



Federal Ministry
for Economic Cooperation
and Development

DISCOURSE 007

Cornerstones of Youth Employment Promotion in Development Cooperation



Cornerstones of Youth Employment Promotion in Development Cooperation

Section 1: Introduction

Young women and men are the world's greatest asset: improving their employment and income opportunities would contribute significantly to poverty reduction, economic growth, and social inclusion. The important role of policies to promote youth employment is acknowledged in the Millennium Development Goals (MDGs), as well as in the German Government's Programme of Action 2015 targeting poverty alleviation in developing countries.

Youth unemployment, which according to the standard UN definition refers to persons aged between 15 and 24, accounts for almost half of total unemployment worldwide. By contrast, this age group represents only about 25 per cent of the working age population. Moreover, in many developing countries **youth underemployment** is a more pressing problem, i.e. young people often have to work under precarious working conditions with little chance to lift themselves out of poverty. Given the demographic situation and the potential and assets of young people, the promotion of youth employment merits particular attention and requires specific youth-adapted measures.

That is why the Federal Ministry for Economic Cooperation, BMZ, has considered it useful to elaborate, on the basis of past and present project experience, this discussion paper focussing on an **integrated, three-dimensional approach to mitigate youth unemployment and underemployment**. The conceptual work of the paper has been substantially supported by the GTZ sector project "Employment-oriented development strategies and projects". In contrast to sector-specific interventions, e.g. in vocational training or private

sector development, this approach is aimed at integrating three key dimensions to promote youth employment, namely interventions to strengthen the supply side of the labour market, interventions to boost the demand for labour, and interventions in active labour market policy. Additionally, it relates to youth policy and youth institutions that should be promoted in order to enhance youth empowerment. Given the **cross-sectoral character** of this discussion paper, it cannot and does not seek to cover the whole range of aspects governing specific policies in each of the areas. Instead its intention is to focus on youth-specific aspects in different areas and to highlight their linkages.

The approach is based on an economic understanding of the **labour market as a market where matching and mediation processes are required** to tackle inherent market failures. It suggests that policy schemes to reduce youth unemployment have to target the specific and mainly cross-dimensional needs of youth. The objective of the integrated and three-dimensional approach is to optimise the employment effects of different intervention areas. Although the YEP approach has been inspired by German development cooperation experience in various intervention areas, it consists of a **whole range of possible activities and interventions which are not necessarily meant to be supported by one sole donor**. They should be based on national strategies of developing and transition countries and implemented through the joint efforts of national stakeholders and donors according to the principles of the Paris Declaration (2005).¹

¹ Paris Declaration on Aid Effectiveness, signed by 90 states, the EU Commission and 26 multilateral organisations as a result of the High Level Forum "Joint Progress toward Enhanced Aid Effectiveness - Harmonisation, Alignment, Results" (Paris, 2005).

This note is meant to encourage **knowledge-sharing** with other institutions, for instance in the areas of benchmarking and stocktaking, piloting, and impact evaluation. The World Bank and the Regional Development Banks, the International Labour Organization (ILO), the European Union (EU), many bilateral donors, NGOs, and other institutions have all recently started to attach more importance to the issue of youth employment.

Based on that, there are three groups of potentially interested **addressees** for this discussion paper: the implementing agencies of German development cooperation such as GTZ, KfW, DED, InWEnt, and CIM, the above-mentioned multi-lateral and supranational organisations, and also governments, youth NGOs and other relevant stakeholders in our partner countries.

The discussion paper starts with a brief overview of the characteristics and causes of youth unemployment and underemployment (Section 2), refers to the general conditions for the YEP approach (Section 3), and presents the detailed design of the three-dimensional approach in Section 4, highlighting various interlinkages between the three dimensions. Section 5 describes the results chain of the integrated approach, which is of high relevance in the context of impact monitoring with regard to YEP programmes in international development cooperation. Finally, Section 6 refers to various international initiatives in the area of youth employment promotion and encourages knowledge-sharing.

Section 2: Characteristics and causes of youth unemployment and underemployment

In absolute figures, 88 million young adults were affected by **unemployment** in 2003, and the trend is increasing in many countries. This is 26.8 per cent more than in 1993. Youth unemployment rates were highest in the regions of the Middle

East and North Africa (25.6%) and sub-Saharan Africa (21%) and lowest in East Asia (7%) and the industrialised economies (13.4%). The particular vulnerability of this age group is also expressed in the fact that young people actively seeking work are more than three times likely to find themselves unemployed than adults above the age of 24.²

Not only do young people suffer from lower chances of finding employment but there are also **significant differences in unemployment rates based on age, sex, and socio-economic background** within the youth labour force. Just to give one example: In most developing regions, the regional female youth unemployment rate exceeds the male rate. In regions where female unemployment rates are considerably higher than male unemployment rates, the trend also holds for young people. This is likely to indicate that the gender gap will persist for the next generation.

As illustrated in the box below, unemployment is only part of the problem. Young persons often suffer from **various forms of underemployment**.³ In many cases, their work conditions are poor and contracts – to the extent that they exist at all – often provide only short-term employment, low income levels, and little or no social protection. According to recent studies, young people account for roughly one quarter of the 550 million working poor in the world; hence they work, but do not earn enough to lift themselves and their families out of poverty.⁴

2 ILO (2004), *Global Employment Trends*, p. 7ff.

3 Underemployment refers to a situation in which available human capital is not fully utilised. It can be defined in two alternative ways: a person is visibly underemployed if s/he works less than 40 hours a week in the main economic activity while being available for additional work, and invisibly underemployed if s/he is poor despite working more than 40 hours per week in the main activity.

4 ILO (2004), *Global Employment Trends for Youth*, p. 2.

Developing broader indicators of the youth labour market

Traditionally, the focus for discussion of youth employment challenges has been on unemployment. However, this is not sufficient to characterise the employment force status of young people. It is rather important to know if a young person is inactive (outside the labour force), unemployed, underemployed, employed full-time, part time or even over-employed (those who in addition to full-time employment, have a secondary job). Each employment status contributes equally to the development of young women and men as they begin their working life and its measurement merits equal attention.

Moreover, in countries without effective unemployment support mechanisms, concentrating on unemployment runs the risk of excluding from the analysis the less privileged youth who simply cannot afford to be unemployed. The problem is not so much unemployment in many developing countries but rather the conditions of work of those who are employed. In such cases indicators are needed that relate more to the quality of employment such as income levels, incidence of temporary work, degree of social protection, and others. However, many of these indicators are less readily available for a large number of countries.

An interesting group to look at would be the sum of the unemployed plus those who are involuntarily outside the labour force. To have this indicator – a measure of young people who are neither in education nor in employment – would give policy makers a clearer idea of the extent of the untapped potential of young people who would be willing to work if properly assisted.

Source: Based on ILO (2004), *Global Employment Trends for Youth*, p. 8, 19.

Both youth unemployment and underemployment negatively affect human capital accumulation, reduce potential output in national economies and dampen future growth perspectives. Furthermore, youth unemployment increases the probability of experiencing future spells of unemployment and an unstable career path. These effects can be expected to raise the vulnerability of youth to many forms of social and economic risk, reduce their future earning capacity, and challenge their upward mobility in the labour market. Youth unemployment and underemployment thus manifestly waste valuable potential for society and tend to perpetuate poverty. The **link between youth unemployment and social exclusion** has been clearly established; an inability to find a job creates a sense of vulnerability, uselessness and idleness among young people and heightens the attraction of engaging in illegal activities, conflict and violence.

