

Research on the Effectiveness and Sustainability of Youth Employment Promotion Policies

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Abstract: The steady rise in youth unemployment has become a major socio-economic challenge for countries worldwide. In particular, the issue of youth employment has become increasingly salient in the context of heightened economic turbulence and technological transformation. Various countries and regions have introduced a range of policy measures to address this problem, including skills training, business support, and wage subsidies. However, the efficacy of these policies exhibits considerable variability contingent on discrepancies in economic conditions, labor market structures, and policy design. Thus, the paper aims to evaluate the effectiveness of policies to promote youth employment. In particular, through literature analysis and case studies, youth employment policies such as skills training, enterprise support and wage subsidies in different regions of the world are analyzed. The research data mainly come from relevant surveys and evaluation reports issued by the International Labour Organization (ILO), the World Bank, and countries such as France and India. The results indicate that multidimensional and integrated policy initiatives are more effective in low-income countries, particularly those that integrate skills training with entrepreneurship support. In addition, policies to reduce labor costs have shown significant results in increasing youth employment rates. This paper argues that future policy design should pay more attention to implementation details and cost-effectiveness, while providing more inclusive support for women and low-skilled youth groups to improve the long-term effectiveness and sustainability of policies.

Keywords: Youth employment promotion policies, skills training, entrepreneurship support, wage subsidies, cost-effectiveness.

1. Introduction

The reduction of youth unemployment has been a significant challenge for countries, particularly in the aftermath of the global financial crisis of 2008, when the prevalence of youth unemployment exhibited a marked increase. According to the International Labor Organization (ILO), the global youth unemployment rate reaches 14% in 2023, with rates approaching 30% in regions such as North Africa. Individuals in the 15-to-24 age range often encounter challenges when attempting to integrate successfully into the workplace, largely due to their comparatively limited skill sets and work experience. As the youth population grows, the pressure of high unemployment has prompted the adoption of various policies to promote youth employment and mitigate the long-term social and

economic impact of unemployment. In recent years, policy research on the promotion of youth employment has received considerable attention from policymakers and scholars alike, with a focus on the efficacy of various intervention strategies. Institutions such as the ILO and the World Bank have played an important role in promoting youth employment, emphasizing the improvement of youth employment through education, skills training, entrepreneurship support, and active labor market policies (ALMP) [1,2]. This paper aims to investigate the effectiveness of existing youth employment promotion policies, focusing on the impacts of minimum wage policies, skills training programs, and entrepreneurship support policies in middle- and low-income countries. In addition, it explores the applicability of these policies at different income levels and analyzes the actual effects of youth employment policies, supported by the theoretical foundations and methodologies of relevant studies. And it assesses the gender dimensions of these policies, with a particular focus on the unique challenges faced by young women in the labor market in developing countries.

2. The Impact of Minimum Wage Policies on Youth Employment

Traditional economic models suggest that an increase in the minimum wage affects employment rates, and that an increase in the minimum wage can lead to a reduction in the demand for labour. Specifically, firms hire workers based on the marginal productivity of labour. If the minimum wage is raised, there can be an increase in the cost of labour for firms, which is not accompanied by an increase in worker productivity. Therefore, in order to maintain profits, firms will respond to high labour costs by hiring fewer people. However, the opposite conclusion was reached in a study by Card, et al., who surveyed 410 fast food restaurants in New Jersey and Pennsylvania, comparing the period before and after the minimum wage hike with Pennsylvania's minimum wage remaining unchanged as a control group [3]. The study estimated the impact of the minimum wage increase by comparing changes in wages, employment, and prices in New Jersey and Pennsylvania. In comparison to the employment trends observed in Pennsylvania, the minimum wage increase in New Jersey led to an increase in employment at fast food restaurants, particularly those that had been paying lower wages prior to the increase. Fast food restaurants in New Jersey saw a 13% increase in employment, while stores that paid higher wages and stores in Pennsylvania did not see significant changes in employment growth. In addition, the traditional economic theory that “raising the minimum wage reduces employment” was challenged, and the increase in the minimum wage did not negatively impact employment, and even led to job growth in New Jersey. In terms of price, fast food prices in New Jersey were relatively higher, and some of the costs may have been passed on to consumers. Therefore, minimum wage policies may be an effective tool in certain economic environments [4].

3. The Implementation and Effects of Active Labour Market Policies

3.1. Micro-analysis of Youth Employment Policies

Globally, the design and implementation of youth employment policies face a number of challenges, particularly in promoting the integration of low-skilled youth into the labor market. Implementation of efficacious policies has the potential to boost employment rates and to augment the remuneration and career prospects of young people. Previous studies have used micro-econometric methods to provide an in-depth analysis of youth employment policies in different countries, focusing on the impact of training programs and payroll tax subsidies targeting low-skilled youth. Fougere et al. analyzed the impact of youth employment policies in France, thus exploring training programs and payroll tax subsidies for low-skilled youth, through a microeconomic approach [5]. The impact of youth employment policies in France is assessed, particularly three types of active labor market policies: employment programs for low-skilled unemployed youth, on-the-job training programs, and

