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**DRIVERS OF YOUTH UNEMPLOYMENT IN
SELECTED ACP STATES**

by
Marlyn Nadia Prince

A thesis submitted in partial fulfillment of the
requirements for the Degree of
Master of Commerce in Economics

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School of Economics
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DEDICATION

“Now to him who is able to do immeasurably more than all we ask or imagine, according to his power that is at work within us.”

(Ephesians 3: 20 New International King James Version)

This thesis is in dedication to my parents Geneva & Joseph Prince (memory), and my siblings (Esther, Julie, Alisha, Paul, Dornna and Alan) who always inspired me to reach the pinnacle of my abilities. Hoping that this work will in turn serve as an aspiration for you all. God bless our family.

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ABSTRACT

This thesis examines issues of youth unemployment and aspires to determine its key drivers in a sample of countries of African, Caribbean and Pacific (ACP) countries. These countries are South Africa, Sudan, Ethiopia, Mozambique, Zimbabwe, Zambia, Mauritania and Nigeria (of the African region); St. Lucia, Barbados, Jamaica and Trinidad & Tobago (of the Caribbean) and Fiji, Solomon Islands, Samoa and Papua New Guinea of the Pacific. The sample of countries and time period selections were based on the availability of data.

Panel data estimates show that higher income and improved democracy reduce youth unemployment while an increase in male-to-female participation in the labor force (gender disparity) increases youth unemployment. In the small states sub-sample of the ACP states, while income and democracy do matter, higher inflation increases unemployment and Government spending on education tends to reduce youth unemployment. The findings indicate that national Governments, donors and international agencies as well as the NGOs may consider initiatives surrounding these important variables.

LIST OF ACRONYMS

ACP	African Caribbean and the Pacific
ADB	Asian Development Bank
AfDB	African Development Bank Group
ALMP	Active Labour Market Policies
AR	Autoregressive
CARICOM	Caribbean Community
CDB	Caribbean Development Bank
CSO	Central Statistical Office
CYEP	Caribbean Youth Empowerment Program
ESCAP	Economic and Social Commission for Asia and the Pacific
EUROSTAT	Statistical Office of the European Communities
FAO	Food and Agriculture Organization for Latin America and the Caribbean
FE	Fixed Effects
GDP	Gross Domestic Product
GFC	Global Financial Crisis
ICLS	International Conference of Labour Statisticians
ICT	Information and Communication Technologies
ILO	International Labour Organization
IMF	International Monetary Fund
IOE	International Organization of Employers
ITF	International Youth Foundation
KILM	Key Indicators of the Labour Market
MDGs	Millennium Development Goals
NEET	Not in Education, Employment or Training
NICE	National Initiative to Create Employment
NSO	National Statistical Office
OECD	Organization for Economic co-operation and Development
OECS	Organization of Eastern Caribbean States
PNG	Papua New Guinea

PROUD	Project for the Rationalization of Unplanned Development
RE	Random Effects
SDGs	Sustainable Development Goals
SGMM	System General Methods of Moments
STEP	Short Term Employment Programme
SPEA	South Pacific Engineers Association
SPC	Secretariat of the Pacific Community
TVET	Technical Vocational Educational and Training
UN	United Nations
UNDP	United Nations Development Programme
UNESCAP	United Nations for Economic and Social Commission for Asia and the Pacific
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFPA	United Nations Population Fund
UNICEF	United Nations Children's Fund
USAID	United States Agency for International Development

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CHAPTER 1 INTRODUCTION

1.1 Overview

Youth unemployment is a major contributor to economic and social challenges of many developing countries including those in the African, Caribbean and Pacific (ACP) region. Youth unemployment has reached critical levels and is now at crisis point. Subsequently, it has to be addressed with greater urgency. The ACP countries are highly vulnerable, have limited scope for income growth and sustain weak social & institutional structures. In addition, these countries are limited by their land-size, are highly import dependent and exposed to domestic, natural and international shocks. However, their ability to mitigate most of these challenges is limited.

The International Labour Organization (ILO) has warned that, globally, youth unemployment is expected to rise over the medium-term, putting at least a generation at risk of attaining their income and livelihoods (ILO, 2014). In their 2016 review, the ILO revealed that global youth unemployment is expected to reach over 15 % by 2020. In some countries, this would be much higher approaching 40% or even more. Developing countries are expected to see an increase by around 0.2 million in 2016 to 7.9 million unemployed youths in 2017. Estimates put this to about 22 million job-seekers globally by the end of 2018 (ILO, 2016).

Such trends have important implications for the world economy. The intensity of unemployment is very crucial as some of these youths are expected to be unemployed for long period due to limited skills and low levels of education and training. Paul (1991) argues that the misery of a person varies proportionately with the intensity of unemployment and one can imagine what the youths must be going through in terms of limited to no income, devastated aspirations and ill-fare. It is estimated that approximately 156 million youths in emerging and developing countries live in extreme poverty¹. In the fight against youth unemployment, the United Nations has set-up youth (and women) employment and empowerment facilities and programs as priority targets for the Sustainable Development Goals

¹ The ILO (2015) estimates that unemployed youths earn less than US\$1.90 (per person) per day.

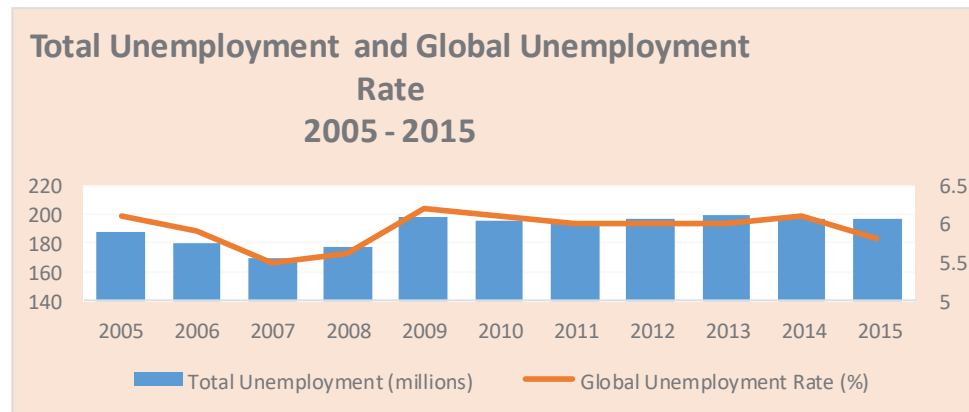
(SDGs). Subsequently, the ILO has already piloted many youth programs worldwide including in the ACP states. The UN Secretary-General's Youth Employment Network has formed partnerships with the World Bank and the ILO to raise awareness and to conduct strategic planning for inclusion of youths in national labor forces. Given the gravity of the situation, this thesis attempts to investigate the major drivers of youth unemployment in the 16 small developing states of the ACP region. It intends to provide strategic pathways for addressing youth unemployment in national economies as well as to international agencies working in these economies.

1.2 Background

There is an urgent need to deal with youth unemployment. This global phenomenon can potentially unleash deleterious long-term effects on social security and economy stability. The urgent call for action cannot be over-emphasized as youth unemployment poses huge socio-economic costs to many countries regardless of their stages of development. Youth unemployment is critical in developing countries due to high incidence of poverty and lack of productive opportunities already present in these states (ILO, 2011). In smaller states of the world, this is even more pressing. In 2016, the global economic growth stood at 3.2 per cent, 0.4 percentage points lower than predicted. Developing countries realized 4.2 % in 2016, but also below projections. In the last decade, global total unemployment situation seems to have deepened. For example, in 2015, global unemployment reached 197.1 million, an increase of almost one million over 2014 (27 million higher than pre-financial crisis) (ILO, 2015). Figure 1:1 provides some unemployment statistics.

In addition, lower than expected economic growth has led to a decline in long-term capital investment, increased income inequality and weakened productivity gains. Consequently, decent work-gap remains pervasive across all the different sections of the world. The Organization for Economic Cooperation (OECD) show that high levels of unemployment are often found in particular groups such as ethnic minorities, significantly deprived children, early school-dropouts, rural youths, and youths in dis-jointed families (OECD, 2013). It is hoped that national development programs and those promoted by the international agencies would absorb a good proportion of the unemployed youths.

Figure 1:1 Total Unemployment and Global Unemployment Rate



Source: The International Labor Organization (2016)

For emerging and developing countries, it is expected that labor force participation rates will decline mainly due to cyclical and structural effects (ILO, 2015). Similarly, youth unemployment is set to increase. Table 1.1 shows some ILO projections through to 2018.

Table 1.1: Youth Unemployment Rates (%)

	World	Developed Economies and European Union	East Asia	South-East Asia and the Pacific	South Asia	Latin America and the Caribbean	Middle East	North Africa	Sub-Saharan Africa
2007	11.6	12.5	8	14.8	9.2	14.1	23.9	24.2	11.7
2008	12	13.3	9.2	14.1	9.5	13.6	24.1	23.7	12.1
2009	12.9	17.4	9.4	13.9	9.8	15.5	23.7	23.9	12.1
2010	12.9	18.1	9.1	14.5	9.7	15	26.2	23.7	12
2011	12.7	17.6	9.4	12.9	9.7	14.3	26	28.1	11.9
2012	12.9	18	9.7	12.7	10.1	13.8	26.6	29.2	11.9
2013	13.1	18.3	10.1	13	10.2	13.6	27.2	29.4	11.9
2014*	13.2	18	10.5	13.3	10.4	13.5	27.9	29.5	11.8
2015*	13.2	17.4	10.8	13.5	10.4	13.4	28.2	29.5	11.7
2016*	13.2	16.8	11.1	13.6	10.4	13.3	28.4	29.5	11.7
2017*	13.2	16.3	11.4	13.8	10.4	13.2	28.5	29.5	11.7
2018*	13.2	16	11.6	14	10.4	13.1	28.6	29.5	11.7

Source: The International Labor Organization (2014)

The ILO claims that global youth labor force participation rate declined from 53.6 % in 2000 to 45.8 % in 2016. They estimate that young people are three times more likely to be unemployed than adult workers. O’Higgins (2001) concludes that for every country in which the statistics are available, youth unemployment rates are

general higher than that of adult population. Despite the improvements in educational attainments of young people, unemployment rates seem to have risen and as stated by the ILO (2015, 2016) the risk of higher youth unemployment remains. Studies also show that a large number of youths are neither employed, nor in education or training (NEET)². This could result in skills deterioration and under-employment as continued periods of joblessness has serious consequences on the young people. Lower levels of investment and weak economic growth underpin the incapability of an economy to competently generate sustainable employment opportunities (ILO, 2008).

Many young individuals entering the labor force are left to compete for limited available jobs. In addition, they fail to have sufficient education or training and therefore lack relevant labor skills. They also suffer from skills-mismatch largely due to the limited education or wrong choice of career. The forgoing poses serious strain on their employability and future prospects. The underlying problems can be put into context by analyzing region-specific unemployment trends and dynamics of youth labor market. Below is a contextual summary of the three regions.

1.3 Youth Unemployment in the ACP States

The ACP countries have seen alarming and unprecedented rates of youth unemployment. According to the United Nations Children Fund (UNICEF) and the United Nations (UN), it is expected that countries in the African region suffer most from poverty, hunger and chronic diseases. It is expected that by 2025, two-thirds of African population will be below the age of 25 (UNICEF, 2014; UN, 2015). Although economic progress in Africa has been significant, (averaging around 5 % annually since late 1990's), growth rates in sub-Saharan Africa has weakened from 4.9 in 2014 to 3.6 in 2015. Approximately, 54 % of African youths are unemployed and about a three-quarter of them are surviving on incomes of less than US\$2 per day (World Bank, 2013). The ILO (2016) predicts that youth unemployment for sub-Saharan Africa will continue as the outlook for major countries in the region remains

² NEET is defined as the share of the youth population that are neither employed, or in education or training. About 25 % of the youth population between the age of 15 and 29 years are in the NEET category, ILO (2016).

mixed. For example, in South Africa, it is predicted that half of all active youths will remain without work in the period leading up to 2020. In the last decade alone, Gross Domestic Product (GDP) per capita for Africa dwindled at low rates while population growth reached its highest. The ILO and the African Development Bank converge in estimating that 18 % of young men and 27 % of young women in Africa are illiterate and unprepared to satisfy the skills demand of African labor market (ILO, 2016; AfDB, 2015). Females are more prone to this situation due to lower levels of school attainment and less than relatively exposed to workplace attachments. With the Ebola epidemic in Western Africa, businesses activities have declined significantly. Agriculture and mining sectors were most hit due to weakening labor force leading to massive job losses and further increase in vulnerability and unemployment of the youths.

The situation is not too different in the Caribbean whose population is fairly youthful with over 60 % being below the age of 30 years and those in between 15-19 years comprise slightly over 20 % of total population. The ILO (2016) expects youth unemployment to increase close to 20 % by 2020. Macroeconomic situation in the Caribbean remains far from being conducive for promoting decent and sustainable jobs. Most of the countries in this region have experienced severe economic declines mainly due to the loss of preferential treatment in agriculture, insufficient market supply and low levels of sectorial productivity. The tourism industry is highly import dependent which poses a negative impact on external equilibrium and provides limited economic gains in real domestic incomes and welfare.

In addition, many countries in this region have resorted to structural adjustment programs which have forced a reduction in government spending in health, education, housing and social welfare programs. The 2008-9 Global Financial Crises drove these economies into further recession and external debt which resulted in a regional average growth rate of zero % in 2010 (World Bank, 2014). In addition, natural disasters have had serious consequences on these economies, notwithstanding

their increased frequency and intensity³. Against this backdrop, managing youth unemployment is a tough challenge for policy makers.

