

Millennials

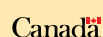
in Latin America and the Caribbean:
to work or study?

EXECUTIVE SUMMARY



Edited by:

Rafael Novella
Andrea Repetto
Carolina Robino
Graciana Rucci



Millennials

in Latin America and the Caribbean:
to work or study?

EXECUTIVE SUMMARY



Rafael Novella

Andrea Repetto

Carolina Robino

Graciana Rucci

Copyright © 2018 Inter-American Development Bank. This work is licensed under a Creative Commons IGO 3.0 Attribution-NonCommercial-NoDerivatives (CC-IGO BY-NC-ND 3.0 IGO) license (<http://creativecommons.org/licenses/by-nc-nd/3.0/igo/legalcode>) and may be reproduced with attribution to the IDB and for any non-commercial purpose. No derivative work is allowed.

Any dispute related to the use of the works of the IDB that cannot be settled amicably shall be submitted to arbitration pursuant to the UNCITRAL rules. The use of the IDB's name for any purpose other than for attribution, and the use of IDB's logo shall be subject to a separate written license agreement between the IDB and the user and is not authorized as part of this CC-IGO license.

Note that link provided above includes additional terms and conditions of the license.

The opinions expressed in this publication are those of the authors and do not necessarily reflect the views of the Inter-American Development Bank, its Board of Directors, or the countries they represent.



Novella: Inter-American Development Bank (IDB) and University of Oxford (Oxford Department of International Development and the Centre on Skills, Knowledge and Organisational Performance); **Repetto:** Universidad Adolfo Ibáñez and Espacio Público; **Robino:** International Development Research Centre-Canada (IDRC); **Rucci:** IDB.

Young people are at a critical juncture in their lives: This is a period of transition, where life-changing decisions are made on many levels, especially in terms of education and work. A better understanding of what lies behind the decision to study or to work, or a combination of both, allows for the design of public policies that can ensure a better future for the next generation of workers in Latin America and the Caribbean (LAC). Given the recent changes in the labor market, this goal has become a priority and is influenced by the emergence of new technological advances that threaten to automate many jobs and activities.

Millennials in Latin America and the Caribbean: To Work or Study? describes the main results of a regional project that involved the participation of over 15,000 youth between the ages of 15 and 24 across nine countries (Brazil, Chile, Colombia, El Salvador, Haiti, Mexico, Paraguay, Peru, and Uruguay). Two data sources—one quantitative and one qualitative—provide a better understanding of the characteristics of these youth and the contexts in which they develop.¹ This study is novel because it goes beyond traditional measures of household surveys, such as income or education level, and incorporates other less conventional ones, specifically information youth have about the labor market, as well as their aspirations, expectations, and cognitive and social-emotional skills. This way, we hope to better understand youth and promote measures that are better aligned with the challenges they face in unleashing their potential. Based on these findings, this publication suggests policy actions to help youth make successful transitions from education to the labor market.

The results of this research, a detailed picture of the youth in Latin America and the Caribbean, reveal an encouraging outlook in most aspects, including a lack of prejudice against and stereotypes about *millennials*² or the 20 million NEETs (youth who are not in education, employment or training) in the region.