payroll tax subsidies for minimum wage workers. An analysis of the impact of these policies on youth employment rates and wages, with a particular focus on young people between the ages of 16 and 30, found that most of the training programs for unemployed young people did not have a significant effect in terms of increasing wages and employment opportunities, unless they included a significant training component. In contrast, policies that reduce labour costs (e.g. payroll tax subsidies) have a significant effect on the probability of employment for low-wage workers, especially among the group of workers between the ages of 25 and 30. While the overall effect of training programs is limited, measures to reduce labor costs are effective in increasing employment opportunities, especially among low-wage workers. Besides, the insurance function of these policies during economic downturns can prevent the loss of human capital during periods of unemployment. More attention should be paid to medium- and long-term policy impacts, and the use of data, especially matched data on employees and employers, should be enhanced to assess the impact of training on firm productivity.

3.2. Integration Strategies for Global Youth Employment Programs

Effective youth employment programs require a multi-dimensional, integrated strategy to meet the needs of different countries and economic environments. Kluve et al. argue that integrated policies, such as combining skills training with entrepreneurial support, are more likely to be successful in low-income countries [6]. This observation, based on evaluations of various employment programs, highlights the importance of comprehensive strategies. Through a systematic literature review and meta-analysis, it assesses the effectiveness of 113 youth employment programs globally, including 3,105 effect estimates across 107 different interventions. Despite the relatively small unconditional average impact of the programs on employment and earnings were small, with only one-third of the effects being significant, interventions in low- and middle-income countries showed higher success rates, especially in skills training versus entrepreneurship support. The data show that successful youth employment programs typically better respond to the complexity of the youth labor market by integrating skills training, employment services, and entrepreneurial support. In addition, details of program design and implementation, such as individualized demand response, tracking systems, and incentives, are critical to improving program effectiveness. While some interventions have limited impact in the short term, their effects tend to increase in the medium to long term, especially in low- and middle-income countries with limited resources. In addition, the importance of the quality of project design and implementation and the need for flexibility in responding to the different needs of the youth labor market in different economic environments. Policymakers should prioritize the promotion of service integration and individualization strategies to improve youth employment opportunities, especially under resource-limited conditions. Future research could further explore how to optimize these integrated strategies to improve their applicability and effectiveness across different populations.

4. Key Challenges in Youth Employment Interventions

4.1. Difficulties in Cost-Benefit Assessment

Evaluating the cost-effectiveness of youth employment interventions is crucial for ensuring policy efficacy. However, research by Betcherman et al. highlights significant difficulties in this area [1]. Among the 289 projects analyzed across 84 countries, only 44% were deemed both effective and cost-efficient, despite many policies achieving positive employment outcomes. Approximately 60% of the projects positively influenced the labor market, yet less than half achieved cost-effectiveness. In developing countries like India and South Africa, the quality of evaluations is often inadequate, with many projects lacking rigorous assessment methods, leading policymakers to potentially

overestimate their effectiveness. For instance, while India's skills training programs have somewhat improved youth employment, the absence of detailed cost analysis makes it difficult to ascertain their true benefits. Similarly, South Africa's youth employment interventions, despite good intentions, often fail to provide clear cost-benefit data due to inadequate evaluations. This situation poses challenges for decision-makers in resource allocation, making it difficult to ensure optimal use of limited resources. Therefore, improving the quality and rigor of youth employment project assessments is an urgent necessity to address these cost-benefit evaluation challenges.

4.2. Mismatch Between Skills Training and Market Demand

The mismatch between skills training and market demand is a significant factor influencing youth employment. Youth employment interventions can be classified into nine types, with skills training representing the most prevalent approach, comprising 39% of the total number of projects. This intervention has been widely implemented in Latin America and OECD countries. However, many skills training programs fail to effectively align with market needs, leaving young people struggling to find jobs. Research by Dev and Venkatanarayana focuses on the state of youth employment and unemployment in India, particularly the impact of the youth demographic dividend on economic growth [7]. The data indicate that, despite rising school enrolment rates, the labor participation rate for youth aged 15 to 24 has gradually declined, and the youth unemployment rate remains high. High-educated youth, in particular, face greater challenges in finding jobs that match their skills. Although India has a considerable advantage in terms of its youthful population, this potential will be challenging to actualize without enhancements to the caliber of its educational and vocational training programs, which underscores the necessity for skills training initiatives to be more closely aligned with market demand.