The Pacific region is not immune to the problems of youth unemployment. For this region, youth unemployment rate is expected to increase over 20 % by the turn of the next decade. According to the UNICEF and the United Nations Population Funds (UNFPA) the unemployment in the 15-24 year old age bracket is twice as much as that of total workforce (UNICEF & UNFPA, 2013). It is also reported that many of these young individuals have been exasperated with inadequate employment prospects and subsequent frustrations translating into negative externalities such as violence, anti-social and destructive behavior, and social and moral conflict and tensions. As in the other two regional contexts, youths in rural and remote communities are most vulnerable to limited schooling, low employment opportunities and persistent unemployment. Studies have shown the chances of young women who comprise about one third of total unemployment in Samoa, Fiji, Marshall Island and the Solomon Island of finding decent employment are less than those of their male counterparts (ILO, 2009).

Inadequate levels of education, low quality of academic and skills training, low rates of economic growth, weakening private investment, insufficient job skills and cultural norms that stereotype women as the key agents for household chores are among the underlying factors for youth unemployment in this region (ILO, 2011; AfDB, 2012). In Samoa, Tonga and other smaller Micronesian economies of the region, external labor markets in Australia, USA and New Zealand absorb a good majority of the youths who have migrated. In Fiji, growing economic prospects has reduced migration rates but has been an important stimulus for youth employment. Papua New Guinea (PNG) and the Solomon Islands youths are more seriously affected due to limited employment opportunities, weak economic governance and inadequate education attainment. However, the region is very concerned with the rise in youth unemployment and its related problems.

³ Strobl and Bertineli (2013), state that one with damage equivalent to over 2 % of GDP is expected in every two to three years.

In summary, for the ACP region as a whole, youth unemployment rate shows diverse trends. Persistent youth unemployment results in high social costs, in addition to malnutrition, mental illness, loss of self-confidence, depression and even poverty and hunger (Pervaiz *et al.* 2012; Ali. 2014). Persistence in such unemployment rates undermines any meaningful contribution of the youths to the society. Many countries have sought to address this through various initiatives. However, these seem to be narrow in scope and time sensitive as the policy priority often changes with macroeconomic cycles. The challenge for policy makers in the three ACP regions is to unveil the labor market dynamics and steer the initiatives in the right direction (Kahraman, 2011).

Additionally, the initiatives should carefully consider the prevailing poor working conditions, low pay, limited opportunities and low levels of skills development in the youths (ILO, 2015). It is important to note that reducing youth unemployment should be part of a larger challenge for promoting income equality and reducing poverty. Although the ACP countries are trying to combat this problem, youth unemployment continues to persist with multitude of adverse consequences. If these economies desire to see significant growth, improved welfare and standards of living of its citizens, the problem of youth unemployment must be tackled carefully. Governments must take immediate action to avoid a permanent increase in youth unemployment rates. However, for this to happen, we need sustained economic growth and better quality youth-related official statistics.

1.4 Definitional Issues

This section discusses data and measurement issues. The earliest efforts to establish an international statistical standard for measuring unemployment can be traced back to 1895. However, the standard definition of unemployed by the Eight International Conference of Labour Statisticians (ICLS) convened in Geneva (1954) defines unemployed as a person above the age specified for measuring economically active population who during the reference period simultaneously satisfies the following three criteria:

- (a) 'Without work' i.e., were not in paid employment or self-employment as specified by the international definition

- (b) 'Currently available for work' i.e., were available for paid unemployment or self-employment during the reference period and
- (c) 'Seeking work' i.e., had taken specific steps in a specified recent period to seek paid employment or self-employment.

Countries use variations of the international standard on age limits, unemployment reference periods, criteria for seeking employment, treatment of persons who are temporarily laid-off and the first time work seekers. For developing countries, the ICLS provisions relates to the situation where the conventional means of seeking work are of limited relevance, where the labor market is inefficient, where labor absorption is at the time inadequate or where the labor force is largely self-employed. According to the ILO (2013), this confuses the users of statistics and may lead to misunderstanding.

Barbados, St. Lucia, Guyana, and Jamaica adopt the international standard of ILO (Barbados Statistical Service, 2015; St. Lucia Statistical Office, 2010). Trinidad and Tobago adopts a broader definition than most developed and developing countries. According to the Central Statistics Office (CSO) of Trinidad, unemployed are those currently seeking employment and those non-active persons that looked for work during the three month period preceding the interview and who at the time of interview does not have a job but desires employment (CSO, 2016).

Most countries in the Pacific also use the ILO standard definition. However in Kiribati, according to the Economic and Social Commission for Asia and the Pacific (ESCAP), because of the predominance of informal and subsistence sectors (which naturally makes it difficult in determining who is actively seeking for work), the contextual application of this definition is hard (ESCAP, 2007). In addition, employment agencies are extremely scarce which makes reporting and intention of looking for work immensely difficult. Therefore, it may not be that persons are not looking for work but that the means of indicating so are unavailable, making the definition challenging to apply (ESCAP, 2007). A related report for PNG, Booth (1995), share similar sentiments with that of the ESCAP 2007 report. Many African countries use the standard ILO definition of unemployment. In South Africa, an

unemployed is one who is capable of working but had not done so and actively looked for work or tried to start a business at some point in the four weeks preceding the employment/unemployment survey. In this context, both the definitions of youth unemployment are used. For persons between the age range: 15-24, who desire to work or are actively searching employment, is considered in the official statistics for unemployment.

There remain critics of the ILO standard definition of unemployment especially for the African Countries. Baah-Boateng (2015) argues that adaptation of the ILO definition of unemployment is too narrow for the context of developing countries and that these estimates are misleading and consistently underestimates the true extent of unemployment. Baah-Boateng uses correlation analysis to suggest that in the African states, high level of informality conceals the true level of unemployment in the region. The findings also suggested that the ILO definition fails to account for discouraged and underemployed workers. He recommends that a broader definition to be used for developing countries. Other studies such as Fares *et al.* (2006) and Cling *et al.* (2007) conclude that the standard definition is inadequate to define low income countries labor market. Unemployment in developed countries are usually characterized by labor demand and supply gaps while those in the developing countries are characterized usually by disguised employment (Boateng, 2000).

Second, the issue of youth is one which varies as well depending on the approach taken by different countries given their political, social and legal contexts. The standard definition of youth as described by the ILO, United Nations Educational Scientific and Cultural Organization (UNESCO) and the United Nations refers to persons between the age ranges 15-24, however, statistical practices will adopt the definition of youth as used by particular member states (ILO 2013; UNESCO 2012; UN 2014). The Commonwealth (2015) defines youth as those within age 15 and 29. Country data show that it is not rigidly defined by the age criterion although the age group 15-24 year is often used for statistical convenience. The African Union expands the UN definition and defines youth as persons between the ages of 15-35 years (AfDB 2012) while The African Youth Charter classify youth as those within 18-35 age range.

There are regional and country differences in youth age. For many countries of sub-Saharan Africa, youth is defined as those from 15-30 years (UNICEF & UNFPA, 2013). In the Caribbean, Caribbean Community and Common Market (CARICOM) uses 15-20 years however, many youth policies categorize them as in the ages of 15 to 30 years (Alexis, 2000). Jamaica defines youth as persons 14-24 years of age. The National Youth Policy of Trinidad and Tobago (2014) defines youth as a “person between the ages of 12-29 who are becoming independent of parents and learning to master the biological, physiological, political, economic and social changes associated with this period of transition. St. Lucia uses a different age bracket (10-35) as outlined by the National Youth Policy. The policy encapsulates the view that youth begins at a stage where people begin to assume responsibility for their actions and required to begin making decisions and where they have achieved a measure of independence (St. Lucia Ministry of Education, Youth and Sports, 2014). The Barbados National Youth Policy which is in line with the Commonwealth Youth Program that defines youth as those between 15-29 years of age. In the broader Pacific, the Secretariat of the Pacific Community (SPC), UNICEF and UNFPA defines youth ages range from 14-24 years (UNICEF, SPC & UNFPA, 2011). This age range is also used in PNG. The Solomon Islands National Youth Policy defines youth as young women and men between 14-29 years of age. The National Youth Policy of Fiji (2011) defines youth as those both males and females between the ages of 15-35 years while youth as defined by the Samoa’s National Youth Policy refers to those of 18-35 years.

Generally, the lower age limit is usually determined by the minimum age for leaving school and the upper limits relates with the prevalence of intensity of employment in the country. In particular, the lower age boundary for the youth is usually disposed by the minimum age for leaving school. Consequently, the lower age bound often varies between 10 to 16 years across different countries (ILO, 2011). In most developing countries, the age 15-24 years is the school age where youths are still gaining knowledge and skills, necessary for the labor market. The country specific contexts are essential and reflective to economic background, class and cultural settings that differ from international norms. These differences in definition of different countries’ official statistics make cross-country comparisons challenging.

1.5. Weaknesses in Statistical Capacity

Youth unemployment is a multi-dimensional concept rooted in the economic and social aspects of a society (Saunders, 2002). Consequently, any policy intervention requires pertinent data and information on number, reason, extent, intensity, length of unemployment, demographics and trends of youth unemployment. These will help policy makers determine the measures to be taken towards improving this situation and maintaining the viability of the programs. Two major issues in the measurement of unemployment are its identification and quantification (construction of a measure) of unemployment (Paul, 1991). First, the question of “who is unemployed” poses a big problem in the measurement of unemployment. This can give rise to over or understated employment statistics. Countries categorize boundaries of unemployment differently and as established earlier, the standard definition of unemployment refers to a person who is without work, is seeking and is available for work. To derive the unemployment rate, the number of persons unemployed must be a known factor as well as the labor force because it is the ratio of the former to the labor force.

Given the most precise definition of unemployment, it cannot entirely prevent borderline cases where ambiguities will occur (ILO, 2014). The borderline category includes those in-between employed and unemployed, young job seekers working on community programs, people working short hours involuntarily and those working terminal jobs while looking for permanent employment. According to the ILO (2014), a slight alteration or misinterpretation of one or more features of definition can entail a drastic change in the statistical classifications. For example, discouraged workers can understate the unemployment rate. Discouraged workers are those who do not search for jobs on the basis that their chances of obtaining suitable work are far too low. Thus, they are not counted in official statistics. This situation is even more pronounced during recessions. Also, part-time workers who would like to work full time are counted as employed. Persons in this category represent unused labor which is available and therefore understates unemployment. Young people searching for their first job will go through first a period of unemployment and is more likely to switch jobs more frequently.

The method of collecting unemployment statistics vary from country to country. Some governments use unemployment insurance to determine the number of unemployed. However, some argue that this does not capture accurate information but just the data on those who claimed the benefits. Additionally, for developing countries, unemployment insurance is usually very limited, and as a result, statistics from this indicator would be inadequate. To capture data precisely, the ILO utilizes labor force together with employment & unemployment surveys. These surveys are conducted by the National Statistical Offices (NSO) which produces valuable information. These surveys are almost totally comprehensive in coverage and the same can be designed to represent the entire population which includes the various categories of unemployed. There could be problems in survey data related to validity and reliability but these are the usual challenges for official statistics and the NSO statistical processes.

1.6 Objectives of Research

This research seeks to:

- a) Provide empirical evidence on major determinants of youth unemployment;
- b) Explain the key issues of youth unemployment in ACP countries; and
- c) Derive pragmatic policy recommendations aimed at addressing youth unemployment problem in these countries.

1.7 Research Method

Sixteen countries in the ACP group⁴ are chosen. The sample has eight from African region and four each from the Pacific and Caribbean. The choice of countries is based on pragmatic sampling – one which provides consistent data from the three regions. Table 1.2 lists these countries which altogether inhabits approximately 261 million people or 25 % of total ACP population. This is a desk study which uses published data to quantify the major drivers of youth unemployment. Country reports, policies and strategies are used to tabulate existing strategies and validate them from existing research findings. Empirical methods are used to qualify the key

⁴ The ACP group of states consists of 79 countries in the African (48), Caribbean (16) and the Pacific (15) created by the Georgetown Agreement in 1975, all of whom except Cuba, are signatories to the ACP-EC Partnership Agreement (Cotonou Agreement) with the European Union.

determinants. All relevant data series are extracted from the NSO's, the International Monetary Fund (IMF), ILO, World Bank, Central Banks, Government websites and other key regional reports and policy documents.

Table 1.2: Selected Sample Countries

Region	Countries
African	South Africa, Ethiopia, Mauritania, Mozambique, Sudan, Zambia, Zimbabwe, Nigeria
Caribbean	Jamaica, Barbados, St. Lucia, Trinidad
Pacific	Fiji, Samoa, Solomon Islands, Papua New Guinea

1.8 Organization of Thesis

Following this introduction, Chapter 2 develops an extensive literature on youth unemployment. Chapter 3 explains modeling methodology and summarizes the key findings on determinants of youth unemployment. Country-specific policies & programs arranged in thematic areas together with possible intervention strategies are discussed in Chapter 4. The final chapter 5 concludes the thesis with key findings, policy implications and limitations.

1.9 Contributions of Research

Youth unemployment is serious and this study will be useful for designing policies and intervention strategies for dealing with youth unemployment. In addition, this study empirically tests determinants of youth unemployment and suggests how youth unemployment can be addressed in ACP region.

1.10 Concluding Comments

This introductory chapter is an overview of the prevalence, nature and trends in youth unemployment in the sampled ACP countries. It states that problem, research objectives, definition and measurement issues. This introduction is the backdrop for the proceeding chapters of the thesis.

