

Youth, Skills and Entrepreneurship in Latin America and the Caribbean



Angel Melguizo and Paula Cerutti
OECD Development Centre

*OAS Towards Concrete Solutions for Addressing
Youth Employment in the Caribbean*
December 6 2017, Barbados



Latin American Economic Outlook 2017

YOUTH, SKILLS AND ENTREPRENEURSHIP





Overview

1

Youth inclusion in Latin America and the Caribbean

2

Skills and entrepreneurship for inclusive growth



Why focus on youth?

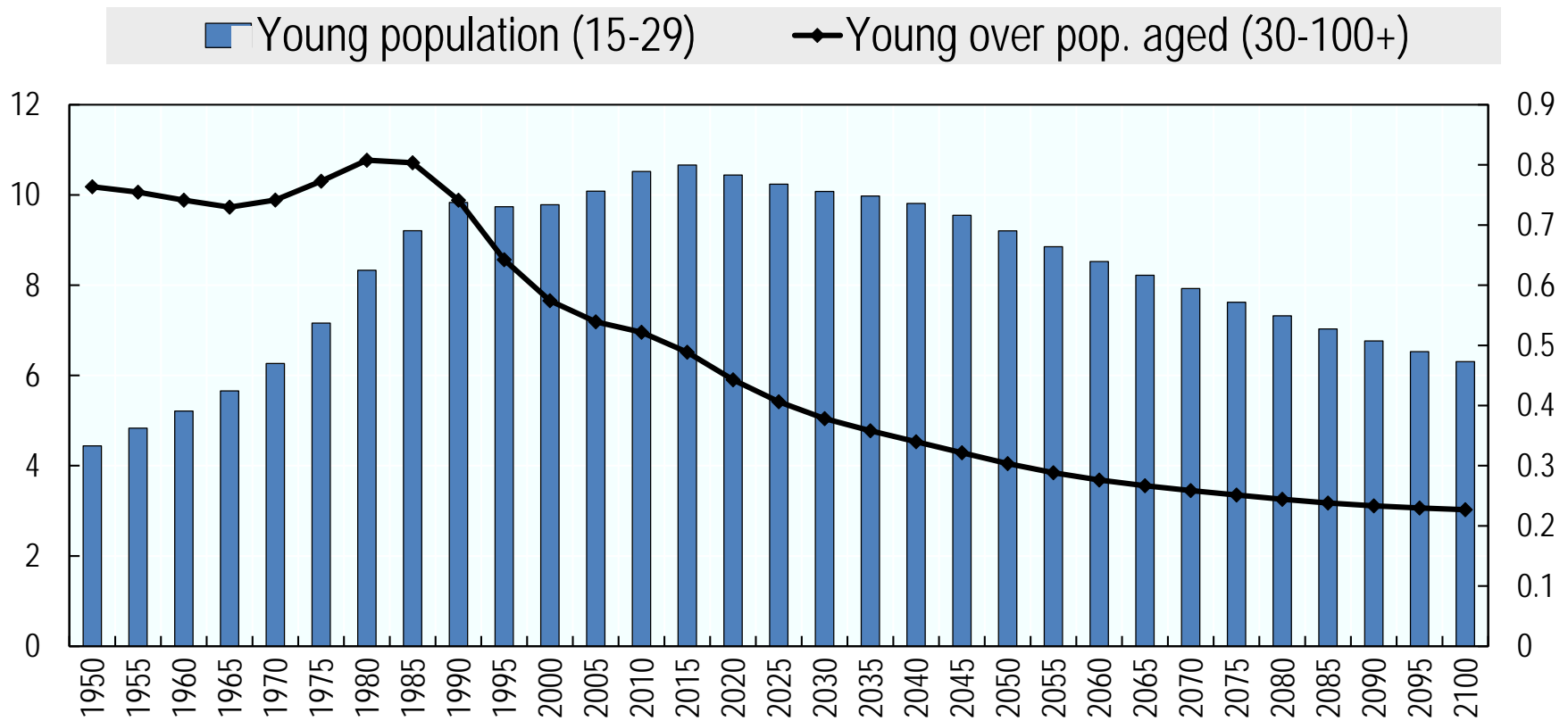
- The Latin American and Caribbean **demographic window** of opportunity is still open but not much is left
- Youth are more **educated** than adults and an increasing share belongs to the **middle class**...
 - ... however, they are offered limited opportunities
- The inclusion of young people in the social, economic and political processes **can spur inclusive growth**



Large share of young population opens a window of opportunity

One-quarter of the Caribbean population is between 15-29

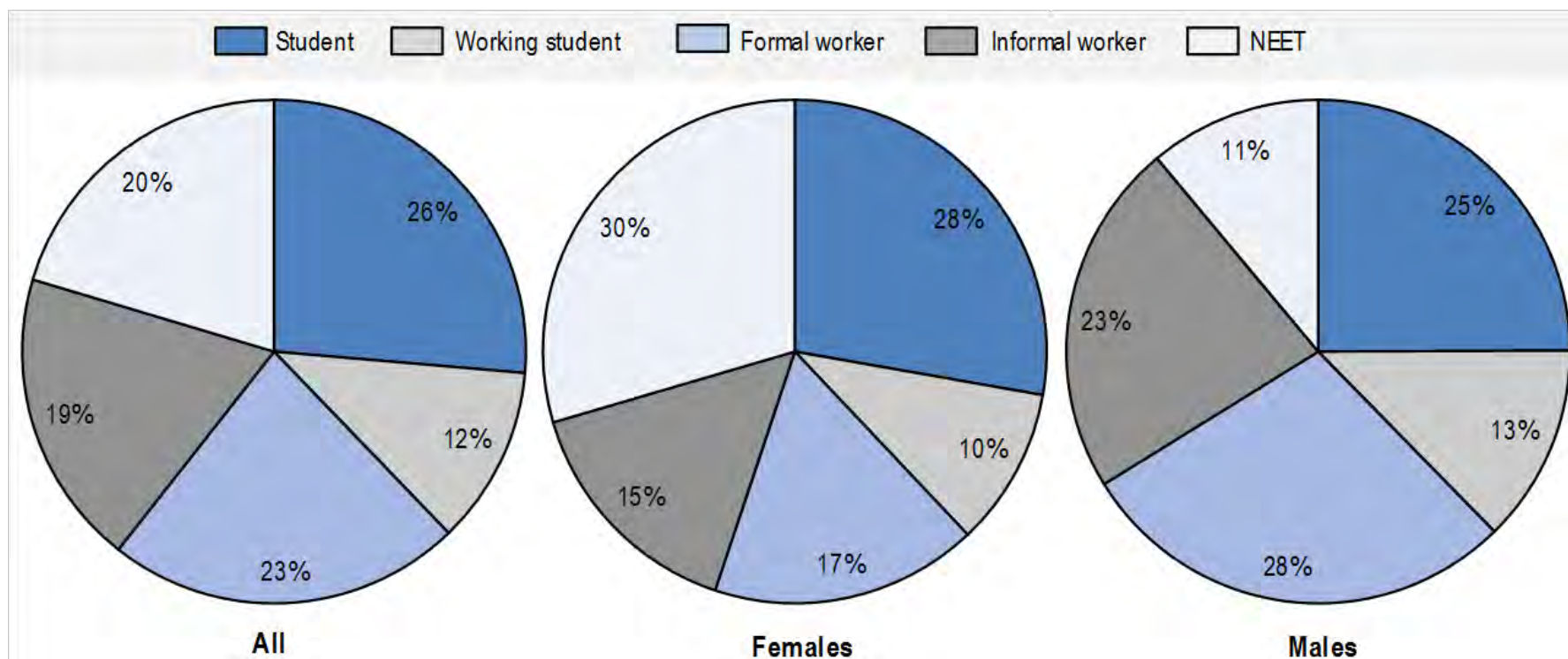
Young population in the Caribbean (in millions)





However, many of them lack of good employment prospects today

Activity status of youth by gender in Latin America and the Caribbean, 2014
(% of youth aged 15-29)