The **causes of youth unemployment and underemployment** are multiple and can be found on both sides of the labour market as well as in ineffective labour market institutions. First, weak formal economies that lack a sufficient number of qualified jobs tend to push young people towards the informal sector where their chances of moving out of it are low. Second, the inability to find adequate employment can be a consequence of inadequate education and training, a lack of basic and professional skills, high cohort sizes as well as cultural and/or gender based norms and restrictions. Third, ineffective labour market institutions and regulations can be obstacles to creating the information flow and transparency that is needed for a labour market to function smoothly. While the functioning of the labour market is relevant for all workers regardless of age, it can be of particular concern for youth, who need to make the transition from school to work. Young people

typically have lower skills and job experience and are often socially disadvantaged.⁵

Against this background, the **informal sector is an important entry into the labour market for many young people** in most of the developing regions. Therefore, it deserves special attention. In South-East Asia, approximately two thirds of new jobs are created in the informal economy. The share is as high as 90 per cent in Africa, and globally an estimated 85 per cent of all new employment opportunities are created in the informal sector.⁶ This means, for many young people the informal sector is the “first point of call”. Some graduate from informal sector employment while others do not, especially those who enter the labour market after primary or incomplete secondary education. Because of its important economic and employment potential for most of the developing countries, measures should primarily be aimed at smoothly leading the informal sector to formal economic cycles, and on the other hand promoting measures which can considerably improve the quality of informal employment, e.g. by means of improved management training in micro and small-sized enterprises or by means of an increased degree of organisation of employees and employers in the informal sector.

Section 3: General conditions for the integrated YEP approach

Whilst Section 2 has provided an overview of the extent and the causes of youth unemployment and underemployment, this section shall address the necessary general conditions for the integrated YEP approach. The respective **country context** is, of course, of decisive importance. The

main deficits and bottlenecks on the respective labour market need to be identified. It is necessary to examine whether these relate mainly to the area of vocational training, placement and consultancy services, or simply to the lack of sufficient jobs. These bottlenecks should be identified before any major interventions in the area of youth employment start.

Qualitative and quantitative **labour market surveys** constitute an appropriate tool to this end. They can provide detailed information on the scope and the specific forms of youth unemployment and underemployment. Given the high rate of youth employment in the informal sector, the inclusion of data relating to informal labour markets is essential.⁷ Supplementary information should be provided by institutional and sector surveys. Together, these data lead to a comprehensive insight into the specific country context. They form the basis for subsequent political decisions, for the choice of appropriate approaches and the setting of priorities in tackling youth unemployment. Examples of different country contexts, different bottlenecks for youth employment and different strategies and measures to tackle these bottlenecks are described below in the boxes that display project experience from German development cooperation.

Since youth employment is very closely linked to the overall employment situation of a country, policies to promote youth employment will only be successful if they are part of a **comprehensive approach towards employment and poverty reduction**. This primarily means that a clear link between poverty reduction and the promotion of sustained and productive employment should be established in country strategy papers, in particular in Poverty Reduction Strategy Papers (PRSP).

5 World Bank (2005), Discussion paper: Schooling, Workforce and Youth Employment. The Education-Employment Nexus.

6 ILO (2004), Global Employment Trends, p. 18; Rosas/Rossignotti (2005), Starting the new millennium right: Decent employment for young people, in: International Labour Review, Volume 144/2, p. 144.

7 Statistical data on informal employment are available at least in those countries where regular household surveys take place; but the appropriate analysis and utilisation of this information is lacking in most countries.

This link was mostly absent in the first generation of PRSPs, which generally viewed employment generation as a derivative of macroeconomic policy decisions. This situation has changed because in various recently published PRSPs the central importance of promoting employment and in some cases particularly youth employment within the framework of pro-poor strategies has been recognised.⁸

Both macroeconomic policies and sector policy interventions should be designed in such way that they promote broad-based growth processes by means of improved competitiveness of national economies in overall terms and of local companies in particular, and thereby positively influence the employment situation.⁹ This means in particular the **promotion of a favourable investment and business climate**. Besides attracting private investments, public investments in the physical and social infrastructure – if designed appropriately – can have a positive influence on employment levels (see the reference to labour-intensive infrastructure programmes in Section 4). More sustainable employment for young people can also be generated if those sectors that are potentially interesting for young people and where there is a special demand for them are promoted, e.g. the IT sector, the tourism and hotel industry or other services.

However, the integration of national employment policies and programmes into overall macroeconomic policies and development strategies, is a necessary, but not sufficient condition for enhancing youth employment. Employment opportunities for young people depend on a number of different factors, as illustrated above. For this reason it is essential that general poverty

reduction and employment policies be supplemented by **tailor-made measures to promote youth employment** targeting both young men and women. The YEP approach presented in this note focuses specifically on such measures.

The discussion paper follows principles that are specific features of German development cooperation: (a) **multi-stakeholder participation**, i.e. active involvement of governments, civil society, youth organisations, and the private sector; and (b) a **systemic multi-level approach** with activities at the macro level (e.g. advising partner governments on youth employment promotion strategies and policies), at the meso level (support for responsible institutions and young people's network organisations), and at the micro level with young women and men themselves. This multi-level approach extends throughout the entire YEP approach presented below, i.e. the suggested interventions generally take place at all three levels. It should be noted, however, that activities at the micro-level in development projects are mainly carried out as pilot projects, with the aim of identifying and later extending and disseminating good practices.