CHAPTER 2: A SURVEY OF LITERATURE

2.1 Introduction

As stated earlier, youth unemployment has reached crisis levels in many countries. The ACP states are managing their situation albeit being highly vulnerable to shocks, having limited scope for economic growth and weak social & institutional structures. Despite this, the national Governments, together with regional and international agencies continue to promote youth employment. A good collection of these initiatives are therefore important. The summary of the literature below is organized as follows: Section 2 explains the theoretical foundations of unemployment followed by a summary of the nature of youth unemployment in the ACP region in section 3. The major forms of youth inactivity in these countries are discussed in section 4 and the consequences of youth unemployment are stated in section 5. A synthesis of these sections is done in section 6 with conclusions stated in section 7.

2.2 Theory of Unemployment

Over the years, there has been considerable debate on unemployment. However, there is no confined theory on youth employment. In fact, the latter is nested within the general theories of unemployment. In this review, we summarize the key sources of unemployment proposed by various schools of thoughts and relate youth unemployment to these foundations. Despite the rich developments in thinking about unemployment, initially the classical school provided important leads.

Briefly, in a classical world, competition for acquiring and sustaining limited number of jobs promotes productivity and wage growth. This automatic process reduces persistent unemployment because, in that, unemployment represents a personal choice to stay away from productive activity, which is renowned to have delirious impact on human welfare. Anything that can improve welfare and income is productivity, and the conventional wisdom in the neoclassical paradigm is that if productivity remains high, there is limited scope for unemployment to persist. This idea contrasts a few other lines of thinking. For instance, socialist economists argue that since income and technology are clustered among the elite capitalists, and if

remaining population is huge, unemployment can be widespread and therefore would require active welfare policies. Naturally, unemployment hits those in lower income brackets and a selected segment of this group (less educated, rural and remotely located) is the most vulnerable. These economists state that income redistribution is welfare enhancing and can be promoted by state intervention. For them, such mechanisms can minimise welfare impact of unemployment, the luxury of which is not available in a fully-fledged classical system. However, re-distributive policies can potentially promote equal opportunity, reduce unemployment but cannot prevent market distortions and social costs. The idea of intervention is also supported by the neo-classical school, at least in the near-term, before market forces become operational. Marxists economists agree with the Socialists on state intervention (see below) but more structured in the Keynesian system, the state plays the important role of re-vamping the economy through employment and welfare support programs especially during recessions.

In the classical competitive world, unemployment occurs when real wage rate is below the market clearing level resulting in excess supply of labor, well over available number of jobs. If wage rate falls below the livable cost (reservation wage), workers no longer value the job but retrain themselves for another or seek leisure. However, even in the classical's efficient system, unemployment could persist even though the economy almost always functions at full-employment. This full-employment natural rate of unemployment is irresponsive to stabilization policy. Thus, there is limited scope for feasible state intervention, which is partially the reason why classical economists do not merit frequent intervention. They argue that when market adjustments begin to work, it automatically brings equilibrium between demand and supply of labor and the flexibility of interest and wage rates bring about full-employment. Innovation and productivity growth reduces natural rate of unemployment in the longer-term.

However, due to cyclical changes, other types of unemployment remain inevitable. Accordingly, the Marxist economists propose wholesale reforms of the capitalist controlled labor market where competitive wage promotes massive unemployment. These economists argue that as industries mechanized unemployment and or

exploitation of labour increases. The increase in exploitation increases class consciousness and eventually leads to revolution. Thus, market reforms, prudent intervention and labor institutions can keep these forces at bay. However, its implication is that unemployment is institutionally generated if intervention is reduced and also, it can easily be managed. In many developing states, unemployment is largely managed by the state as it remains the largest provider of jobs. In some instances, it promotes employment even if workers may not do anything particularly essential or productive.

The Keynesians (who also prominently feature after 2008-9 financial crisis) show how to manage persistent unemployment. Following the Great Depression, deficient-demand unemployment occurred when there was insufficient real demand to drive output growth. Keynes argues that unemployment is involuntary as workers were willing to work at the going wage rate but could not find suitable jobs. Keynesian economists view that the underlying reasons for unemployment is deliberate restriction of labor supply to wedge output price and profit rates. Unlike the classicals, they assert that prices and wages are not flexible and thus require constant intervention and reforms because wages remain sticky and fail to promote timely adjustments to labor market dis-equilibrium. They propose intervention through counter-cyclical policies to strengthen aggregate demand, however feasible. These policies, as well as labor market frictions (trade unions, minimum or efficient wages) can cause distortions between the skills demanded and supplied. For this reason, timely intervention proposed by Keynesians and supported by neo-classicals and Marxists are useful.

Real wages, the incentive driving labor productivity, is largely the most important determinant to supply or restrict labor. This partially relates to the Pigouvian idea that real wage reduction can increase employment because of the feed-back from real and monetary influences into labor market. It implies that absence of wage adjustments mechanisms, imperfect labor market conditions and lack of motivations could impact unemployment. As unemployment is temporary, the absence of such rigidities will induce variations in real wages to adjust towards full employment. Critics argue that protective labor legislations that restrict hiring and retrenching

workers fail to have any significant impact on unemployment. However, with perfect information and rational expectations, the New Keynesians state that workers and employers will be able to differentiate between real and nominal shocks to better predict the duration of labor market fluctuations and wage setting and downsizing. For them, rational expectations not only undermine policy intervention but can dampen cyclical changes in unemployment.

Youth unemployment is mainly due to lack of refined labor skills and adequate experience in youths to compete for limited jobs in a competitive market which remunerates the value of marginal product of labor. In open competition, there is little scope for youths because labor market doesn't have immediate incentives to promote skills development. In addition, if education and training are inadequate, it cannot slacken to accommodate training. In an internal job market, competition is largely based on seniority and productivity which limits the scope for new entrants. The entry jobs are usually at lower skills level with less pay and since the reservation wage for experienced workers are high, youths are potentially hired and concentrated in low-skill jobs. Consequently, youth employment fluctuates more widely than of adults. During an economic down-turn, labor supply is relatively elastic and employers prefer to retain adult workers to fill in entry level positions leaving youths unemployed. Conversely, during economic upswings, firms relax hiring standards and upgrade workers.

Labor market rigidities serve as a deterrent to youth employment (Feldman, 2006). While rigid rules favor work agencies and temporary contracts, it however makes it challenging for firms pushing them to downsize the workforce. Additionally, minimum wage laws may only increase cost of hiring workers, negatively impacts the youths. Laws which restrict layoffs make employers less likely to hire more workers. As established earlier, with restricted hiring, companies prefer to take experienced persons hence adversely impact the employability of youths (World Economic Forum, 2013).

However, youth unemployment remains a problem in many ACP economies. All types of unemployment matter for the youths. For example, the most pronounced

seasonal unemployment Grady & Kapsalis (2002) arises at times when aggregate demand has weakened forcing the economy to operate with reduced labor. Countries in the Caribbean and Pacific are also affected by seasonal unemployment. For instance, during peak tourism period employment is easier to find with respectable wage rate. In addition, a school leaver who spends eight months looking for the right job is frictionally unemployed during that period. Structural unemployment often demands young workers to retrain with new skills or move to another location to find suitable new employment. Consequently, many young people get disheartened and may give up job-search due to changes in skills demand. Even when the economy recovers, they find themselves not adequately fit for most available jobs.

Unemployment could have serious implications for anyone. An estimate of the intensity of youth unemployment yields an estimated guide as to where the unemployment is most severe and pressing. Paul (1992) argues that the misery of an unemployed varies proportionately to the intensity of unemployment. Estimates of intensity will help ascertain the type of intervention strategies that need to be instituted. The underlying factors for youth unemployment in the ACP states and their intensities are estimated in the following chapter. Covered below is a discussion on the nature of youth unemployment in the ACP states.

2.3 Nature of Youth Unemployment

As stated previously, the ILO confirms that youth unemployment rate has reached crisis point in most parts of the world. It is severely high in countries of the Middle East and North Africa, Southern Europe and parts of Latin America and the Caribbean (ILO, 2012). The United Nations Development Programme (UNDP) termed it as a lack of hope for young people and social instability (UNDP, 2013). For policy makers in the small ACP countries, the unemployment situation is very pressing. For example, the Commonwealth (2015) describes that the lack of jobs for the youths is one of the Pacific's most significant challenges especially as the proportion of youths in this region is expected to increase in the coming years. Globally, the expectations are similar. It is estimated that over 41 % or 75 million young people are jobless and slightly more than 152 million survive on less than US\$1.25 per day's income (ILO, 2015).

Following the global financial crisis (GFC) 2008-9, rates of growth and productivity have declined significantly in most countries forcing national absorption capacities to decline, while supply of workers had increased naturally. With lack of productive investment and employment opportunities, this has affected the youths severely in many countries. More recent estimates of global growth rates in the 2017 World Economic Outlook of the IMF signals a projected pick-up in pace in 2017 and 2018 for emerging market and developing economies. However, this could be significantly revised downwards due to the uncertainty surrounding the USA's policy stance and its global ramifications. World economic growth rate is expected at 3.6% in 2018 slightly higher from 3.4% in 2017 and about 4.8% in developing countries for 2018. For the Caribbean region, it is expected to be 2.1% in 2018 from 1.2% in 2017. This is somewhat encouraging, but perhaps not sufficient. The Sub-Sahara Africa is expected to record 3.7% for 2018. The ILO (2016) projects 152 million youths will be unemployed by 2017 worldwide, of which about one-third will be in developing countries. The other two-thirds will impinge on the recovery efforts and potentials of emerging economies.

Important characteristics of youth unemployment for the ACP region are highlighted in Table 2.1 below. First, unemployment rates are higher among the youth as compared to adult population. The 2008 Global Employment Trends for Youth report indicated that young people constitutes approximately 40 % of total unemployed population globally (ILO, 2008; AfDB, 2012) and it was three times higher than the adult unemployment⁵ (ILO, 2015). In the ACP regions, these characteristics holds true as in Africa, the ratio averages 2 to 1 (AfDB, 2013), in the Caribbean, it is 3 to 1 (Caribbean Development Bank (CDB, 2013) and 3.6 to 1 in the Pacific, (ILO, 2012).

⁵ Reasons are (i) youths have relatively lower levels of skills and experience, (ii) they are usually the first to be laid-off and declined application with an employment freeze, (iii) it is less costly to dismiss young than the older who have experience and skills (iv) regulations of organizations associate compensation schemes with duration of service for redundancy packages.

Second, almost all statistics on youths (except for education) of the ILO reveal that girls and women are disadvantaged. Thus, unemployment and inactivity rates of women are higher than that for men. Selected sub-samples indicate that the disparities (in dis-favor of females) are significantly higher in the three regions. This could be related to a few things including culture, gender equality, and nature of work and prominence of females in the societies of the ACP. Consequently, females are mostly occupied with lower-paid, low skilled jobs, engaged in domestic duties as they are being unable to achieve relatively higher education as the males. In addition, in developing countries, they also have to share a bigger obligation for family life and child care. These factors are commonly noted for lower labor participation for females.

Table 2.1: Common Characteristics of Youth Unemployment

Characteristic	Global	African	Caribbean	Pacific
Youth unemployment rates are:				
higher than adult unemployment rates	13.1% > 4.6% (ILO, 2015)	South Africa (2012) 2.5 : 1 (AfDB, 2012)	3 : 1 (CDB, 2013)	3.6 : 1 (ILO 2012)
double and more than total unemployment	13.1% > 6.1% (ILO, 2014)	Zambia (2013) 24.6% > 13.3 (World Bank 2015)	Barbados (2011) 28.9% > 11.2% (World Bank 2015)	Solomon Island(2013) 9.7% > 3.8% (The World Bank, 2015)
higher amongst females than males	18% > 15% (Gallup World Poll, 2010)	Gabon (2013) 40.6% > 30.6% (World Bank, 2015)	Jamaica (2013) 45.2% > 28.3% (World Bank, 2015)	Fiji 25.1% > 15.6% (World Bank, 2015)
higher in urban areas than in rural area		Ethiopia (2005) 43% > 26% (ILO, 2012) 6 times > 1 time (some cases) (AfDB, 2012)		
inferred in higher incidences in the informal sector than in the formal sector		Sudan (2011) Informal 60% national income (ILO, 2012)	66% > : 33% (economic activity) (UNDP, 2013)	Samao (2011) 60% : 30% (ILO, 2012)
attributed to low knowledge and skill levels				
attributed to graduates with highly qualified knowledge skills	Wait of 18 months before employment (Unescap, 2006)	Uganda (2009/10) 19% :6.3% (graduate to secondary education (AfDB, 2013)		

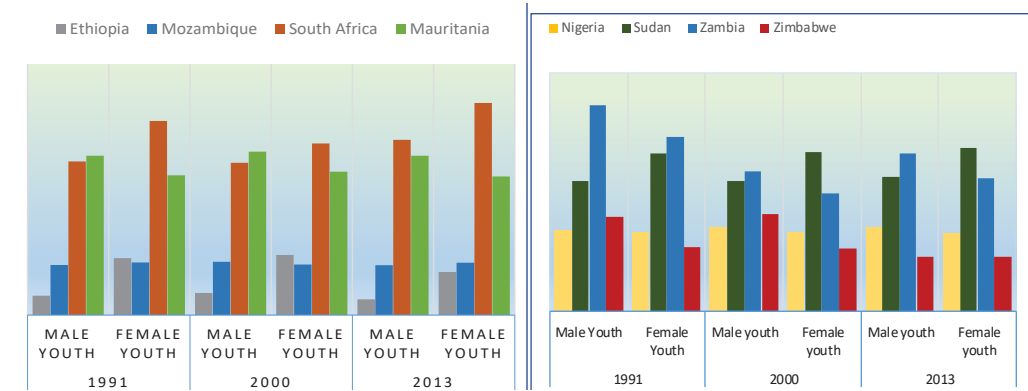
Source: Constructed by author using various sources as cited.