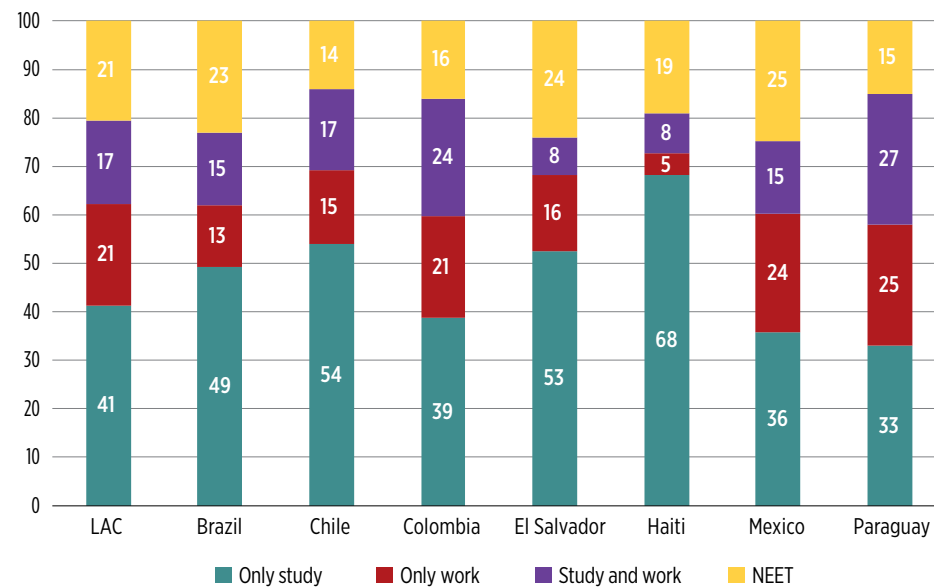
1. The data used are drawn mainly from a survey designed and implemented within the framework of this project. Between 2017 and 2018, the Millennials in Latin America and the Caribbean survey was implemented with young people residing in urban areas—generally in capital cities—of Brazil, Chile, Colombia, El Salvador, Haiti, Mexico, and Paraguay. Peru (Young Lives/Niños del Milenio) and Uruguay (Estudio Longitudinal del Bienestar en Uruguay) also participated by providing already existing quantitative longitudinal information.

2. Although no consensus has been reached on the terminology or age range used to classify the different generations, we follow Howe and Strauss (2007) (The next 20 years. *Harvard Business Review*, 85 (7-8), 41-52) and Milkman (2017) (A new political generation: Millennials and the post-2008 wave of protest. *American Sociological Review*, 82 (1), 1-31) in defining this group of young people as *millennials*. Others define those born between 1992 and 2003 as “Generation Z,” *centennials*, or *post-millennials*.

What activities are Latin American and Caribbean millennials engaged in?

The survey showed that 41% of youth in the region are exclusively enrolled in education or training,³ 21% work, 17% combine both activities, and the remaining 21% belong to the NEET group. There are significant gender differences in each of the four groups, especially among the NEETs, who are mostly low-income youth and women. Among the LAC countries, Mexico, El Salvador, and Brazil have the highest percentage of NEETs (over 20%). In Chile, on the other hand, only 14% of the young people surveyed are NEETs.

FIGURE 1 • EDUCATION AND EMPLOYMENT STATUS FOR YOUNG PEOPLE IN LATIN AMERICA AND THE CARIBBEAN (%)



Source: Author's calculations based on data from the Millennials in LAC survey.

Note: Calculations obtained from weighted samples from the Millennials in LAC survey.

3. Regional averages were calculated as a weighted average of country means. The weights were built based on the size of the population represented by each sample. All estimates in this summary use these weights.

There are considerable variations between countries in terms of the educational and employment status of the youth. For example, in Paraguay, 33% study or train exclusively, and 25% work exclusively; whereas in Haiti, 68% study exclusively, and 5% work exclusively. There are also disparities in the other two categories related to work and education. In Colombia and Paraguay, for example, over 20% of young people work and study at the same time, whereas in El Salvador and Haiti, this category represents less than 10% of those in the sample.

NEETs, far from the stereotypes

Although the term NEET is sometimes associated with laziness and lack of productivity, the reality of NEETs in LAC does not support this stereotype: 31% of youth in this group are looking for work (especially males), 64% (mainly women) are responsible for caring for family members, and almost all of them engage in domestic tasks or help in family businesses. In other words, despite preconceptions, this study proves that most NEETs are not unencumbered youth; on the contrary, they engage in many productive activities.

