# YOUTH EMPLOYMENT CHALLENGES IN MONGOLIA

## An overview

Ulaanbaatar
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Most recent data[1] on youth employment suggest that the Millennium Development Goal target of reducing youth unemployment rate[2] is particularly relevant in the Mongolian context. Mongolian young persons face numerous challenges in successfully transitioning to work. Rural youth, who comprise 36% of the overall youth population, are less educated and are concentrated in insecure, unskilled jobs in the informal economy offering low pay and little in the way of social security or benefits. Urban youth suffer high rates of unemployment, and unemployment spells are long in duration for many. Educated young persons experience particular difficulties in securing work.

### *Youth labour force participation*

**One third of Mongolian young persons are in the labour force and 59% are still in education.** A small share, four percent, participates in both education and the labour force. Both the education and labour force participation of youth differs dramatically across locations. Rural youth are much more likely to be in the labour force and much less likely to still be studying compared to their peers in urban locations. Rural youth therefore enter the labour force with lower levels of human capital, in turn influencing their prospects for securing decent work, as discussed further below.

*Table 1.* **Education and labour force participation, persons aged 15-24 years, by residence, sex and location**

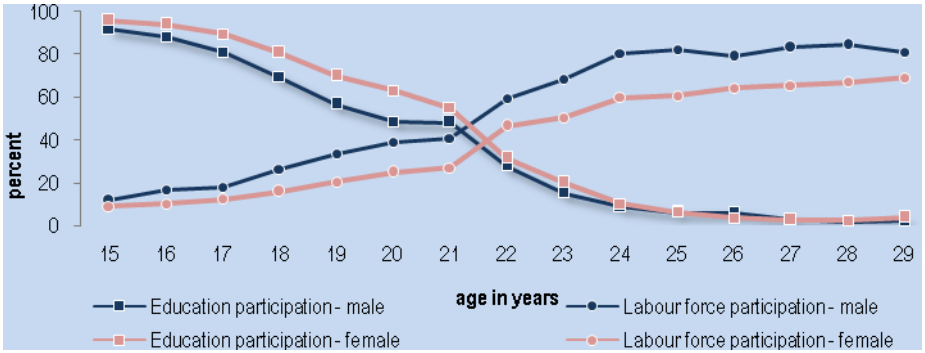
| *Population category* | | *Labour force participation (% pop.)* | *Education participation (% pop.)* | *Inactive and out of school (% pop.)* |
|---|---|---|---|---|
| Residence | Urban | 25.1 | 63.7 | 13.7 |
| | Rural | 45.8 | 49.8 | 12.7 |
| Sex | Male | 38.0 | 55.6 | 11.2 |
| | Female | 27.3 | 61.7 | 15.4 |
| Region | West | 39.8 | 59.9 | 8.7 |
| | Khangai | 36.4 | 51.1 | 17.8 |
| | Central | 42.7 | 52.7 | 11.9 |
| | East | 19.5 | 61.6 | 21.0 |
| | Capital | 24.8 | 64.5 | 12.6 |
| Location | Aimag center | 25.6 | 62.3 | 15.7 |
| | Soum center | 29.7 | 57.7 | 17.4 |
| | Rural | 58.4 | 43.7 | 9.0 |
| **Total** | | **32.7** | **58.6** | **13.3** |

*Source: UCW calculations based on Mongolia Labour Force Survey, 2011.*

**There are clear gender imbalances in terms of education and labour force participation.** As illustrated in Figure 1, more female than male youth are in education, but fewer female youth transition into the labour force after graduating from education. As a result, fully one-quarter of older (20-24 year-old) female youth are inactive and out of education. This points to the substantial underutilised productive potential in the female youth population and to the need for policies aimed at promoting equal opportunities for female youth in the labour market.

*Figure 1.* **Youth participation in education and labour force participation appears to have an important gender dimension**