Other studies have similar findings. Unemployment is considerably higher for females than for males in most of the ACP countries⁶ (AfDB, 2012; ILO, 2009; UNDP 2012; CARICOM 2010, ADB & ILO, 2015). In the Caribbean, for example in Jamaica, St. Lucia and Trinidad, unemployment for women were higher than their male counterparts by at least 80 %. In Guyana, this was 49 % (Parra-Torrado, 2014). In the Pacific, Fiji and Marshall Islands women's participation is less than a third of the total share of employment (ILO, 2009). The ILO and the Key Indicators of Labour Market (KILM) showed that in 2012, Samoan female labor force participation was 32 %, in the Solomon Islands it was 42 % and in Vanuatu, 51 % (KILM, 2014; ILO 2013). In African countries, 20 % of male youths are part of NEET as compared to 35 % females (OECD, 2012). A few showed exceptions to this trend (Mauritania, Nigeria, Zambia and Zimbabwe).

Third, trends revealed in the literature confirm that urban areas record higher youth unemployment than their rural counterparts (UNDP, 2013; Booth, 1995; Squire, 1981; Rosenzweig, 1987). The African Development Bank (2012) states that urban youth unemployment rate was at least 6 times higher than that of rural areas. In their study on the Caribbean and Latin America, Ball et al. (2011) found that unemployment was almost double for urban as compared to the rural areas. Mark (2009) projected that by 2020, more people in developing countries will work and live in urban than areas and that by 2050, two-thirds of its population will be urbanised. This reveals two striking conclusions (i) the urban sector (driver of modern economy) needs to enhance its carrying capacity (ii) despite the lower prevalence of rural youths, their opportunities are desperately limited in rural as well as in the urban areas of ACP states. These young people are deprived of sustainable opportunities.

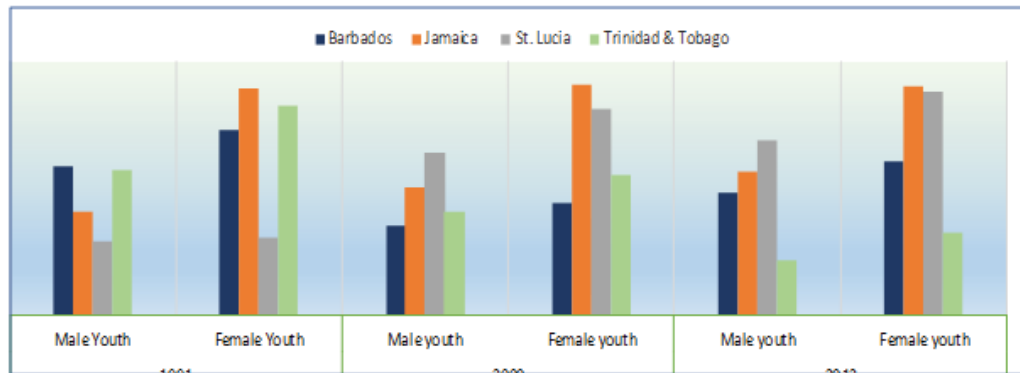
⁶ Globally, this is 12.9 for males and 13.7% for females, with the highest in the Middle East and North Africa with as much as 22 and 20 %age points respectively.

Figure 2.1 Male and female youth unemployment rates for African countries



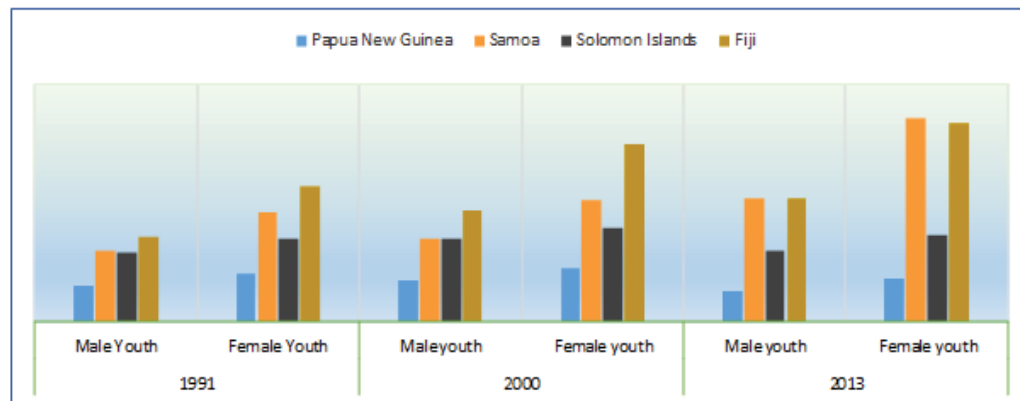
Source: The World Bank (2015)

Figure 2.2: Male and female youth unemployment rates for Caribbean countries



Source: World Bank (2015), St. Lucia Statistical Office (2015)

Figure 2.3 Male and female youth unemployment rates for some Pacific countries



Source: World Bank (2015), Countries Statistical Bureau

As economies modernise, naturally workers want to be located in areas of high paying jobs. The Peace Child International (2016) cited that many youths leave rural areas for urban areas in the expectations of finding better incomes, working conditions and livelihoods. Echebiri (2005) found that youths dislike rural settlements because of limited job opportunities and poor social systems and infrastructure. Lall *et al.* (2006) shows that for most countries of Africa, this migration involves young men as labour markets in urban areas are usually friendly to male migrants or because men bear lower risks of vulnerability than women when migrating. Consequently, many youths (more commonly females) consider informal jobs. Data show that among all the various groups of workers, youths have most informal jobs (ILO, 2015).

Both formal and informal labour market prevail side-by-side in developing economies but the percentage of youths in the informal job sector continues to be alarming, Tornarolli *et al.* 2014, ILO, 2014). Interestingly, in the Pacific and Caribbean, informal sector accounts for 70 % economic activity and research show that only one quarter to one third of those finishing school in the Pacific are likely to secure formal sector employment (UNDP, 2013). In Samoa, for example, formal sector employment is approximately 30 % which leaves two in every three young people to make a living out of informal sector. In Africa, since formal sector is heavily saturated, youths suffer labor market partiality between male and females (Huitfeldt & Jütting, 2009). In Sudan, informal sector accounts for 60 % of national income but over 90 % of income and employment are derived from rural areas (AfDB, 2012). Literature states that informality is higher with females as they face more precarious forms of employment, work longer hours, have insecure work arrangements with low earnings with reduced employment protection (ILO, 2015; Jildeh *et al.* 2003).

Literature also suggests that most unemployed youths have low quality and limited access to education (UNICEF, 2005). AfDB (2012) find similar trends for the Caribbean and African states. The CDB (2015) found a strong link between the level of education and unemployment in the Caribbean region. In Africa, approximately 133 million young persons are illiterate with low skills. Although the Pacific has

realized higher secondary education completion rates, only a small fraction of these students continue with tertiary education. In Papua New Guinea, possibly more than one thirds in the age range of 15-24 are illiterate (UNESCO, 2012). In addition, women in Vanuatu are significantly under-represented at the tertiary level (UNICEF, SPC & UNFPA 2011). In Kiribati, despite having gained entry to tertiary institutions like the University of South Pacific, students fail to satisfactorily pass the first year exams and thus have to return home. The South Pacific Engineers Association cites that other students in the region face language barrier and find it difficult to make the transfer of secondary school training to the tertiary institution (SPEA, 2010). The United Nations for Economic and Social Commission for Asia and the Pacific (UNESCAP), show that on average, a graduate has to wait for approximately 18 months before being employed (UNESCAP, 2007)⁷.

There is strong evidence to support that youth unemployment rate is affected by economic downturns such as the national or the 2008 global financial crises (O'Higgins, 2010). As expected, the recent global financial crises significantly affected the economies of the ACP further eroding their fragile economies. Many of them suffered sluggish progress, decreased competitiveness and weak external demand due to the slow recovery in the advanced economies.

There is no doubt that the labour market stood to fall victim of this situation as unemployment rose (ILO, 2010; Arpaia & Curci, 2010). According to the Statistical Office of the European Communities (EUROSTAT), this impact has been deeper on the weakest segments of the labour market, especially young people (EUROSTAT, 2015; Choudhry et al. 2010). As established earlier, the youths are most vulnerable in any crisis in the job market subsequently, the crisis exposed vulnerability of the youth unemployment (AfDB, 2012; OECD, 2015). Data show that directly after that crisis, global youth unemployment rate rose exponentially between 2008 and 2009, from 11.8 to 12.7 per cent, thus reversing the pre-crisis trend. According to the UN World Youth Report (2012), during a recession, youth are most often the last to be hired and the first to be sent home during the downsizing process (UN, 2012).

⁷ Oppenheimer & Spicer (2011) indicate that in South Africa, average unemployment duration increased from half a month to over nine months during the periods of 2008 to 2011.

2.4 Activities of the Youths

At this point, it might be interesting to understand activities of the youths. A Food and Agriculture Organization for Latin America and the Caribbean (FAO) study of the Pacific in 2013 identified a few areas of youth engagement. If we rule out schooling, where most (60% to 85%) of youths are engaged, 13% females and 16% males in Samoa do not go to school. The report show that in the 5-14 age group, 12% stay away from school due to financial difficulties, 8% have difficulty in learning, while 5% engage in basic economic or domestic activities. Youths however, account for around 20% of formal sector employment and the females are mostly occupied in domestic duties while males in agriculture. For Fiji, Census data show that of the primary school age, 84% are in full-time education and around 65% of youths are full-time students including technical and vocational scholars. Of the 35% youth drop-out rate, about three quarters are engaged in employment (church work, community services, domestic duties and or farm labor) and the remainder does not engage in anything meaningful. This group concerns policy makers most importantly as they often involve themselves in unwanted and non-productive activities.

Data from Kiribati show that 6% of population below the age of 24 years did not attend school. These together with school drop-outs are mostly economically inactive youths. Youths in general account for about half of the total population in Kiribati, but slightly over 60% of the youths are in employment (ILO, 2010). Rouatu (2007) indicates that youths account for 15% of total formal sector employment and 25% of the informal sector, which could now have increased. Other Pacific economies are expected to have similar trends in youth inactivity, but we expect the absolute numbers to be much higher in the Solomon Islands and the PNG.

About 10 million African youths emerge in labor market each year. Activities of such a large number vary but share some commonalities with the Pacific sub-sample. World Bank (2013) indicate that more than half of all youths between the age 12-24 years were out of school, especially in low income families. Generally, for African nations, there have been improvements in access to primary education⁸. However,

⁸ According to the United Nations (2012), an increase from 58% in 1999 to 77% in 2011 was realized in the Central, Eastern, Western and Southern African regions in primary school enrollment.

this is not uniform; for example, the Nigeria Bureau of Statistics (2016) reports those 15.2 million youths were unemployed of whom 60% had not even been to school. Consequently, youth inactivity is close to 50 % mostly comprising of the females in Nigeria.

In Sudan, over a million primary aged children are not in school. The UNICEF (2014) notes that lack of schools and parental income are the key underlying factors. Primary school completion rate is 10% (one of the lowest in the world) and hence, chances of completing secondary school are minimal. Data show that 70% of children aged 6-17 years had never attended school. The UNICEF (2014) finds that 94% of youths enter labor market with no qualifications and mostly engaged in non-wage, low productive jobs in agricultural sector. The labor market participation for youth stands at 64.6% of which 29.5 are in relaxed unemployment and 18.5% remain unemployed⁹.

With the largest youth population in sub-Sahara Africa, Ethiopia has only 40% of children successfully completing primary and 13% secondary education. As in Sudan, most of the youths in the workforce are illiterate and casually employed in the informal sector. While child labor is prevalent, youths are increasingly engaged in technical and vocational programs. Data show that over 50% of these are females (Ethiopia Labor Force Survey, 2013). Activities of youths in Mauritania include employment in agriculture, herding of livestock and even begging and slavery. While primary completion rate is close to 70% only 1 % of children are in employment. Youths also engage in illicit activities such as selling of drugs, street activities and domestic work.

In Zimbabwe, unemployed youths account for 55 % of unemployed population. Due to insufficient opportunities in formal sector, almost all are forced to engage in informal activities including but not limited to, street vending, car washing, making

⁹ Relaxed unemployment refers to the sum of unemployed workers and discouraged workers expressed as a %age of the expanded labour force. Expanded labour force are discouraged workers and the labour force.

and selling handicrafts and other domestic jobs. In rural areas, they are predominantly into communal farming. Mozambique recorded a 22.4% net school attendance rate. From 2002 to 2012, those married by 15 years was at 14.3% and those married by 18 accounted for 48.2% (UNICEF, 2014). Surprisingly, the Zimbabwe Labor Force and Child Labor Survey (2014) states that young people enrolled in technical and vocational programs are a very small proportion of all youths and those in tertiary education accounted for about 2%. Most of the youths are engaged in domestic activities and their composition in formal employment remains very low.

To some extent, employment has improved for young people in South Africa as access to education has improved. Females are reported to be better educated than the males. However, according to the Statistics South Africa (2015), discouraged (female) workers have almost doubled to 8.1% in the aftermath of 2008-9 financial crises. In addition, youths not in employment, education or training have also increased producing an ethnic disparity in the labor force¹⁰. One in every five native youths are engaged in informal sector, own-account work¹¹ or in unpaid household activities, while those employed are mostly in poor and low productive jobs with limited social security (KILM , 2014).

