Unemployed Youth: Facilitating the School-to-Work Transition via ALMPs
Think about your parents’ generation and their transition from student to worker

Easier for you to start earning a living (as compared to your parents’ generation)

Easier for your parents’ generation to start earning a living (as compared to your generation)
Think about your own life and your transition from student to worker

Easier for young people today to move from school to work (compared to your experience)  Easier for you to move from school to work and start earning a living (compared to young people today)
Some stylized facts
Youth Unemployment Rates range from 7-27% across the world.

Source: ILO, 2007
Youth are 2 to 5 times more likely to be unemployed than adults.

Source: ILO, 2007
What is underlying high youth unemployment rates?
School to Work Transition
What is the process?
Ideal School to Work Transition Path
Actual School to Work Transition Path
High youth unemployment rates may be due to job search, family structure, expectations

- In OECD, high youth unemployment rates are due to frequent turnover, relative to adults, during a “shopping” process (Quintini 2007)
- **Brazilian** data, where we could follow people one to four months after leaving school (Cunningham, et. al. 2008)
  - 80% move from school to work within 1 month of leaving school
  - Higher job turnover but not longer unemployment spells than adults
    => higher unemployment rates due to churning (not sure if forced or voluntary)
- Data from university graduates in the **Middle East** (Salehi-Isfahani and Dhillon, 2008)
  - Many skills, low wages relative to what they believe they deserve (reservation wage)
  - Family structures such that can wait for a job
Is this process efficient? Or is there a role for public policy?

Let’s assume it is inefficient.
MILES – a comprehensive policy response

- Macroeconomic policies
- Investment climate, institutions and infrastructure
- Labor market regulations and institutions
- Education and skills
- Social Protection (social insurance and social safety net programs)
A bit of search theory

Has in mind a job & wage he is willing to accept
Has a set of skills

Has in mind a set of skills she needs
Has in mind a wage, she is willing to offer
A bit of search theory

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Potential Constraints
Potential Constraints

- Mismatch between skills & labor demand
- Employers cannot find workers
- Workers cannot find employers
- Workers cannot communicate skills to employers

And some groups face specific constraints

- Gender: cultural constraints for work outside the home, gender roles such as balancing household and market responsibilities
- Spatial: rural constraints will differ from urban
- Low-income countries: formal (gov’t) interventions may be less feasible – what informal options exist?
- Post-conflict: truncated education, low-growth economies, weak presence of the state
POLICY STRATEGY

Identify the constraint

select the policy response to address that constraint (using the evidence base, as much as possible)
I. Skills Mismatch constraints

Constraints

Wrong skills for the labor market
- Technical skills
- General skills
- Life skills
- Entrepreneurial skills

Caribbean: Employers’ assessment of most desired skill set

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<th>Skill</th>
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<td>Dependability</td>
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Source: Blom and Hobbs (2007)
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Intervention

- Demand-driven, comprehensive voctec + life skills + internship training programs
- Career counselors (skills acquisition info)
- 2\textsuperscript{nd} chance education programs
- Entrepreneurship training

Source: Blom and Hobbs (2007)
Example: wrong technical & life skills
Intervention: job training “plus” program

- “Jovenes” model = Technical training + life skills (social skills for the labor market) + internship
  - Demand-driven (MOU with internship firms)
  - Private supply with public oversight, accreditation, & funding
  - Located in poor neighborhoods, stipend+
  - Cost = $US700-$2000

<table>
<thead>
<tr>
<th>Proyecto Joven (AR)</th>
<th>Chile Joven</th>
<th>Jovenes en Accion (CO)</th>
<th>Juventud y Empleo (DR)</th>
<th>ProJoven (PE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impact on employment</td>
<td>10% (women)</td>
<td>21%</td>
<td>5% (women)</td>
<td>0%</td>
</tr>
<tr>
<td>Impact on wages</td>
<td>10%</td>
<td>26%</td>
<td>18%/35%</td>
<td>10%</td>
</tr>
<tr>
<td>Cost-Benefit</td>
<td>NPV&gt; 0 (12)</td>
<td>---</td>
<td>---</td>
<td>NPV&gt;0 (2)</td>
</tr>
</tbody>
</table>

Source: Ibarraran and Rosas (2008)
Example: wrong skills acquired
Intervention: information campaign

Dominican Republic
• Intervention: inform 8th grade boys of the premium to completed sec
• Results: the group that received the intervention
  ▫ 4 pp more likely to go on to 9th grade
  ▫ 0.2 total years of more education

Jensen (2006)

Kenya
• Intervention: inform girls in a job training program about the average wages paid in male-dominated trades
• Results: the girls who received the intervention, relative to girls who did not
  ▫ 10 pp increase in girls choosing male trades

Hjort, et. Al. (in process)
II. Job Search Constraints

Constraints

Do not know how to find a job

Many workers use informal mechanisms to find jobs (Peru)

Source: Cunningham et. al. 2008.
II. Job Search Constraints

More importantly (?), many employers use informal employee search mechanisms (Sierra Leone)

Source: Peeters, et. al. 2009
II. Job Search Constraints

More importantly (?) many employers use informal employee search mechanisms (Sierra Leone)

Constraints

Intervention

✓ Employment offices with social workers (for both clients)