Thus most NEETs are engaged in tasks that are valued in their contexts. These youth are misclassified, as many do indeed participate in the workforce. Only 3% of them do not engage in any of these tasks and have no disability that prevents them from studying or working. The rates are higher, however, in Brazil and Chile, where measures of seemingly inactive youth hover around 10%.

TABLE 1 • MAIN ACTIVITIES ENGAGED IN BY NEETs (%)

	LAC	BRAZIL	CHILE	COLOMBIA	EL SALVADOR	HAITI	MEXICO	PARAGUAY
Main NEET activities								
Looking for a job	31	36	43	62	44	38	18	36
Caring for family members	64	44	59	54	56	64	70	54
Domestic tasks/businesses	95	79	83	94	96	89	98	96
Person with disability	3	4	4	1	1	12	3	3
None of these activities and no disability	3	12	10	2	1	2	1	1

Source: Author's calculations based on data from the Millennials in LAC survey.

Note: Calculations obtained from weighted samples from the Millennials in LAC survey.

The qualitative analysis also showed that NEETs are those who most identify violence and insecurity as problems for their countries and drugs as a constant easy-money trap that draws them away from achieving their educational and work aspirations. In this sense, being a NEET might also be a strategy for avoiding the risks they might face on the street, as NEETs are mostly confined to the domestic sphere in their daily activities.

Youth in a diverse region and a changing world

The results of this study reflect the different realities faced by youth in LAC countries. For example, a violent context in which they make education and work decisions is particularly relevant in El Salvador, whereas opportunities for young people in Haiti are strongly determined by natural disasters that have swept the country and by the phenomenon of mass migration. Despite these differences, youth across the region also share similar circumstances. For example, the probability of being a NEET increases in lower-income households.

In general, the youth in LAC today make decisions in contexts that are radically different from those of prior generations. The new labor market is not expected to demand specific qualifications for lifelong jobs, but rather workers with flexible skills that enable them to adapt to dynamic environments.⁴

LAC countries have put into practice a broad set of policies that favor the integration of the youth into education systems and labor markets. For example, efforts have been made to increase accessibility and decrease dropout rates at all educational levels.⁵ Likewise, job training initiatives have proven to be particularly favorable to youth employability.⁶ Despite this, the region still has a long way to go in terms of providing high-quality, relevant education. It must also intensify its efforts to more decisively reduce teen pregnancy and other risky behaviors directly correlated with

4. Bosch M., Pagés, L., & Ripani, L. (2018). *The future of work in Latin America and the Caribbean: A great opportunity for the region?* Washington, DC: IDB.

5. For example, access to secondary education increased by over 25% over the past two decades, from 53% in 1995 to 78% in 2015 (OCDE (2017b). *Education at a Glance 2017: OECD Indicators*. Paris: OECD Publishing).

6. Escudero, V., Kluve, J., López Mourelo, E., & Pignatti, C. (2017). *Active Labour Market Programmes in Latin America and the Caribbean: Evidence from a Meta Analysis*. RWI Essen.

school dropout rates, female unemployment, and premature entry into the workforce by males.

Unequal education for an unwelcoming labor market

Although access to education has significantly increased throughout the region over the last decades, there are considerable differences in education levels reached by the youth in the different countries. In Brazil, on average, those surveyed have completed less than ten years of schooling. However, in Chile and Colombia, they have completed more than eleven years. Although this is associated with differences among LAC countries in the minimum years of compulsory education, it nonetheless indicates that if the quality of education was consistent across the region, the youth would enter the workforce with significantly different skill sets.

Additionally, the youth make an early entrance into the workforce at an average age of 16. Once there, they are often confronted by an unpromising scenario: a labor market with high unemployment and youth informality rates as high as 70%.⁷ Still, it is noteworthy that when they are employed in the informal sector, they tend to earn above the minimum wage. This, coupled with high job turnover rates (after four years in the labor market, the youth have held, on average, 3.5 jobs), promotes instability in the workplace, giving employers little incentive to invest in training.