While the Caribbean shares similar trends, there are some activities worth discussing. Generally, youths remain unemployed due to foregone education to earn family incomes. However, most of the Caribbean countries have entrepreneurial and training programs engaging the youths. In Trinidad and Tobago, national statistics reveal net primary school enrolment of over 92% for both boys and girls in 2015. However, at secondary level, around 65% were in school with about 70% being girls and 60% boys. However, this decreased for age 20-24 years to 15% for tertiary education. For the 15-19 years' group, both male and females unemployment were almost five times as high as the 35-39 and 40-44 age groups. The Trinidad and

¹⁰ Ethnic group in South Africa includes 80.2% Black African, 8.8% colored, 8.4% white and 2.5% Indian/Asian (Statistics South Africa, 2011)

¹¹ Own-account workers are “those workers who, working on their own account or with one or more partners, hold the type of job defined as a self-employed job, and have not engaged on a continuous basis any employees to work for them during the reference period” (OECD 2016).

Tobago Guardian (2013) report that more than 42% of youths spend more than 11 hours in digital media every week and 97.3 % of them on Facebook and about 30% on twitter and YouTube. Like the other countries, these youths are either in domestic works, minor paid employment or in community activities.

Barbados is among the wealthiest and most developed countries in Caribbean. The literacy rate is almost 99% since education is compulsory until the age of 16 years. In addition, youths are enrolled in a variety of vocational and technical training programs both in rural and urban areas. As a result, youths here are also more confident than those in other countries. However, the HIV/AIDS remains a major threat. This lifestyle disease accounts for 29.2% of all deaths in the country. The fact that an almost equal number of males and females have contracted the disease, it implies transmission primarily through heterosexual activity. Because young people aged 15-29 years are at the prime child-bearing age and most sexually active, they run the greatest risk of catching the virus.

In Saint Lucia, 81% male and 84% female youths are in school. In a survey conducted by local authorities, youths consider weak education system and irrelevance curriculum to have contributed significantly to their un-employability. In 2012, the Government funded a national initiative for employment generation which has received some appreciation from the youths. As in other countries, drugs and crime are common activities of St Lucia's youths. They are also engaged in using and selling of drugs and gang-based criminal activities as these provide more fast cash. Violent crimes have also been committed by the youths. Young people account for approximately 29% of Jamaica's population and represent an important dynamic force in the society. In a survey conducted by the government, data revealed that about 60% of youths were in school in 2014. A high number of youths were actively engaged in sporting activities such as track and field, cricket and football. Due to slow pace of economic growth, many youths were engaged in vending subsistence farming produce and other small scale informal activities.

In Jamaica, significant number of youths lives in the streets and in atrocious conditions. There are also involved in commercial sex trade. These (mainly boys,

aged 14-17 years) are also victims of physical and sexual abuses, and of violence and prostitution. A significant proportion of youths use drugs and alcohol leading them to violence and criminal activities. It is found that 15 % of the youths between 15-18 years carry weapon to school and are prone to be shot, stabbed or knocked unconsciously. Also, one in six adolescent belongs to a gang or are jailed, arrested or murdered at twice the rate of general population. Youth crimes cost losses of US\$4.3 million in potential investment each year and 3.2 % of Jamaican GDP (UNDP, 2012). Physical and sexual abuses are also highly prevalent among the youths in Jamaica.

2.5 Consequences of Youth Unemployment

Unemployment is the state of slackness in labor market leading to under-utilization of resources even when they are available for and willing to be employed. Youth unemployment relates to potential activities that could have been performed by the youths (like a normal laborer, not forced into) but these remain unaccomplished. The formal activities performed would be compensated with an income either in cash or kind. Persistent unemployment could have serious permanent impact on youths and mostly these effects are unwanted and negative (Pervaiz *et al.* 2012; Ali, 2014). The summary below identifies.

First, the literature highlights poverty as one of the most obvious and unfortunate consequences of youth unemployment (Saunders, 2002; UNDP, 2013). Currently, over 72% of African youths live on less than US\$2 per day income. Literature reveals that women and those in rural and remote areas are more susceptible to poverty. The segmentation of women in the lowest categories of informal employment increases the incidence of poverty especially without social protection (OECD, 2012). The ILO projects that in Asia and Sub-Saharan Africa, jobs that will be created over the next several years will most likely not be adequately productive to enable individuals to escape poverty or near poverty (ILO, 2014). Thus, unemployment and poverty are twin cousins. The way to distant them is income through employment. Ravallion and Martin (2001) show that when average household incomes rise by 2%, poverty rates fall by about twice as much, on average.

Second, youth unemployment is said to have multiple scarring effects (ILO, 2013; OECD, 2013). Health issues such as neurological and others associated emotional problem are among those suffered by the unemployed. ILO (2016) cited relates scarring to person's human capital, their expectations, job search and the influence of external factors. Literature shows that those not in "employment, education, or training" are most at risk of scarring effects of unemployment (OECD, 2013). In addition, the youth unemployment is costly (UNICEF, 2005). These result from economic and psychological effects which results in increased spending in social security, social insurance programs, drug preventions, crimes, corrective services, medical personnel, reduced tax receipts and risk to security. Youth unemployment in the Caribbean is estimated to cost approximately US\$883 million which represent 71.5% of the gross domestic product of the region (excluding the Organization of Eastern Caribbean States (OECS) states) (Hewlett, 2015).

Similarly, in Trinidad and Tobago unemployment is estimated to cost 0.6% of GDP directly and 17.1% indirectly through opportunity cost. Also in the Caribbean, youth unemployment has resulted in waste of scarce resources. In the Pacific, Carling (2009) identifies that limited opportunities for employment creates a huge burden on communities and the Government. Unanimously, the literature agrees that unlocked potential of the youth signifies a substantial opportunity cost for both the youths and society (Tripney and Hombrados, 2013).

It has been argued that both short and longer spells of unemployment have devastating consequences on labor productivity (Acero, 1993). Shimer (2008) observed that as unemployment spells lengthens, productivity tends to diminish and skills depreciate. The study indicated that, on average, unemployment period in some countries can make job searches more challenging and hence result in persistent unemployment. Hewlett (2015) conclude that long spells of unemployment or underemployment in informal work can dampen prospective of future employment opportunities. In the Caribbean, employment tends to be long term. According to Parra-Torrado (2014), on average a large proportion of individuals spend over a year of unemployment after they lost or have vacated their last job. In countries like Dominica and Grenada, approximately half of the unemployed have been

unemployed for more than a year. This figure is over thirty percent for Barbados and St. Kitts (Parra-Torrado, 2014). In addition, the stigma attached to long spells of being unemployed makes it challenging for individuals to secure a place in labor force (OECD, 2015). Consequently, this serves as discouragement for youths to proceed with job search. The feeling of ineptness, results in sense of being further alienated from the society (World Economic Forum, 2013).

Additionally, unemployed youths can be a major risk to social security and political stability (Urdal, 2012; Colino, 2012; Azeng and Yogo, 2013; ILO, 2013; O'Higgins, 2001 and CDB, 2013). They are party to crime, alcoholism, drug abuse, relationship problems, violence and other social and economic problems (OECD, 2009). The ILO 2010 Global Employment Trends for Youth ILO report a positive relationship between youth unemployment, exclusion and civil unrest. The United States Agency for International Development (USAID) shows that grievances stemming from unemployment have most frequently manifested violence especially if the authorities are not adequately effective (USAID, 2006). For example, in the Solomon Islands, there is increased substance abuse of chemicals, drugs, marijuana and kava due to youths being unemployment (Short, 2014). Also, social conflicts, anti-social behavior and criminal activities are connected to youth unemployment. Similar observations are for other Pacific states and those in the African region (OECD, 2013). The literature shows that in Nigeria, drug trade, militancy, hostage taking for ransom and armed robbery mainly involve the unemployed youths (OECD, 2013). However, violent behavior among Caribbean youths is less prevalent. While some studies shows that they is a violence problem as a result of joblessness, (World Bank, 2008; Cunningham, et al. 2008) some do not attribute the surge of violence to this situation. For example, the Caribbean Human Development Report (2012) concluded that violence is not prevalent among Caribbean youth as a report based on the UNDP citizen Security Survey 2010 found among seven Caribbean countries that 1.6 % of the young persons surveyed age 18-24 reported that they have been accused or arrested for violent crimes involving weapons while 2.5% reported for violent crime without weapons (UNDP, 2012).

Finally, brain drain is another inherent problem of youth unemployment. In the Pacific and Caribbean, lack of job opportunities has led thousands of those with tertiary education and technical skills to migrate to other developed economies such as the USA, Australia and New Zealand (ILO, 2012). It also causes internal migration of people from rural to urban. If these conditions prevail, they can permanently increase the already high levels of economic inequality within and outside the economy.

2.6 Summary

In summary, this review indicates that youth unemployment has reached unprecedented levels and mitigating actions must be taken with urgency. There are some common characteristics of youth unemployment, such as it being higher than for general labor force and in some cases, it is twice as much. Girls and women are most affected by unemployment and occupy low paying jobs. Youth unemployment is also concentrated in urban areas. The literature points to 2008-9 global financial crises, low rates of growth, weak education infrastructure and low investment as the underlying factors for youth un-employability in the ACP countries.

Youth activities were also commonly noted as most of them were engaged in secondary and less so in technical and university education. The Caribbean and the Pacific reported higher attainment of primary and secondary education while African states had the lowest education attainment. Thus the youths in the latter group are even more vulnerable to unemployment and are engaged in activities which may not yield socially desirable outcomes. These activities include low paid informal work, community activities, household chores, farm works and well as other violent and criminal activities. Child labor was noted to be prevalent in especially the African region with Mauritania and Sudan being the worst. Gang related criminal activities were also identified as common, largely due to drug abuse and lack of employment opportunities. The literature overwhelmingly agrees that among the many consequences of youth unemployment, poverty is most profound. Others include scarring effects, low productivity, violence, threat to social security and political instability.

2.7 Concluding Comments

This chapter focused on the nature of youth employment and its severity in the African, Caribbean and Pacific countries. It also discussed the characteristics of youth unemployed within these regions. The activities of youth were highlighted to provide a better understanding of which activities the youth engage in while being unemployed. A summary of the consequences of youth unemployment put things into perspective for the proceeding chapter, which empirically tests the drivers of youth unemployment and unemployment intensity.

CHAPTER 3: DETERMINANTS OF YOUTH UNEMPLOYMENT

3.1. Introduction

The literature on youth unemployment comprises of country and/or regional studies and reports stressing (i) nature and prevalence of unemployment; and (ii) national, regional and international intervention programs often based on ILO initiatives and some analysis of national datasets. The latter is due to the scarcity of consistent and quality data on youth unemployment. The review presented in this chapter is divided into three main sections. Section 1 discusses the theoretical foundations of (youth) unemployment while section 2 considers its characteristics and consequences. Section 3 discusses the underlying driving forces as stated in the literature and in section 4; we consider the modalities of how to reduce youth unemployment rates. A synthesis is presented before the concluding comments in section 5.

3.2 Drivers of Youth Unemployment

The literature is inundated with studies which deal with the determinants of unemployment. These studies reveal that there are three broad factors that can potentially determine youth unemployment, classified into economic, socio-political and environmental factors. First, the economic status of a country affects aggregates and youth unemployment as well. Contini (2010) agrees that youth unemployment is a function of labor market dynamics and Government policy. A country with high levels of economic activity (or economic growth) is likely to create more jobs due to derived demand for labor resulting from production. Employment is derived from demand for goods and services and certain level of labor market frictions (employment regulations, unionism and non-substitutability of labor for capital) could undermine employment.

Blanchflower & Freeman (2000) conclude that economic performance affects youth unemployment rate. The ILO 2011 study state that countries with unsupportive business environment increases unemployment among the young people (ILO, 2011). Levine (2011) argues that there is a direct relationship between the rate of

occupancy of young people and the rate of economic growth. Contini (2010) concludes that youth unemployment is a reflection of the economic condition of a country, the labor market as well as the labor market policies. He argues that countries with high economic development will most likely have the ability to create more youth employment. In Caribbean states like Barbados, Jamaica and Trinidad and Tobago, Craigwell & Wright (2012) establish that growth and volatility of income influences youth unemployment. Some literature shows that there is a link between youth unemployment and exchange rate as well, see for example, Frankel and Aros (2006); Akpan (2009); Burgess and Knetter (1998), and Belke (2005). However, the ILO (2013) found that neither unstable nor inappropriate exchange rate affects employment prospects of the young people. While these factors impact aggregate unemployment, they could also stress youth unemployment. Potential variables such as real GDP, inflation expectations, exchange and interest rates, domestic and foreign investment could therefore correlate with youth unemployment rate.

The recent global financial meltdown further compounded youth unemployment in many economies. Although for Africa many jobs were created, it has not been sufficient to match the number of young people in the labor market. For example, between 2000 and 2008, 73 million jobs created but only 16 million were for the youths. Consequently, many found themselves unemployed or underemployed (Leke *et al.* 2010). Conversely, the public sector has been downsized in many of the African countries impacting on employability of the youths. The Pacific faces the same problem where limited opportunities for income and employment exist despite the youth bulge (ILO, 2013). This global financial crisis could also impinge on youth unemployment rate.

