

INTERNATIONAL LABOUR OFFICE

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to the

**World Bank Conference
Young People in Eastern Europe and Central Asia: From Policy to Action**

**Session I: A Dialogue on Youth Employment, Employability and Labour Markets
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Dear Ministers, dear young leaders,

I would like to thank the World Bank and you all for your invitation to address this important conference. My recognition and appreciation also to the Government of Italy for its warm hospitality in this beautiful city and for the continuous support it has given to the International Labour Office, including for the activities of the International Training Centre in Turin.

I am especially pleased by the fact that the agenda of this Conference singles out the transition to work, alongside the challenge of exercising active youth citizenship, or the transition to citizenship, as pivotal and mutually reinforcing phases of life that are critical to unleash the potential of today's young people from Eastern Europe and Central Asia as tomorrow's workers, entrepreneurs, citizens and agents of change. How easily and how effectively youth are able to make these transitions depends critically on how well they are prepared for the labour market and on how prepared the labour market is to receive them. In turn, the patterns and pace of young people's integration into the labour market determine by and large their employment paths as adults. And in a region with the demographic background of Eastern Europe and Central Asian countries, where in an important number of countries the youth population will peak in the next 30 years, this debate is therefore much needed and very timely.

It is a profound irony, and a threat to future growth and living standards that, in a region with an ageing population and rising dependency, the segment of the workforce that is most vital for future prosperity encounters disproportionate difficulties to join the labour market. Young people are desperately needed, but sadly under-utilized. Youth unemployment rates are starkly high across the region, on average more than twice those of adults and in many countries twice or more than the average for the EU-15 countries. Central and Eastern Europe (non-EU) and CIS countries have nearly 6 million unemployed young women and men. They also have the second highest youth unemployment rate in the world with almost 20 per cent.¹

¹ ILO, Global Employment Trends for Youth, Geneva, October 2006.

Still, unemployment alone is not an accurate indicator of the labour market problems young people face in the region. Thousands of youth work long hours for low pay, with precarious or even no contracts, limited job security and no voice. And a significant proportion of youth is alarmingly discouraged and, therefore, neither in employment nor in education or training. Data from Central and Eastern Europe (non-EU) and CIS countries show that youth activity rates have declined particularly for young women who currently present activity rates of 35 per cent. There is still a clear gender disadvantage in youth labour market access, particularly in South East Europe. Ethnicity is also a common source of disadvantage.

Lack of access to education demanded in the labour market and to quality jobs in the early stages of life perpetuates a vicious circle of poverty and exclusion across generations. It is a waste of resources that triggers heavy costs on economies and societies and represents a threat to democracy and security. Across the region, unemployment, joblessness and low quality jobs have forced many youth to emigrate in the search of better jobs, imposing a high toll on sending countries in terms of brain drain. As the background report for this Conference also documents, the involvement of young people in the informal economy is also disproportionately high. In some countries, the absence of productive employment has pushed a growing number of young people into anti-social behaviour, violence and juvenile delinquency. In others, young people are the first victims of human trafficking for exploitation and sex trade.

Creating jobs for young women and men entering the labour market every year is thus a critical component in the path towards wealthier economies, fairer societies and stronger democracies across the region. And, as mentioned earlier, it is not only the quantity but also the quality of jobs that matters. Through the concept of “decent work”, the ILO has emphasized the importance of work that means more than just earning a living. It means productive work in which rights are protected, which generates an adequate income, and which is accompanied by adequate social safety nets. Such work is the best way young people can realize their aspirations, improve their living conditions and actively participate in society.

Over the past two decades, youth employment has acquired growing prominence on the political agenda across the region, and indeed around the world, and many initiatives have been set in motion to address this challenge. In this respect, let me share with you some lessons from our work in countries facing similar challenges.

