

Focus areas for private sector engagement in promoting youth employment

This one pager presents the main findings of the INCLUDE one pager '[What works to engage the private sector in promoting youth employment](#)'. It outlines the areas that policymakers, such as (national) governments and NGOs, can focus on to promote youth employment through four types of intervention: skills training, entrepreneurship promotion, employment services, and wage and employment subsidies. See table 1 for an overview of the advantages and disadvantages of each type of intervention.

Focus areas for policy stakeholders

- Currently, the private sector is mostly involved in providing skills trainings and, to a smaller extent, entrepreneurship promotion. The participation of private sector actors in employment services and wages subsidy programmes is low.
- Skills training and entrepreneurship promotion are cost-effective interventions and require relatively little government support. Yet, private partners can be reluctant to (fully) participate in these types of intervention because of a lack of direct benefit, the fear of receiving no return on investment and the fear of educating potential competitors. The trust and willingness of private partners to be involved can be improved by:
 - Making the programmes more demand-driven by involving firms in all stages of the intervention, including the design of the intervention (this entails more outreach to firms to improve their awareness of the benefits of skills training and giving employers information to help them select the training that is most useful to their firm)
 - Providing training vouchers to firms to increase their participation (particularly SMEs)
 - Forming training consortia of multiple firms to facilitate trust among firms and reduce the fear firms have of educating competitors, as well as to provide guidance to small firms with few resources
- Employment services are cost-effective, yet agencies providing these services in developing countries generally lack resources. The private sector could play an important role in providing these services on a larger scale.
- Wage subsidies are generally cost-ineffective and highly dependent on government support. Providing tax reductions to firms to hire youth is a more effective instrument (although they do not always benefit the informal sector).
- Skills training, wage subsidies and entrepreneurship promotion are generally temporary. Youth can end up being unemployed after programmes expire. Safety nets and extended duration of programmes can overcome this problem.
- Programmes that require the formalization of firms are likely to leave behind youth in the informal sector.
- Firms seldom provide training on soft, cognitive skills NGO and government interventions should focus on these.

Table 1. The role of private sector in interventions to promote youth employment

	Skills trainings	Entrepreneurship promotion	Employment services	Wage subsidies
Current involvement of private sector	Large	Moderate	Small	Small
Effectiveness of private sector engagement	High	High	High	Small
Cost-effectiveness	Moderate	High	High	Low
Dependency on government support	Low	Moderate	Moderate	High
Firm's perceived likelihood of return on investment	Moderate	Low	-- (unclear)	-- (unclear)
Potential for scaling up the role of the private sector	High	Moderate	High	Small
Potential benefit for marginalized youth	High	Low	Moderate	Moderate

Author: Frank van Kesteren

Weblink: <http://includeplatform.net/downloads/focus-areas-private-sector-engagement-promoting-youth-employment/>