

Youth unemployment demands urgent attention

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The unemployment rate in the country is now at a low level - the lowest ever in fact - being 4% in 2012, down from 4.2% in 2011. But this figure is not applicable to youth unemployment which continues to remain high. The labor force has itself declined by 1.1% to 8.465 million last year of which 67 percent were males and 33 percent females. Out of the economically inactive population, 29.5 percent were males and 70.5 percent were females. The female labor participation rate remains low at 29.9%.

The working age population has increased to 62% of the total population in 2011 from 58.2% in the 1981 Census of Population. Theoretically this is an economic advantage called a demographic dividend for it could potentially increase the GDP if more or all this segment is employed. Economic growth depends on the increased application of labor to the production process increasing output. But this depends on employing them gainfully. Our high youth unemployment shows we are failing to utilize this demographic advantage. Unemployment was most acute for the 15-19 year age group which increased to 18.9% in 2012 from 15.5% in 2011. This is despite the government absorbing graduates into the public sector where they draw pay for little or no productive work.

What are the causes of the youth unemployment?

We had 8% plus growth in 2010 and 2011 but 6.4% in 2012. Why then did the unemployment of the youth increase? It is not enough to have high growth; the structure of growth is also important. When we add the large government expenditure on infrastructure investments, whether such investments create jobs or increase the output of final goods or not, the GDP increases. This is because all government expenditure is automatically added to the GDP calculation unlike in the case of the private sector expenditure where the value added alone is included. All government expenditure is automatically considered as value added and high government expenditure drives a spurious GDP growth.

Further, when we employ foreign labor on these infrastructure projects even the temporary creation of jobs on the investment doesn't take place. Of course such infrastructure investments

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create only temporary jobs during the period of construction. But if investments create new products or increases the over-all output, there is new employment generated on a continuing basis; so economic growth does not automatically create new jobs, and certainly not government driven investment.

Mismatch between demand and supply

But even where new jobs are created, there are no takers from among the youth because they either do not like to be employed in such jobs or because they lack the required skills to fill such jobs. So everybody talks about the mismatch between education and employment. Our youth are given a purely general education which prepares them only for work in offices and in the service sector. But the economy needs mechanics, fitters, plumbers, electricians, carpenters and a host of other skilled workers which our educational system is not geared to produce.

During my schooldays many children would leave school and join the Railway workshop and the Government Factory as apprentices. Dr. Udugama introduced vocational subjects to the school curriculum in the 1970s but the UNP government that took office in 1977 abolished it. Apprenticeships are no longer being used as youth below 18 cannot be employed. These measures are responsible for the present situation.

Parents also do not realize that their children could be gainfully employed and also earn high incomes if they encourage them to go into vocational training. So we have today a large number of youth who are neither in educa-

tion nor in employment. The OECD has coined a special term for such youth - "NEETs" (not in employment, education or training). So in many developing countries many young people are "inactive".

Youth employed in the informal sector

On the other hand many of the youth who are employed are employed in the informal sector where there is no permanent work. There are no published figures for employment in our informal sector but it is undoubtedly large. Keith Hart (1971, 1973), a social anthropologist, was the first to bring the term 'informal sector' (in a Third World context) into the academic literature. He introduced the concept of the 'informal sector' as a part of the urban labor which takes place outside the formal labor market. Hart considered the 'informal sector' as almost synonymous for the categories of small self-employed. This term came to be used to refer to ways of making a living outside the formal wage economy, either as an alternative to it, or as a means of supplementing income earned with it. In addition, Hart implied that wage-earning employment is a characteristic only of the formal sector. The ILO made studies after the 1970s. It is now realized that the incomes in the informal sector are low and development drives should be to move labor from the informal to the formal sector where wages are higher and there is continuous work. This makes for a greater contribution to the GDP.

In addition to the urban informal sector employment, there is a large category of agricultural labor which is

also self-employed. They are also inactive for part of the year. **So a significant part of the youth population, both male and female, makes little or no contribution to the wealth creation in the economy.** If these people can be gainfully employed or more productively employed, the GDP could be increased with much less investments.

In developed countries the loss in output due to youth inactivity has been estimated at 1% of GDP. It is probably more in developing countries. So here is an opportunity and a challenge to increase growth. Unlike developed countries, developing countries cannot afford unemployment benefits. "Young people ought not to be idle. It is very bad for them" said Margaret Thatcher. To allow that is asking for trouble. We have gone through two youth rebellions which cost much loss of life. Fortunately our young women find employment in the Middle East as housemaids; but what about our youth?

Reform the Educational system

We must carry out reforms to the educational system to reduce the mismatch between education and employment demand. It is folly to continue with the established policy of increasing the number of people who graduate from universities. Many with liberal arts degrees are unemployed and cannot get jobs in keeping with their expectations. What matters is not just the number of years spent in the universities but the content of the education imparted. The content of our university curricula have been criticized often but no meaningful reforms have

taken place. Given the fact that the university education is free, the demand for it is in the jargon of economists "infinite". So how can the numbers be reduced? The entry requirements should be made more stringent. The district quotas which discriminate against merit should be done away with. Perhaps English should be made a compulsory subject for entry to the universities and incentives given for the study of science and technology while reducing admissions to the arts and the social sciences.

But reforms are more necessary at the level of school education. The gap in the world of education and the world of work must be bridged by establishing more vocational and technical schools. Closer relations must be forged between the schools and the engineering establishments in the public and private sector. Firms must be given an incentive by way of allowing a tax deduction for training youth in mechanical and engineering skills. The government must divert a part of the funds from the education budget to the funding of vocational and technical education.

Why shouldn't the parents be called upon to fund part of the costs of general education in schools? Free education is no longer affordable for two reasons. Firstly the government tax revenue is not growing enough and the demands on it are increasing. Secondly, the costs of school education keep going up as teachers' salaries increase. Thirdly the parents' incomes have increased over the last 50 years. Per capita income has gone up and we have reached middle income status and hence there is less need for free education.

The issue of private education and state education should not be confused. Free education is not affordable and parents should be called upon to pay part of the costs particularly at the secondary school level. After all parents can afford to pay for tuition. Why shouldn't they pay for better facilities while the State restricts its educational budget to providing the minimum facilities? There is already a model for sharing the expenses of school education in the arrangements with the grant aided schools.

The parents' attitudes to education must also be changed. They should be told about the job prospects in vocational and technical jobs such as carpenters, fitters, plumbers etc. In fact Dr Udugama's reforms should be brought back and all school children should be given training in some manual skills. Perhaps companies could adopt a school and provide training in vocational skills and be allowed to deduct such expenses for tax purposes. Closer relations should be forged between schools and companies as in Germany. South Korea too has adopted the German model with its "meister" schools. Britain is expanding apprenticeships and improving technical education. The Government must treat the youth unemployment as a priority. Already there are signs of youth unrest in the universities.