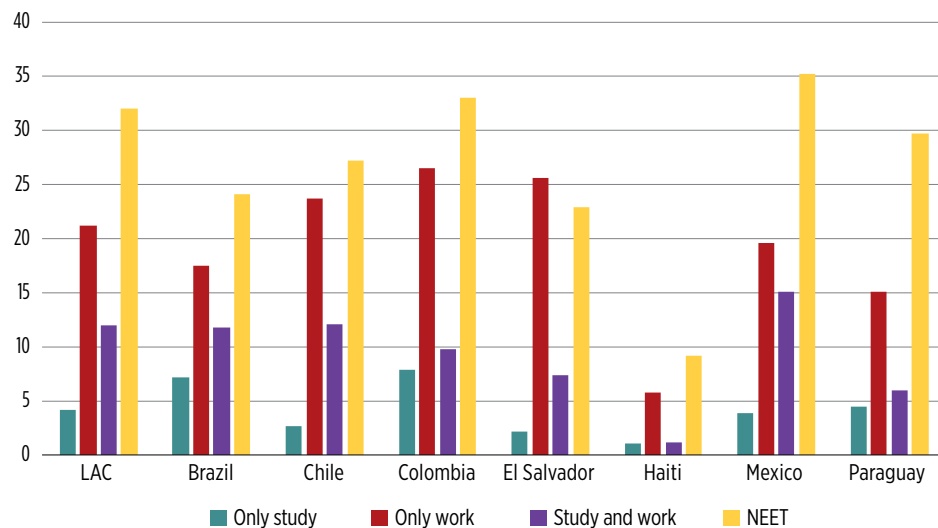
7. In other words, they have no work contract signed by their employer.

The major dilemma: whether to study or work

One of the primary objectives of this study was to determine what motivates and influences young people's decisions when they must choose between school and work. Access to education, average years of schooling, socioeconomic level, early parenthood, and family environment are some of the main factors that influence youth's choices.

As shown in the following graph, in all LAC countries, young people outside the education system and the workforce are more likely to enter parenthood at a younger age.

FIGURE 2 • YOUNG PEOPLE WHO HAD CHILDREN AS TEENAGERS (%)



Source: Author's calculations based on data from the Millennials in LAC survey.

Note: Calculations obtained from weighted samples from the Millennials in LAC survey.

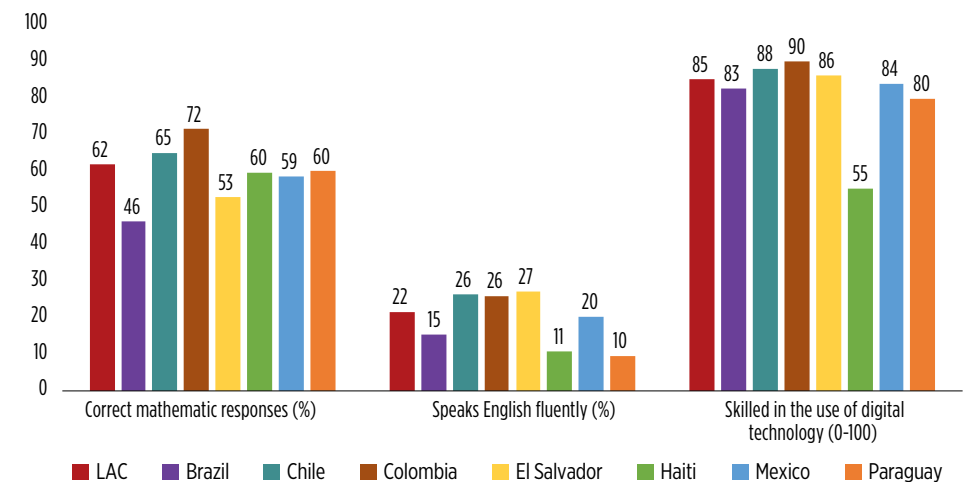
Additionally, there are other factors that are usually not included in household surveys and that have not been sufficiently analyzed in the literature on LAC that have a significant bearing on this decision, such as the types of skills held by the youth, the information they have about the return on their education, their beliefs about their own abilities, and their expectations and aspirations. Youth is widely considered a second opportunity, after childhood, to develop a set of skills required for success-

fully entering the labor market.⁸ This book illustrates how these variables account for youth educational and occupational pathways.