Education and labour force participation rates, by age and sex



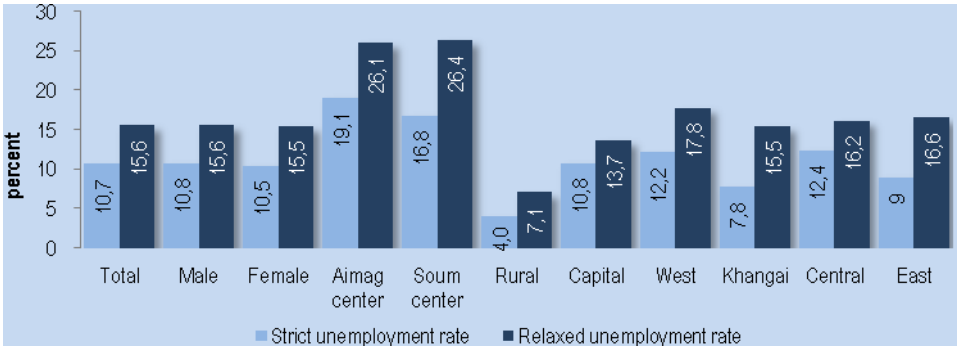

*Source: UCW calculations based on Mongolia Labour Force Survey, 2011.*

### *Youth unemployment*

**Too many Mongolian youth are unable to find work.** Overall, almost 11% of economically active young people are unemployed. This figure rises to nearly 16% when young persons available to work but not actively searching – a rough proxy for discouragement – are also considered. Almost all unemployed youth (83%) are looking for work for the first time, highlighting the particular difficulties that youth face in gaining an initial foothold in the labour market. The youth unemployment rate is more than double the adult rate, suggesting the existence of special barriers to youth employment, above and beyond general labour market conditions.

*Figure 2.* **Youth unemployment remains high, particularly in the urban centres outside the capital Ulaanbaatar**

Strict unemployment rate[3] and relaxed unemployment rate,[4] 15-24 years age group, by sex and location




Source: UCW calculations based on *Mongolia Labour Force Survey, 2011.*

**Much of youth unemployment is long term in nature**. Over half (56%) of unemployed youth have been without a job for over one year and one-third have been unemployed for three or more years. The length of unemployment spells are important to determining the likely harm caused by unemployment. Short periods of unemployment may merely reflect active search on the part of youth for their "preferred" work, while prolonged unemployment spells early in a person's working life can permanently impair productive potential and influence lifetime patterns of employment and pay.

**Urban youth are more susceptible to unemployment.** The unemployment rate of urban youth is more than double that of rural youth, underscoring the different nature of the urban and rural labour markets, and in particular the important role that the livestock and agriculture sectors play in absorbing young rural workers. Youth unemployment rates are especially high in *Aimag* and *Soum* centres, at around 19% and 17%, respectively (Figure 2). While job *access* is therefore a concern for urban youth, labour force disadvantage for rural youth is reflected more in job *quality*, as discussed below.

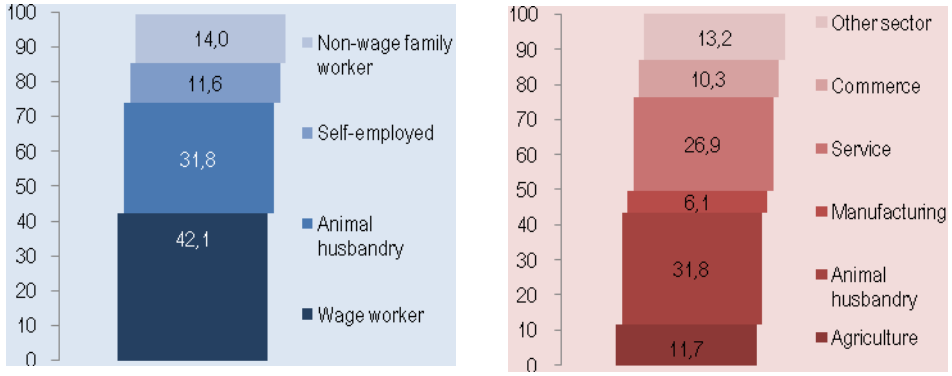
### *Youth job quality*

**Job quality is an even greater concern than job access for most Mongolian young persons.** Youth employment is dominated by low-productivity, non-wage work concentrated in the informal economy. Only 42% of all working youth are in wage employment (Figure 3). An even smaller proportion, 35%, hold jobs in the formal economy (as defined by international standards for labour market statistics) (Figure

4). Formality is perhaps the most important indicator of job quality – employment in the formal economy is associated with more job stability, legal protections, higher earnings and benefits such as pensions and health care. "Formalizing" informal employment by creating legal, economic, labour and social protection guarantees for concerned young workers is therefore a key policy priority in Mongolia.