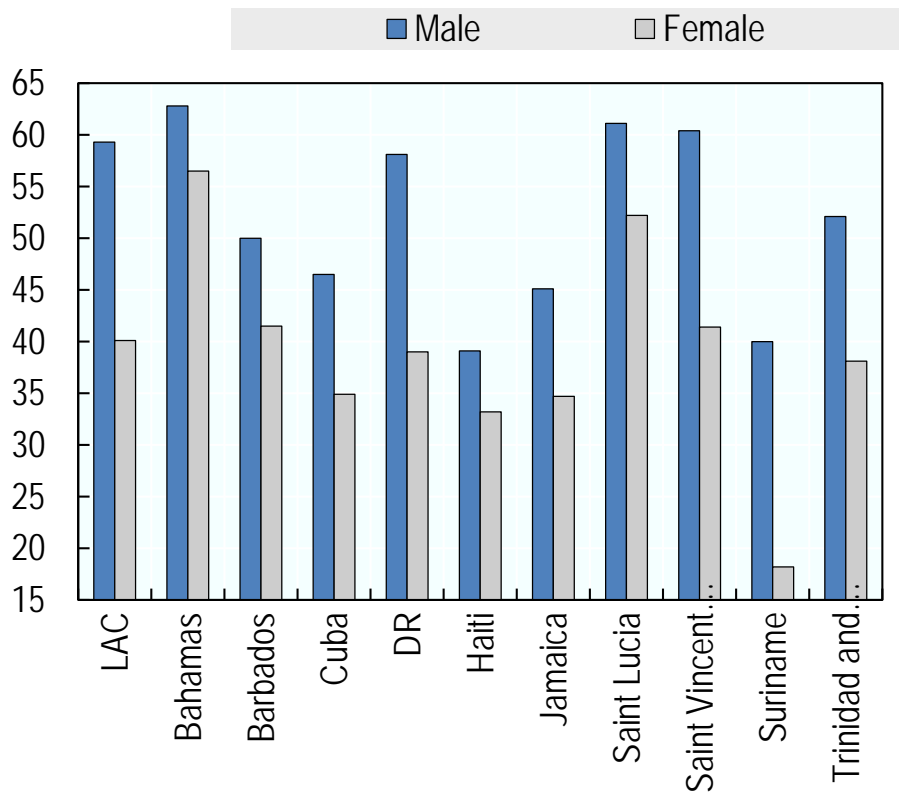




Gender gaps have decreased, but still persist

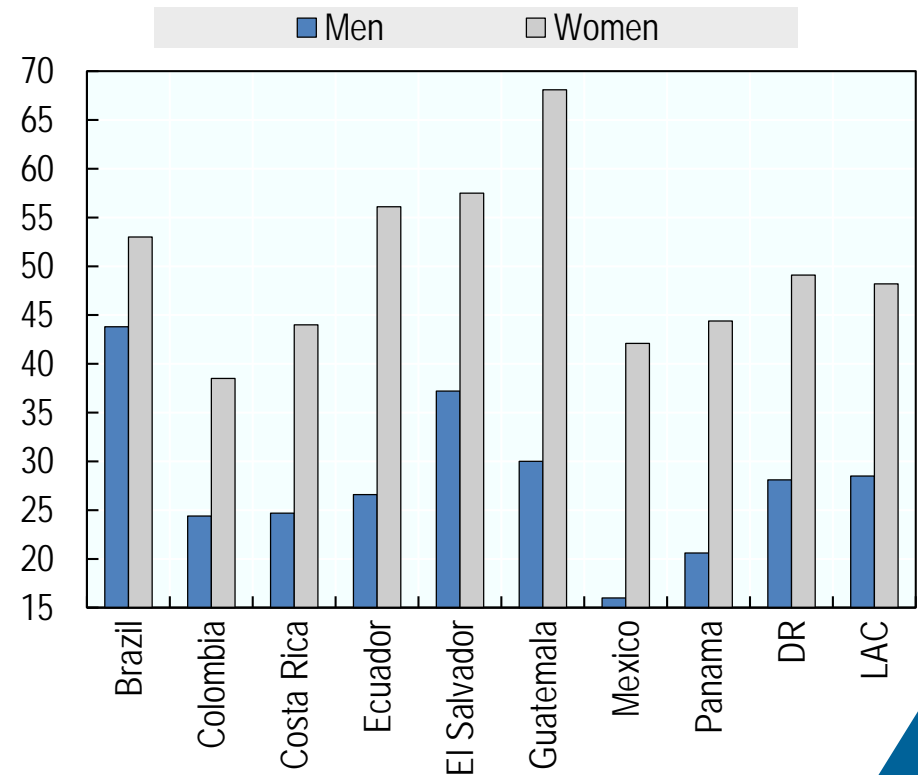
Labour force participation by sex, 2017

(% of youth aged 15-24)



Population without own income by sex, 2014

(% of youth aged 15-24)

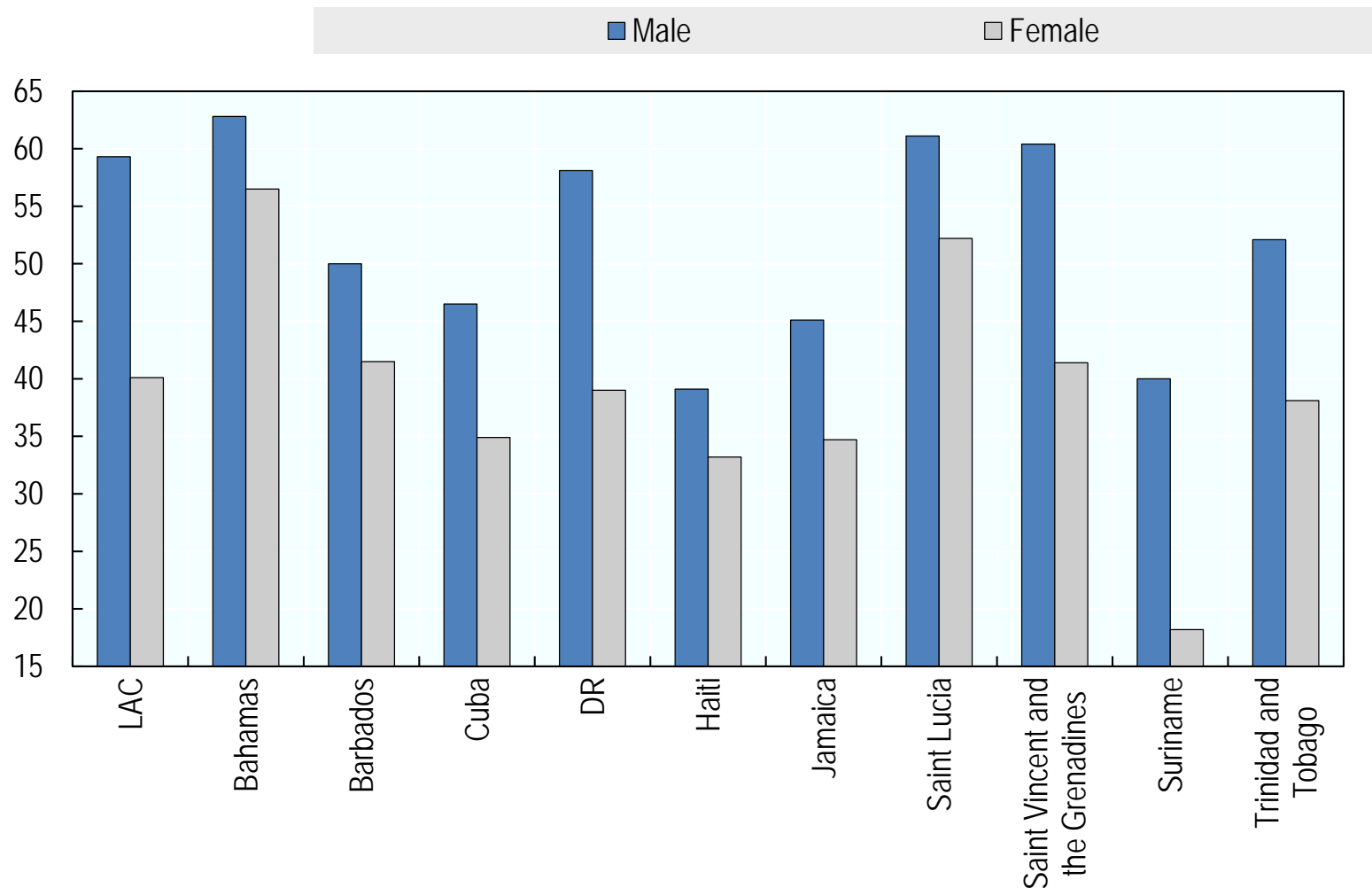




Gender gaps have decreased, but still persist

Labour force participation by sex, 2017

(% of youth aged 15-24)

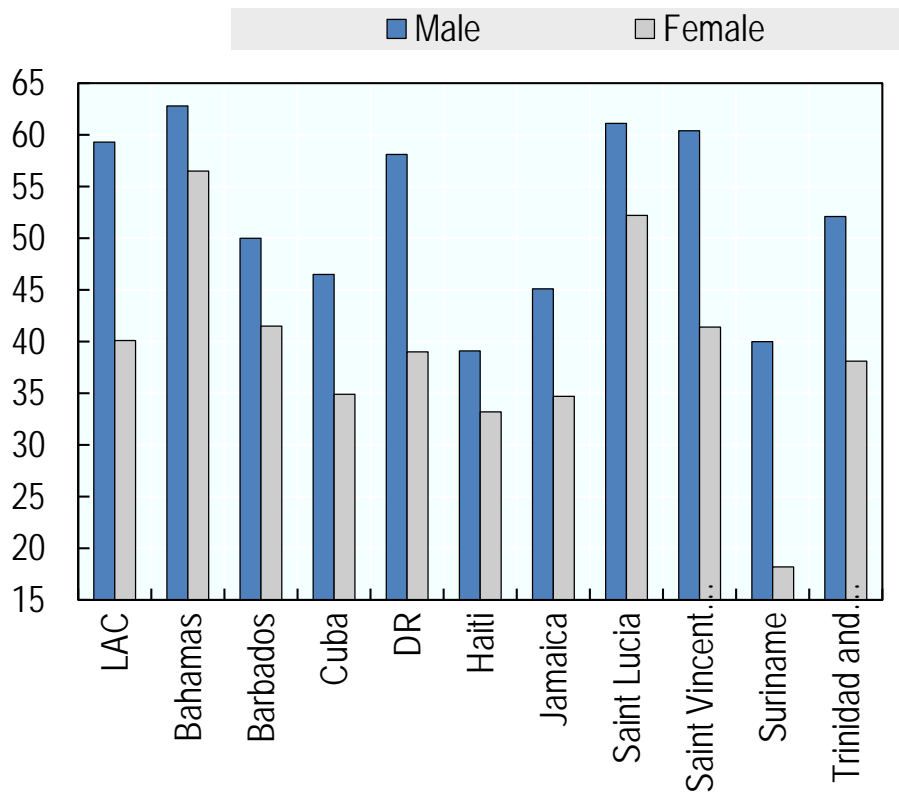


Source: OECD/ECLAC/CAF, Latin American Economic Outlook 2017: Youth, Skills and Entrepreneurship. OECD and World Bank tabulations of SEDLAC (CEDLAS and the World Bank).

Gender gaps have decreased, but still persist

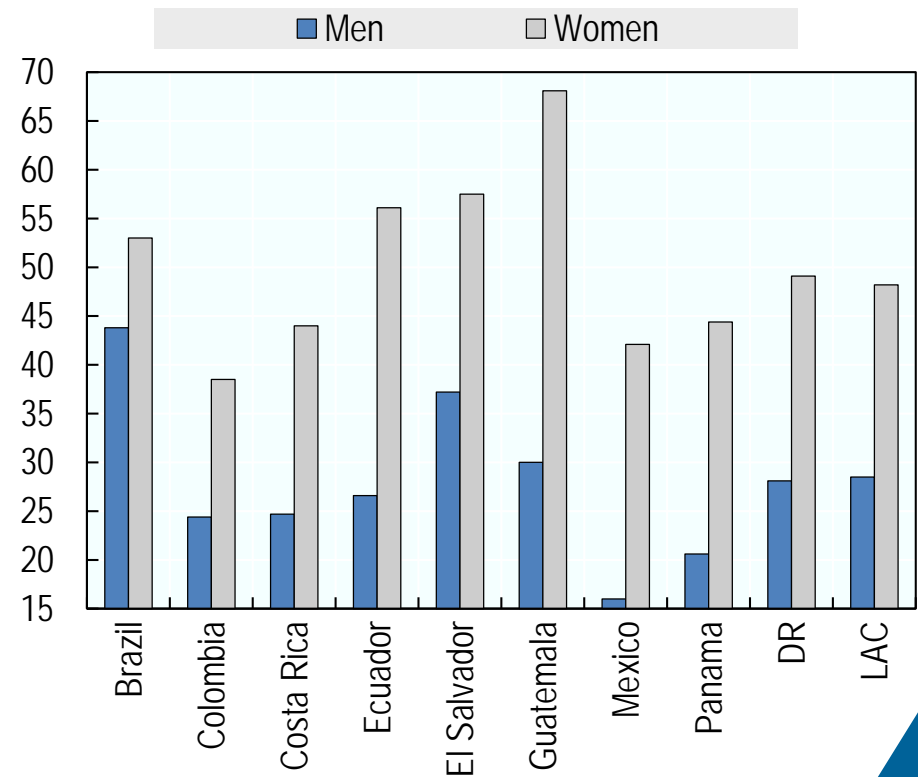
Labour force participation by sex, 2017

(% of youth aged 15-24)