The first and most important general lesson is that productive employment and decent work for young people cannot be achieved and sustained through fragmented and isolated interventions. Rather, it requires long-term, determined and concerted action spanning a wide range of policies and programmes. It also requires an integrated approach that articulates supportive policies centred on two basic elements: on the one hand, an integrated strategy for growth and job creation and, on the other, targeted interventions to help young people overcome the specific barriers and disadvantages they face in entering and remaining in the labour market. This is indeed the general approach of the ILO’s

Global Employment Agenda which provides our basic framework to advise countries in the context of Decent Work Country Programmes.

I would like to elaborate on these aspects taking account of the regional context. Obviously, any comparison between ECA countries is difficult because these countries differ considerably in terms of their demographics, traditions, economics, politics and institutional settings.

Let me start with the first part – how to ensure a strategy for growth, not just any kind of growth, but rather “getting growth right” in terms of employment creation. This requires explicit efforts to strengthen the link between growth and jobs. This insight is at the heart of what the Decent Work Agenda brings to development paradigms. We need to be aware that a wide range of economic and social policies affect the environment for job creation both positively and negatively. How such policies are designed, implemented, sequenced and accompanied by specific employment measures matters a great deal to the quantity and quality of work, but regrettably this is too often an afterthought. In Central and Eastern Europe, for example, economic growth has accelerated since the late 1990s. Still, this has not adequately translated into employment creation in some countries, resulting in what can be referred to as nearly "jobless growth". In some CIS countries such as the Russian Federation and some Central Asia countries like Kazakhstan or Uzbekistan the situation seems to be slightly better. However, the quality of newly created jobs is often not good, while other CIS countries are struggling with a problem similar to Central and Eastern Europe.

The disconnection between growth and jobs is widening income inequalities and fuelling social tensions in the region. What we need is to increase the employment intensity of growth through policies that increase the demand for labour while at the same time increasing the employability or the “integrability” of young women and men into the labour market.

Macroeconomic as well as structural and sectoral policies at the national level can play a major role in increasing the employment content of growth. For instance, it would be important to identify the sectors and sub-sectors of an economy that are more employment-intensive and ensure that the policy environment is not unfavourable to their growth. A multi-sector strategy could be most promising to reduce poverty and to increase competitiveness.

In this regard, Ministers responsible for employment and labour market policies from South East Europe gathered in Istanbul last year agreed that to avoid workers quitting agriculture swelling the ranks of the unemployed and underemployed, it is necessary to improve the productivity of employment in agriculture by applying better production and commercialization methods and switching to higher value added products.² A similar approach is relevant for most CIS countries as well. In industry throughout the region, strategies to move up the value chain are necessary as the competitive edge of low labour

² See *Istanbul Declaration on Integrated and Coherent Employment Policies in the Face of Globalization*, at <http://www.ilo.org/public/english/region/eurpro/ankara/events/istanbul/ist-declaration.pdf>

costs can be easily wiped out by newly emerging competitors elsewhere. The growth of services sectors also offers an important avenue to create more and better jobs and promote job-rich growth across the region.

A sectoral or structural approach to growth and jobs does not mean picking winners in the old sense of industrial policy, but it does mean having clarity about employment impacts of policies, and having policies that balance interventions and incentives across relevant sectors, (e.g. labour intensive vs. capital intensive, formal vs. informal, low productivity vs. high productivity), so that there is a vision about the employment quality of growth in a context of accelerating technological change and productivity.

The ability to sustain economic and productivity growth in countries is critically associated with at least three factors: (1) capacity to diversify the production structure, that is, to attract investment into new activities; (2) capacity to strengthen linkages not only with global value chains but within the country and via regional integration; and (3) capacity to create domestic technological capabilities. Skills upgrading is a critical factor underlying all these capabilities. And I will come back to this in a minute. But the point here is that economies need to diversify into dynamic agricultural, industrial and service sector activities.

Let me turn now to the second issue – how to smooth the transition of young people into the labour market through targeted interventions.