Socio-political factors also matter. Bell & Blanchflower (2011) relate youth unemployment with population growth as high population growth rates especially in North Africa and sub-Saharan Africa and Caribbean have resulted an increase in the number of young people entering the labor market (World Economic Forum, 2013). The new entrants lack experience and skills needed for the job and hence they remain unemployed or hired only on temporary contracts. When the youths go through these

prolonged periods of unemployment, they feel discouraged and give-up looking for work. In addition, the literature clearly shows a link between education background, skills mismatch and youth unemployment (UNESCO & SPC, 2011; World Economic Forum, 2013; ILO, 2014; Perold *et al.* 2012 and Nickell, 1997). According to the OECD (2005) and Labour & Social Trends Report (ILO 2009), skills mismatch further increases joblessness of youths. Further, in many countries compulsory school leaving age usually does not match the full time employment age which exacerbate the unemployment problem. Education and skills correlate with unemployment. Scarpetta *et al.* (2010) find that employment rate for youths with high education level is higher than those who finish with just secondary education or who are at the illiteracy level. Parra-Torrado (2014) cites that employers in the Caribbean countries report a shortage in skills as one of the key constraints in hiring youths.

Echebiri (2005) analyzed the determinants of unemployment in Umuahia and Nigeria and found that education and job preference have a direct relationship with unemployment. The African Economic outlook (2012) found that the biggest deterrent to African labor market was the skills mismatch, labour market information, attitudes of employers and labor market regulations (AfDB, 2012). Literature shows that in Africa, unemployment persists among the educated class (AfDB, 2012). In the Pacific, the National Action Plan on Youth employment 2010-2013 concludes that unemployment and lack of quality education correlate strongly (Singh, 2012). However, data on some of these important determinants are not easily available.

Social status and family background of the youths are also important. Freeman & David (1982) confirm that young people from impoverished families are less likely to be employed than those coming from affluent homes. Additionally, if parents themselves are employed, the young person will be more willing to seek employment. They found that those from the wealthier families find jobs that pay more per hour. They also state that blacks are employed less than the white youth, however the study found that for both sets once employed, attract same wage rate.

Gender inequality continues to be an important cause of youth unemployment. Although literature shows that gender gap is closing, many women fall victims of the practices of gender inequality (ILO, 2014). In an ILO report, Elder (2014) contends that youth labour market in the Pacific is deeply influenced by gender. The report cites that there is also lack of opportunities for women to combine work related activities and family roles. In most sub-Saharan African countries, discriminatory social institutions play an important role in outlining women's employment prospects. Young girls are taken into early marriage which reduces chances of continuing studies or engage in productive economic activities (UNICEF, 2005; ILO, 2008). With the idea that some jobs are associated with the male gender while others are limited to females prevents young women from gaining qualifications and or entering these types of available jobs. Although women are slowly penetrating jobs traditionally held by men, not enough is done for young women.

In the Pacific, it has been difficult for women to create self-employment due to lack of resources and expertise (AusAID, 2008; ESCAP, 2011). Joblessness among the youths can be attributed to policy also. Some countries lack a national framework and in cases where these are present, they remain ineffective. While policy makers try to remedy a problem, it may simultaneously deepen the woes of another. For example, increases in minimum wages in favor of the youths and low incomes earners may work counter-employment (World Economic Forum, 2013). Information and accessibility of Governmental programs to youths also matters (AfDB, 2012; UNDP, 2013).

In addition, rigid labor market regulations serve as a deterrent to the youths. While these favor work agencies and temporary contracts, they however make it more challenging and costly for firms and therefore promote downsizing (Feldmann, 2006). Political conflicts, social and political tensions in the Pacific have had lasting impact on youths forcing them to migrate (UNICEF, SPC & UNFPA, 2011). The latter confirms also that political instability in Tonga, Vanuatu, Fiji and Solomon Islands have accelerated unemployment rate.

3.3 Empirical Methodology

This section is divided into segments. First, an analytical model is specified that related youth unemployment rate (YUR) to its potential determinants. Its modeling specification using panel data is then explained in section 3.4.2.

3.3.1 Youth Unemployment

The main aim of the thesis is to empirically determine the determinants of youth unemployment rate in a panel of ACP countries. Based on the literature, a conceptual model is formulated as follows:

$$YUR_{it} = \beta_i \sum_{x=1}^n X_{it} + \varepsilon_{it} \quad (1)$$

Where YUR is the rate of unemployment of population in the age range 15-24 years, as estimated by (ILO). The explanatory variables in the composite vector of X include real GDP (lnY), aggregate price level (lnP), level of democracy (POL2), gender parity in employment (PTY), quality of education proxied by Government Expenditure on Education (EDU), school drop-out rate at early (primary) age (DRP), years of compulsory education (COM) and a dummy for the last Global Financial Crisis (CRISIS). All variables are expected to be strongly exogenous¹² implying the sufficiency of Static Panel methods of estimation. Details of the data are in Data Appendix.

3.3.2 Static Panel Models

Within standard static panel methods, the Panel Average model estimates inherit a number of specification problems, including the prevalence of mixed effects. In order to obtain robust estimates, one may use random or fixed effects method. A fixed effects (FE) model (1) could be stated as follows:

$$YUR_{it} = \alpha_i + \beta_i \sum_{x=1}^n X_{it} + \varepsilon_{it} \quad (2)$$

¹² In the estimate of national aggregate rate of unemployment, income and unemployment are expected to show reverse causation producing a variant of Okun's Law. This, however for youth unemployment is not expected to be persistent.

Where α is a time invariant effects to measure the effects of all the factors that are specific to the individual country (i) but is constant overtime. The error term follows the *niid* (normal) distribution, such that its mean value is not different from zero. As an alternative to the FE model, Random Effects (RE) model includes the effects of country-specific ignorance (v_i) in equation (3) such that it is treated similar to the (*eit*) in equation 1. The composite error-term assumed to be uncorrelated with the repressors is (*wit*) as stated in (3') below.

$$YUR_{it} = \alpha_i + \beta_i \sum_{x=1}^n X_{it} + v_i + \varepsilon_{it} \quad (3)$$

The natural question then to ask is which of the two can be used and better reflects the dynamics of the sampling and dataset. Econometrically, the aim is to have estimators which are consistent and efficient at the same time. This is hard to come-by in cross-country estimates because of heterogeneity and diversity in sample. Hausman (1978) orthogonality test helps to clarify if country specific effects are important and whether the estimates obtained with random or fixed effects differ systematically, with the null hypothesis that they do. Additionally, in a cross-country sample where one pools large and small countries together, random effect models are favored. Researchers have segregated the full-sample into small and large economies sub-samples to control for the systematic differences in the results as well. This thesis follows this pedagogy as well.

3.4 Key Findings

The results summarized in Table 3.1 identify a few important points. First, estimates obtained with RE model in (A) suggest that higher income reduced youth unemployment significantly. This has two implications, first higher economic activity has the ability to lower youth unemployment and (ii) as the economies grow, and youth unemployment is likely to decline. Gender disparity in favor of males increases youth unemployment in the ACP states. This point to the fact that women are further suppressed into unemployment or reduced opportunities for employment if there is gender disparity. Third, the results show that an improvement in the indicator of good governance has the ability to lower youth unemployment in the region. These findings are useful and imply a wider implication for labor market and

youth policies. The estimates with the FE in (B) produced unequivocal results. However, the RE model seems to marginally out-scores the FE with diagnostic tests. Formal Hausman test of systematic differences in parameters was invoked and the null hypothesis that there is no systematic difference is rejected at 5% level. The Chi-square was 32.18 ($p = 0.00$).

This invited further investigation through better sample selection. The full sample was grouped into 2 sets, one of large economies and the other smaller ones with less than 1 million population. RE and FE models for the two sub-samples were estimated in the second round but by exploring full-set of available variables. The results for FE are in (C) and those for RE in (D). The estimates in (C) suggest that income and governance remain robustly important, but increasing access to basic (primary) education increased employment. This has the usual implication that not only basic access but higher and quality education matter for the employability of the youths. In addition, higher Government spending on education seems to reduce youth unemployment. These findings are notable in both of the estimates. Closer examination of the results supports the preference of the FE model. This is because the estimated effects are reasonable and model's predictive ability is higher. The first order serial correlation and heteroscedasticity are also assumed to be zero ($\sigma_e = 0.013$, not significantly different from 0), AR(1) test is rejected at 5% level (p -value = 0.085).

This leaves estimates for the remainder of the sample which only includes the larger ACP countries. The two estimates for FE and RE are shown in (E) and (F) respectively. Interestingly, while these results show that gender disparity and governances had the aforesaid effects of similar magnitudes; compulsory education policy (which was initially insignificant) had negative and strong effects on youth unemployment. Surprisingly, the estimates show that the effects of raising incomes promote youth unemployment in the large economies. This could imply that in such an environment, other factors may be more meaningful such as the development of small and medium sized enterprises and investment (not necessarily the aggregate economy), where the youths can better connect. Thus in larger economies, broader policies that promote the aggregate economy may not have the expected effects on

youth unemployment. This is where youth intervention programs must penetrate deeper with the communities and more specifically with the youth groups because broader national initiatives seem to be counter-productive in larger economies.

Table 3.1 Panel Estimates of the Determinants of Youth Unemployment (1970-2008)						
	Full-sample		Small-Economies		Large-Economies	
	A	B	C	D	E	F
<i>Constant</i>	5.222** [0.00]	5.382** [0.00]	0.587 [0.50]	0.636 [0.47]	9.668** [0.00]	21.098** [0.00]
<i>Income</i>	-0.110** [0.00]	-0.116** [0.00]	-0.096** [0.01]	-0.091** [0.01]	-0.313** [0.00]	-0.878** [0.00]
<i>POLITY2</i>	-0.006 [0.11]	-0.007* [0.08]*	-0.006* [0.09]	-0.006** [0.01]	-0.034** [0.00]	-0.024** [0.01]
<i>Gender-Parity</i>	0.339** [0.00]	0.313** [0.00]	0.296** [0.00]	0.304** [0.00]	0.030** [0.01]	---
<i>Price level</i>	---	---	---	---	0.267** [0.01]	0.386** [0.00]
<i>Education Spending</i>	---	---	---	---	-0.060** [0.00]	-0.017* [0.09]
<i>Compulsory Education</i>	---	---	-0.032** [0.00]	-0.032** [0.00]		
$\overline{R^2}$	0.089	0.075	0.179	0.197	0.694	0.258
Wald χ^2	51.11 [0.00]	16.82 [0.00]	21.64 [0.00]	86.20 [0.00]	88.24 [0.00]	10.28 [0.00]
Notes: (i) The p-values are in brackets below the coefficients and ** indicates significant at 5% * and at 10 % levels, respectively. (ii) <i>SGMMR</i> stands for <i>SGMM</i> estimates with the restrictions on the number of instruments. The <i>vce(robust)</i> option was adopted to control for heteroscedasticity and autocorrelation, see Stock and Watson (2008).						

3.5 Concluding Comments

The empirical findings indicate a few important points. First, there seems to be a clear association between youth unemployment that raises strongly as output (GDP) drops. This is akin to the Okun's Law, although a drop in output of 1% implies a raise of unemployment of 0.11, which is about $\frac{1}{2}$ of that of the size of adult labor force in developed countries like Australia. Since demand for labor is derived from economic activities, this finding is theoretically sound. Second, *POLITY2* (measure of governance) shows that a raise in this indicator reduces youth unemployment as an improvement in governance would promote better supporting infrastructure for growth and policy for employment creation. Third, gender parity seems to increase youth employment, and this could be related to generate higher unemployment.

CHAPTER 4 MANAGING YOUTH UNEMPLOYMENT

4.1 Introduction

This chapter proposes to present the Initiatives and Action Plans for Youth Unemployment of the selected countries in the study. This chapter will identify the various causes as outlined by the countries and their plans in dealing with them. The next chapter will also highlight the policies and action plans of the international organizations globally as well as within the regions. It is clear through the analysis that although youth employment is a declared priority in policy agendas at the country level, their action plan seldom translated into a comprehensive policy framework that substantially alleviated the situation. The international organizations while they expand lots of resources on trying to curb the problem, there however, seems to be a disconnection. While these programs both from the national and international level. The literature agrees that there needs to be evaluations and avoidance of duplication of these programs at both the national and international level.

This chapter discusses the alternative modalities of managing youth unemployment in the ACP countries in light of the economic contexts and econometrics results obtained in the earlier chapter. It is structured as follows: the next section discusses an analysis of the existing programs and initiatives, followed by a summary of weaknesses in section 3. Section 4 lists what can be done to better promote youth employment and the pre-conditions for these interventions. The final section 5 concludes.

4.2 An Analysis of Current Initiatives

The following explains current modalities of managing youth unemployment. The International Literature has identified various ways of dealing with youth unemployment. Their major areas of intervention can be summarized as follows:

4.2.1 Entrepreneurship

The literature overwhelmingly shows that the international organizations have a great interest towards developing entrepreneurship in alleviating youth unemployment especially in developing countries (Nafukho & Muyia, 2010; the European Commission, 2003; James, 2012). These studies on African, Caribbean and Pacific, have laid out the benefits of entrepreneurship (Chidiebere *et al.* 2014; Gwija *et al.* 2014). Entrepreneurship re-integrates marginalized and disaffected youths into the economic mainstream of their cities; youths who were previously forced into the margins of innovative ideas and energy can be a force for social and economic change (Ali, 2014). OECD (2015) believes that entrepreneurship is another way of unleashing the economic potential of young people and sees it as part of the solution. The international organizations according to the studies have over the years push this agenda partnering with many countries all over the world. In an effort to help the youth unemployment situation in the Caribbean the United Nations Development Programme (UNDP) is working with Caribbean states to train young people to become entrepreneurs through the implementation of the Youth Innovation (Youth-IN), Caribbean Network for Youth Development project. This will help the Caribbean states reduce the current unemployment rates especially among the youth. The UNDP commits that it would prioritized this concern and give special attention (UNDP, 2013).

