

Global Agenda Council on Youth Unemployment The Future at Risk

“The future promise of any nation can be directly measured by the present prospects of its youth.”

– John F. Kennedy

The World Economic Forum’s Global Agenda Council on Youth Unemployment is aiming to launch a major campaign in 2013 to propel bold, urgent and collective action on youth unemployment by a coalition of top-level decision-makers.

Youth unemployment and inactivity has reached a crisis point

While World Economic Forum Annual Meeting 2013 participants cautiously welcomed a “fragile and timid recovery” for the global economy, many voiced alarm at an ongoing phenomenon that threatens to halt, or significantly set back, economic and social progress: youth unemployment and inactivity.

Indeed, a sense of urgency is escalating around this issue as its destabilizing effects are on vivid display in regions like the Middle East and Southern Europe. As an unprecedented “youth bulge” brings more than 120 million youth on to the job market each year, mostly in the developing world, the future for these youth, their communities and countries, and the global economy, is undeniably fraught with risk.

The Global Agenda Council on Youth Unemployment views this crisis as an opportunity to work collaboratively with key stakeholders – most importantly, youth – to launch a campaign to propel action to stem further destabilization, prevent a “lost generation” and unleash the talent, ambitions and contributions of youth, creating a brighter future for all.

Bleak estimates reveal a crisis of staggering proportions: Half of the world’s youth are unemployed, underemployed or inactive

The upward trend in youth unemployment, occurring at the same time as an upward trend in the global economy, reflects a situation in which economic growth is not generating jobs. This is a time bomb that will ignite social unrest rooted in the disaffection and alienation of young, unemployed millions.

Statistics from the International Labour Organization (ILO):

- 75 million youth are unemployed, an increase by 3.4 million since 2007
- Youth make up 40% of the world’s unemployed
- Youth are three times more likely to be unemployed than adults (2011 figures)
- More than one in four youth in the Middle East/North Africa region are unemployed

These numbers, which pertain to young people currently available for and actively seeking work, are sobering facts. However, when factoring in youth who have given up looking for work, the number of youth without productive work today could be closer to **300 million**, or over **25% of the world’s youth**, according to World Bank estimates. If one includes those who are working, but receiving very little income (such as many rural workers and urban self-employed), the World Bank and ILO concur this number would be much higher – around **600 million** – **more than half the world’s youth**. If these youth represented a country, it would be the third most populous country in the world.

With nearly 1.1 billion people expected to enter the labour market between 2012 and 2020, the ramifications of inadequate action for the future of youth – and society – are alarming.

Lethal mix: A surge of youth inadequately prepared to compete for a dearth of quality employment opportunities

Finding solutions to the youth employment crisis is complicated by entrenched and thorny challenges:

Macroeconomic Trends

Top among these is the direction of global economic recovery, which is not resulting in significant job creation. Years of technological advances and globalization of capital flows have led to fewer jobs in skilled manufacturing, increased and rapidly evolving demands in knowledge and technology sectors, and a rise in employment that is often not accompanied by adequate protection (e.g. poor working conditions, low wages, no benefits, etc.).

These trends seem set to continue, increasing the gap for youth who expect the stability and mobility of regular employment. Demographic projections over the next decade portend a grave imbalance between the supply of young workers and the demand for their labour. In the poorest countries in the world, where lack of integration with global value chains occurs, most of the young (e.g. 37% in sub-Saharan Africa) will be locked into low-productivity self-employment.

Quality and Relevance of Education

Great progress has been made in increasing educational access for youth, particularly at the primary level, but too few youth get the education they need to be competitive in today's job market or start their own income- and job-generating enterprises. The highest unemployment rates in most countries are among those with primary education or less, but even youth with higher degrees are facing difficulty finding work, thus increasing the ranks of the "educated unemployed".

Girls and young women are disproportionately affected. At the same time, one in three employers in a recent global survey claimed to have trouble filling open positions with qualified candidates, evidence of a growing skills mismatch.

Pathways to Employment

Successfully navigating from education to career involves anticipating the job market and understanding what it takes to be a competitive candidate for career opportunities, both specific credentials and "soft" skills – like problem-solving, time management and communication – that make for workplace success in any setting. It also necessitates access to mentors, career guidance, job matching services, training opportunities and financial assistance. Such support is in short supply for too many youth.

Employment Protection Regulations and Practices/ Vulnerable Employment

As new labour market entrants, youth are more vulnerable to unemployment than adults due to factors like the "experience trap" (employers simply prefer experienced workers), "last-in, first-out" policies that reward seniority at times of lay-offs, and labour market regulations such as high minimum wage requirements and stringent hiring/firing policies that favour older workers.