Population without own income by sex, 2014

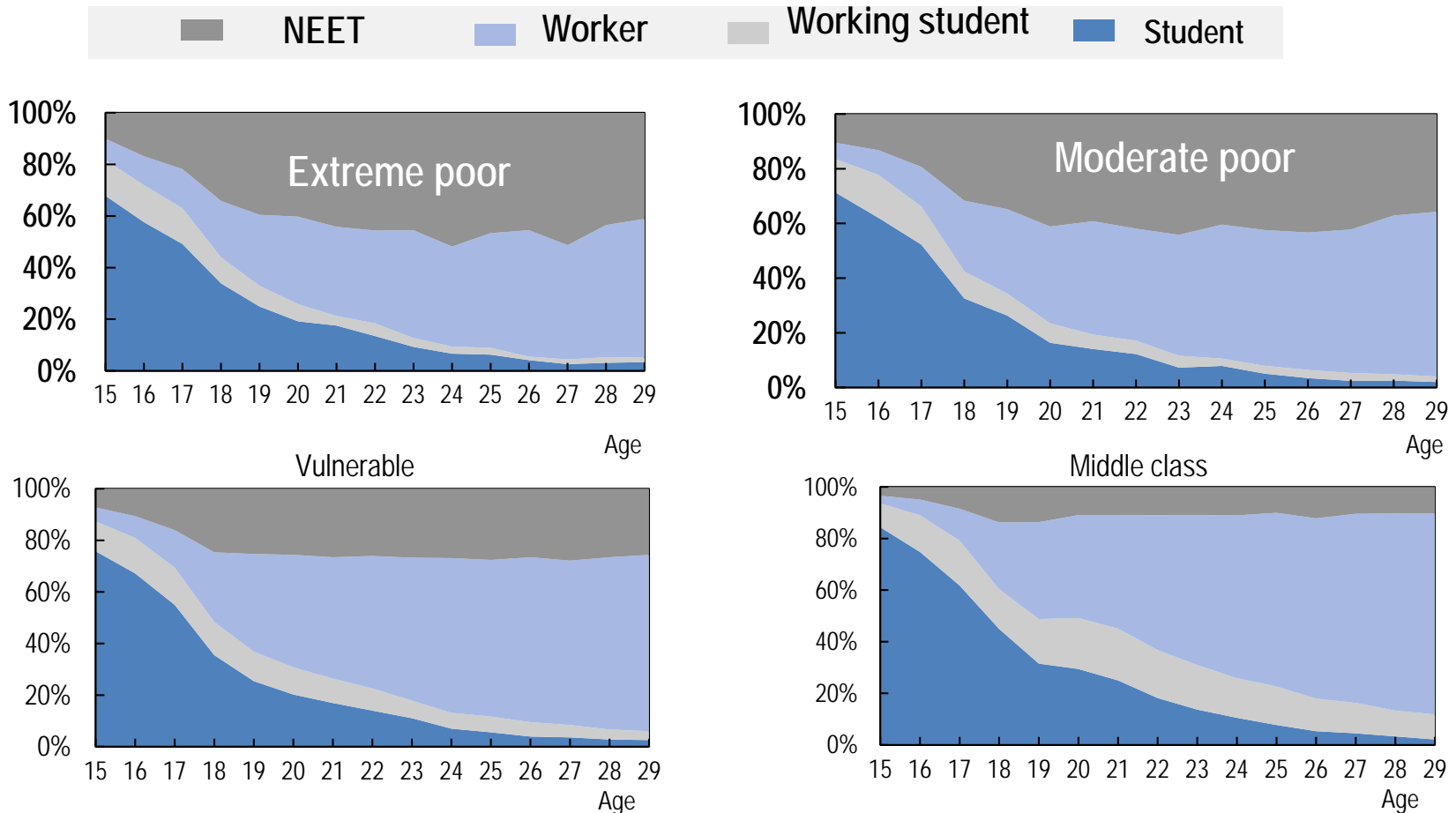
(% of youth aged 15-24)





Disconnected youth need to be re-engaged...

Activity status of youth by single year of age and socio-economic status, 2014

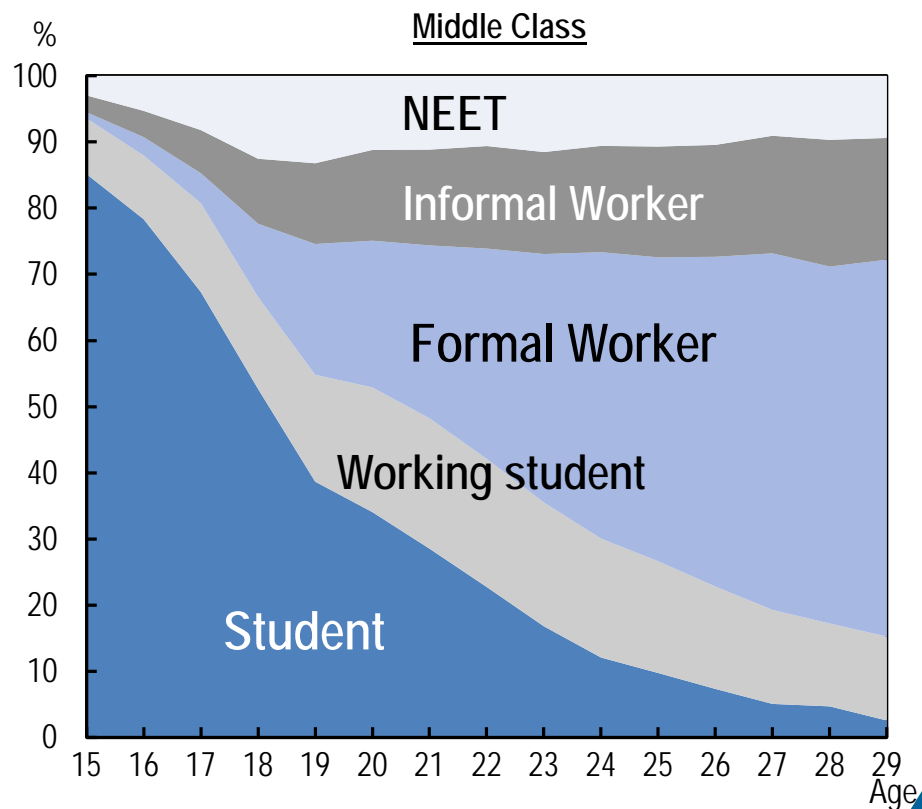
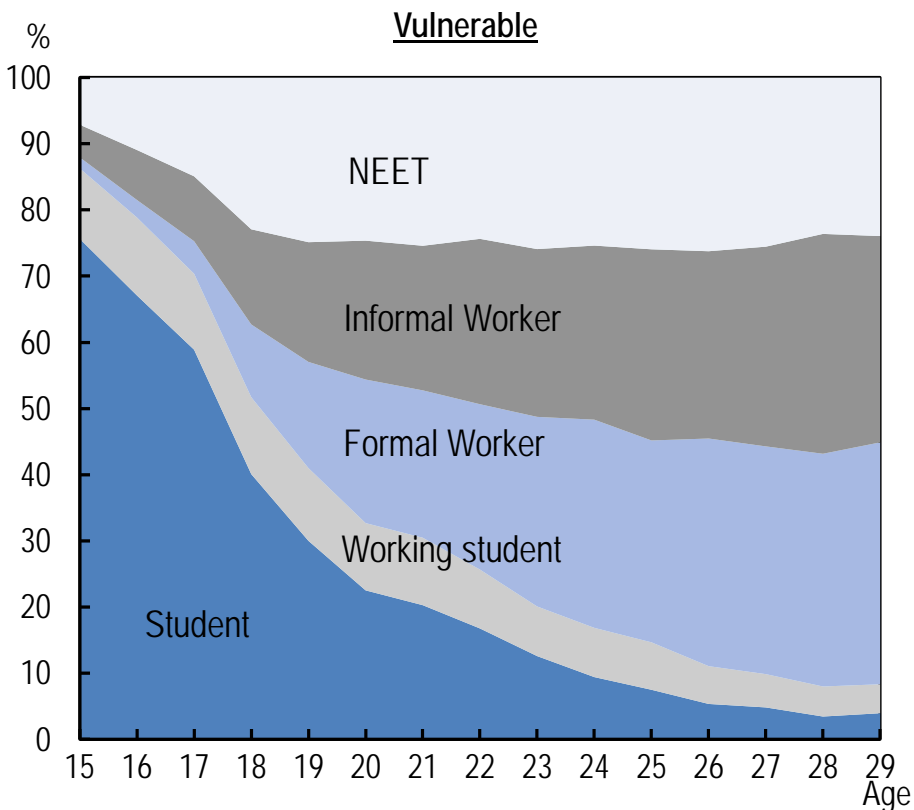


Note: Socio-economic classes are defined using the World Bank classification: "Extreme poor" = youth belonging to households with a daily per capita income lower than USD 2.50. "Moderate poor" = USD 2.50-4.00. "Vulnerable" = USD 4.00-10.00 "Middle class" = higher than USD 10.00. Poverty lines and incomes are expressed in 2005 USD PPP per day (PPP = purchasing power parity). LAC weighted average of 17 countries: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay Source: OECD and World Bank tabulations of SEDLAC (CEDLAS and the World Bank).