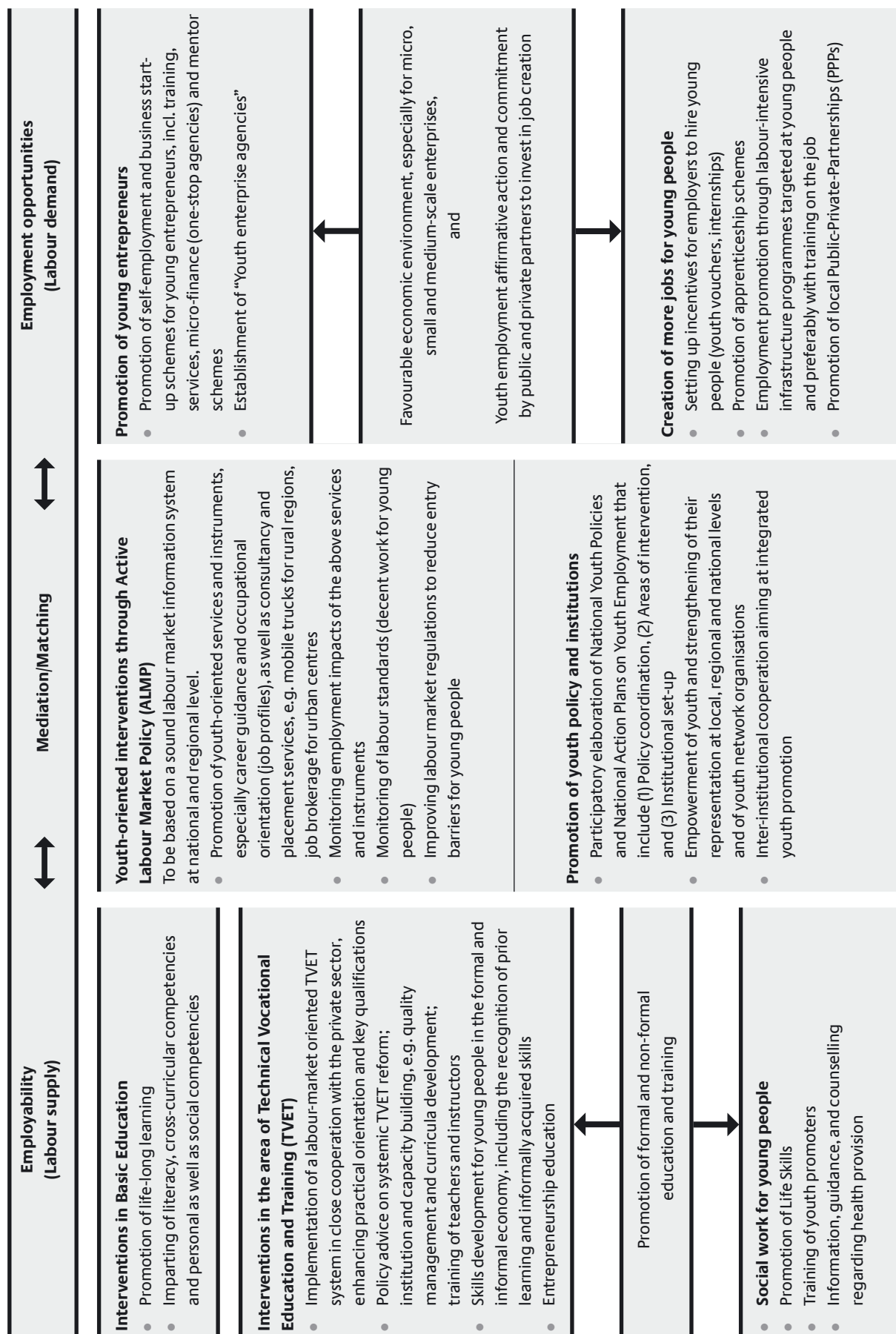
Section 4: Design and overview of the YEP approach

This section presents the three dimensions of the integrated approach in more detail: the promotion of employability on the labour supply side, employment opportunities on the demand side, and finally mediation and matching interventions. The design of the three-dimensional approach is outlined in the following graph.

⁸ See e.g. the PRSPs of Djibouti, Zambia and Senegal: www.imf.org/external/np/prsp/prsp.asp (2005).

⁹ This corresponds with the objectives of the focal area "Sustainable economic development" of German development cooperation. See in addition the BMZ sector concept "Vocational training and labour market in development cooperation" (2005, available in German).

Design of the integrated, three-dimensional approach to promoting youth employment



(1) Promotion of employability

Three components are particularly relevant to promoting the employability of young women and men in developing and transition countries: **basic education**, technical and vocational education and training (TVET) and social work for and with young people. By combining basic education, TVET and social empowerment of young people, the YEP approach displays a broad understanding of how to promote employability.

Despite increased enrolment rates, in many developing countries the lack of quality and efficiency in primary education leads to a high proportion of pupils dropping out of school. As a result, high numbers of young people are illiterate. Development cooperation projects in the area of **basic education** are therefore increasingly pursuing a systemic approach that links basic education with other segments of the education system: with education at secondary level schools, and also with extracurricular offerings to help pupils catch up on gaps in basic education and prepare them for their future professions. The objective is to improve the individual career opportunities of young men and women and to contribute towards better professional qualifications and more opportunities to find employment.

Basic education should systematically promote the learning and communication skills of young people and is thus the foundation for life-long learning. In addition to literacy, mathematical and scientific literacy and cross-curricular competencies, basic education should also convey personal and social skills (e.g. the promotion of self-esteem and the ability to work in a team).

Not only basic education, **but also** vocational training often fails to respond adequately to the demand of the labour market. The TVET systems in most developing countries are highly fragmented, and input-oriented. Moreover, rigid entry prerequisites, standardised training times and also the locations of formal TVET constitute high barriers, especially for disadvantaged youth. In order to become more attractive and relevant to the majority of young people, technical and vocational education and training have to be reformed to increase the chances of finding employment after training, or of acquiring the capacity for self-employment, i.e. a **labour market-oriented TVET system** must be developed.

This is only possible via good coordination and cooperation between governmental institutions, training providers and the private sector. Cooperative structures between these three actors have to be introduced into the TVET system, taking care that they respond in content and structure to local needs and sector-specific conditions. The integration of periods of systematic learning into real-life working environments helps the trainees develop technical competencies, social skills and key qualifications (e.g. performance orientation and efficiency, the ability to work in a team, and management skills) as well as adequate methods of self-reliant work. There should be a clear link between the imparting of these skills and basic education offerings enabling young men and women to participate actively in social processes. Major instruments in helping to achieve this systemic reform of TVET are policy advice, capacity building for institutions responsible for the development, management and organisation of the TVET system, capacity building for curricula development, and also training of teachers and instructors.

Chile: Establishment of a cooperative TVET system

Chile is a middle-income country with an average GDP growth for the period of 2004 to 2005 of 6.1 per cent. The average unemployment rate for the same period was around 8 per cent; but with youth unemployment was twice to three times higher than the national rate. Young people from poor peripheral areas in particular are affected by un- and underemployment due to poor education possibilities, few formal employment prospects and a mismatch between their expectations and real employment opportunities. Additionally, there are only a very few information services available to young people for their job search.

The bilateral German-Chilean project to establish a cooperative TVET system focused on training programmes with direct relevance to the labour market. During the first project phase, Chilean and GTZ experts together with vocational school practitioners designed and developed a Chilean cooperative model of vocational education that was tailored to the legal, economic and cultural requirements of the country. Experiences and lessons learnt from this initial phase prepared the ground for the introduction of country-wide awareness and training programmes for vocational schools and teaching staff that had shown interest in the innovative training approach. A group of ‘multipliers’ was identified who received further training and became agents of change within schools and institutions for further reform steps. A number of pilot schools were established at the end of the second project phase. These schools soon distinguished themselves by their ability to establish close work relationships with the local economy. The third phase was dedicated to redesigning the overall secondary legal and curricular framework, drawing on the strong commitment of companies and employers’ organisations.

Although the project operated at all three levels during all phases, a clear focus on the micro level (pilot vocational schools) during the first phase gradually developed towards a focus on the meso level (working with regional authorities), and ultimately on the central (macro) level of the Ministry of Education.

In 2005 – five years after the end of project activities – more than 25 percent of all vocational schools in Chile are offering “dual” training. An independent impact analysis conducted by the Faculty of Economics of the Universidad de Chile found that:

- Graduates from “dual” schools are more likely to participate in the labour market as well as in tertiary education and also enjoy higher levels of income on average.
- The training quality and outcomes of those schools which provide both solely school-based training and company-based cooperative training schemes improved considerably, also within the school-based streams, due to the close links with the labour market and the work-related and practice-oriented teaching methods.
- Schools with “dual” training schemes are enjoying great popularity and increasing enrolment.