The Youth-IN project which started on December 23 2008, has an estimated end date of December 31 2013. In meeting with the Millenium Development Goals (MDG's) 8 (Developing a global partnership for development), the project will target CARICOM member states where young persons are empowered to become agents of change by actively becoming involved in the development of their own sustainable future (UNDP, 2012). However, some studies question the effectiveness of entrepreneurship. In the study entitled "Can entrepreneurship work?" by Clarke (2013) in the OECD observer, the author concluded that more data is needed to build better policies regarding youth entrepreneurship and admits that although it is risky, it should not be seen as the solution for curbing unemployment. He believes that policy makers can do more to make youth entrepreneurship more effective. Some studies argue that entrepreneurship has to be complement with other sound solutions

and some studies allude to policy makers to implementing it in the informal sector as the study shows that many youths are within the informal sector, however, most writers agree to the fact that entrepreneurship is one tool that policymakers can use to drive down unemployment rate.

4.2.2 Empowerment and Training

Many of the organizations purports that among other steps, empowerment and training is the way forward. The literature however shows mixed reviews to this approach. The OECD which in their evaluation of policies pertaining to youth unemployment has advocated that the steps needed to improve the youth labour job opportunities include refined and focused education, improved assistance when the transition to the work place is made and an increase in job creation (OECD, 2014). The World Bank supports these measures by citing key features which contributes towards a successful response as the expansion of opportunities for the accrual and preservation of human capital (access to formal education and training), enhancing the capacity of the youth to take advantage of job opportunities and creating programmes and mechanisms to equip youths with the tools and or skills needed to do the same (World Bank, 2008).

The Commission of Growth and Development in their growth strategies has advocated that skills must be upgraded across the spread of employment. Failure of this can result in the disintegration of unskilled manufacturing jobs which in turn will leave the less skilled and less educated like many of the youth without good employment options. Commission of Growth and Development (2008), supported by ILO (2011) states that among the policies needed to improve labor productivity and reduce unemployment are training programs and technological deepening. In the Pacific Islands of Solomon and Papua New Guinea, the World Bank has implemented youth projects focused on the provision of temporary work and work skills in the urban areas, unemployed youth and providing a second chance for school drop-outs to obtain educational opportunities although World Bank (2013) confirms that the project is small with limited reach.

In St. Lucia (Caribbean), through the Government of St. Lucia, the World Bank approved a US\$3.5 million zero interest credit aim at improving the knowledge and skills of young person to help with an easier transition to the labour market. The OECS Skills for Inclusive Growth project run by the National Skills development Centre will target the youth with an overarching aim of reducing the high rate of unemployed in St. Lucia. A five-year partnership between the International Youth Foundation (ITF) and the US Agency for International Development (USAID) saw the Caribbean Youth empowerment program (CYEP) implemented. The CYEP is a collaboration of four countries in the Caribbean namely Antigua, Grenada, Jamaica and St. Lucia where youth skills such as technical, vocational, life and entrepreneurship are provided and which targets school leavers age 17 to 25. The program saw over 490 companies offering program graduates mentoring, internship and jobs to almost 2000 youths across the four countries. Through the program, which ended in December 2013, the local public-private alliances it helped establish across the region continue to prepare youth for the world of work and also integrate those young people coming from prison back into the general society. It is noteworthy that although countries might be characterized by high unemployment, firms in these countries may still have problems finding talent thus suffering from what experts at Deloitte Consulting calls the Talent Paradox (Schwartz, 2011). To overcome this Talent Paradox, training seems a logical way out of the labour market inefficiencies as affected by the young unemployment.

The UNESCO has weighed in heavily on this plaguing issue and had made Technical and Vocational Education Training (TVET) a top priority in tackling youth unemployment (UNESCO, 2012). TVET as defined by UNESCO are “those aspects of the educational process involving, in addition to general education, the study of technologies and related sciences and the acquisition of practical skills, attitudes, understanding and knowledge relating to occupation in various sectors of economic life”. A number of countries in the study have been involved in the TVET project. The TVET as stated by UNESCO incorporates technical, vocational education and training, on the job and apprenticeship training. Studies shows that there was a reformation of the whole TVET initiative with a focus to equip the youth to meet the demand for higher order skills needed for the labour market in order to be able to

take employment opportunities (UNESCO 2010, 2012). However, there is a call for UNESCO to transform and expand TVET to better tackle the issue. Transformation is needed in developing the technical skills which are specific for green jobs. As of its effectiveness, a study done by Tripney and Hombrados (2013) systematic review concluded that there was some evidence to support the claim that TVET improved the labour market situation of youth in low and or middle income countries which most of the countries in the study falls under. Although limited in the research, and statistically small effect, they have concluded that the investment in TVET is worthwhile as it shows evidence of many youth entering the formal sector of employment (Tripney & Hombrados ,2013).

While the international organizations have placed emphasis on training, some literature shows that training may not be the answer in solving this problem. Literature shows that given the context of the African countries that training may not be best suitable for this type of environment. It is suggested then by the African Economic Outlook that “training be replaced or supplemented by an education option which can provide young people with a maximum set of lasting achievement in terms of literacy, basic knowledge of lifelong learning skills” (AfDB, 2012). UNICEF in their state of Pacific reports is of the view that the options for the Vocational training are limited and they do not always lead to achieving employment outcomes (UNICEF, 2014). One set of literature believes that education and vocational training should be targeted around the informal sector as this is where most of the youth are found as discussed by the study and this has to go alongside remedial education (OECD, 2105). Another set of studies believes that there is a need for education reform of the existing education and training methods and systems.

4.2.3 Social Protection

The literature shows that the governing international body has emphasis on the need for social protection. While the emphasis is placed on social protection as a strategy to alleviate the situation the literature however, shows that may be abused for example in two of the African countries under review, Ethiopia and Namibia, the literature is alluding to the fact that persons may use employment to gain benefit from the schemes therefore the need for these social protections with a set of policies

that serves as a supportive environment for job creation (ILO, 2014). The United Nations International Labour Organization as shown by the studies has placed great emphasis on social protection designed to prevent extreme poverty, rebuild confidence among the youth (ILO, 2011).

4.2.4 Job Creation

The literature argues that job creation depends heavily on economic growth which depends on investment and in order that to reduce unemployment, especially structural unemployment; job creation must be a key factor (Shipps & Howard, 2013; Commission of Growth and Development, 2008). The Commission of Growth and Development advocates that job creation not only provide labour for persons but it sustains the growth of economies (Commission of Growth and Development, 2008). The literature also shows that if unemployment rates should decline substantially then there must be a high level of job creation, especially after the ripple effects of financial crises as explained earlier in the study where young people suffer the most, among all groups of workers (OECD, 2013). Taylor (2009) confirms by stating that a major way of tackling unemployment is through job creation. The OECD (2013) believes that there needs to be a more active contribution on the part of the private sector in this as it is viewed as the main driver for growth and job creation. Many work organizations have called on and partnered with Governments in all quarters of the world in creating Jobs. According to the World Economic Forum, 600 million jobs are needed over the next 10 years (World Economic Forum, 2013). The African Development Bank in their assessment have concurred that if these rates for unemployment needs to decrease then greater efforts much be made in the job growth area (AfDB, 2012). However, the literature shows that for Africa, against a background of sustained economic growth and growing youth population, job creation have been inadequate to absorb the new young entrants into the labour force (World Economic Forum, 2013).

4.2.5 Information Gap Closure

The literature reveals that the relevant information needed for capturing the problem and subsequently assisting is not available. The international organizations have seen the need to close the information gap. For example, in the Caribbean region, the

World Bank IDf grant is committed to improve capacity for the monitoring, evaluation of employment market and the establishment of information systems for the Caribbean region. In addition, World Bank in collaboration with the Poverty Reduction and Economic Management Unit supports the OECS statistical office in improving its data units in the OECS countries.

4.2.6 Active Labor Market Policies

According to Asian Development Bank (ADB) & ILO (2015), active labour markets institutions shape both the behavior of employers and the work conditions. Active Labour Market Policies (ALMP) for example the public labour services, tax cuts for motivating young employers, training subsidies, workplace training skills, apprenticeship and entrepreneurial schemes are very important to negate the high unemployment problems faced by the youth. ALMP can have a significant positive impact on the young entrants in the labour market as it seeks to offset the mismatch of skills among this group. Studies have shown mixed results on the effectiveness of ALMP. For example, in St. Lucia the World Bank in 2013 spent a comparatively high amount of 1.16 % on active labour market policies ALMP. This went to job creation which got the largest portion followed by apprenticeship programs, training and development. While it is true that many countries have tried to implement changes to curb the problem, yet they are found wanting in measuring up on efficient policy framework, strategies and timely interventions. Sustained high rates of the unemployment simply reveal clearly that in some of these actions the countries are less than efficient. The synthesis of the literature shows that common to mostly all the countries, there are overall shortcomings in the action plans of the various Governments.

Firstly, studies allude to the fact that many of these programs are minimally effective. ILO in reviewing policy framework in 138 countries, indeed confirm that youth unemployment situation received attention with 30% of the countries having explicit strategies while the others have provision for youth employment in their policies. The problem as cited by the ILO is that only 35 of these 138 countries adopted action plans with specific targets, indicators and monitoring and evaluation systems (ILO, 2013). A vivid example in the Caribbean where many of the countries

have adopted social programs such as Short Term Employment Programme (STEP), National Initiative to Create Employment (NICE) and Project for the Rationalization of Unplanned Development (PROUD) whose effectiveness rest on societies' response and acceptance (ILO, 2014). The fear which the literature allude to of these programs and their funding, is that it doesn't reach the target as intended as the lack of information on accessing the programs exist (UNDP, 2014). An article by The International Labour Organization 2013 weighs in on this point and add that "policies result in conflicting measures and goals; their impact is very limited; and when targets are established they deal with nominal objectives for reducing unemployment or creating a number of training opportunities, rather than focusing on improving the quality of jobs and reducing vulnerabilities" (ILO, 2013).

Secondly, most national policies focus attention on the supply side measures which focusses on of skills development while those on the demand side focusing on factors such as the employment opportunities, is less frequent (Commision of Growth and Development, 2008) even at the knowledge that the problems of unemployment is mainly on the demand side (OECD, 2009). Even those which aim at job creation, these plans are focused at quantity of jobs and not necessarily job quality (ILO, 2013). Notwithstanding some the studies shed light on a contrary view where they think that the role of Government is not to create jobs but rather to provide the enabling environment where job creation by individuals or business exists. In addition, the analysis reveals that most of the plans of these developing countries do not include social protection as the literature has revealed that this is an important lubricant in the employment machinery (Branson et al, 2013; Rankin *et al.* 2007).

Thirdly, notwithstanding the few successes of these programs, some studies allude to the fact that some of the Governmental responses to youth unemployment are generally poor, disjointed and dysfunctional; causing the inefficiency of limited resources consequently better coordination among the various stakeholders is needed (AfDB, 2012). According to World Bank (2014) the programs do not include monitoring and evaluation component which is necessary for feedback which can provide an opportunity to correct inefficiencies and maximize good results. Chang (1998) supports this for Africa by stating that one of the policy problems in Africa

during the apartheid period despite efforts to establish upstream industries based on natural resources, is that it was burdened with many facets that ultimately undermined its medium and long term viability. Another example of this lack of coordination as cited by Parra-Torrado (2014) is the NICE programme in St. Lucia in the Caribbean which was created as a parent program to other social programs but the programs continued to exist without any alterations or coordinations and the collaboration between the stake holder was poor (Parra-Torrado, 2014). Fourthly, there is a communication disconnect between the targets and existing programs. In most cases the targets are not aware of such programs to assist them. Evidence is suggesting that Government should invest in communication strategies to make information available to the youth so that they can access the many programs available to them (UNDP, 2013). The literature also cited an area affecting these programs as the lack of credibility of the government agencies as perceived by the people (UNDP, 2013).

Another area cited in the literature is lack of evidence to effectively target the specific problem especially in the informal sector. Most countries' action plans do not include the informal sector, although we know that many youths find jobs in the informal sector because of the saturation of formal labour market. AfDB (2012) opines that there is lots of potential in the informal sector however if it needs to be considered, value addition and production standards needs improving and training programs in rural areas needs to be done (AfDB, 2012). Most importantly, the literature determines that the determinants of this high unemployment rate are either not diagnosed at all or it is misdiagnose and subsequently the problem is not treated with the accurate and precise corrective methods. The lack of empirical evidence proves challenging in discovering the core of the problem which is necessary in curbing it. Many of the developing countries lack critical data to make a proper and accurate assessment. Table 4.1 identifies strategies implemented by various international agencies in dealing with youth unemployment. As is notable from Table 4.2, many of these initiatives target technical and vocational training programs to promote entrepreneurial skills.