... particularly the ones with lower socio-economic background (i.e. **poor and vulnerable**)

Activity status of youth by single year of age and socio-economic status, 2014

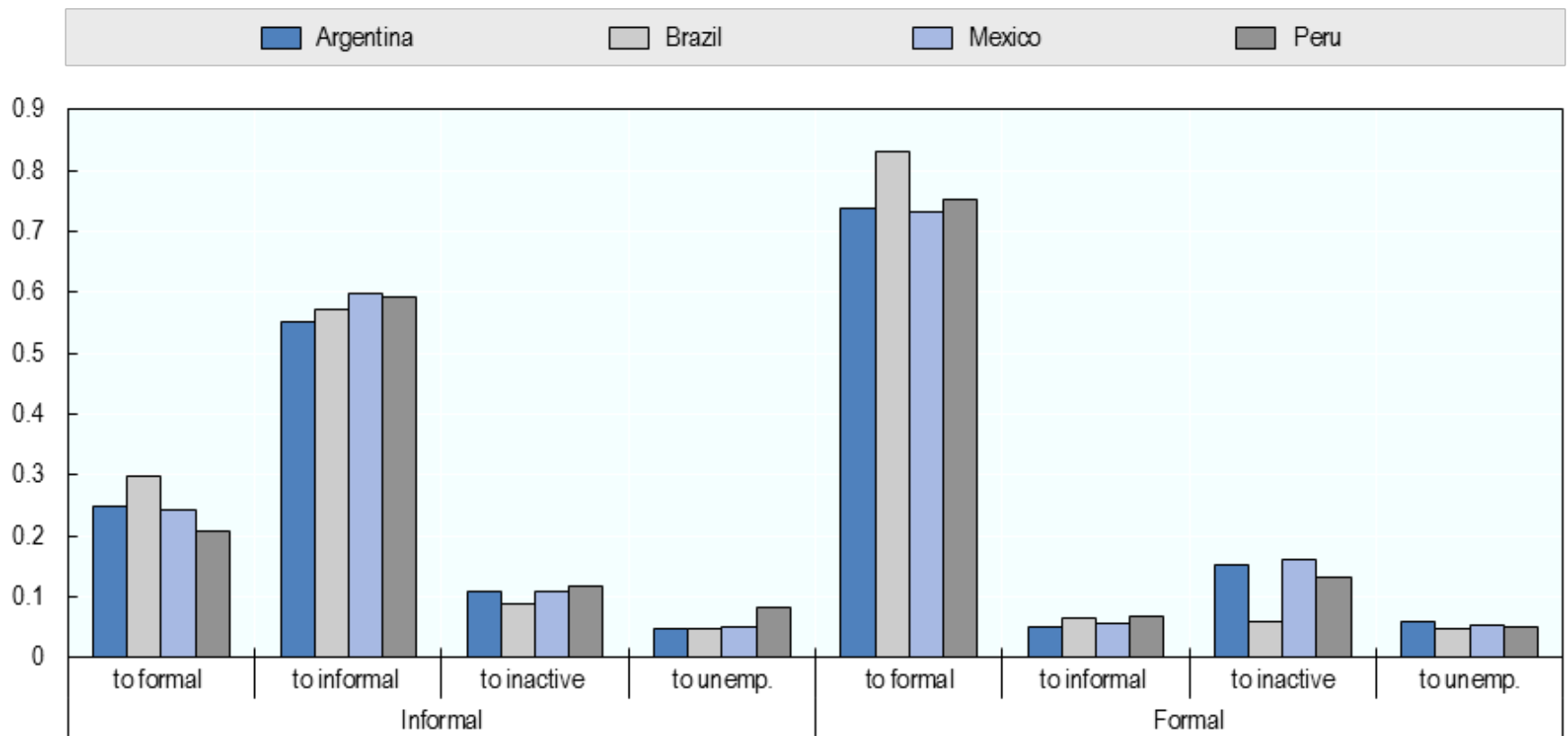


Note: Socio-economic classes are defined using the World Bank classification: "Extreme poor" = youth belonging to households with a daily per capita income lower than USD 2.50. "Moderate poor" = youth belonging to households with a daily per capita income of USD 2.50-4.00. "Vulnerable" = individuals with a daily per capita income of USD 4.00-10.00 "Middle class" = youth from households with a daily per capita income higher than USD 10.00. Poverty lines and incomes are expressed in 2005 USD PPP per day (PPP = purchasing power parity). OECD is the unweighted average of countries shown. LAC weighted average of 17 countries: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay Source: OECD and World Bank tabulations of SEDLAC (CEDLAS and the World Bank).



Informality: stepping stone or trap?

Flows into and out of informality of youth in Latin America (male workers, % annual flows, 2005-15)



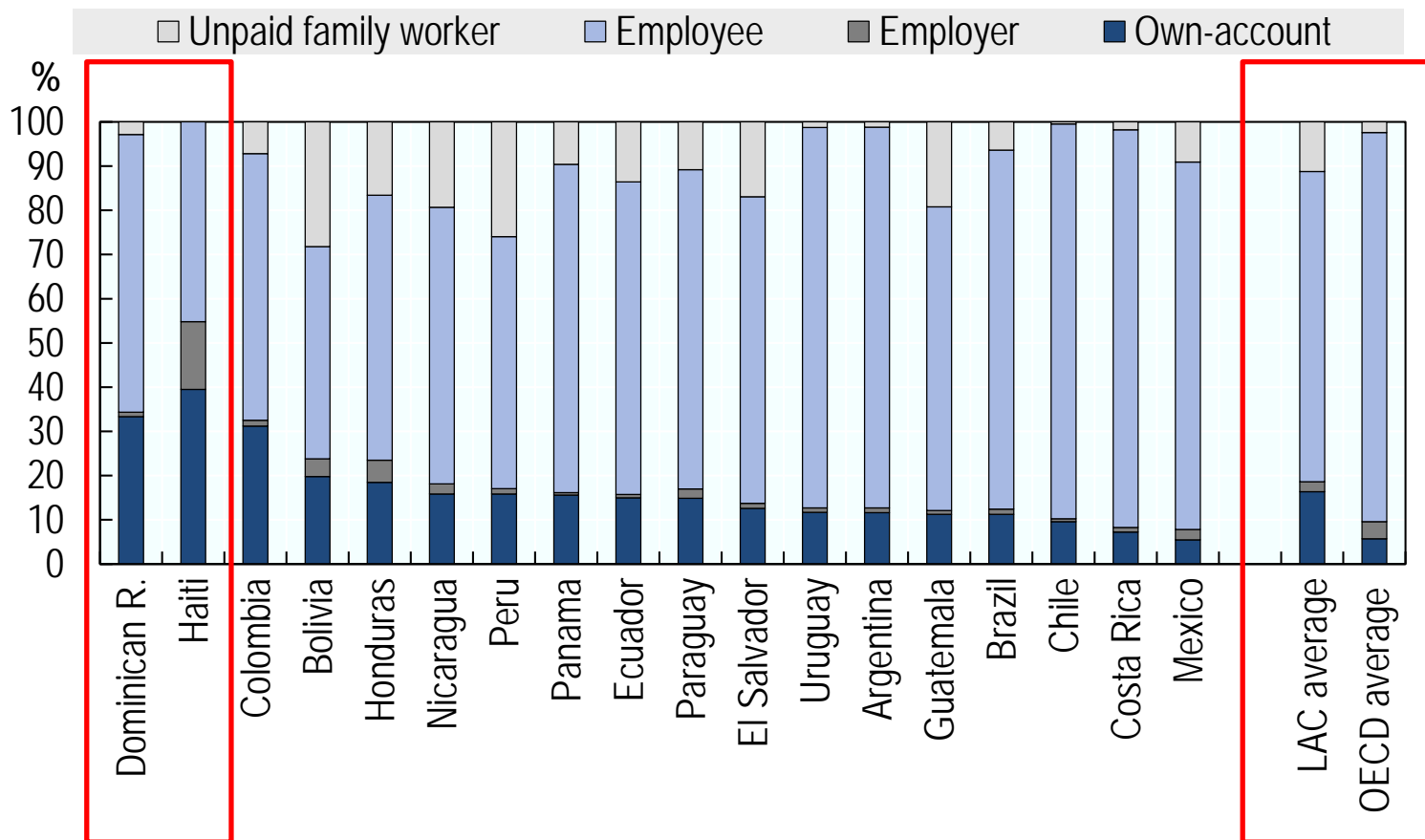
Note: This analysis covers urban populations in four countries (Argentina, Brazil, Mexico, Peru) due to data limitations

Source: OECD/ECLAC/CAF, Latin American Economic Outlook 2017: Youth, Skills and Entrepreneurship. OECD and World Bank tabulations of LABLAC (CEDLAS and the World Bank).



Plenty of (own-account) entrepreneurs mostly from disadvantaged backgrounds

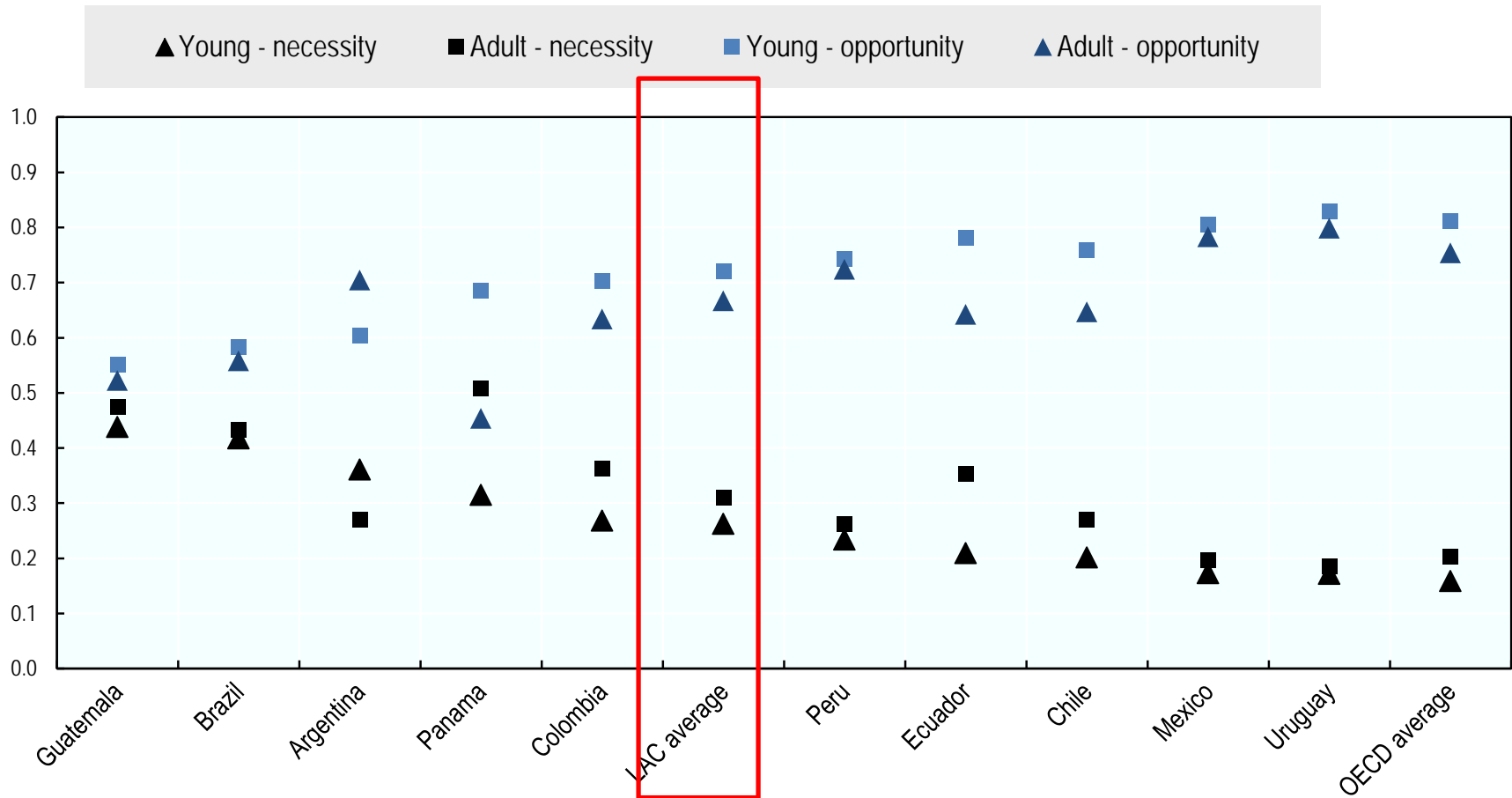
Distribution of employed population by occupational category in LAC and the OECD
(aged 15-29 years, 2014)