Just as important as the various education and training programmes in the formal systems are **skills development** and further education and training for young men and women in the formal and informal economy, based on the provision of a youth-friendly mode of training delivery and content. This means that training delivery should take

place where young men and young women go, linking it with their real-life problems and allowing for sequencing according to their specific needs. Skills development, motivation and information can be provided effectively not only by TVET Centres, but also by social work institutions such as youth centres and youth associations.

Additionally, **entrepreneurship education** in secondary and vocational education should serve as an important means to increase employment prospects for young people. The objectives of such programmes would be, among others, to create awareness of enterprise and self-employment as a career option for young men and women, and to provide knowledge of the desirable attitudes for and challenges in starting and operating a successful enterprise.¹⁰ It can be delivered through formal education as well as through non-formal training.

Entrepreneurship education should become part of the national curriculum through education reforms and capacity building for teacher training.

Young people themselves point to the equally important role of **formal and non-formal training**, e.g. life skills education. Moreover, for young drop-outs and other disadvantaged youth non-formal training offers the chance to finish primary or even secondary education. These and other educational offerings should be accompanied by the recognition of prior learning and/or informally acquired skills in order to give young people access to further (formal) training or to reduce entry barriers to the labour market.

¹⁰ See objectives of ILO's entrepreneurship education programme Know About Business (KAB).

Palestinian territories: Non-Formal Education and Training for Youth (Self-) Employment

The 2nd Intifada starting in September 2000 caused a sharp rise of unemployment in the Palestinian territories from a previous level of 11.8 per cent up to 50 per cent in 2004. Young people were especially hard hit due to the poor efficiency of training and labour market institutions.

Within the framework of a bilateral Palestinian-German project, GTZ supported the Palestinian Authority's efforts to reduce youth unemployment by integrating young people into market-oriented, modular, non-formal, vocational education and training (NFE) courses and programmes. These courses prepare participants for self-employment or for private-sector employment in and outside the Palestinian territories. Originally designed for specific target groups such as refugees, returnees and released prisoners, the courses were extended in 2000 to provide vocational training to the growing number of unemployed youth. Important steps and components are:

- Labour market analysis: identification of relevant sectors and occupations.
- Institution building and capacity development: standardised structures and procedures for developing and implementing demand-driven, modular, non-formal training components.
- Facilitation of the transition into (self-) employment: introduction of career guidance and placement services for participants.
- Linking NFE to the formal TVET curriculum in order to facilitate transitions between formal and non-formal training and education components (including the possibility of accredited training institutions issuing recognised certificates).

Despite very difficult circumstances, 290 modular courses have been conducted (130 Gaza Strip, 160 West Bank) in 10 priority occupational sectors with more than 5,000 trainees (including more than 25 percent women) attending. The total of 37,500 applications reveals the high level of interest among the target group. Tracer studies show that one third of the graduates were employed one year after completion of the programme.

Recent analyses of youth employment problems have shown that one of the reasons for unemployment is unrealistic expectations on the part of young people regarding work and employment opportunities. Often these expectations are a result of their cultural context and/or parental influence. In order to develop the necessary **positive attitude towards work** it is important that young people have a realistic chance of finding employment. But more can be done, e.g. promoting pupils' companies at schools, organising youth cooperatives and internships, etc. to help youth gain the necessary motivation and attitude and to facilitate first entry into the labour market.

Life skills are defined as abilities for adaptive and positive behaviour that enable individuals to deal effectively with the demands and challenges of everyday life. They include communication skills, decision-making and leadership skills, critical and creative thinking, as well as skills in coping with emotions, stress, and conflict. These skills are important for enhancing the political and social empowerment of young people; moreover, they can contribute to preventing conflicts, to reducing social exclusion, and to supporting peaceful development in most parts of the world. With regard to the promotion of employability, the following areas merit special attention: (1) health education, and (2) preparation for working life including social work approaches.

Peer education (by youth for youth) can be an effective way of providing young people with information, motivation and life skills concerning work, but also in relation to sensitive issues (such as sexuality, HIV/AIDS, and drug abuse). Young people who are hard to reach (e.g. street children, young sex workers or drug users) may be better

accessible through peer educators who share the same background. The training of peer educators or youth promoters has to include life skills training for themselves, as well as methods and tools for transferring their knowledge and skills to their peers.¹¹

Access to primary health care, to safe drinking water and to sufficient food are important preconditions for ensuring the employability of young people. There is an urgent need to improve and expand appropriate, **youth-friendly health services** providing information, guidance and counselling.

(2) Employment opportunities

The success of interventions that promote employability depends on the availability of employment opportunities for young people. Complementary to programmes that target macroeconomic policy or the economic and political environment in general, the specific promotion of youth entrepreneurship and other job creation initiatives should be part of a targeted approach to the problem of youth unemployment. Another important contribution is made by **youth employment affirmative action**, which has to be based on the commitment by public and private stakeholders to invest in employment creation for young men and women, be it within the framework of poverty reduction programmes or specific national employment policies.

¹¹ However, international experiences also suggest that peer education can sometimes be costly and not as effective and sustainable as might be expected. This is mainly due to the fact that the peers or youth promoters become adults and cannot or do not want to continue working in peer education.

Uganda: Handbook of Business Opportunities

The characteristics of youth un- and underemployment in Uganda are as follows: Prevalence of subsistence farming among rural young people with no chance to work themselves out of poverty; lack of jobs in the formal sector and other alternative employment opportunities leading to an increasing disparity between the number of school leavers and available jobs; moreover, entrepreneurs in Uganda lack diversification in trades.

The Programme for the Promotion of Children and Youth (PCY), implemented by GTZ and the Ugandan Ministry of Gender, Labour and Social Development (MoGLSD), has formulated the objective that children and youth should be able to make use of their rights, that democratic participation should be ensured, and that employment opportunities and better incomes should be created. To this end, it has implemented various activities, including a Handbook of Business Opportunities in order to encourage young people to start self-help initiatives, to move away from traditional activities in subsistence farming or brick-making, and instead to diversify their economic activities, to engage in self-employment or in youth cooperatives, and finally to contribute to the economic revitalisation of local communities by providing both valuable goods and services.

The Business Handbook starts with an introductory summary of relevant aspects for young entrepreneurs, i.e. defining a business, personal testimonies and assessing one's own potential, marketing and marketing strategies, resources, business structures and management, and start-up checklists. The book then presents 145 business ideas in different areas such as agriculture, processing, manufacturing, as well as services that are practical, easy to learn and viable in the Ugandan context. The business ideas are presented briefly and concisely, indicating the type of business, the amount of capital and resources needed for start-up (complete calculation of the investment, material and human resources), and background knowledge on how to run the chosen business. One specific feature is that the suggested businesses need only a little start-up capital (for most of them initial capital between US\$ 25 and US\$ 250 would suffice).

PCY has disseminated the Handbook through two channels: (1) among various stakeholders in youth work, especially among those who are dealing with micro-economic programmes, and (2) among youth groups and cooperatives in the districts as a tool for peer-to-peer education.

A first impact evaluation in 2003/04 showed a positive trend with regard to income increases, i.e. the incomes of PCY participants were about 26% higher than those of other community members. Furthermore, the main sources of income of youth promoters/youth group members are from salaries (23%) and youth group activities (38.5%), while other community members are still mainly engaged in subsistence farming (76%).