? Web-based job information boards

? School-based career guidance counselors

Source: Peeters, et. al. 2009
Example: Don’t know how to find a job
Intervention: employment services

- Labor intermediation – help workers & employers find each other
  - Information about job vacancies + job search assistance + social worker
  - A service for employers, in terms of locating and transitioning new workers (especially youth)
  - Challenge: employers use the service
  - Cost = $50/participant (Peru)

<table>
<thead>
<tr>
<th></th>
<th>Brazil</th>
<th>Mexico*</th>
<th>UK*</th>
<th>Portugal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment</td>
<td>&gt;formal</td>
<td>↓ search time</td>
<td>↑</td>
<td>0</td>
</tr>
<tr>
<td>wages</td>
<td>---</td>
<td>↑</td>
<td>---</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: Sanchez Puerta (forthcoming)
### III. Signaling Skills to Potential Employers

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<tr>
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<th>Intervention</th>
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<td>- It is costly to hire workers (because it is costly to fire them)</td>
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<td>- Few good ways to signal skills a worker possesses</td>
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<td>- School certificate</td>
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<tr>
<td>- Held a previous job</td>
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III. Signaling Skills to Potential Employers

Constraints

- It is costly to hire workers (because it is costly to fire them)
- Few good ways to signal skills a worker possesses
  - School certificate
  - Held a previous job

Intervention

- Skills certification/Skills Qualifications Framework
- Training center accreditation
Example: signaling skills to employers
Intervention: skills certification

- National occupational standards
  - established by the National Training Institute, Min of Education, Min of Commerce (draw from standards developed elsewhere)
  - Written or applied tests (depends on occupation)
  - Award certificate indicating level of expertise in a particular occupation
  - Can be tested at any time in life-cycle
  - Can be publicly or privately implemented

- Evidence of impact still limited

<table>
<thead>
<tr>
<th>wages</th>
<th>comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chile Califica (Chile)</td>
<td>training participants with skills certification earned wages, on average 60% above those without skills certification</td>
</tr>
</tbody>
</table>
IV. Business start-up constraints

Constraints to starting a business?

- Financial capital
- Social capital

Share of each age group in each sector, 1st quintile (Brazil)

Source: Cunningham, et. al. 2008
IV. Business start-up constraints

Constraints

Constraints to starting a business?

- Financial capital
- Social capital

Share of each age group in each sector, 1st quintile (Brazil)

Intervention

- Micro-finance
- Entrepreneurship mentoring
- Bundled services?

Source: Cunningham, et. al. 2008
V. Insufficient Labor Demand

<table>
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<td>No growth/restrictive labor legislation</td>
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<td>Too costly to hire</td>
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## V. Insufficient Labor Demand

<table>
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<th>Intervention</th>
</tr>
</thead>
<tbody>
<tr>
<td>• No growth/restrictive labor legislation</td>
<td>❖ Public works/service + training (SR)</td>
</tr>
<tr>
<td>• Too costly to hire</td>
<td>❖ Wage subsidy for low productivity workers</td>
</tr>
</tbody>
</table>
Example: Stagnant market – no job growth
Intervention: Youth Service

- Volunteer (or subsidized) work that contributes to the local, national, or world community
  - Long-term time investment (>1 year)
  - Ex: provide health services, build houses, tutoring, protecting the environment
  - Cost >$10,000 per beneficiary annually (US programs)

<table>
<thead>
<tr>
<th>US Job Corps</th>
<th>US AmeriCorps</th>
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<tbody>
<tr>
<td>Improved literacy &amp; numeracy</td>
<td>Greater work-for-pay after program,</td>
</tr>
<tr>
<td>16% lower arrest rates</td>
<td>Lower arrest rates</td>
</tr>
<tr>
<td></td>
<td>More technically skilled</td>
</tr>
<tr>
<td></td>
<td>More involved in civic life</td>
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Source: Cunningham, et. al. (2008)
Evidence-based responses to employment constraints for youth

<table>
<thead>
<tr>
<th>Constraint</th>
<th>Proven program response</th>
<th>Potential program response</th>
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</thead>
<tbody>
<tr>
<td>Incorrect Technical/entrepreneurial/general/life skills</td>
<td>Job training + life skills + apprenticeship, information to trainees</td>
<td>youth service, 2\textsuperscript{nd} chance education, career counselors, entrepreneurship training</td>
</tr>
<tr>
<td>Job Search Constraints</td>
<td>Employment offices</td>
<td>Web-based job boards, in-school career counselors</td>
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<tr>
<td>Signaling skills to potential employers</td>
<td></td>
<td>Skills certification, training program accreditation</td>
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<td>Constraints to business start-up</td>
<td></td>
<td>Mentorships, micro-finance</td>
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<td>Insufficient Labor Demand</td>
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<td>Wage subsidies, youth service</td>
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Conclusions

- School-to-work transition looks different in different places
- To design policy, first understand the s2w transition constraints *in your country for your target population*
- Once constraints are identified, check the evidence-base for solutions
- Need to continue experimenting & learning to build that evidence base
References

- Betcherman, Gordon, Martin Godfrey, Susana Puerto, Friederike Rother, and Antoneta Stavreska “A Review of Interventions to Support Young Workers: Findings of the Youth Employment Inventory” SP Discussion Paper #715 (World Bank)