How prepared are the youth?

The data collected for this study show a mixed reality. On one hand, there is a notable lag in the cognitive abilities of the region's youth. About 40% of those surveyed are not capable of correctly completing very simple mathematical calculations that are useful in daily life, such as dividing money into equal amounts. Also, they lack some essential technical skills required in the new labor market. For example, fewer than 25% of youth surveyed are fluent in English, which is a highly valued skill in many areas of employment in LAC countries. If gaps like this are not properly addressed, they will continue constraining youth performance in the labor market.

FIGURE 3 • COGNITIVE AND TECHNICAL SKILLS AMONG YOUNG PEOPLE IN LAC



Source: Author's calculations based on data from the Millennials in LAC survey.

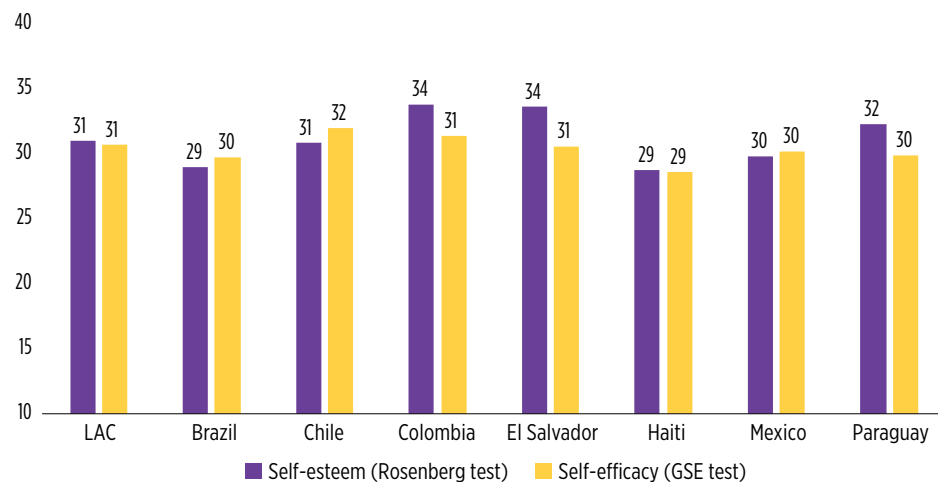
Note: Calculations obtained from weighted samples from the Millennials in LAC survey.

8. Kautz, T., Heckman, J. J., Diris, R., Ter Weel, B., & Borghans, L. (2014). *Fostering and measuring skills: Improving cognitive and non-cognitive skills to promote lifetime success*. National Bureau of Economic Research.

Although there are causes for concern, the data also indicate positive results. For example, except for Haitian youth, all those surveyed indicate they master technological devices with ease. In other words, they already hold a key skill necessary for competing in an increasingly technological labor market.

The results are also encouraging in terms of social-emotional skills, skills that are high in demand and that are not easy to replace by automation. Respondents showed relatively high levels of self-esteem (the perception they hold of themselves), self-efficacy (the ability to organize themselves to achieve their own goals), and perseverance (the ability to make progress despite obstacles), which gives them an optimistic outlook of their chances to successfully integrate into a changing labor market. In all countries analyzed, on average, youth scored high on the scale for all three social-emotional variables, with Colombia showing the highest levels and Haiti the lowest.

FIGURE 4 • SELF-ESTEEM AND SELF-EFFICACY AMONG YOUNG PEOPLE IN LAC



Source: Author's calculations based on data from the Millennials in LAC survey.