Taking into account the limited absorptive capacity of existing formal labour markets, alternative employment approaches have to be developed. This can be achieved mainly by promoting **self-employment** and/or **business start-ups** for young men and women. Besides the fact that self-employment as well as micro- and small-scale businesses need a

generally favourable economic environment, which has to be promoted by other programmes, youth entrepreneurship promotion should include specific schemes for young men and women. Such schemes can be initiated and implemented by one-stop agencies where the young entrepreneurs can obtain all necessary services from one single source.

They would be provided with training, counselling and other services tailored to their needs. Access to the required seed funding can be included in these services via a micro-credit facility, but this component needs to be strictly monitored.

Other experiences suggest that start-up capital can be organised by the young entrepreneurs

themselves, preventing them from early indebtedness. In these cases, access to micro-finance or other credit schemes is only required at a later stage, when businesses are already operating successfully. Another good example of support to young entrepreneurs is the mentor scheme where successful business men and women provide advice and support to younger “colleagues”.

Venezuela: Micro-credits for young people

In Venezuela, a significant number of girls and boys grow up without appropriate education and training and employment possibilities. Existing vocational training and education programmes do not reach many of the juveniles, especially not the disadvantaged young people. During the difficult political and economical period of 1999 to 2003 young people had hardly any occupational prospects; the youth unemployment rate was 31 per cent in 2003. Nationwide only one third of the labour force was employed in the formal economy, which caused high levels of underemployment.

The GTZ-supported project was designed as a pilot measure aimed at granting micro-credits to young persons wanting to set up or consolidate a micro-enterprise. A revolving fund was set up for this purpose and managed by a grass-roots non-governmental organisation (NGO). Activities focused on the question of the conditions necessary for granting credits to young people in order to open up new and at the same time sustainable opportunities of income and employment to them. The target group consisted of young people between the ages of 14 and 25 from socially disadvantaged families who put forward a business idea and needed a micro-credit to implement it, or who wanted to use the credit to expand or improve their already existing economic activity.

Altogether 520 loans were granted during the twelve-month pilot phase, more or less equally divided between business start-ups and business consolidation or expansion. Young women and men were equally entitled to access the fund (60% of the loans were awarded to women). Minors (under the age of 18) could also take out a loan and accounted for 32% of the borrowers. The average loan amount was US \$500. Loans were initially granted with a low interest rate and a limited extension of the period stipulated for payment. The interest rate was raised continuously until after one year it was in line with the customary local bank interest rates. This practice was successful. Only two borrowers failed to repay their loans, and delays in repayment were below 3%.

The most important guidelines and lessons learnt from the project are:

- The dissemination of the fund resources should be integrated in the activities and training measures of the NGO and the whole should be embedded in the local urban or community structures. In this way the NGO gains a good insight into the business potential of the young borrowers.
- The NGO should provide the micro-entrepreneurs with close backstopping during the phase of loan use (and beyond) with clear guidance regarding bookkeeping, constant contact and regular visits by the relevant support officers, training sessions, and joint monthly meetings of the borrowers.
- The project should provide the NGO with continuous advisory services and training.

Youth enterprise agencies are yet another possibility for promoting young entrepreneurs. Such enterprise agencies can be created by the entrepreneurs themselves, running different businesses in one location. By using a joint service centre, which can serve various purposes such as consultancy, bookkeeping or marketing and transport, they can support the creation of additional businesses and further employment.

Interventions to promote the **creation of more jobs** for young people, men and women alike, should be launched in several areas, e.g. in the field of micro, small and medium enterprise promotion, or local public-private partnerships (PPP). Additionally, there are rather specific interventions that are geared to opening up employment opportunities for young people, e.g. incentives for employers to hire young people, or apprenticeship schemes.

Incentives for employers to employ specific target groups are a well-known tool of labour market interventions. To promote youth employment, obviously the measures should be designed to

favour youth. It has already been said how important the first entry into the labour market is for young people. However, employers are often not ready to bear the whole risk of employing inexperienced and often insufficiently trained young workers themselves. Public incentives, such as youth vouchers (equivalent to salary subsidies or social contributions) or paid internships, have proven to be successful measures in this context. Nevertheless, they should be granted mainly on a conditional basis comprising co-financing, provision of training, and/or employment beyond the end of the subsidy in order to minimise substitution of other workers and free-riding. This broadens employment chances for young people, even for those who are not employed further by the same employer but have gained first working experience.¹²

¹² Nevertheless, international experiences regarding public incentives to promote youth employment differ widely. If incentives are provided within the framework of development cooperation, it may be difficult for national governments to continue funding the programme themselves and to ensure the sustainability of the incentives.

Kyrgyzstan: Youth job vouchers

As a result of the transition process, hidden unemployment and underemployment were steadily growing in Kyrgyzstan, and young people especially had poor chances of entering the labour market and gaining necessary working experience.

With the support of the GTZ project on Labour Market Policy and Employment, several pilot measures to promote youth employment were designed and tested over one year, to be continued further as a nationwide programme following successful application. One of these pilot measures comprised workplace vouchers that unemployed young people received from the employment services. Any company creating a new job for a young person for a period of two years could redeem this voucher from the employment services. In addition, the incidental wage costs for the new young employees were reduced to one third. In 1996, the year the scheme was introduced, the vouchers opened the door to a career start for 180 young women and 80 young men; 75% of the jobs were genuine new jobs, the rest must be considered as free-riders. According to the results of a survey, both the employers and the young people were highly satisfied with the voucher scheme. According to the information supplied by the employers, it would be possible to create even more jobs if they had to commit themselves to employ the young people for one year only. On completion the measure was taken over by the Kyrgyz employment services and continued at the national level.

Promotion of **apprenticeship schemes** can serve the same purpose. It allows for a combination of cultural traditions, notably in the West African context, and modern concepts of training on the job, including formalised certification and also small-scale enterprise promotion and provision of employment opportunities for young people.

In countries where **labour-intensive infrastructure programmes** (LIIP) are implemented, employment for young men and women can be specifically promoted within the framework of these programmes. As shown by the evaluation of several social funds co-financed by the German KfW (*Kreditanstalt fuer Wiederaufbau*), such programmes have to follow some important principles in order to have a sustainable impact on youth employment: During the building phase, local enterprises must be contracted, preferably those that employ young workers or are run by young entrepreneurs. There can even be positive discrimination in their favour and against other tendering companies. Moreover, if the programme is designed in such a way that it enhances local economic development, it can lead to further and more sustainable employment for young people.

The promotion of local **Public-Private Partnerships** (PPP) can also serve the purpose of creating more jobs for young people if – as in the LIIP mentioned above – there is positive discrimination in favour of young people by public and private employers.

(3) **Mediation and matching**

Mediation and matching comprise two areas of intervention: on the one hand youth-oriented interventions by active labour market policy, and on the other hand promotion of youth policies and institutions enhancing inter alia the political empowerment of young people.

A sound **labour market information system** (LMIS) is an important information source for any **labour market policy** intervention and can

support the responsible institutions in organising their work more efficiently. In the same way, the LMIS is of high relevance for several components of the YEP approach suggested by this note, as it can provide reliable data on the progress of youth employment action plans. Therefore first steps to install such a system should be undertaken right from the beginning; it should include sex-disaggregated data. In some countries it will not be necessary to start from scratch because they have a sound database from regular national household surveys, poverty assessments, and/or labour force surveys. In most of these countries there is also an institution in charge, e.g. national bureaus or institutes of statistics. In such cases little effort and funding is required to establish and train a Labour Market Information Unit, preferably in the Ministry of Labour, which collects the respective labour market data from statistics institutes and analyses them to provide the necessary information for promoting youth employment (in a gender responsive manner).

