanites. For many, even work in a city's formal sector is irregular, short-term, or only part-time contractual.

Crime, Gangs, Illicit Economies

As discussed in the preceding chapter, there is generally no mechanistic connection between youth unemployment and conflict or violence. At the same time, Goldstone (1991; 2002) observes that historically, the coincidence of youth bulges with rapid urbanization, especially in the context of unemployment and poverty, has been an important contributor to political violence.

For many urban youth, the ability to live and work freely and safely without fear is a key issue. UN-Habitat (2013) found that, on average, only one in four young people reported feeling safe; in Cairo, about half of youth said they safe, while in São Paulo less than 1 percent of youth said the same. As such, safety varies globally, across different urban centers. Similarly, safety will vary

among genders, as young women may be at higher risk of sexually charged violence than young men. On the other hand, young men may be at higher risk for gang related violence.

In general, unemployed youth in urban areas tend to bear these and other additional “costs” that keep them from the jobs they need. Studies in El Salvador, for example, showed that youth bear the burden of proving that they are “good people” to employers. Moreover, young Salvadorans bear the cost of high delinquency and security if they attempt to start their own business. These costs prevent many Salvadoran youth from being hireable by employers.

Similarly citizen insecurity also undermines youth entrepreneurship. Some youths have had to close a new profitable business, and others are prevented to open one, for security reasons. One young entrepreneur disclosed, *“I began with my gym because I always liked to exercise and I wanted to be my own boss, but now some of my clients that came for other area were threatened and I have been extorted. I am thinking that the best option is to close.”*⁵³ Similarly, one would-be entrepreneur said, *“I prefer to have a job, because nowadays all business have to pay the extortions, and the costumers cannot mobilize in freedom from one point to other to buy, because [of the threat] of maras [gangs].”*⁵⁴

The solution for urban youth safety and how it correlates to unemployment and urban violence is widely debated. It is widely held that jobs and skills training can keep youth off the streets and out of gangs or cartels. As reviewed earlier, others (see, for example, Blattman 2015) found that cash grants and counseling, rather than incomes or jobs, are most effective in keeping youth out of crime and violence. In a 2010 experimental study, Blattman et al. found that cash grants and behavioral therapy led to a decrease in crime-related activity among young men living in Monrovia, Liberia (IPA).

Shadowing the informal sector in a majority of economies is the illicit economy. In urban Africa, the overwhelming majority of economic activity is in the informal sector—also called the black market, the hidden sector, the underground, fraudulent, peripheral, shadow and creeping economy, terms that suggest less than honorable or constructive activity.

Infrastructure and Entrepreneurship in Cities

While the dynamics may be different, infrastructure, especially transport and communications, plays as critical a role in urban economies as it does in rural settings. And inadequacies—along with other factors—can post significant constraints to employment and entrepreneurship of young people. In developing countries especially, transport plays two principal roles. It determines the cost (financial, time) of commuting, as well as the cost of moving goods within and between cities and peri-urban areas, and it has an impact on intercity and interregional investment and budgets (Henderson 2015).

The Urban Youth Employment Program in Papua New Guinea was established in 2006 to help urban youth improve their social stability and employability through short-term training opportunities. A midterm evaluation, conducted in 2013 by the World Bank, saw that basic skills training was provided for 1,300 urban youth, and half of the 250 graduates from the training program moved on to pre-job training with public and private employers in the National Capital

⁵³ Rubio, Silvia. 2014. *Estudio de Perspectivas de Inserción Económica en el Municipio de San Pedro Masahuat y en la Región Los Nonualcos*. Organización de Mujeres Salvadoreñas por la Paz (ORMUSA), San Salvador.

⁵⁴ Rubio.

District. In Mexico, the E-Business for Small Business Development Project provides work for vulnerable urban youth through ICT training and job placement (IEG 2013).

Migration

Data suggest that young people ages 15 to 24 are roughly one-eighth of the world’s 235 million international migrants,⁵⁵ while UNICEF reports that nearly 35 million, or about 17 percent, are between the ages of 10 and 24. Beyond international migration primarily in search of better educational options, young people in rising numbers, attracted by a favorable wage differential and access to services, are also moving within their countries —leaving their farms for the prospects of the city. Data from 29 developing countries found that youth are 40 percent more likely to migrate to urban areas than adults (World Bank 2007). Figure 7.2 depicts the pattern of young urban migrants in Brazil.