Note: Scale of 10 to 40, where a higher index indicates better socio-emotional skills. Calculations obtained from weighted samples from the Millennials in LAC survey.

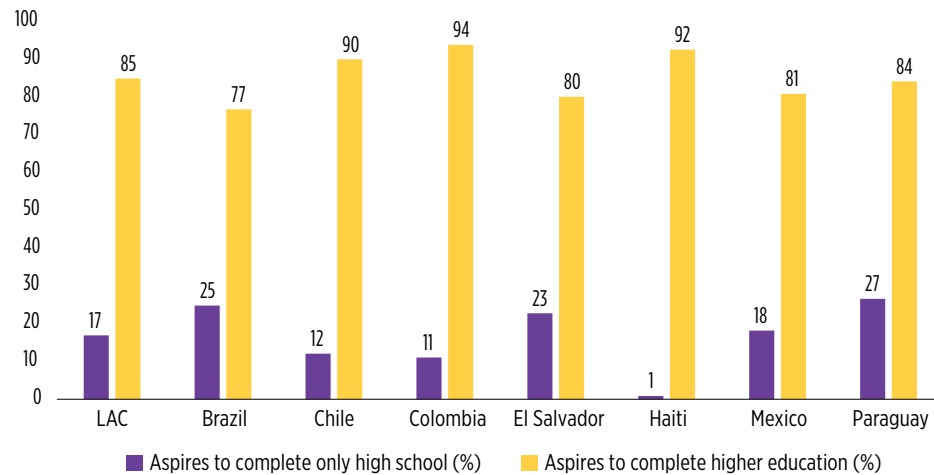
This combination of high technological and social-emotional skills raises hope regarding how the youth will face unprecedented workforce challenges. However, it is important to recognize that these skills may not be enough for successful workforce integration. On one hand, there are significant deficiencies in cognitive skills among youth, which may limit their job performance. On the other hand, despite the promising levels of socio-emotional skills identified in this study, employers in the region claim that workers lack other non-cognitive skills, including leadership, teamwork, and responsibility.⁹

Optimism among young people regarding their future

This study reveals that young people in LAC countries are generally optimistic about the future. In fact, although current access to higher education in the region is, on average, around 40%, an overwhelming majority of those surveyed (85%) aspire to earn higher education certificates and degrees (Figure 5) and claim to be highly certain that they will achieve this goal (Figure 6). Something especially striking about these positive results is that they can be found in all young people, regardless of their education and employment status. Only in Haiti do young people show less optimism, where just 65% believe they will meet their educational and occupational aspirations.

9. See Bassi, M., Busso, M., Urzúa, S., & Vargas, J. (2012). *Disconnected: Skills, education, and employment in Latin America*. Washington, DC: IDB. Also Novella, R., Rosas, D., González, C., & Alvarado, A. (2018). *Reporte de resultados de la Encuesta de Habilidades al Trabajo (ENHAT) Perú*. Washington, DC: IDB.

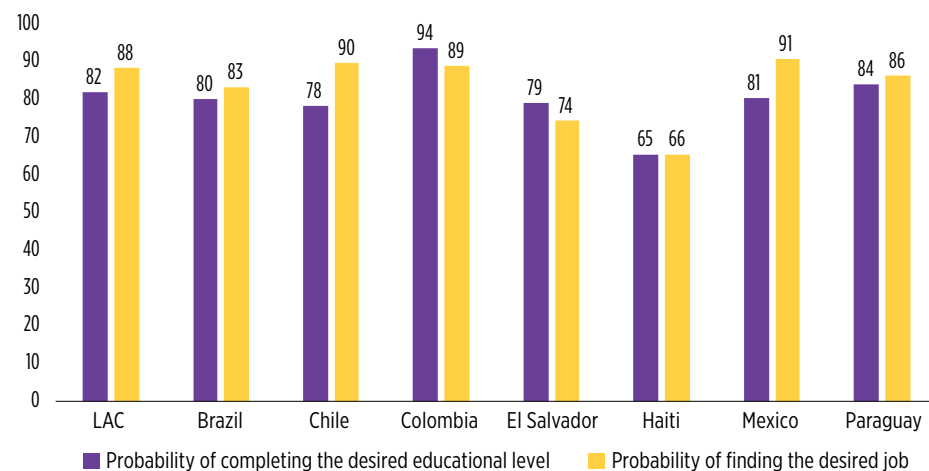
FIGURE 5 • EDUCATIONAL ASPIRATIONS OF YOUNG PEOPLE (%)