Career guidance has to be based on occupational orientation, which should be an integral part of the whole education system, from primary education to secondary and university education or vocational training. Taking into account the high drop-out rate already at the primary level, it is crucial to also provide advice and information for those young people who are not at school anymore and who have no access to post-primary education. Relevant information includes possibilities for further education and training, as well as opportunities for setting up micro and small-scale businesses. Against this background, career guidance has to be developed as a flexible tool supporting as many young men and women as possible in their transition from school to the labour market, including mobile services for rural youth, one-stop agencies (see employment opportunities), and ICT-based tools like the newly developed Joblab[®], etc.

In order to provide necessary information on labour market trends and employment

opportunities for young men and women alike, career guidance should be based on the above-mentioned labour market information system. It should, moreover, provide information about

important qualitative aspects of the various occupations, such as remuneration, mobility and career advancement.

Joblab[®] Chile

Joblab[®] is an innovative, ICT-based career guidance tool that was originally developed in Germany to encourage teenage girls to consider a broader range of career options. Because of its target group orientation, its interactivity, the capacity to store a vast amount of information, and the possibility of using it for career counselling as well as self-exploration, Joblab[®] has been considered a useful complement to career guidance services in developing countries. It has been adapted to address specific objectives, for instance, in Chile it is being used to improve counselling services for the vocational orientation of Chilean youth in general, and to increase the visibility of non-tertiary education offerings in particular. It provides comprehensive information on vocational training offerings and focuses on the linkage between personal potential, vocational career options and demand on the labour market. Joblab[®] Chile was implemented through a joint effort by Chilecalifica, an inter-ministerial programme, and GTZ in 2004-05. It is used by young people and multipliers alike – in schools, youth information centres and employment services. More than 500 multipliers have been trained, and Chilecalifica will now be responsible for updating and regularly amplifying the information provided by Joblab[®].

In a survey of multipliers and young users, Joblab[®] was rated as good or very good by all questioned; counsellors appreciated the improvement of the counselling spectrum and the greater consideration of non-university training, while young people appreciated Joblab[®] above all because of the wealth of information it provides to help clarify career wishes.

As with career guidance, the quality and effectiveness of **consultancy and placement services** depend on a good - and gender sensitive - LMIS. In principle, these services constitute one of the key functions of public employment offices. However, in most developing countries they simply do not exist, or they lack capacity because of insufficient human and financial resources. Therefore, one of the great challenges for youth employment promotion is to establish or improve and expand

consultancy and placement services in the countries concerned. Different approaches and instruments will be needed for urban and rural areas. For example, Mobile Consultancy Vehicles can be a good option in remote rural areas, serving several purposes at the same time. Job-brokerages are internationally recognised best practice and can be used to improve matching between supply and demand of the labour market, especially in urban labour markets.

Kyrgyzstan: Youth Placement Office (YPO)

As part of the cited GTZ project on Labour Market Policy and Employment, a Youth Placement Office was set up in the city of Bishkek. Since 1996, the YPO has offered youth-oriented placement and counselling services for young Kyrgyz to support them in their search for a first job. The services include occupational orientation, psychological support, if needed, and access to vacancies in the private and public sector. To make vacancies available, YPO maintains continuous contact with the local employment offices and interested employers. Moreover, YPO successfully applied an additional instrument: young job-seekers were hired as volunteers and given the task of assessing job opportunities in firms, government administration, and others. The incentive is that some of them succeed in finding a job for themselves. Additionally, YPO has been holding regular job fairs/brokerages on a monthly basis for several years, establishing a forum where both employers and job-seekers can meet directly. The job fair/brokerage offers young people the opportunity to apply personally for a job or even to negotiate an employment contract on the spot. In this way, it actively involves young people in their search for employment and initiates an important learning process that improves their job-seeking skills. One of the indicators of YPO's success is that, for a number of years now, it has been able to place an average of one-third of counselees (50% of them women), even though the better part of these jobs are of limited duration. Still, this is a first step in integrating young people in the labour market.

With the instruments described above, active labour market policies can facilitate both initial employment and re-entry into employment. They are more likely to be effective if they are well targeted, i.e. meet the specific requirements of the intended beneficiaries. This can best be realised by a careful analysis of the local employment situation and of the real demand for jobs in the region.¹³ In this context, regional or local round tables for

employment have proven to be an appropriate approach. They involve the main local stakeholders for employment promotion: the private sector, representatives of regional or local governments, training providers, local consultancy and placement services. Their main objective is to develop and implement a local employment strategy for young men and women based on improved inter-institutional cooperation and networking as well as on well-targeted activities that are supported by all relevant actors and can be managed in the specific local or regional context.

¹³ See ILO (2005), Promoting youth employment, sixth item on the agenda of the International Labour Conference, Geneva.

El Salvador: An integrated approach to tackle youth un- and underemployment

An increasing number of disadvantaged young people have only limited access to the labour market in El Salvador. Due to the high rate of poverty and violence within their families and society as well as limited prospects for the future, young people are often badly integrated in public life and fail to make use of their potential. As a result, they contribute only very little to the social and economic development in El Salvador. The youth unemployment rate (12.4% in 2005) is nearly twice as high as the national rate. However, the underemployment rate is much higher (35%), especially for women and young people.

Salvadorian-German cooperation in the area of social and economic integration of young people started in 2002 and continues to be an important component of a bilateral programme that promotes economic and employment development at national and local levels. The youth project carried out a number of different activities and tied them together in an integrated approach for youth promotion. The interventions consist of (I) consulting services and capacity building for partner institutions at the national level as well as for several local administrative departments; (II) pilot activities carried out in cooperation with the national government (see below). The consultancy to the newly established National Youth Secretariat, a governmental body for promoting youth policy, is organised in cooperation with a CIM expert.

The activities follow a three-dimensional approach:

- (1) On the labour supply side, activities seek to increase the employability of young people, focussing on social work with life skills training and training of youth promoters. These activities enable young people to participate more actively in society and prepare them for the upcoming challenges in their private and working lives.
- (2) On the labour demand side, the project initiated a "business start-up forum". The forum was aimed at supporting young entrepreneurs when trying to start their own businesses. Therefore project services were tied together („one stop agency“) and consisted of training, consultancy, micro-finance and follow-up support.
- (3) Mediation/Matching: Youth-oriented interventions of active labour market policy such as occupational orientation, job fairs and placement services. E.g. a comprehensive job orientation and consultancy programme has been developed. Its aim is to enable young people, especially from the informal sector, to design an individual strategy to improve their employability, following a peer education approach. Moreover, a local round table on employment has been established and inter-institutional cooperation in the area of youth work has been improved.

The **Rapid Employment Creation Scheme (RECS)** was one of the most interesting pilot activities of the youth project. It has been designed to demonstrate necessary interlinkages of interventions on the demand and supply side, including matching mechanisms. The main characteristics of the scheme include demand orientation through the identification of economic sectors with growth potential within a context of local and regional economic development promotion. Furthermore, the scheme involves stocktaking of vacancies and training needs in small and medium enterprises (intervention on the demand side). The training process has been designed according to the identified needs and, for the participants, as an individual path to improve their employability (intervention on the supply side). Moreover, participants gain first work experience during internships. The third intervention area consists of individual counselling for employers as well as for job-seekers during the whole process by a previously trained tutor team. Inter-institutional coordination and the leading role of local governments have been important success factors. The Salvadorian counterpart intends to implement the activity countrywide in 2006.

