POLICY BRIEF
Putting Youth Employment at the Center of Asia’s Pandemic Recovery

The job market for the youth has been severely impacted by the COVID-19 pandemic and young workers have been particularly hit hard. Photo credit: ADB.

Large-scale and youth-targeted government policies can mitigate the short- and long-term impacts of the COVID-19 crisis on youth employment in Asia.

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Introduction

Youth labor markets are suffering a twin shock as a result of the coronavirus disease (COVID-19) pandemic. A contraction in business activity has cut into employment on the demand side, while reduced access to education and training has impacted the supply side. The massive job disruption is affecting almost everyone, with 15- to 24-year-old workers losing jobs at a faster rate than adults and subject to worsening conditions in the labor market. Given the current situation, the youth will likely bear greater long-term economic and social costs that will heighten intergenerational poverty and inequality.
Governments need to provide large-scale integrated measures that can fuel a jobs-rich regrowth for the benefit of all. Wage subsidy programs, job creation, job search assistance, expanded training programs, and access to entrepreneurship could be implemented to tackle the youth employment crisis.

This policy brief sets out the impacts of COVID-19 on youth employment in Asia and the Pacific. It reviews available evidence from the first half of 2020 and provides projections of youth unemployment for the year in 13 countries across the region. It then presents policy recommendations to tackle the youth employment crisis, drawing on examples of initiatives currently being implemented. The analysis is based on a joint report of the Asian Development Bank (ADB) and the International Labour Organization (ILO) that was launched in August 2020.

Impacts of COVID-19 on Youth Employment

The pandemic has impacted young workers in the region through three shock transmission channels: (1) job disruptions in the form of reduced working hours, reduced earnings, and job losses for paid workers and the self-employed; (2) disruptions in education and training; and (3) difficulties in transitioning from school to work and moving between jobs in a recession.

Evidence from the first half of the year shows that young people are suffering from significant and potentially long-term negative labor market effects as a result of the health crisis.

Job disruptions

COVID-19 is having a greater impact on the unemployment of young people than adults. The rate of jobless youth increased in eight of nine Asian economies reviewed between the end of 2019 and the first quarter of 2020. These include Malaysia, Thailand, and Viet Nam along with five high-income economies. Youth have experienced more outright job loss rather than temporary job suspension compared with adults according to data from the Republic of Korea and Thailand.

Even before the crisis, young people in the region were three to six times more likely than adults to be unemployed, depending on the subregion. Lockdowns will further increase the number of jobless in Asia as estimates suggest that unemployment rates will rise or even triple in 2020 compared to the previous year. For example, the youth unemployment rate could reach 16% in Thailand and 11% in Viet Nam under a 3-month containment scenario. Under a 6-month scenario, the rate in Indonesia could rise from 17% to 26%, and in India from 23% to 33%.

Figure 1: Youth Unemployment Rate in 2019 and 2020
Nearly one in two young workers in the region had jobs in the four sectors hit hardest by the pandemic—wholesale and retail trade and repair, manufacturing, rental and business services, and accommodation and food services. More young women work in three of these sectors, particularly in accommodation and food services. They also carry the extra burden of unpaid household and care work due to business and school closures as there are more people to care for at home.

**Figure 2: Risk of Job Loss due to Pandemic**
(Distribution of Employment by Sector)

The forms of work that many young people engage in make them more vulnerable than adults to income and job loss in an economic crisis. At the onset of the pandemic, the great majority of youth (84%) were engaged in informal work that does not provide social protection. Moreover, one in four young workers was living in conditions of poverty (below $3.20 a day), compared to 18% of adults. Working poverty is particularly high among youth in South Asia (45%).

**Figure 3: Type of Activity/Employment, Young People**
The cumulative effect of lockdown measures, workplace closures, and limited job opportunities has prompted many young people to seek even informal employment or non-standard forms of work, including gig work. During the Asian financial crisis in 1997, self-employment increased among youth and adults, with young people on average more likely to become self-employed. This shift appears to be happening in the current crisis as well. Job loss and the switch to low-paying self-employment can create significant second-order consequences by deepening poverty and inequality.