*Figure 3.* **Less than half of employed youth are in wage employment**

Distribution of employed youth by status in employment and sector of employment

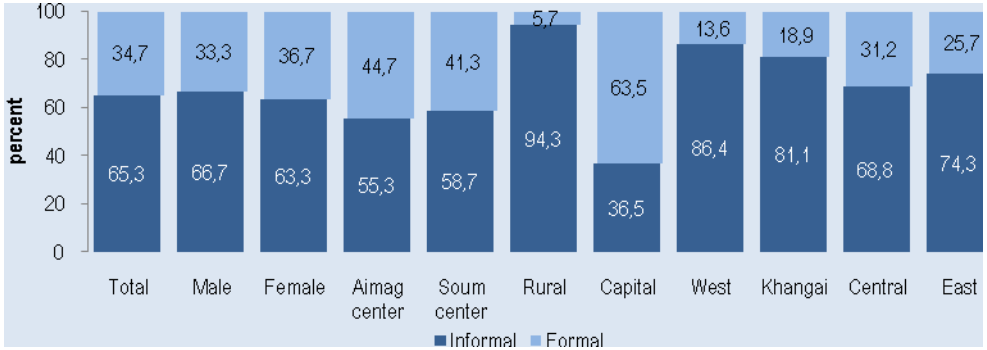



Source: UCW calculations based on *Mongolia Labour Force Survey, 2011.*

**Rural youth are by far the worst off in terms of job quality.** In rural areas, only six percent of working youth hold jobs in the formal economy (Figure 4). Most of the remainder work in animal husbandry (68%) or in non-wage family jobs (20%), where conditions are poor and where prospects for upward mobility and escape from poverty are very limited. Creating alternative livelihood opportunities through local economic development processes, youth entrepreneurship programmes and other means is therefore an especially important policy priority for rural youth. At the other end of the job quality spectrum are youth in the capital Ulaanbaatar, where three-quarters of employed youth enjoy wage jobs and almost two-thirds hold jobs in the formal economy.

*Figure 4.* **Most employed youth are concentrated in the informal economy, especially in rural areas**

Youth employed in formal and informal economies[5] as percentage of total employed youth, 15-24 years age group, by sex and location




Source: UCW calculations based on *Mongolia Labour Force Survey, 2011.*

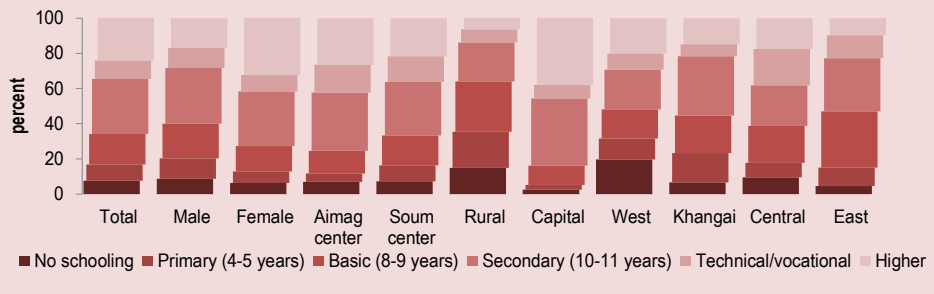
### *Human capital and youth employment outcomes*

**Two- thirds of non-student youth in Mongolia have at least secondary education.** This is a reflection of the major strides the country has made in expanding access to secondary and tertiary education. There is still, however, a non-negligible share of out of education youth with very low levels of human capital in need of "second chance" learning opportunities. Again, rural youth stand out in particular in this context: 15% of non-student rural youth have no education at all and 36% have primary education or less. For the most part, these young people find themselves in the informal labour market without any real prospects for social integration and professional advancement. Other information sources suggest that progress in improving higher education *quality* has not kept pace with progress in expanding access, raising questions about how well the education and training system is preparing youth for the labour market.[6]

**Better-educated youth face a higher risk of unemployment.** Rates of unemployment among young persons with vocational/technical training (19%) and higher education (16%) are much higher than for young persons with lower levels of educational attainment (Figure 6). This is partially the product of the fact that less-educated young people by definition begin their transition to work at an earlier age, and therefore have had a greater length of exposure to the labour market and more time to secure employment. But much of the unemployment among better educated youth is also long-duration – 60% of unemployed youth with vocational/technical training have been seeking work for more than one year.