In this respect it must be recognized that although the public sector can play an important role as employer, in a market economy the main challenge for governments is to create an enabling environment so that the private sector can develop its full potential and play its vital role in generating new investment, employment and financing for development.

A major engine for job creation is entrepreneurship, and promoting youth entrepreneurship can boost both economic growth and jobs for young people. The number of specific youth entrepreneurship programmes remains limited in most ECA countries, although international evidence points to their positive impact. Some countries like Kyrgyzstan have already introduced entrepreneurship education schemes into curricula of vocational technical schools, and other countries seek assistance for doing so. Still, across the region a key priority should be to improve the regulatory environment in order to make it easier for businesses, including small and micro-enterprises in the informal economy, to operate and grow, while not compromising rights at work and working conditions.

On the supply side, education and training are the foundation of future employability of young people. It can be said that education makes a person trainable, training makes him or her employable, and attitude and continuous learning keeps the person employed. Education, skills and lifelong learning are at the center of all innovative, high productivity economies. It is for this reason that guidelines 22 and 23 of the new European Integrated Guidelines for Growth and Employment refer to “Expand and

improve investment in human capital” and to “Adapt education and training systems in response to the new competence requirements”.

There are many lessons and good practices in the field of skill development and employability including working closely with the private sector to provide skills that are in demand in the marketplace, promoting apprenticeships and internships in private companies, developing training not only on technical skills but also in so-called life skills or core skills, etc.

As the background document for this conference states, the educational systems in most ECA countries are currently unable to handle the needs of large youth populations. The situation is especially urgent in Central Asian countries, with peaking youth populations, where education budgets have fallen. Governance issues are also of crucial importance: education and training policies are highly centralized, and institutional autonomy as well as the involvement of local communities, employment offices, enterprises and the social partners are extremely limited. To complement these measures, programmes to better link school with the world of work such as learnerships schemes and on-the-job training can help young people enter the labour market. Other employment services measures such as career guidance, job counselling and labour market information are also critical to help young people in their career choice and job search.

Although rather new in the region, active labour market policies (ALMPs) are increasingly used to raise the demand for young workers and enhance their employability. I have noted the prominence given to this issue in the background report prepared for this conference. We concur with this assessment. Our experience worldwide and specifically in your region also points to their usefulness in terms of mitigating education and labour market failures, while promoting efficiency and equity. If properly designed and implemented, they can indeed help reintegrate disadvantaged youth who need a second chance.

These are just a few issues I wanted to flag with you. I am aware that you will have the opportunity to further exchange your views and experience on many of these topics in the breakout sessions that are following and I look forward to the outcomes of your discussions.

I cannot conclude without stressing the importance of partnerships in meeting the youth employment challenge.

At the national and regional levels, the involvement of Ministries other than those of Labour/Employment and Youth, regional governments, the social partners, civil society and youth groups, is key to increasing effectiveness as well as commitment and ownership. I am pleased to see that the national delegations attending this conference include representatives from different government institutions and civil society, and so many young people in particular. I also appreciate the importance of the presence of the private sector in this room. Clearly, as the major engine of growth and job creation in most ECA countries, the private sector has a vital role to play in the search for effective

solutions to youth employment problems. Public-private partnerships are proving to be a powerful complement to governmental and inter-governmental action in this area. This is an avenue of opportunity that we need to utilize more, both nationally and globally.

At the international level, the Youth Employment Network – a partnership between the World Bank, the United Nations and the ILO – is an example of an inter-agency effort to strive for better coherence and coordination on youth employment. As the UN specialized agency with the mandate on employment, the ILO has long been active on youth employment, through its normative action and its technical assistance work. Today, its Youth Employment Programme – which I am leading – is the principal technical arm for delivery at the national and international levels, building around a strategy centred on three pillars – that is, expanding the knowledge base, advocacy and technical assistance to constituents in member States. In this context, we look forward to strengthening our partnership with the Wold Bank to translate the deliberations of this conference into action in the ECA region.

Thank you.