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Youth Unemployment
and Vocational Training

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Abstract

This paper focuses on the determinants of the labor market situation of young people in developed countries and the developing world, with a particular emphasis on the role of vocational training and education policies. We highlight the role of demographic factors, economic growth and labor market institutions in explaining young people’s transition

*This manuscript is based on a Background Paper for the 2013 World Development Report on Jobs. The Background Paper was commissioned to IZA by the World Bank in
into work. Subsequently, we assess differences between the setup and functioning of the vocational education and training policies across major world regions as an important driver of differential labor market situation of youth. Based on our analysis, we argue in favor of vocational education and training systems combining work experience and general education and provide some policy recommendations regarding the implementation of education and training systems adapted to a country’s economic and institutional context.

**Keywords**: Vocational education and training; Dual vocational training; Youth employment; Youth unemployment

**JEL Codes**: J24, I25, O17
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Explaining differences in youths’ transition into employment needs to first take into account demographic developments and economic growth, and second, the interplay between these dynamics and long-standing institutional patterns, particularly regulatory provisions influencing the supply of flexible or permanent jobs as well as education and training policies. Both general education at schools as well as different forms of vocational education and training, either at schools, on the job or combining both elements in a “dual apprenticeship” are necessary preconditions for the employability and productivity of young people. Vocational education and training is a crucial element, given that it can link young people’s competences with employers’ needs. This study clearly highlights the advantages of linking work-based and school-based programs for improving training outcomes. Purely school-based programs frequently offer students little opportunity to apply what they learn, while pure on-the-job learning leaves students with very limited conceptual knowledge about their field of activity. In this respect, combined or dual models can represent a major step ahead. Bringing vocational training closer to the needs of dynamically changing and evolving labor markets and economies can help young people
to move into more productive and sustainable jobs. Adopting the perspective of young people, a “good job” is one that initiates a long-term investment in and attachment to the labor market; therefore, a job combined with formal training is by definition a good job. Accordingly, this paper is concerned with the creation of good jobs for the young.

Our study argues in favor of promoting vocational education and training tailored to labor market needs, and particularly dual models of vocational education and training, yet also taking into account specific starting conditions found in a given national or local context. While good education and training can contribute to economic productivity and social cohesion, vocational education and on-the-job-training with young workers and companies also need to involve governments, social partners or other societal actors in order to be stable and effective. Given major differences in the institutional setup in different parts of the world, this paper discusses feasible options for implementing vocational training under vastly differing economic and institutional conditions. In the developmental context, it is also crucial to find solutions concerning how society can partner on vocational training with the informal sector.

Both challenges and capacities to act vary across countries and world regions, depending on the economic, institutional and societal context. Nonetheless, some general points can be made that are relevant for most medium- and low-income countries.

**Promote General Education**

Policies to ensure primary and secondary school attendance, avoid early school drop-outs and leaving school with low levels of qualification are needed in many low- and medium-income countries. Policy makers should aim to provide basic skills to every young person through compulsory participation in support classes and intensified personal support. This implies a stronger emphasis on individualized, tailored support to young people at risk, educational guidance and job search assistance (also considering incentives to parents, such as conditional cash transfers). The increase of the statutory schooling
age might represent an avenue to increase the overall educational attainment of youth, for example, up to the upper secondary schooling level. Minimizing drop-out rates should be achieved by taking into account differences in motivation, ability and the opportunity costs of schooling. Tracking systems based on pupil performance and preferences might help to reduce the number of drop-outs. However, the permeability and interconnectedness of tracks is crucial to prevent the emergence of low quality and dead-end tracks.

**Stimulate the Creation of Formal and Sustainable Jobs**

In countries where high shares of informal employment form a major barrier to upward mobility, economic progress policies should be designed to create more enterprises offering regular jobs in the formal sector. This can be addressed through economic policy reforms such as the abolition of bureaucratic business registration procedures, tax reforms, stimulating investment in the private sector and the creation of start-up support for formal companies. In countries with a large segment of fixed-term contracts with limited access to training and promotion to more stable jobs, overcoming the regulatory divide between permanent and temporary jobs reflects a major priority. This can best be achieved by creating a flexible system of employment protection, easing the barriers between fixed-term and permanent jobs.

**Modernize Vocational Schooling**

In order for young people to experience a smoother transition to jobs, countries should strengthen the vocational part of their school-based education and bring existing vocational education and training systems closer to the current needs of the labor market. Vocational education provided in the framework of secondary schooling (vocational schools or vocational tracks) has to be modernized and complemented with phases of practical work experience, for example, via internships or spending the final year with an employer. Employers need to be consulted regarding the design of vocational schooling curricula, which requires a systematic coordination with networks or associations of employers.
Furthermore, transition to further education, including tertiary education, should be facilitated in order to avoid a negative perception of vocational education as a dead-end option. Finally, in some countries reducing vocational education fees can help increase enrollment.

**Bring Academic Education Closer to the Private Sector**

In countries with high shares of university graduates encountering major difficulties in finding adequate jobs, a preferable option is to make academic training more labor market-oriented, incorporating internships with employers into academic curricula to ensure that some experience with current work practices in the private sector is acquired. Governments responsible for funding academic education can require public universities to modify academic curricula accordingly.