Results and outcome:

- 7-month period of implementation
- Total costs around USD 52,300; costs per job created: around USD 747
- 200 micro and small enterprises interviewed
- 109 possible jobs and 131 internships identified
- 8 employment niches identified, 6 selected for training activities
- 250 candidates pre-selected and 153 young people trained
- 90 apprenticeships realised
- 70 new employees taken on after training
- Young team of 6 qualified and highly motivated interviewers/tutors for the intermediation and training process (aged between 22 and 27 years).

Monitoring of employment impacts should be an integral part of any labour market intervention in order to direct scarce resources towards the most effective measures.

Additionally, **monitoring of labour standards** as defined in the Decent Work concept elaborated by the ILO should be integrated in the respective strategies or action plans. The observation of internationally agreed standards should be monitored. In the context of youth employment, measures should aim at improving working conditions for young men and women, especially for those who are forced to work under precarious conditions.

Furthermore, efforts should be undertaken to improve **labour market regulations** in favour of

better entry chances for young people, men and women alike. The underlying objectives would be an easier transition from informal to formal labour markets, on the one hand, and better chances of staying in a productive and well paid job, on the other.

National Youth Policies and related Action Plans provide a useful reference framework for youth-specific interventions as reflected in recent international discussions. They no longer consider young people merely as a subject of policies, but rather as active players, people with rights and responsibilities and decision-makers in youth-specific programmes and activities. The impact of youth policies and action plans can be strengthened if youth organisations representing young people of both sexes from all over a

country, including remote rural areas, are invited to participate actively in the elaboration and implementation of youth-related strategies and programmes, including those focusing on youth employment. It is important also to strengthen

youth representations and network organisations. The better this approach works, the more the rights and interests of young people will be represented in national policies, including those aimed at integration into the labour market.

Uganda: Promotion of Children and Youth (PCY)

The already mentioned bilateral Ugandan-German Programme PCY pursues an integrated, multi-dimensional approach to children and youth promotion in the areas of social work for and with young people, information and counselling, entrepreneurship and self-employment activities, and also local skills development. PCY mainly works at two levels:

- (1) Consultancy and policy advice at the macro level, to the Ugandan Government, i.e. the MoGLSD, related to national youth policy, mitigation of youth unemployment and poverty, establishment of a Labour Market Information System (LMIS) and inter-ministerial cooperation (Departments of Labour and Children & Youth, and Ministry of Education). As a result of the International Conference on Youth Employment, held in Kampala in June 2005, the Ugandan Government has become a member of the Youth Employment Network (YEN); consequently a National Action Plan on Youth Employment has been drafted, with PCY supporting the newly established Task Force within MoGLSD.
- (2) Promotion of youth group activities at community level, based on peer education and with support from mobile services, comprising local skills development, promotion of non-formal education, i.e. life skills, reproductive health and HIV/AIDS prevention. PCY is also engaged in active labour market policy such as career guidance, information and orientation. The promotion of young entrepreneurs and youth cooperatives is another important activity. PCY also provides interventions for youth in conflict-affected areas and Internally Displaced Persons' camps.

Corresponding with these two levels of intervention, the impact of the programme has to be measured at two levels:

- (1) Institutional impact such as improved capacity of governmental youth workers, labour officers, community development workers and other stakeholders regarding youth policy in general, as well as tools and methods of social work with young people in particular, strengthening of youth representations and NGOs, and
- (2) Better income and employment opportunities for PCY participants (as detailed above, see box on "Handbook of Business Opportunities").

Summarising the intervention areas of the YEP approach presented in this section, it becomes obvious that many sectors and stakeholders need to be included. Broad participation by and good cooperation between the private sector, different ministries, regional or local governments, NGOs and youth organisations should be strived for.

National Action Plans, as proposed and supported by the Youth Employment Network (YEN), can serve as a good starting point. They should define (1) the target groups for the intended interventions – young people with good economic potential, and/or the most vulnerable, disadvantaged and poor youth¹⁴; (2) the principles of policy coordination, e.g. the installation of a steering committee with all stakeholders; (3) the areas of intervention such as those proposed in this discussion paper; and (4) the necessary institutional set-up for implementing the strategy. The latter should include the implementation unit – consisting of the participating organisations such as training providers, peer educators, Community Based Organisations (CBOs), private companies, consulting and other service centres – as well as, ideally, independent experts. Youth employment action plans should involve a monitoring system which provides for regular publication of implementation results. To achieve this, targets and impact indicators need to be defined (in a gender responsive way) and a baseline study needs to be conducted at the beginning.

Section 5: Impact Monitoring

The following graph shows a **typical results chain of the integrated, three-dimensional approach** to promote youth employment.

¹⁴ According to the discussion in Section 2, underemployment with precarious working conditions is often the more pressing problem for young people in developing and transition countries. Changing the focus and giving more emphasis to the situation and the promotion of appropriate employment opportunities for these young disadvantaged people is part of the current debate on youth employment. See e.g. Godfrey, Martin: Youth Employment Policy in Developing and Transition Countries – Prevention as well as cure. Revised Draft, 2004.