Tight labour regulations and legislation structures that include different types of contracts for different categories of workers are key reasons why employed youth are disproportionately

found in low-income jobs and/or in the informal economy, which robs them of opportunities for further study/training to boost their employability prospects. This is particularly the case for more marginalized youth, whose gender, ethnicity, disability, social status or geographic location isolates them from the economic and social mainstream.

Enterprise Creation

Given the ongoing imbalance between supply of jobs and demand for young labour, more youth need to be creating their own jobs, especially if these become small-scale enterprises that employ others. Currently, according to the World Bank, only 0.6% of youth globally are "employers" of others (including 0.7% of the youth in OECD countries). Despite the fact that SMEs are the primary drivers of economic growth in developing countries, young entrepreneurs face significant barriers in creating start-ups, including training, a welcoming legal environment, financing and access to markets.

Millennial Mindset

Today's youth have a different mindset and expectations for their role in the world than previous generations. They are tech-savvy, driven to seek "meaningful" work that improves the world and demonstrably willing to challenge authority and the status quo. They are as likely to view themselves as problem-solvers than problems to be solved. In other words, they are an asset, not a liability.

Dire consequences ahead: Shattered economies, social unrest, wasted human capital

Significant, damaging consequences are already apparent, and will escalate if youth unemployment is not urgently and adequately addressed.

The costs of inaction could be severe:

- *Downward spiralling global economy* – Unproductive, alienated populations contribute to worsening economic conditions, decreased economic activity and more unemployment; a vicious cycle
- *Challenges to otherwise stable regimes* – Educated, disaffected youth have been the downfall of many regimes; social media ups the ante (witness the transformations in the Arab world)
- *Deteriorating public security* – Unemployed or underemployed youth, particularly those who have no voice in institutions and policies that directly affect their lives, are vulnerable to gangs, extremist movements and crime
- *Long-term "scarring"* – Youth who have difficulty launching their careers lose confidence in themselves; long-term unemployment erodes skills and long-term earning potential, and leads to depression and poor health; countries suffer from wasted human capital that is a drag on economies

Contrast these scenarios with an alternative future: "Young people bring energy, talent and creativity to economies that no one can afford to squander. Around the world, young women and men are making important contributions as productive workers, entrepreneurs, consumers – as members of civil society and agents of change. What our youth do today will create the foundations for what our economies will do tomorrow."

(*Youth Employment: A Global Goal, A National Challenge*, ILO, 2011)

Urgent, bold and collective action is required to promote job creation and address the skills mismatch

The International Labour Conference adopted on 14 June 2012 a resolution entitled “The Youth Employment Crisis: A Call for Action”. The Call for Action underlines the urgency of immediate and targeted interventions to tackle the unprecedented youth employment crisis that is affecting most countries across all regions. It contains guiding principles and a comprehensive set of conclusions describing policy measures that can guide ILO constituents in shaping national strategies and action on youth employment. It affirms a multi-pronged and balanced approach, which takes into consideration the diversity of country situations. This approach fosters pro-employment growth and decent job creation through interventions in five areas: macroeconomic policies, education, training and skills, labour market policies, entrepreneurship and self-employment, and rights for young people.

The World Economic Forum’s Global Agenda Council on Youth Unemployment echoes the ILO’s Call to Action to stem the disastrous consequences of the escalating youth unemployment crisis. The scale and complexity of the challenge means that isolated initiatives, no matter how individually successful, will have limited impact at best.

We can no longer afford to work in silos. What is needed is a collective impact approach, involving multiple stakeholders (government, business, education, civil society, funders) working in a comprehensive, collaborative and strategic fashion to effectively address the systemic nature of the challenge. It will require significant investment of financial and human resources. And it will take a shift in how the funding community sees its role in advancing change by encouraging a more collective approach for solving this complex, cross-sector challenge and directing resources for scaling effective solutions.

A collective impact approach will ensure commonality of purpose, shared measures of success and mutually reinforcing activities, while playing to the strengths of the following key stakeholders:

Governments can create an enabling environment for improved economic growth conditions and labour market outcomes for all workers, especially youth, by:

- *Promoting private sector job creation* through policies that attract investments, as well as through well-targeted tax incentives and credit guarantees, paying attention to local realities and resources and targeting small- and medium-sized businesses
- *Loosening restrictions on labour* to ease entry into the workforce and help workers during employment transitions
- *Incentivizing social inclusion* in hiring and employment practices
- *Developing national action plans targeting youth employment* that include measurable outcomes, evaluation systems and a budget
- *Refocusing education and training* to address skills mismatches, develop workforce readiness and promote entrepreneurship, based on successful models

The **business sector** can address the skills mismatch challenge and promote job creation by:

- *Communicating with public and educational sectors about projected skills needs* to guide curriculum and training programme design
- *Establishing school-industry partnerships* to smooth school-to-work transitions, including through employee volunteer programmes and support of career guidance efforts
- *Recruiting “trainable talent”* and developing internship, apprenticeship and other on-the-job work experience programmes, with attendant budgets, so long as these promote real learning and career promotion and do not replace existing workers
- *Creating entry-level job opportunities* for youth that foster professional development and incentivize productivity and loyalty to the company
- *Support young entrepreneurs and SME growth* through mentoring and incorporating youth-led SMEs into supply chains
- *Supporting efforts to promote more transparent access to labour market information* through Internet, mobile and social networking technology
- *Recognizing traits of the Millennial generation*; altering work practices/expectations accordingly

Educational institutions/civil society organizations can help prepare youth to make the transition to productive work by:

- *Altering educational/training curricula and pedagogy* to match skills of youth to those demanded by marketplace, including promotion of online learning opportunities
- *Promoting entrepreneurship education*, both within and outside of the national education curriculum, and tailor these to local contexts (e.g. agriculture, craftsmanship, mobile phone apps)
- *Teaching and reinforcing soft skills that promote employability*, e.g. critical thinking, leadership, communication, problem-solving, work ethic, collaboration
- *Facilitating connections* between job market and employment seekers

Youth are central actors to all efforts to address youth unemployment. Their voices and perspectives must be integrated into decisions and actions made on their behalf for these efforts to be sustainable.

National youth development programmes, education-to-employment schemes and entrepreneurship training are showing promising results

While the challenges associated with youth unemployment can appear overwhelming, several efforts are yielding encouraging results that can point the way to solutions and be incorporated into a collective impact approach. These include national youth development programmes, long-term strategies for better alignment of educational systems with labour market requirements and efforts to promote entrepreneurship. Promising models are highlighted below.

Comprehensive National Employment Strategies

Governments can play a significant role in convening stakeholders and aligning them around a youth employment strategy. In 2008, the Government of the Republic of Serbia adopted a comprehensive National Action Plan for Youth Employment and accompanying budget through a broad national consultative process that included government ministries and social partners as well as youth representatives. Nearly 5,000 jobs have been created as a result. The strategy and the process itself have been cited as a model for emulation by the Council of Europe.

Government-organized consultative processes aimed at aligning education systems with market growth opportunities have recently been initiated in Tunisia and Cambodia. On a regional scale, New Employment Opportunities for Youth, a partnership of governments, civil society organizations and private sector companies, will scale up the most effective training and job placement models for youth in Latin America, aiming to integrate 1 million unemployed youth into the economy.

Apprenticeship Programmes

Apprenticeship programmes provide a connected path from education to skilled trade careers. Germany's vocational education programme combines classroom education with apprenticeship training to train 1.5 million people annually in a range of trades, from carpentry to car mechanics. According to German government figures, about 90% of apprentices successfully complete their training, which lasts between two and three-and-a-half years; about half of the apprentices stay on in the company that trained them. In 2011, Germany's youth unemployment rate was 8.6% compared with a Europe-wide average of 21.2%.

Beyond government-sponsored programmes, the World Economic Forum has created the TEN Youth mentoring and apprenticeship initiative, which aims to improve the state of knowledge about apprenticeships and workplace mentoring, clearly define success protocols, create necessary tools and lead directly to the implementation of potentially replicable strategies for promoting TEN Youth as the universal apprenticeship and workplace mentoring model.

Demand-driven Training to Employment Programmes

Efforts to match the skills of youth to specific needs of the marketplace are meeting with success. An example is Education for Employment (EFE), which works with small, medium and large companies to identify the skills they need in their entry-level employees and tailors training programmes to fit those needs. EFE secures pre-commitments from employers to hire the students they train. EFE has trained and placed more than 2,700 youth – nearly 80% of its graduates – in jobs throughout the MENA region since 2007.

Entrepreneurship Education, Support Services and Access to Markets

Educating youth in entrepreneurship – helping them develop the risk-taking mindset and eliminating barriers to start-up enterprises – can yield significant dividends in job creation and self-confidence.

According to a recent evaluation of the Junior Achievement Worldwide Company Program in the MENA region, which trains high school students on how to start and manage a company, more than 60% of participants are likely to start their own company and 70% have more confidence in their workplace preparedness.

Students who went through Network for Teaching Entrepreneurship training increased by 3% their belief that attaining one's goals is within one's control. YouthTrade, an architecture for certifying, promoting and finding markets for goods of youth entrepreneurs, has successfully placed over 50 entrepreneurs in 120 Whole Foods Market stores and, within two years, will be in all 320 stores. In addition, six Nordstrom stores have begun carrying YouthTrade certified products.

Join Us

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