*Figure 5.* **Rural youth stand out as having very limited human capital levels**

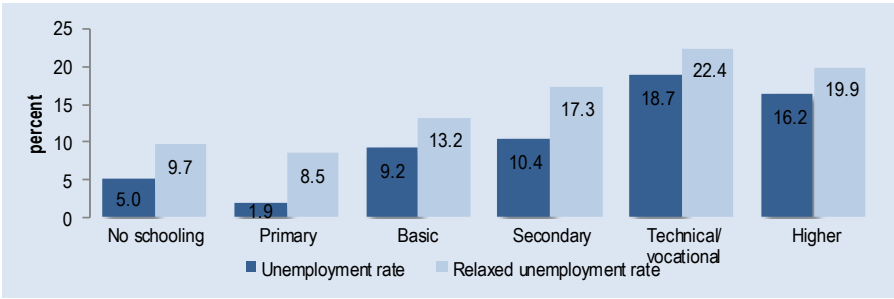
Educational attainment, non-student population aged 15-24 years, by sex and location




Source: UCW calculations based on *Mongolia Labour Force Survey, 2011.*

*Figure 6.* **Better-educated youth face a higher risk of unemployment**

Strict and relaxed unemployment rates, non-student population aged 15-24 years, by level educational attainment

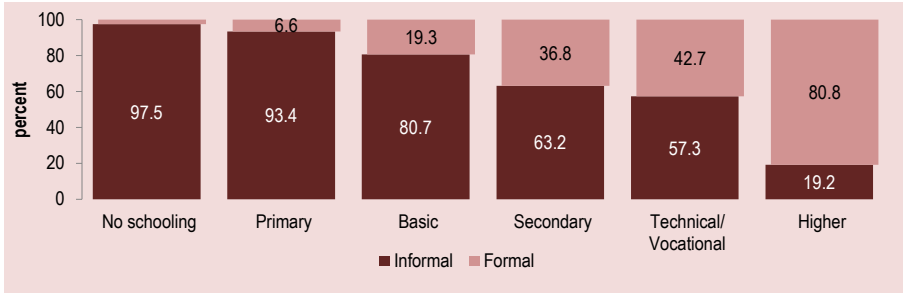



Source: UCW calculations based on *Mongolia Labour Force Survey, 2011.*

**High unemployment among educated youth points to skills mismatches and a lack of job search support.** The strongly positive link between unemployment and education levels is also likely at least in part the reflection of mismatches between the skills produced by the education system and those needed in the labour market, and of the need for better mechanisms for bringing together skilled job seekers and employers. Indeed, studies suggest that adolescents in Mongolia perform particularly poorly in the skills that are in greatest demand in the labour market,[7] and that employers are often dissatisfied with the skills levels of new hires.[8] Studies also indicate that most youth obtain their jobs through families, friends and other informal networks.[9]

*Figure 7.* **Better-educated youth are more likely to hold higher quality wage employment in the formal economy**

Educational status and employment formality, non-student population aged 15-24 years




Source: UCW calculations based on *Mongolia Labour Force Survey, 2011.*

**Job quality is clearly correlated with educational attainment.** Figure 7, which reports the share of employed youth in formal and informal economy jobs for each level of educational attainment, illustrates this point. Formal economy employment increases with each level of educational attainment, culminating in higher education where four of every five employed youth enjoys a formal sector job. It is important to note, however, that technical and vocational education is by no means a guarantee of a job in the formal economy. Indeed, 43% of employed youth with vocational or technical education nonetheless settle for insecure jobs in the informal sector. This fact, combined with the high levels of unemployment in this group, again raises questions about the effectiveness of the vocational/technical training system in meeting labour market needs.

**Endnotes**

[1] All data in this report are from the *Mongolia Labour Force Survey*, 2011.
[2] Millennium Development Goal Target No. 3.
[3] The strict unemployment rate is the proportion of the active population that does not have a job and is actively looking and available for work.
[4] The relaxed unemployment rate is the sum of unemployed persons and non-working persons available for work expressed as a percentage of the expanded active population. The expanded active population, in turn, comprises non-working persons available to work and the active population. The relaxed unemployment rate 'relaxes' the actively searching for work criteria that is required for the strict definition of unemployment.
[5] International standards for labour market statistics are used in distinguishing employment in the informal and formal economies.
[6] See, for example, UNESCO (2009). Education system profiles Mongolia. UNESCO Bangkok Education; and World Bank (2007). *Mongolia Building the Skills for the New Economy*, World Bank Human Development Unit East Asia and Pacific Region Report No.40118.
[7] World Bank (2007).
[8] ILO (2008). *School-to-work transitions in Mongolia*. Employment Working Paper No. 14
[9] ILO (2008).