Table 4.1: International organization and their strategy for youth unemployment

Organizations	Summary Strategies
International Labour Organization (ILO)	<ul style="list-style-type: none"> ○ Growth strategies, ○ Entrepreneurship ○ Unemployment, cooperatives and public investment and employment programmes. ○ Transition to work includes education and training and labour market policies
Organization for Economic Cooperation and Development (OECD)	<ul style="list-style-type: none"> ○ Social protection – income support ○ Strengthening of education system ○ Emphasis on vocational training and entrepreneurship ○ Analysis of bottleneck of job opportunities of low skilled youth ○ Encouraging of employers to expand on the apprenticeship and internship programme ○ Reformation of policies governing labour market policies ○ Overall strengthening of the TVET programme.
The World Bank	<ul style="list-style-type: none"> ○ Capacity building – youth labour market ○ Boosting private sector growth ○ Job creation and opportunities for young people ○ Entrepreneurship ○ The advancement of information flow
The International Organization of Employers (IOE)	<ul style="list-style-type: none"> ○ Emphasis on the importance of youth entrepreneurship ○ Advocacy of youth labour issues ○ Partnering with global trade unions
UNDP	<ul style="list-style-type: none"> ○ Focus of eradicating poverty and reducing inequalities and exclusion ○ Millennium Development Goals (MDGs) – decent work for all ○ Sustainable Development Goals (SDGs)
UNESCO	<ul style="list-style-type: none"> ○ Preparation and inclusion of youth in participation of society ○ Provide enabling environment to equip youth with skills and competencies ○ Strengthen capacities in TVET programme ○ Development of national occupation standards ○ Entrepreneurship
ADB	<ul style="list-style-type: none"> ○ Priority on Education – school expansion, curriculum reform ○ Improvement of income earning and generating employment opportunities ○ Provision of employable skills for labour market
European Union(EU)	<ul style="list-style-type: none"> ○ Ease transition from school to work ○ Training and skills development ○ Entrepreneurship ○ Creation of job opportunities ○ Reduction of labour market rigidities ○ Monitor of employment polices
CARICOM	<ul style="list-style-type: none"> ○ Creation of business opportunities ○ Training and skills development ○ Education reform ○ Increase skills in businesses ○ Creation of viable youth polies for Caribbean region

Source: Constructed by author using organizations' information

4.3 Weaknesses in Country Programs

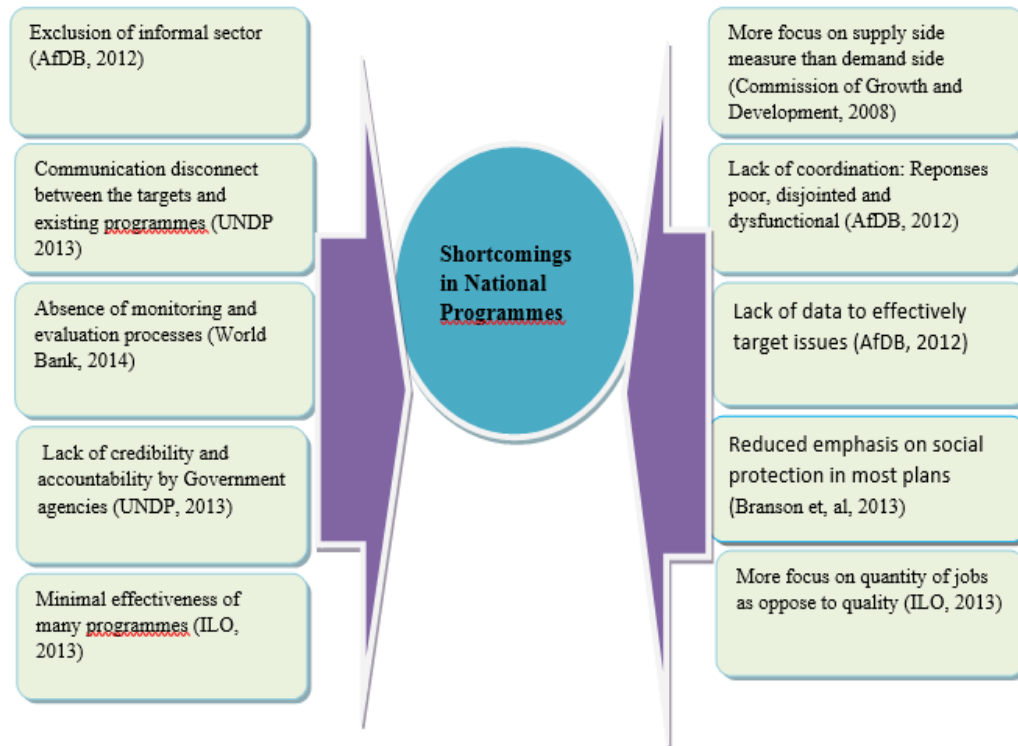
We conjecture that the effectiveness of policies and action plans depends on sound understanding of the issues that the young people face in seeking and sustaining decent job opportunities. Especially with the case of youth labor framework, these programs according to OECD (2009) often result in interventions that are fragmented, isolated, and narrow in scope and they do not take into account the dynamics of the specific economy. According to the ILO, whatever the strategies that are employed by governments, “they need to have the appropriate technical capacity and the ability to muster political support to ensure implementation and smooth coordination among the different institution and social partners” (ILO, 2013). OECD (2009) also argues that youth employment policy must be in a subset of a broader context of a country employment and growth policy framework. Over the decades, International organizations have poured out millions of dollars in alleviating the situation however these problems still persist and in many cases increase. Then it makes sense to conclude that there are still some flaws in the treatment of these problems.

Some argue that the international organizations tend to have a one size fit all approach when each economy has its own dynamics in the labour market. Many countries place emphasis on training however the literature shows that this may not be the most effective method of tackling the problem as it needs other complementary policy to be effective. Although the literature provides the policies and actions taken at the national and international level, there seems to be lack of information of the measurement of the impact of these. Another challenge as cited by the literature is that of the duplicity of programs and insufficient coordination among stakeholders was cited by the literature for all the regions (World Bank, 2014). These inefficiencies according to the studies, is wastage of limited resources.

Literature shows that a well-balanced plan should include the active participation of youth as most times they are under-represented in this process (ILO, 2005). While the argument for youth unemployment is well noted there seems to be a lack of statistics and data available in the developing countries to make the proper

assessment of the situation and hence provide specific and accurate diagnostics. Figure 4.1 summarizes the weaknesses in country programs of youth unemployment.

Figure 4:1: Weaknesses of the National employment programs in countries



Source: created by author using various data sources as provided

4.4 An Analysis of What Can Be Done

The analysis of the intensity of unemployment is essential in dealing with youth unemployment as a person's misery intensifies with their level of unemployment. Knowledge of this intensity of unemployment can assist policy makers and all stakeholders to more effectively and efficiently tackle the problem of youth unemployment. It is established that youth unemployment is at a critical stage and the many consequences not only directly affect young people but it also etches at the economic fiber of the developing countries like that of the ACP. Most of the characteristics of youth unemployment are common among the region. Rates for the youth unemployment are higher than that of the adult unemployment, rates. In most cases the females youth unemployment rates higher than that of the male both globally and in the ACP countries. Consequences of youth unemployment as shown

by the literature paint a gloomy picture. Among the many consequences are the multiple scaring effects, poverty, high economic cost, and decreased productivity, social and political stability.

The correlation was made with various economic macroeconomic, social, political factors and unemployment. Many organizations have placed much emphasis on initiatives like entrepreneurialism, education and training to deal with the crucial phenomena. Entrepreneurship while the focus of many policies, the literature suggest of its effectiveness in addressing the problem. CARICOM and other such regional bodies review periodically these initiatives of its usefulness. Training remains a strategy especially with TVET programme(s). Though marginally, evidence can be seen of its results. To sufficiently combat the situation of the youth labour crisis through job creation, much more needs to be done throughout the ACP.

Active labour market polices can also become a very good modality in dealing with youth unemployment. While some of the international organization's aims seem to be overlapping however, they all serve in their various capacity in addressing the issue. As mentioned early some programs have been deemed unsuccessful. It therefore calls for more periodic review and greater collaboration among the various stakeholders. Based on the findings of the previous chapter, it is suggested that economies should start creating more small and medium sized enterprises that could provide persistent employment. There seems to be a clear association between youth unemployment that rises strongly as output. Since demand for labor is derived from economic activities, this finding is theoretically and empirically sound.

Second, there is a need to promote and uphold principles of good governance which can promote equitable and right type of programs of youth development. These must mainstream youth and capacity development. Further, improvement in governance at different levels would promote better and supporting infrastructure for growth and youth development policy. Data support the idea of minimizing gender parity which seems to increase youth employment. We think that if supplemented by technology, gender issues which undermine active female participation can be dealt with. In addition, the information asymmetry should be lowered. Drawing on theoretical and

empirical evidences of youth unemployment in the ACP, we find that the most important aspect of dealing with youth unemployment is the development of national enterprises that can promote employment. Technology, financing including financial literacy, opportunities of trade and technology are needed to promote meaningful youth employment. Summarized below is a case study profile of two recent businesses where youths of Fiji are involved.

Nature of business: Cosmetic and fashion-wear trading

Modality of operation: Online and online-physical trading

Ease-rate:¹³ Physical trade (8), online activity (3)

Key impediments: Finance and regulatory requirements

Ownership age: last 3 years

Success rate:¹⁴ online (9), physical and online (7)

This snapshot shows that developing entrepreneurship is not impossible in youths, when technology, financing and regulatory structures are robust. It is suggested that these features are to be embedded in national youth programs. E-commerce, easier access to financed and good governance with supportive regulations can go a long way in promoting youth employment in the ACP countries. Incubation of effective business Ideas, risk taking and development of entrepreneurial skills are very important pre-requisites of meaningful youth employment generating programs.

4.5 Concluding Comments

The key findings are that the multitude of country programs, have a common goal, which is to promote youth employability. They rest on a few factors such as development of entrepreneurial skills through technical and vocational training, pilot projects up-skill youth employability, which are commonly duplicated. New dimensions such as creation of new business opportunities, provision of finance, enabling technology and information, together with supportive regulatory environment are useful for promoting youth employability. The following chapter summarizes the thesis.

¹³ Stress-level in business management (0 = no stress, 10 = very stressful)

¹⁴ 0 = unsuccessful, 10 = highly successful or profitable.

CHAPTER 5 CONCLUSION

5.1 Introduction

This chapter presents the key findings, policy implications and conclusions of the thesis. It also discusses possible areas of future research in the area of youth unemployment. This short chapter provides clear guidelines for possible policies to address youth unemployment issues in the ACP countries and beyond.

5.2 Key Findings

1. Youth unemployment trends in the ACP countries are similar but eaters of unemployment are alarming. In some countries, it stretched well over 30% of total population which can really impact hard in the face of low rates of economic growth and increase in the life expectancy of people.
2. Youth unemployment issues in almost all ACP countries are similar. The literature confirms that the prominent underlying factors comprise of lack of sustainable economic activity, gender-biased opportunities, lack of relevant and quality education. Our empirical tests also support this view, but indicate that additionally, quality of governance is important.
3. The most prominent engagements of youths in the ACP countries, apart from schooling, are in informal activities, community works and being unemployed - consequences of these are chronic unemployment, low employability and the need to develop skills based training.
4. Countries and international agencies promote development of training, education and skills. They also promotes small and community based income generation projects, especially targeting women and youths.
5. Measured success of such initiatives (identified in 4 above) has been limited largely because of inappropriate implementation, lack of acceptability, limited engagement of local communities in design and implementation of these programs
6. Country programs vary, but often found to be duplicated by one or other local or international agencies. These have the usual implication of wastage of

resources, which otherwise could be used for other development projects/initiatives.

7. New dimensions of managing youth unemployment rest in creation of new business opportunities, provision of finance, enabling technology and information.

5.3 Implications for Policy

There are a few but significant policy implications that result from this research. It is anticipated that countries and agencies working with youths will take some of these onboard. These are discussed below:

1. Countries should promote sustainable economic growth which can facilitate new businesses development targeting youths.
2. Important features of fast-growing economies include modern technology, Information and Communication Technology (ICT) innovations and e-commerce. These are areas where youths are generally very interested and productive. These should be prioritized.
3. Give (i) and (ii) above, youth employment opportunities and initiatives must target the use of ICT, modern technology and comprise e-commerce activities.
4. The Government needs to promote good governance. The international and donor agencies must support good governance and gender balance in employment opportunities for the youth.
5. There needs to a central agency in each economy which can channel all youth employment generation initiatives to limit duplication and wastage of resources. This should be unbiased, have local and international credibility and be user-friendly to the youths and participatory agencies.
6. In order to promote skill-based training, education curriculum must be re-designed to embed technology and skills development. These should contain a common skills-set and specific skills as per the interest(s) of the youth.
7. Since economic size of the ACP countries are small, youths from these countries should be given easier access to labor markets within and outside the region.

5.4 Future Research Agenda

Addressing youth unemployment is important. As such, future research may look into the following specific areas of youth unemployment:

1. Efficacy of national youth employment programs
2. Intensity of youth unemployment and how to deal with them
3. Tracer studies of youths-skill development, employment status and incomes.
4. How youths can tap onto international labor markets
5. Making formal education enterprising in developing countries

5.5 Limitation

No research exercise is completed without limitations. The major problem in doing such a cross-country research as in this thesis was data limitation - we had to drop some important countries in the ACP region because of this. In addition, we could have done country-specific estimates to gain more insights on dynamics of youth unemployment. This again was restricted due to data. However, this brings this thesis to rest.

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APPENDICES

Data Appendix

1. YUR is the rate of unemployment of population in the age range 15-24 years as estimated by the International Labor Organization (ILO). This is obtained from the Key Labor Market Indicators (2010).
2. Y is real GDP data obtained from the International Financial Statistics (2010) of the International Monetary Fund.
3. P resembles GDP deflator and obtained from the International Financial Statistics (2010) of the International Monetary Fund.
4. POL2 is the POLITY2 index which measures the level of democracy. Data obtained from the INSCR database (2018).
5. PTY is a measure of gender parity in employment obtained from the ILO database (2010).
6. EDU is a proxy of quality of education. This is measured by Government expenditure on education. Data obtained from the World Bank database (2016).
7. DRP is the school drop-out rate at primary age and COM is years of compulsory education. Both are obtained from the World Bank database (2016).
8. CRISIS is the dummy for the 2008-9 Global Financial Crisis (CRISIS).