Few high-growth and many **subsistence** young entrepreneurs in LAC

Entrepreneurial motivation in LAC and OECD, Necessity or opportunity (2015, %)

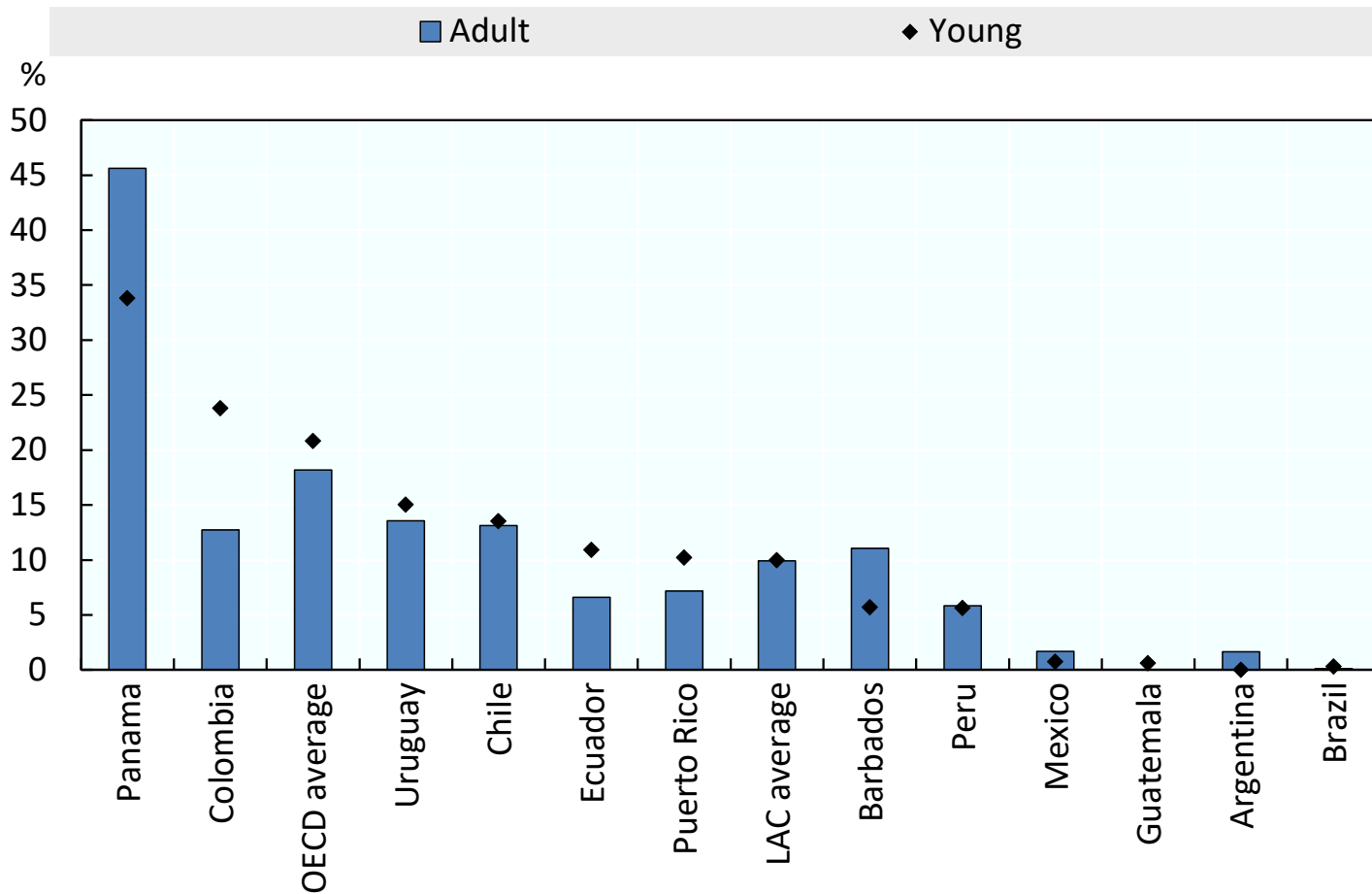


Source: OECD/ECLAC/CAF, Latin American Economic Outlook 2017: Youth, Skills and Entrepreneurship, based on Global Entrepreneurship Monitor individual data, 2015 and Herrington, Kelley and Singer (2016).



Young entrepreneurs' **integration** into global value chains is still limited

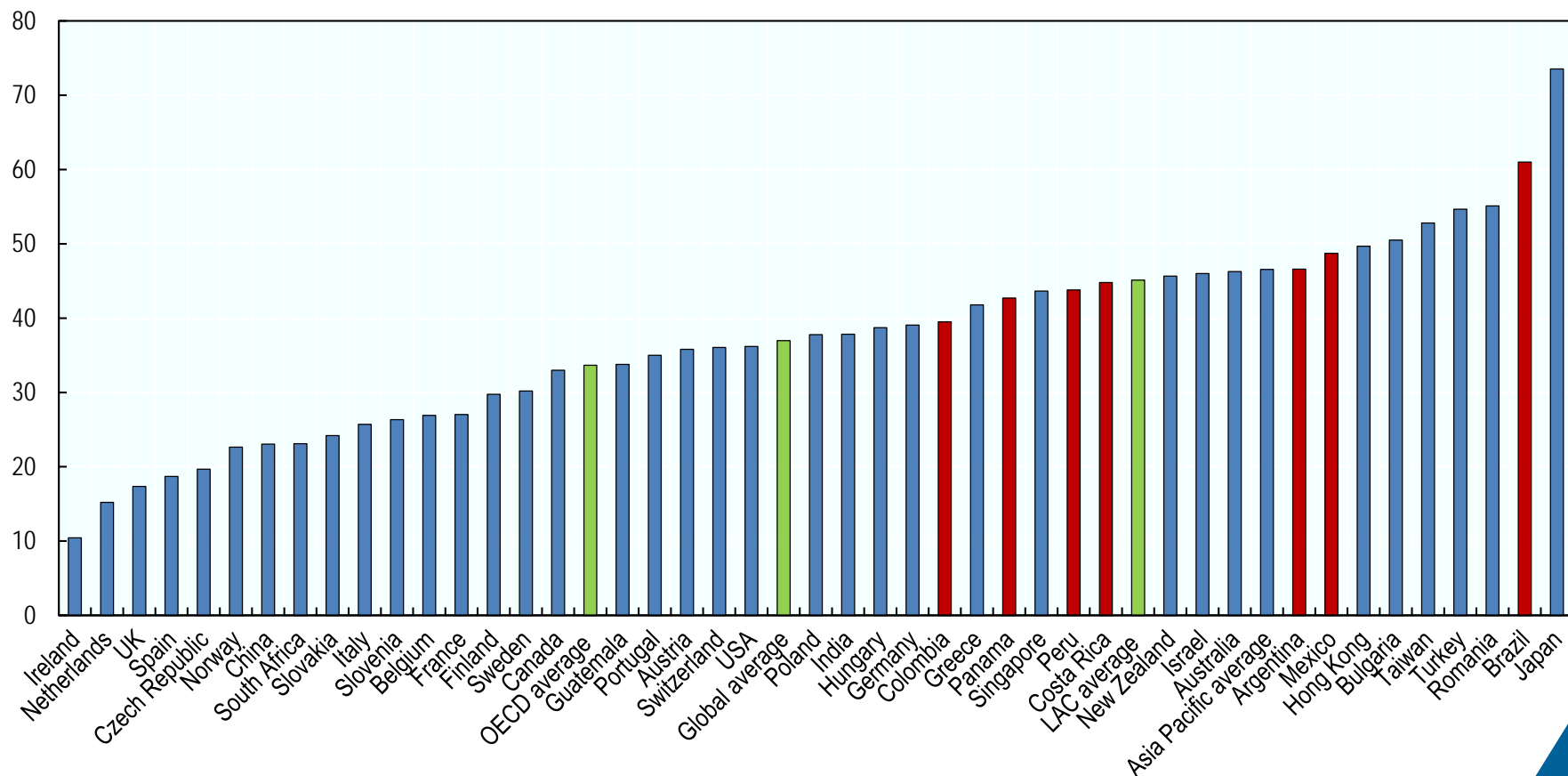
Entrepreneurs with at least $\frac{1}{4}$ of revenues from international customers (2014, %)





There is a wide gap between skills demand and supply...