For young entrepreneurs, the additional constraints faced in comparison with adult business owners risk being compounded by the COVID-19 crisis. A regional rapid assessment by the United Nations Development Programme and Citi Foundation found that one in three of negatively impacted youth-headed enterprises reported a major slowdown and, one in four was forced to stop operations entirely. The ILO Global Survey on Youth and COVID-19 found that a higher share of self-employed young workers reported an income loss (68%) compared with youth in paid work (38%).

Education and training

Temporary closure or disruption of schools, universities, technical and vocational education, and training (TVET) centers, and other training providers will have immediate and long-term effects on young people. Firm-level training programs have also been disrupted. In India, the pandemic completely interrupted two-thirds of apprenticeships and three-quarters of internships. In the Philippines, the health crisis halted three-quarters of firm-level apprenticeships, and internships were completely interrupted according to surveys. In Malaysia, a survey shows more than three of four TVET providers canceled or postponed certifying exams and assessments for trainees.

School closures can also result in additional unpaid care work borne, reducing time for learning. This risks further entrenching gender inequality in South Asia, which already has the highest rate of youth that are not in employment, education, or training, of whom nearly three-quarters are women.

The significant shift to full or partial online delivery of education and training has been a critical offering during the pandemic and holds promise for future provision. However, weak digital infrastructure in some countries and a low level of digital literacy among some students could hamper learning.
School-to-work transition

The dual demand- and supply-side shock caused by COVID-19 is having a profound effect on young people’s employment pathways. Youth face particular obstacles in their transition from school to work. Available data about their first job shows that many youth normally enter sectors that are now at greatest risk of disruption due to the crisis. For example, in Indonesia, 20% of young people’s new jobs are traditionally in manufacturing and 43% in market (i.e., non-government) services, both of which have been hit by the pandemic.

A difficult school-to-work transition has long-term scarring effects. Young workers who enter the labor market during a recession experience lower earnings than if entering in a period of growth. University graduates earn less for a decade or longer, according to some studies. In general, the losses are more pronounced for disadvantaged entrants. Young people seeking their first job face fierce competition from job seekers with more experience and if hired, have a higher chance of being laid off due to a number of issues, including regulations that favor seniority, a lack of social protection, and lower productivity than adult workers.

Policy Guidance

Strong aggregate demand stimulates youth employment, which also requires specific measures. An effective policy response must balance broad measures that are youth-inclusive with targeted support in the short and medium-term.

General measures, as part of a comprehensive socio-economic policy approach, should: (1) stimulate the economy and employment through countercyclical, demand-side interventions and financial assistance to specific key sectors; (2) support enterprises and jobs; (3) assist vulnerable individuals; (4) protect workers in the workplace; and (5) incorporate social dialogue. Ensuring the inclusion of youth and other vulnerable groups will depend on the specific country context, especially conditions in the youth labor market. Policies and programs should focus on sectors most adversely impacted by decreased economic activity, as well as sectors that account for a large share of young workers.

Governments should embed three cross-cutting priorities in the policy mix:

Vulnerability targeting

Policies should focus on the poorest youth. Gender-responsive measures that account for the specific barriers young women face in the labor market need to be developed. Further, policy should be tailored to reach excluded groups such as youth with disabilities, young migrants, and youth in rural, conflict-affected, or fragile settings.

Youth engagement and social dialogue

Governments should design practical channels to ensure young people are meaningfully engaged across the policy cycle to develop relevant and accountable response measures. This will require
capacity building of youth and non-youth stakeholders. For example, a multi-stakeholder crisis task force or an advisory youth forum for recovery policy making can be established. Social dialogue can facilitate the design of credible, effective, and well-contextualized solutions informed by in-depth knowledge of vulnerable young workers and entrepreneurs.

**Better data**

Youth-specific employment data can be inconsistent and underinvested, which constrains effective policy design and implementation. Include age disaggregation in COVID-19 impact surveys and other rapid data collection efforts. A combination of quantitative and qualitative data is particularly valuable to understand fully the lived experience of impacts and to design relevant response measures. Investing in agile labor market information systems can inform youth employment policymaking.