4.3. Gender Differences and Structural Barriers

Gender differences and structural barriers are critical issues that need to be addressed in youth employment interventions, as they significantly affect the fairness and effectiveness of policies. For instance, Okojie analyzes youth employment in Africa from a gender perspective, highlighting the unique challenges faced by women. Despite the implementation of numerous policies designed to facilitate youth employment, female labor force participation rates remain considerably lower than those of their male counterparts, suggesting the presence of pervasive structural impediments [8]. Problems encountered by women include inadequate educational opportunities, legal and cultural constraints, and difficulties in accessing resources. In rural areas, they are often concentrated in agriculture and informal economies, facing poor working conditions and unstable incomes. Though there are successful cases in some developing countries, such as skills training and micro-credit schemes in Nigeria, which have provided women with increased entrepreneurial opportunities, the overall improvement in women's position in the job market remains limited. Therefore, youth employment policies must prioritize the needs of women by offering more educational and training opportunities, improving legal frameworks to eliminate gender discrimination, and increasing financial support for female entrepreneurship. These measures can address the challenges posed by gender differences and structural barriers, enhancing women's employment levels and job quality, ultimately promoting sustainable economic development. This analysis underscores the complexity of youth employment interventions and emphasizes the responsibility of policymakers in addressing these challenges.

5. The Design and Implementation Recommendations for Youth Employment Policies

5.1. Effectiveness and Implementation Strategies

The effectiveness of youth employment policies often hinges on their design and implementation. Effective policies often integrate multiple services, such as skills training, entrepreneurship support and employment services. This integrated approach has been achieved with varying degrees of success in different countries. In the evaluation of global youth employment interventions, Kluve et al. identified four main strategies: skills training, entrepreneurship promotion, employment services, and wage subsidies [9]. It covered 113 evaluations of 107 interventions in 31 countries, targeting young people aged 15 to 35 in low, middle, and high-income groups. The findings indicate that youth employment interventions generally have a positive impact on employment and income, though the degree of impact varies significantly. Specifically, entrepreneurship promotion and skills training programs are most effective in enhancing employment and income, particularly in low and middle-income countries. In contrast, the effectiveness of employment services and wage subsidies tends to be limited or insignificant. Additionally, the research suggests that interventions aimed at vulnerable groups, especially low-income and low-education youth, tend to be more effective in increasing income. Programs targeting women are sometimes superior to those targeting men. The design of policies and programs should therefore focus more on the “how” of implementation rather than just the “what” emphasizing the need to consider the specific needs and contexts of the target population in the design process. Though current evidence shows that youth employment initiatives have yielded some favorable outcomes for disadvantaged youth, further rigorous investigation is necessary to ascertain the long-term impacts and economic cost-effectiveness of these initiatives. This will provide a more robust foundation for policymakers to allocate resources in an efficacious manner.

5.2. Policy Coordination and Economic Environment

The effectiveness of youth employment policies is closely linked to the economic environment of a country. In periods of economic decline, young people are more likely to experience elevated rates of unemployment and job insecurity. This underscores the necessity for policymakers to give due consideration to these particular economic circumstances when developing employment policies. For example, O’Higgins highlights the significance of policy implementation quality as well as coordination, providing practical recommendations for policymakers, scholars, and stakeholders to enhance youth employment effectiveness [10]. The research delves into the impacts of macroeconomic policy, labor market policy, minimum wage policy, self-employment, and informal employment on youth employment. It reveals that expansionary fiscal policies during economic downturns, particularly through increased government spending to stimulate growth and reduce youth unemployment, show significant positive effects. Such policies not only directly create jobs but also indirectly increase youth participation in the labor market. In addition, the findings show that the negative impact of minimum wage policies on youth employment is relatively small, suggesting that moderate adjustments to the minimum wage can be effective in avoiding substantial disruptions in the youth labor market. Wage subsidies and support for self-employment are also effective in improving the long-term employment prospects of youth, especially in promoting entrepreneurship and upgrading job skills. In low- and middle-income countries, the prevalence of informal employment underscores the urgency for policy development. To improve the quality of youth employment, policies should focus on the formalization of informal jobs and related support measures to enhance income levels and overall employment conditions. Youth employment policies should therefore be tailored to the specific macroeconomic context and coordinate various policy instruments, such as expansionary fiscal policies, labour market interventions, skills training and entrepreneurship

support, in order to increase the level of decent employment for youth. Moreover, it is essential to explore the interactions between different policy tools to establish a comprehensive and effective youth employment policy framework, especially in times of economic instability, when timely and targeted measures are crucial.

6. Conclusion

The effectiveness of policies to promote youth employment varies significantly across the globe, and the design and implementation of these policies directly affect their outcomes. Fully integrated interventions, such as combining skills training with entrepreneurship support, tend to produce better results in low- and middle-income countries. Besides, while most youth employment policies are effective in the short term, they still face substantial challenges regarding cost-effectiveness and long-term impacts. This indicates that policies need to be more targeted and should incorporate sustainability and efficiency in their implementation. Differentiated policies that address the specific needs of youth are particularly crucial in countries like India, where it is essential to create more job opportunities while improving the quality of education and skills training. In addition, it is imperative to consider the impact of gender and regional disparities in youth employment, particularly in Africa, where young women encounter more significant structural impediments and necessitate more comprehensive policy assistance. Future youth employment policies should be better integrated with the macroeconomic environment and micro interventions to respond flexibly to youth unemployment caused by economic fluctuations. In addition, the success of policies should not be measured only by short-term employment growth, but should also focus on long-term career development and socio-economic benefits. Improving the quality of policy assessments and paying attention to the details of implementation will contribute to sustained improvements in youth employment globally.

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