Firms reporting difficulties to hire qualified staff
(average 2006-2016, %)

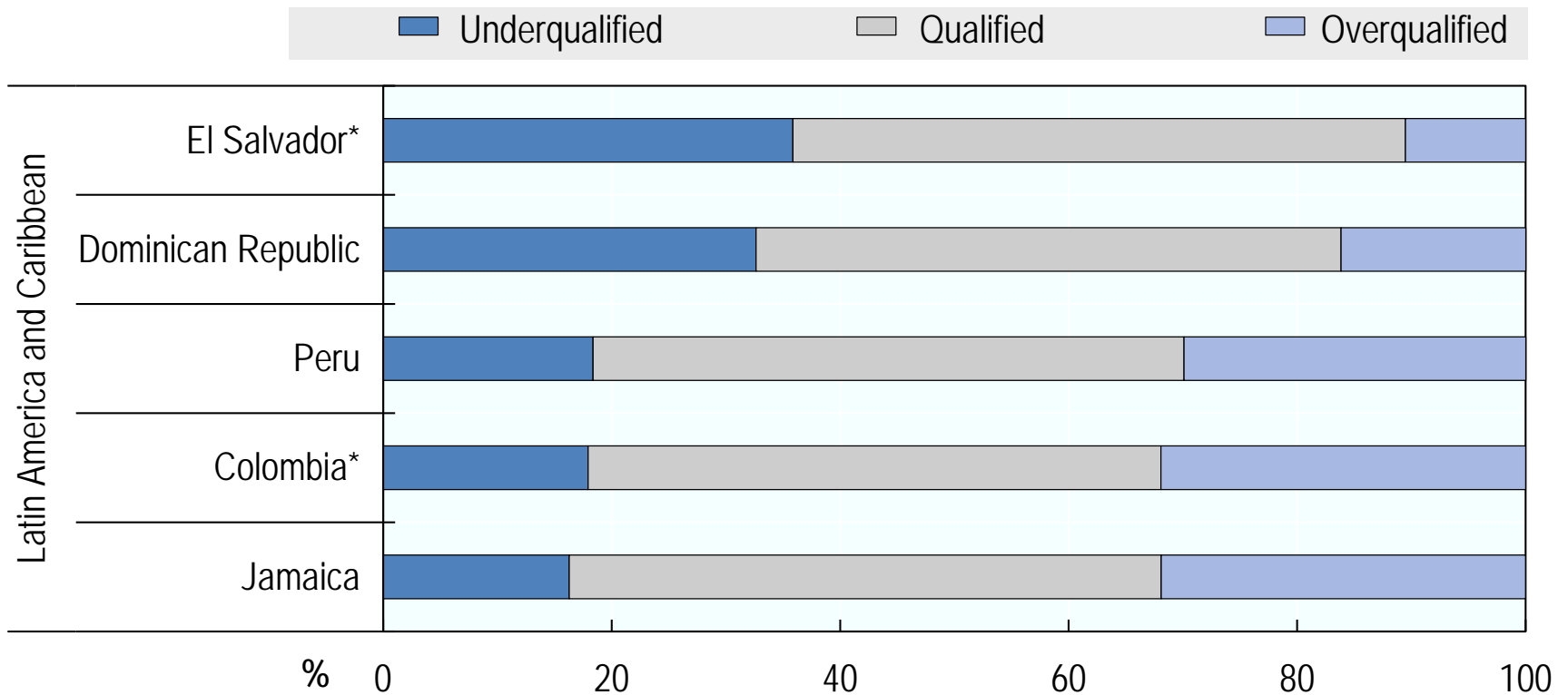


Source: OECD/ECLAC/CAF, Latin American Economic Outlook 2017: Youth, Skills and Entrepreneurship , based on Manpower Group databases



... and many workers perform jobs that are mismatched with the skills they have

Qualification of workers according to a normative measure of mismatch based on years of education required by the type of job they perform (2014, %)



Note: Calculations based on School-to-Work Transition Surveys 2012-2015, ILO. The normative mismatch measure is based on a mapping of ISCO-08 major groups to ISCED skills levels as follows. An individual working in a high-skilled occupation (ISCO 1-3) should have completed at least some tertiary education, an individual working in a medium-skilled occupation (ISCO 4-8) should have completed (general or vocational) secondary education and an individual working in a low-skilled occupation (ISCO 9) should have completed at least primary education. These individuals are considered as adequately qualified and, if this is not the case, they enter into the over- or underqualified category.

Data for Colombia and El Salvador refer to the urban population only.

Source: OECD, 2017: Youth Aspirations and the Reality of Jobs in Developing Countries: Mind the gap.



Overview

1

Youth inclusion in Latin America and the Caribbean

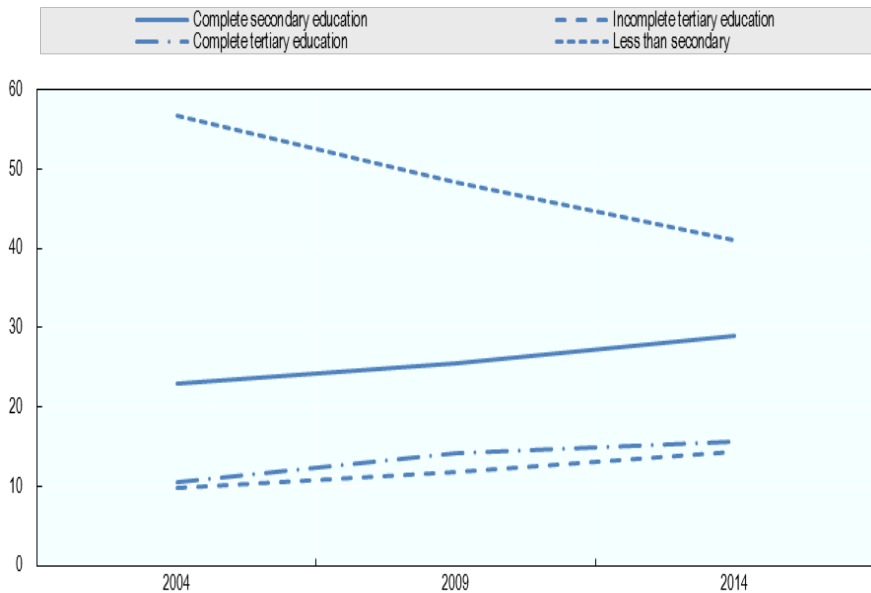
2

Skills and entrepreneurship for inclusive growth



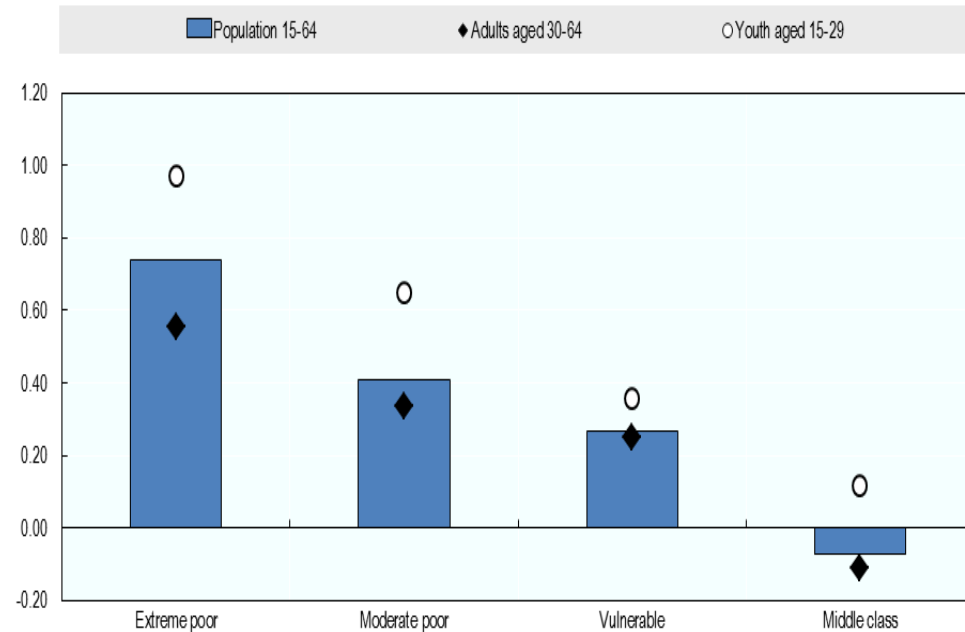
Secondary education coverage has increased especially for vulnerable, but quality remains low

Youth by highest level of education achieved in LAC (% of youth aged 25-29)



Source: OECD and World Bank tabulations of SEDLAC (CEDLAS and the World Bank).

Average increase in years of education by socio-economic group and age group, 2004-14

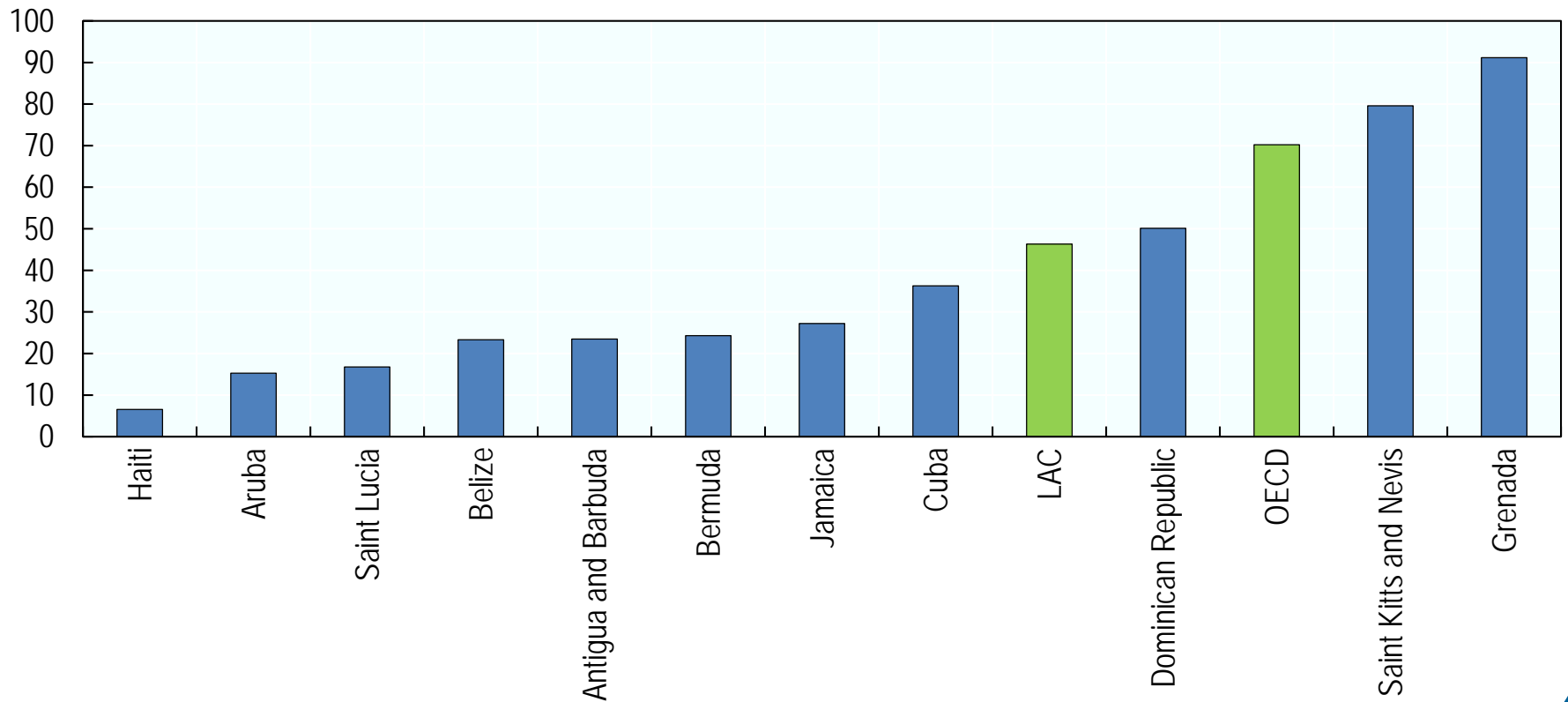


Source: OECD and World Bank tabulations of SEDLAC (CEDLAS and the World Bank).