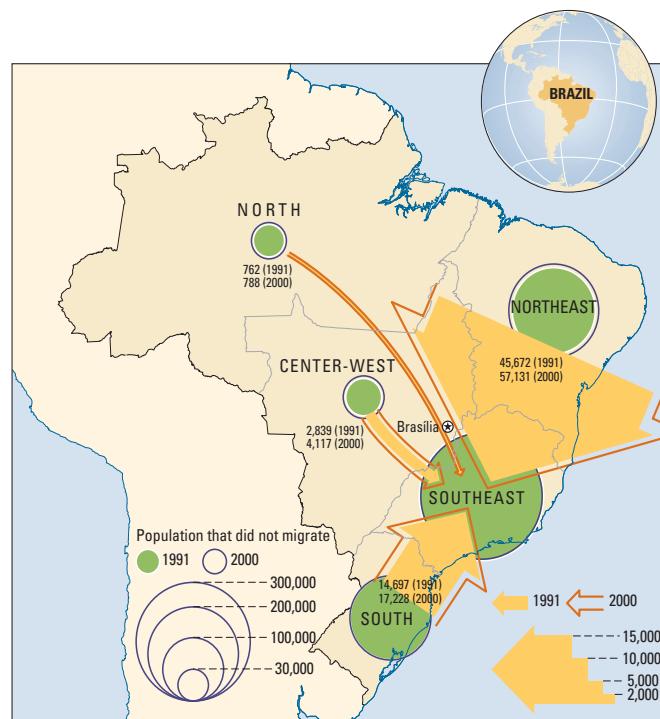


FIGURE 7.2: Youth Urban Migration in Brazil

Source: WDR 2009 team, based on census data from the Instituto Brasileiro de Geografia e Estatística.

Young migrants are often a source of innovation and leadership for cities or their adopted homelands, arguably playing an important role in urban renewal from Manchester to Maputo to Medellín. However, they may also arrive with high expectations for a better life and can quickly become disillusioned when work is hard to find or pay is low. One study (World Bank 2009) found that the rate of job creation in urban areas remains slow, resulting in high likelihoods of unemployment for young migrants. Such an economic aspiration gap, when combined with social exclusion and limited awareness or protection for their rights, breeds inequality and makes young migrants more vulnerable. As a result, many metropolitan areas see a rise in instability and crime. Young urban migrants, especially those who have moved through “underground” or involuntary channels, are often exposed to violence or health risks and lack access to medical or legal services. This can ultimately place a social and economic cost on municipal governments and communities at large.

⁵⁵ Cortina et al. 2014.

Another study found that labor force participation was positively correlated with a move from rural to urban, while unemployment was a negative correlation (World Bank 2007). For example, in Sierra Leone, of the young cocoa farmers who received valuable skills training through the Employment Promotion Program, 2,500 chose to return to their home villages after completing training (GIZ 2010).

Promising interventions for young migrants to the city include for, example, the MDG Achievement Fund's Joint Program on Youth, Employment and Migration in Costa Rica to improve the employability of youth from rural areas, young women, vulnerable youth, and young migrants by providing immigration advice and counseling.⁵⁶

7.3 Conclusions

In rural areas, endless demand and rising crop and commodity prices create profitable opportunities for youth to engage in agriculture. However, land scarcity and weak or lacking land rights, are hindering youth from engaging in agriculture; and lack of access to loans and leases also prevent youth from obtaining their own land. At the same time, the concentration of people, business, government, and information creates distinct opportunities for urban youth. While there is no doubt economic dynamism afforded by the density in cities, young people may not be poised to capitalize on innovative and inclusive potential that this concentration can bring.

These dynamics create disparities in labor market outcomes between urban and rural youth. More rigorous evaluations are needed to understand the impact of youth employment programs for both rural and urban young people.

In particular, there is a gap in evidence and understanding of what types of initiatives effectively help unemployed urban youth. Like rural youth, urban youth could be better helped through employment initiatives that consider the unique "costs" that limit urban youth's abilities to obtain jobs. Rapid urbanization—a result of high rates of economic growth—is increasingly concentrating jobs in urban areas. Because young people are more likely than adults to migrate to urban areas for jobs, and job creation in urban areas remains slow, interventions in urban areas need to better integrate and transition these young city migrants, as well as better draw upon their specific skill sets. A lack of opportunities in rural areas has driven urban-rural migration among youth and resulted in high concentrations of unemployed youth in cities. Often, these urban youth are exposed to high rates of crime, gang, and illicit activity. Moreover, unemployed urban youth often have no other choice than to settle for jobs without contracts in the informal sector, working in hazardous conditions and lacking both steady income and health benefits.

While spatial dynamics in youth employment are a relatively as yet underresearched and underevaluated area with weak empirical evidence, there are signs of promising practices. For example, conveying land rights and ownership opportunities to rural youth can encourage them to engage and invest in value-added agriculture. Better entrepreneurship and skills training, as well as improved skills matching between unemployed urban youth and potential employers, have been found to help urban youth. Similarly, there are signs that rural-urban migration can be lessened if improvements in infrastructure, new technology, and information systems can better connect youth to urban opportunities without incentivizing them to migrate.

⁵⁶ See Youth Employment Inventory for further evaluation details.

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