**Start from Regional or Sectoral Clusters**

As evidenced by many examples in the developing world, some elements of (dual) vocational training can be implemented even under adverse conditions; moreover, with sufficient support and interest from governments and employers, regional or sectoral training clusters can be established. Therefore, most countries could implement feasible or “lighter” forms of dual vocational training with limited institutional requirements. Starting points could be existing sectoral or regional clusters of firms with a shared interest in a specifically skilled labor force in particularly relevant occupations, larger (also foreign-owned) firms in modern sectors or sectoral training schemes run by employer associations. When there is a basic agreement on training curricula and training provision, it can lead to mutually recognized certificates. Public support, such as support for schooling phases and some non-bureaucratic regulation of training elements and standards, is essential to ensure the recognition of acquired skills.

**Upgrade Vocational Training in the Informal Sector**

Providing better training for the informal sector is a core issue for many developing countries ([ILO], 2012). In countries where traditional
or informal apprenticeships are dominant yet mainly confined to traditional crafts, these apprenticeships should be articulated better with the schooling system and formal sector. Furthermore, they should be opened up to new technologies and occupational change. This, of course, requires some recognition of informal employment as part of the economic and social reality in many countries.

A first option is to bring societal initiatives aimed at better training closer to the informal sector, family business, and local networks. A concrete step could be to encourage informal workers and employers to participate in training activities, for example, by providing informal apprentices with some vocational schooling focusing on more general skills and theoretical aspects. Participation in vocational courses for young people working in the informal sector could be increased by setting some incentives to participants and employers, particularly compensating for hours not worked due to training courses. To avoid deterrence, these courses should not be delivered by governments directly but rather by NGOs, churches or non-profit associations with sufficient acceptance and in-depth knowledge of the economic situation in local communities. Involving larger employers or (formal) training centers represents another option. Funding could come from governments and international donors, while NGOs, churches or other non-profit associations can also facilitate the creation of (informal) associations or networks of informal employers.

Given that traditional or informal apprenticeships tend to be restricted to a number of traditional crafts, it is crucial to raise productivity and potentials for innovation. Experiences from the African continent show that master craftsmen benefit from skill upgrading courses to better develop their businesses and become more innovative and productive. Moreover, they also benefit from improved access to technical equipment and capital, which should be made more easily accessible to informal firms.

Furthermore, some experiences from Sub-Saharan Africa show that ensuring skill recognition outside the local community through official skill testing open to informal apprenticeship graduates increases the attractiveness of these training courses and enhances mobility on the job market.
Data and Evaluation

Finally, research into the effects of vocational training and related active labor market policies (ALMPs) would benefit enormously from the availability of better data and a suitable program design enabling the proper evaluation of policy initiatives. The generation of representative survey data, in particular longitudinal data with a full set of individual characteristics, is essential toward such research aims. Training and ALMP programs should be accompanied by a systematic collection of evaluation data.
Entering the labor market poses major challenges for young people in many countries. While young people generally tend to be in a more vulnerable position than prime-age workers, the recent economic crisis has shown that youth integration into the labor market is becoming increasingly problematic in some countries, whereas it seems to remain relatively smooth in others. In fact, some countries have been able to maintain stable employment over recent years and decades, also in times of recession, while unemployment rates and the share of young people outside employment, education or training has increased steeply elsewhere. This suggests that institutional settings and public policies play a prominent role in influencing the transition from school to work. Promoting a successful transition not only prevents long-term negative consequences of early phases of youth unemployment and idleness, but also enhances individual professional careers, earnings increases, economic productivity and social cohesion.

In explaining differences in youths’ transition into employment, it is necessary to first take into account demographic developments and

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1 In line with the most of the literature on this issue we consider “young” people as those aged 25 years and under.
economic growth, and second, the interplay between these dynamics and long-standing institutional patterns, particularly regulatory provisions influencing the supply of flexible or permanent jobs as well as education and training policies. Both general education at schools as well as different forms of vocational training, either at schools, on the job or combining both elements in a “dual apprenticeship” are necessary preconditions for the employability and productivity of young people. Vocational training is a crucial element given that it can link young people’s competences with employers’ needs. Bringing vocational training closer to the needs of dynamically changing and evolving labor markets and economies can help young people to move into more productive and sustainable jobs. Adopting the perspective of young people, a “good job” is one that initiates a long-term investment in and attachment to the labor market; therefore, a job combined with formal training is by definition a good job. Accordingly, this study is concerned with the creation of good jobs for the young.

The first part of this study discusses the main factors influencing youth unemployment and the transition into employment, bringing together evidence on demographic issues, economic growth and their interaction with institutions, in particular general education and vocational training, active labor market policy programs as well as the regulation of labor markets. Stressing the difference between general education and vocational education and training, we differentiate between four types of education and outline differences in the skills they convey, their places of learning and their transferability across occupations and firms.

In the subsequent section, the study provides an overview of young people’s situations in major world regions, with a particular emphasis on the role of training systems and complementary active labor market policies. The study adopts a broad understanding of regional clusters reflecting similar challenges with respect to youth unemployment on the one hand and institutional factors influencing the situation of young people on the other.

The final part discusses the most pressing policy challenges in different world regions, subsequently providing some policy recommendations. The study argues in favor of promoting vocational
education and training tailored to labor market needs, yet taking into account specific starting conditions found in a given national or local context. While good education and training can contribute to economic productivity and social cohesion, vocational education and on-the-job training with young workers and companies also need to involve governments, social partners or other societal actors in order to be stable and effective. Given major differences in the institutional setup in different parts of the world, the paper discusses feasible options for implementing vocational training under largely differing economic and institutional conditions. In the developmental context, it is also crucial to find solutions concerning how society can partner on vocational training with the informal sector.


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