Tertiary education enrolment has increased, but graduation rates remain low...

Gross enrolment ratio, tertiary education, LAC-16
(%)

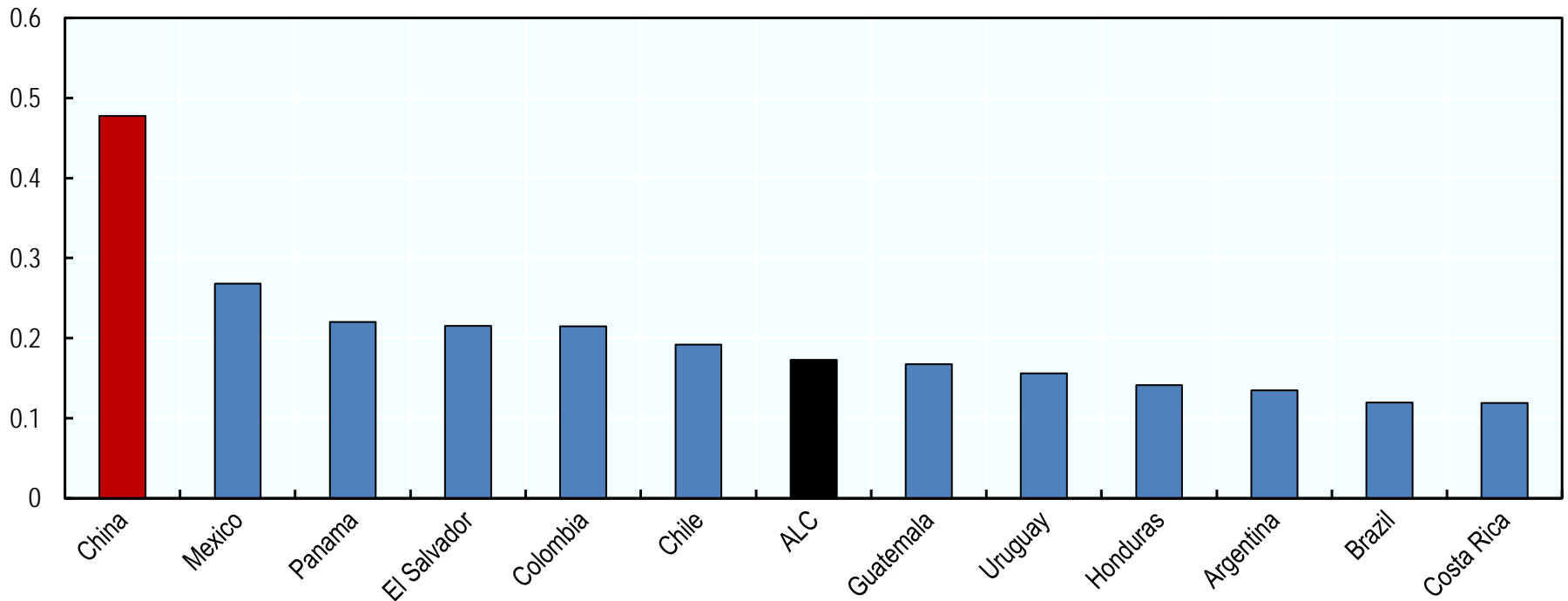


Note: Gross enrolment ratio refers to the number of students enrolled in a given level of education, regardless of age, expressed as a percentage of the official school-age population corresponding to the same level of education. Year is 2014 except for Argentina, Chile, El Salvador, Ecuador, Jamaica, Guatemala, Mexico, OECD and Panama (2013), and Paraguay, Peru and Uruguay (2010).
Source: UNESCO Institute for Statistics. Gross enrolment ratio, tertiary, both sexes (percentage).



...and few students focus in **Science, Engineering & Mathematics**, despite their higher economic returns

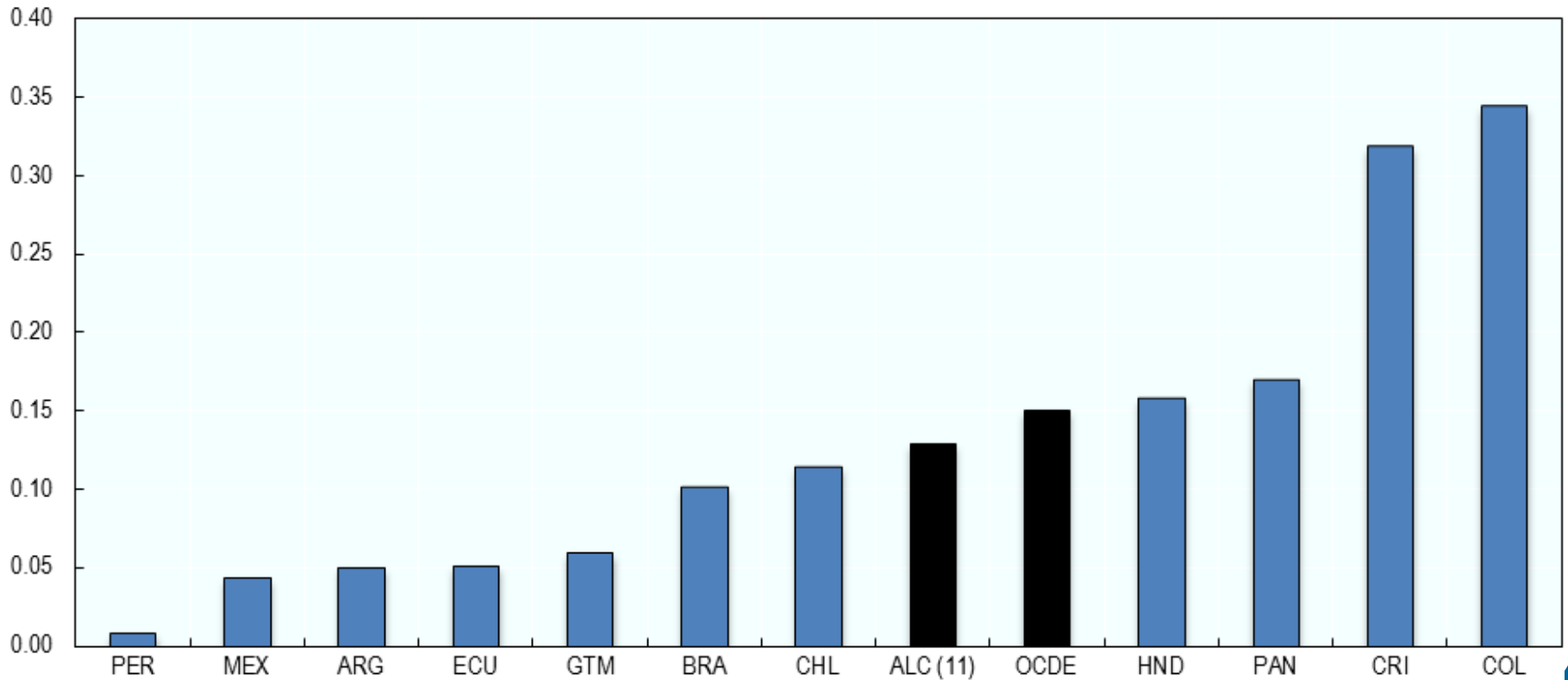
Tertiary students enrolled in STEM programmes in Latin America, circa 2013 (share)





Technical and vocational edu. has not developed to its full potential due (in part) to limited budgets

Public expenditure in training programmes in Latin America (circa 2014; % GDP)



Note: 2014 for Argentina, Brazil, OECD and Panama; 2013 for Costa Rica, Guatemala and Peru; 2012 for México; 2011 for Chile and Ecuador; and 2010 for Colombia
Source: OECD/ECLAC/CAF, Latin American Economic Outlook 2017: Youth, Skills and Entrepreneurship



Programs for disadvantage youth work when combining **class-work, intermediation and demand**

Components and outcomes in youth training programmes in Latin America

		Employability	Formality	Earnings
Components	Labour intermediation services			
	Information / counselling	●	●	●
	Support for job search	●	●	●
	Job placement	●	●	●
	Public works	●	●	●
	Training for unemployed			
	School based training	●	●	●
	School + work experience	●	●	●
	Workplace training	●	●	●
	For self-employment	●	●	●
	Soft skills training	●	●	●
	Training for active workers	●	●	●
Mechanism	Service provision			
	Dual training and labour intermediation	●	●	●
	Dual training	●	●	●
	Single training option	●	●	●
	Demand driven	●	●	●
	Demand and supply driven	●	●	●
	Supply driven	●	●	●
	Stipend to participants			
	Transport/ lunch/health insurance	●	●	●
	Income support	●	●	●
	Publicly funded training	●	●	●
	Provision of training courses			
	Public	●	●	●
Private	●	●	●	
Internships arranged by training provider	●	●	●	