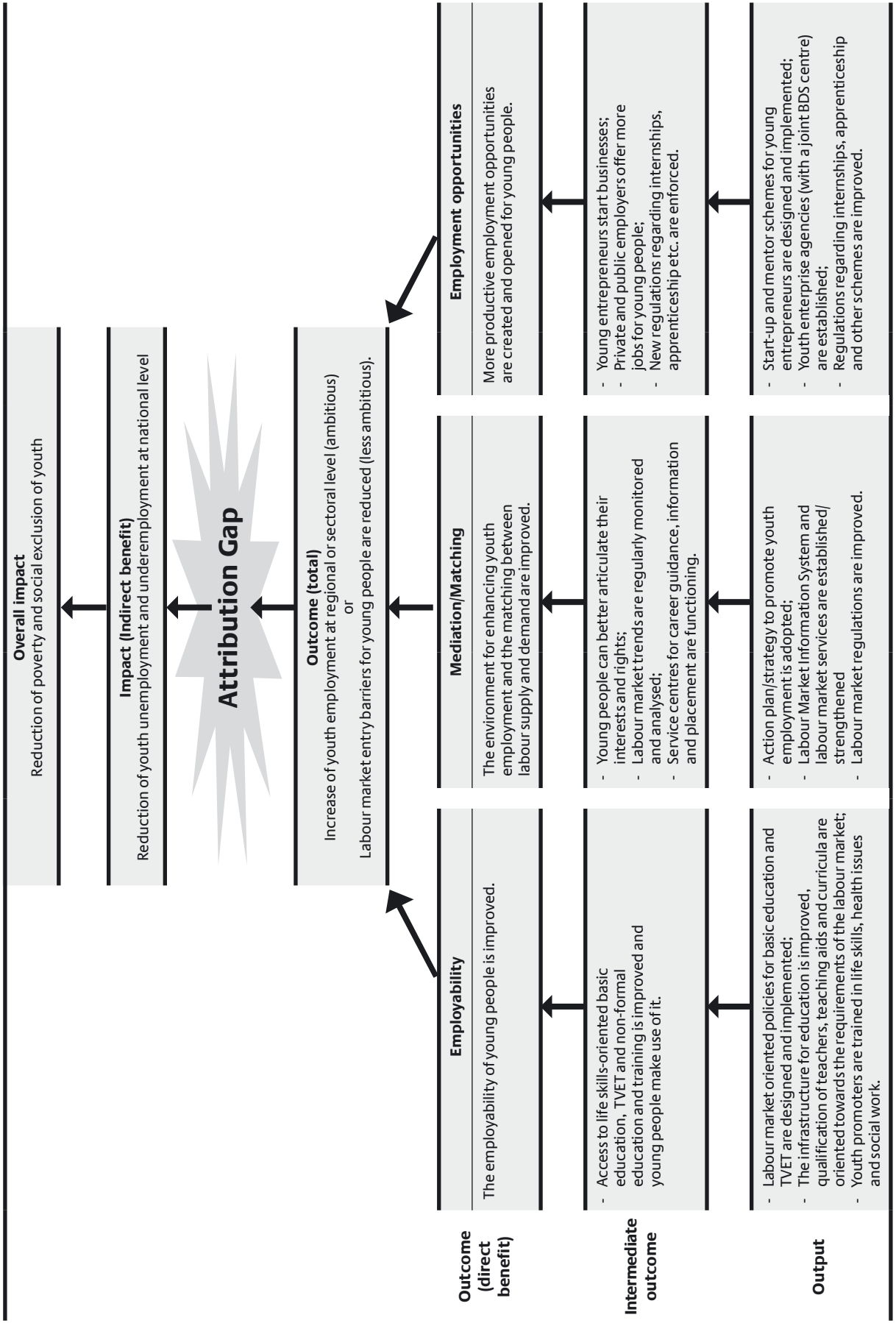
Such results chains are standard tools of German development cooperation. They aim to focus attention on the achievement of objectives to be measured by well-defined indicators. Development cooperation agencies should not only make a ‘contribution to a partner’s project’ but, together with their national partners, they should also assume responsibility for achieving the objectives outlined.

The lower part of the results chain is divided into **three sections corresponding with the three dimensions** ‘employability’, ‘employment opportunities’ and ‘mediation/matching’. The lowest level of each dimension shows the output which is just the result of the project’s/programme’s activities (for example “labour market regulations are improved” in mediation/matching). The intermediate outcome level shows the actions of all institutions and individuals making use of the output (e.g. “Private and public employers offer more jobs for young people”). At the outcome level (including total outcome) the direct benefit is described. The outcome of each dimension contributes to the total outcome. The achievement of both the outcome and the total outcome are to be measured by well-defined indicators, which are monitored regularly.

For the objectives at the total outcome level, two options are presented in the graph. The more ambitious objective “Increase employment at regional or sectoral level” is likely to be appropriate for larger programmes comprising activities in all three dimensions of the YEP approach. For smaller projects serving only one dimension this would be too ambitious. In such cases, an appropriate objective is to “reduce labour market entry barriers for young people”, which might be just the outcome (direct benefit) of the only dimension being targeted (for example ‘employability of young people is improved’).

At a higher level, the aim of the project/programme is to help reduce youth unemployment and underemployment at the national level and

Results Chain for Youth Employment Promotion



to reduce the poverty and social exclusion of young men and women. However, the project/programme cannot be held responsible for the achievement of these objectives (called 'impact') as there are various aspects which determine the employment level in a country and which cannot be influenced by the project/programme. This is indicated by the attribution gap between 'outcome' and 'impact'.

Section 6: Interlinking efforts

There is general consensus that improving the youth employment situation is essential for sustainable economic and social development all over the world, and that international and inter-agency cooperation in this area is required. In this context, a number of initiatives on youth employment and related policies are currently underway.

Backed by the urgency in finding solutions, the **International Labour Office (ILO)** is strengthening its commitment to facilitate, coordinate and provide technical guidance for an integrated programme of work on youth employment. A central feature of this work is the leading role of the social partners in the promotion of decent work and the eradication of poverty.¹⁵

Within the framework of the **Youth Employment Network (YEN)** – created by the UN Secretary-General, ILO and World Bank –, a series of activities are being undertaken in a number of YEN lead countries, including school-to-work transition surveys, the development of vocational training policy guidelines, and the design of support schemes for young workers in the informal sector, support for strengthening labour market information services for youth, the implementation of entrepreneurship education programmes in high schools and vocational training institutes (Know

About Business), and business development and maintenance (Start and Improve your own Business, Women's Entrepreneurship Development and Gender Equality (WEDGE)).

The recent report of the UN Secretary-General, "A global analysis and evaluation of national action plans on youth employment" (A/60/133, August 2005) prepared by the YEN, analyses and evaluates youth employment-related policies and programmes as contained in national action plans or progress reports towards such plans from 39 countries that were submitted to the UN.

The **Inter-American Development Bank (IADB)** / Multilateral Investment Fund (MIF) is currently implementing a review of best practices within the framework of a Youth Initiative.

The **World Bank's** Children and Youth Unit recently published the "Children & Youth Framework for Action", together with a wide-ranging resource guide for World Bank staff, which is intended as an evolving toolkit with which to intensify the focus on children and youth outcomes in Bank operations. The unit has furthermore been working on a series of knowledge bases cataloguing World Bank projects and World Bank research papers with a focus on youth. Within the framework of a YEN project, funded by the German Government, the World Bank's Social Protection Team is undertaking a global inventory of youth employment interventions, with the aim of identifying to what extent different approaches/programmes have been successful under given circumstances, and finding suitable examples for an in-depth analysis of the cost-effectiveness of policy interventions.

Taking into account that at least four of the Millennium Development Goals (MDGs) relate directly to the outcomes for young people, the 2007 edition of the World Bank's major publication, the World Development Report (WDR), will be dedicated to young people. It is seeking to fos-

¹⁵ See, for example: ILO (2004), Global Employment Trends.

ter the development discourse on five transition topics, including the transition from school, and the transition to work, and what can be done to smooth these processes.

This discussion paper “Cornerstones for Youth Employment Promotion” is primarily focusing on

the issue of how to improve the transition from school to work. It is intended to cross-fertilise with ongoing national and international projects and programmes, to guide development efforts, and to contribute towards aligning investments in and resource allocation to youth employment-related projects with actual youth needs.

Editor

Federal Ministry for Economic
Cooperation and Development
Division of Development Education and Information

Office Bonn

Adenauerallee 139 - 141
D - 53113 Bonn
Tel.: +49 (0) 18 88 / 535 - 0
Fax: +49 (0) 18 88 / 535 - 35 00

Office Berlin

Stresemannstraße 94
D - 10963 Berlin
Tel.: +49 (0) 18 88 / 535 - 0
Fax: +49 (0) 18 88 / 535 - 25 01

poststelle@bmz.bund.de
www.bmz.de/en

Editing: Achim Johannsen,
Frank Tibitz (GTZ),
Dr. Irina Kausch (GTZ)

Final editing: Jutta Wagner

Responsible: Renate Stuth

As of: May 2006

The BMZ Discourse series encompasses papers produced by BMZ
to discuss current development policy issues.