**Recommended Youth-Targeted Policies**

Five youth-targeted measures can help young people build back labor market resilience:

1. **Provide youth-targeted wage subsidy programs.** Reducing the costs of recruitment, retention, and training is particularly relevant for young workers who are often first-out (laid off) during recessions.
2. **Mobilize public employment programs for youth.** Job creation and placement schemes not only offer continued labor market attachment but also maintain work readiness through ongoing skills use and acquisition.
3. **Support youth in employment planning and job search assistance.** Supporting job search by combining advice and information with financial assistance can be particularly helpful for at-risk youth.
4. **Expand youth access to training, reskilling, and upskilling.** Setting young people on a pathway to lifelong learning is critical both in the short term to expand immediate opportunities and in the longer term in line with labor market demand in growth sectors and occupations.
5. **Invest in youth entrepreneurship.** Enhancing access to self-employment and entrepreneurship as a viable and productive option to help create quality jobs for the youth.

A review of COVID-19 response measures in the region shows that the modification and expansion of existing programs have been most common (instead of establishing new programs). This is relevant to wider discussions on governments’ relative preparedness for shocks in terms of already having social protection and other support systems in place.

While youth-specific response measures are not easy to identify in policy tracking, selected examples provide insight into possible policy options for governments:

- Malaysia included specific provisions for youth in its wage subsidy scheme. Within the package of financial incentives available for employers to hire and train 300,000 unemployed people, subsidies of 600 ringgit per month (about $145) are earmarked for apprenticeships (Ministry of Finance, Malaysia 2020).
On job search assistance, the Australian government has a Youth Allowance for jobseekers under 21 years of age and for students and apprentices below age 24. It added a COVID-19 supplement at a rate of A$250 (about $182) per fortnight until the end of 2020 (Australia Government, Services Australia, 2020).

The Indonesian government’s Pre-employment Card program (Kartu Prakerja) was being rolled out before the pandemic. Adjustments for COVID-19 included financial incentives to target two million youth for participation in pre-employment and on-the-job training in skills that are in high demand, such as foreign languages and data science (IDN Financials 2020).

No youth-specific entrepreneurship response measures were identified in the region, even if general support to micro, small, and medium-sized enterprises (MSMEs) has been a priority for many governments. Some young entrepreneurs are managing to innovate in response to the crisis and are doing so across diverse sectors such as agriculture, mental health, and logistics. For example, Bundle, a youth-led delivery business in Bhutan, is distributing personal protective equipment and groceries. AGREA, a social enterprise in the Philippines, is helping farmers reach households with fruit and vegetables that would otherwise be wasted during the pandemic.

On social dialogue and youth engagement, the Philippine government held a public consultation with over 400 youth leaders from more than 100 schools and 35 organizations to generate actionable recommendations for the country’s recovery. Proposals covered education, agricultural livelihoods, social protection, and MSMEs (Department of Finance, Philippines 2020).

Finally, an analysis of adaptations to youth employment programs globally highlights an accelerated shift to digital content and delivery. Digital technologies are central to supporting young people, both in what they learn (digital skills and competencies) and how they learn and access services, such as online content, use of mobiles, radio, and chatbots. Governments should seek to narrow the digital divide as they look open new opportunities for today’s youth.

Resources


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Helen is a youth employment specialist with experience across research, policy and practice spanning the public, private and non-profit sectors. As a consultant, she has worked with The World Bank, International Labour Organization, UNICEF and GIZ as well as foundation and international non-governmental organizations clients. She holds a first-class degree from Oxford University (MA Oxon) and a master’s degree from Institut d’Etudes Politiques in Paris, and King’s College in London.

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Paul is fascinated by the process of economic development and how some countries become rich while others remain poor. His interests include industrialization, human capital development, enterprise finance, and the labor market. He taught in the United Kingdom and India before joining ADB in 2010. He was seconded to the ADB Institute in Tokyo and later took temporary leave to teach in Thailand. He holds a PhD in Economics from the School of Oriental and African Studies in London.

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Recognizing mobilizing young people for economic and social progress will be instrumental to the region’s pathways to shared prosperity, he led the establishment of ADB’s Youth for Asia (YfA) initiative in 2013. YfA is the first dedicated unit among international finance institutions (IFI) with the explicit goal of fully embedding youth-led activities within its operations. A British citizen, he is a civil engineer who holds an MSc degree in irrigation engineering from the University of Southampton.

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