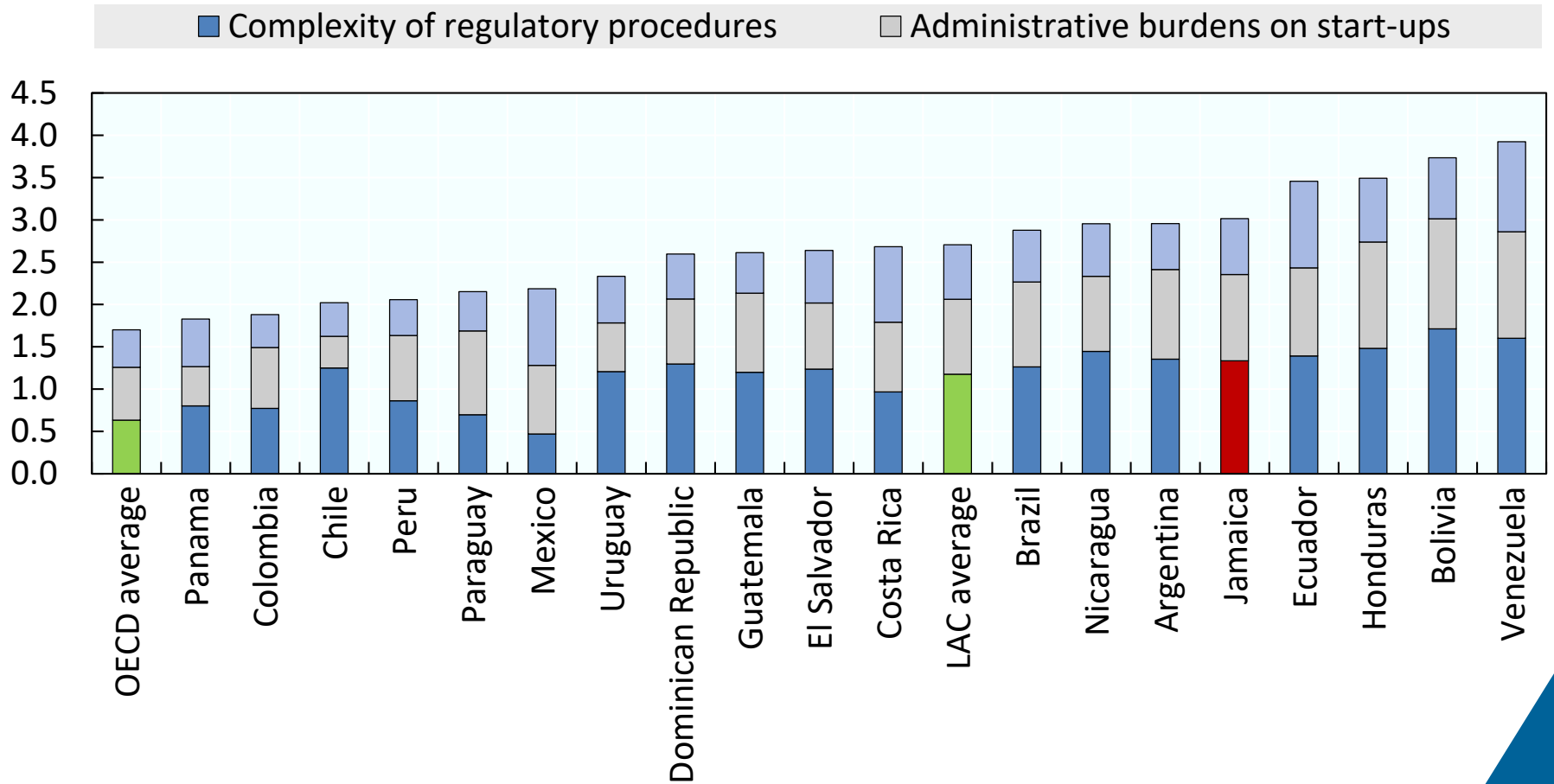
Note: ● Effective ● Neutral given mixed results ● Not effective.

Sources: OECD/ECLAC/CAF, 2016, based on programme evaluations (see Table 4.8).



Barriers to entrepreneurship in LAC are higher than in emerging economies and the OECD

Barriers to entrepreneurship index
(Scale 0 to 6 from least to most restrictive, 2013)





Entrepreneurship programmes offering business training, mentoring and counselling work

Components and final outcomes in youth entrepreneurship programmes in LAC

		Main outcomes			Secondary outcomes		
		Self-employment	Formalisation	Earnings	Firm creation	Psycho-social well-being	Territorial inequality
Components	Entrepreneurial Training						
	Technical and vocational	●	●	●	●		●
	Business and managerial training	●	●	●	●	●	●
	Financial training				●	●	●
	Financing						
	Credit for business or consumer loans			●	●	●	●
	Cash and in-kind grants				●		●
	Access to financial products			●	●	●	
	Counselling						
	Mentoring in business	●	●	●	●	●	
	Psycho-social support	●	●	●			●
	Arrangements for on-site advice/consulting		●	●	●	●	●
	Other						
	Support for job search	●		●	●	●	●
School + work experience	●	●		●	●		
For self-employment		●	●	●	●	●	
Mechanisms	Demand driven	●	●	●	●		
	Supply driven	●	●	●	●	●	●
	Publicly funded	●	●	●	●	●	●
	Provision of services						
	Public	●		●	●	●	●
Private	●		●	●		●	

Note: ● Effective ● Neutral given mixed results ● Not effective.



Latin America Economic Outlook 2017

- Beyond the short-term, Latin America and the Caribbean face a **triple challenge**: economic (productivity), social (poverty and vulnerability) and political (governance)
- Structural policies should be accompanied by investment in **human and physical capital** to spur
- Empowering the youth based on **skills and entrepreneurship** policies should be in the agenda



The way forward – skills and educational policies

- Strengthen the education system and **promote lifelong skills-enhancing programmes**
- **Combine** classroom teaching with practical on-the-job training
- **Collect information** on the skills of the population and those demanded by businesses to build better national skills-enhancing strategies
- Develop skills programmes that are more **responsive to the needs of the marketplace**



The way forward – entrepreneurship policies

- Reduce regulatory barriers for young entrepreneurs
- Introduce **tailored financing instruments** adapted to the needs of young entrepreneurs,
- Strengthen the link of young entrepreneurs with **business networks**
- Support business training and mentoring programmes
- Apply **systematic evaluations** of youth training and entrepreneurship programmes to identify what works and what needs to be redesigned.



Some promising programmes in the region **and the Caribbean**

- Dual Training: Juventud y Empleo (DR), ENTRA 21 (LAC), **NEO-Jamaica (Jamaica)**, ProJoven (Peru)
- Training Institutes/Programs: SENA (Colombia), PRONATEC (Brasil), **Caribbean Association of National Training Agencies (CANTA)**
- Business registration: Ley de Emprendedores (Argentina)
- Flexible financing instruments: Startup Jamaica, México Emprende, Start-up Peru, Start-up Chile.
- Mentoring and training: **Entrepreneurship Program for Innovation in the Caribbean**, Entrepreneurship parks (Colombia), Foro Emprezando (Mexico)
- Internationalization: Pacific Alliance Start-up association



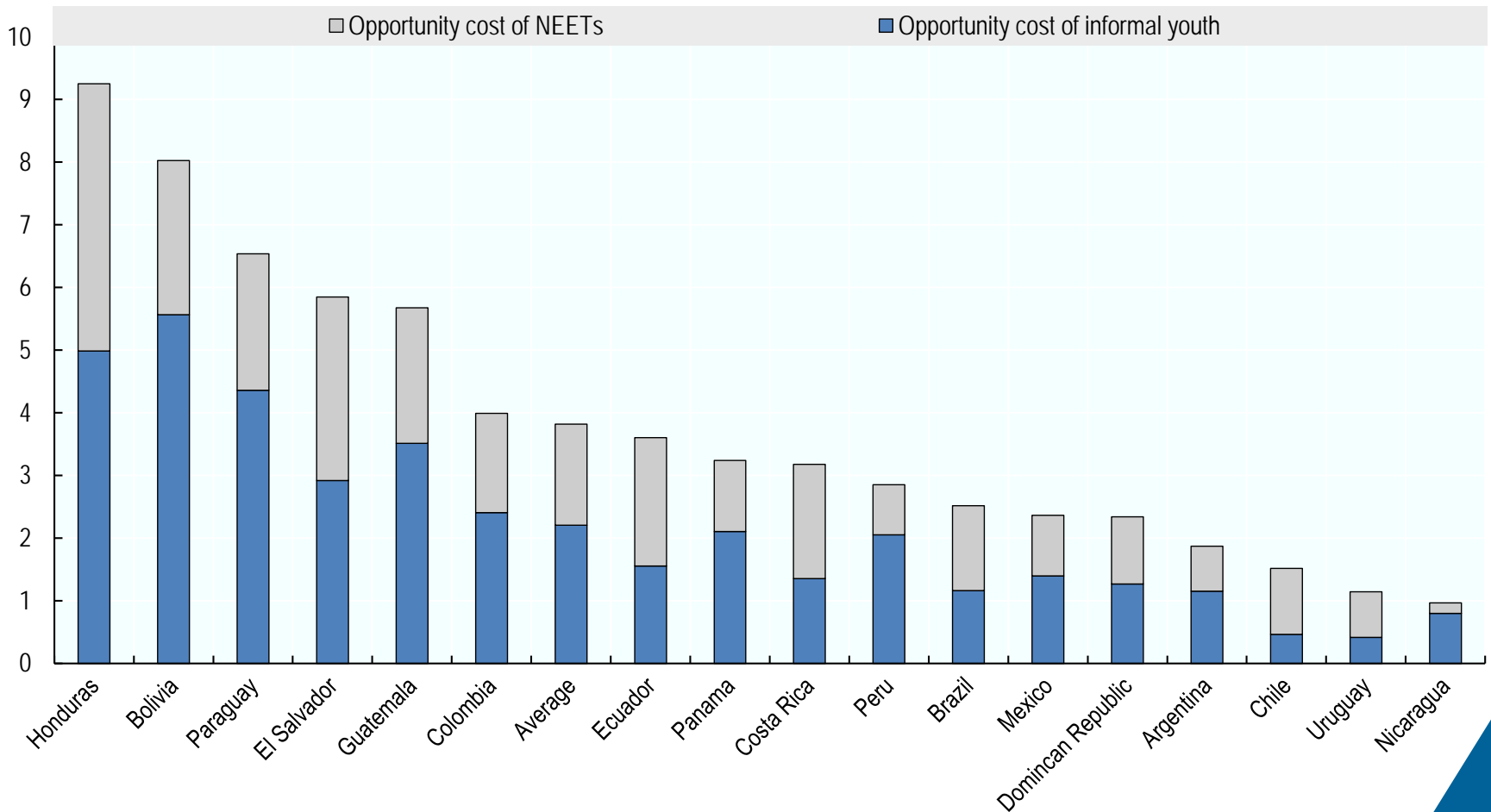
Policies should **look into the future**, both in design and financing

- **Future of jobs:** job creation or destruction? A shifting demand for skills
- **Future of politics:** new ways of connecting societies and governments.
- **The future of cities:** living in a highly urbanized region. Scale up social entrepreneurship



Much to gain from empowering the youth

Economic impact of skills and entrepreneurship policies (2014; % GDP)



Source: OECD Development Centre, based on OECD/ECLAC/CAF, Latin American Economic Outlook 2017: Youth, Skills and Entrepreneurship.



Policies should **look into the future**, both in design and financing

- How do countries **National Qualifications Strategies** coordinate with each other?
- Do countries work/collaborate in **skills demand forecasting**?
- What are countries doing to endow with **more prestige** to TVET education?
- **Data and Statistics?**

Latin American Outlook 2017

Youth, Skills and Entrepreneurship



Visit www.latameconomy.org

Gracias!