Source: Author's calculations based on data from the Millennials in LAC survey.

Note: The first bar shows the percentage of young people who, having completed elementary school, hope to finish high school. The second bar shows the fraction of young people who, having completed secondary school, indicate that they aspire to complete higher education. Calculations obtained from weighted samples from the Millennials in LAC survey.

FIGURE 6 • EXPECTATIONS OF MEETING EDUCATIONAL AND WORK ASPIRATIONS (%)



Source: Author's calculations based on data from the Millennials in LAC survey.

Notes: Percentage that believes they will meet their aspirations. Calculations obtained from weighted samples from the Millennials in LAC survey.

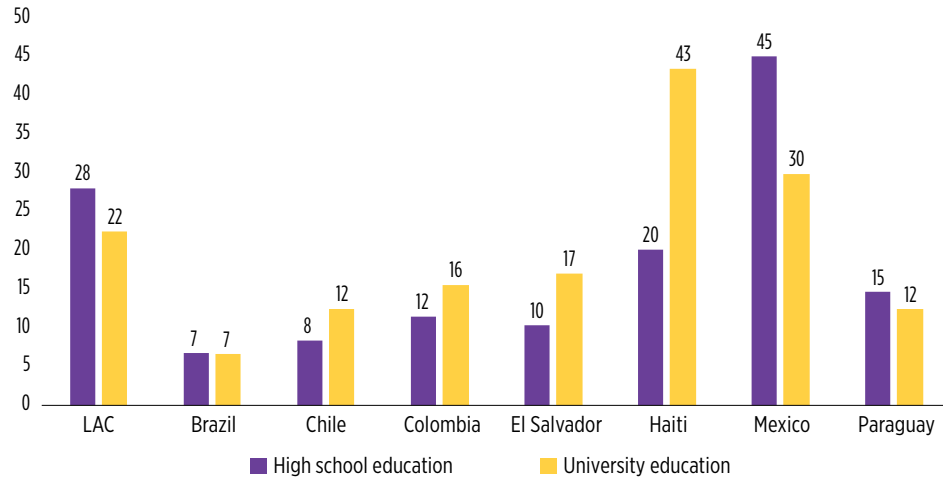
This book also provides novel information on the role of parent/guardian aspirations and expectations for young people in some of the LAC countries. In Mexico, for example, there is a clear, positive association between parent/guardian aspirations and their investment in young people's human capital. In other words, parents of Mexican youth who expect their children to achieve a higher level of education tend to invest more resources in their education. Longitudinal data from Peru and Uruguay also confirm these findings. Both countries show that young people with higher levels of investment in human capital come from homes where their parents have historically held higher educational aspirations and expectations for their children.

What do young people know about the labor market?

Another relevant finding is that young people do not have enough information about potential salaries for different education levels, which could lead them to make poor choices in terms of investing in education. In Haiti and Mexico, the fraction of young people with biased or distorted information may exceed 40%.

Young people do not always make the same miscalculations when anticipating salaries. In some countries, such as Colombia and Chile, young people overestimate the expected salaries for high school and college graduates. The opposite occurs in Brazil and El Salvador, where, on average, young people underestimate these salaries, although to a lesser degree. In Mexico and Paraguay, young people overestimate potential salaries for college graduates, but they underestimate potential salaries for high school graduates. Finally, young people in Haiti show the opposite bias.

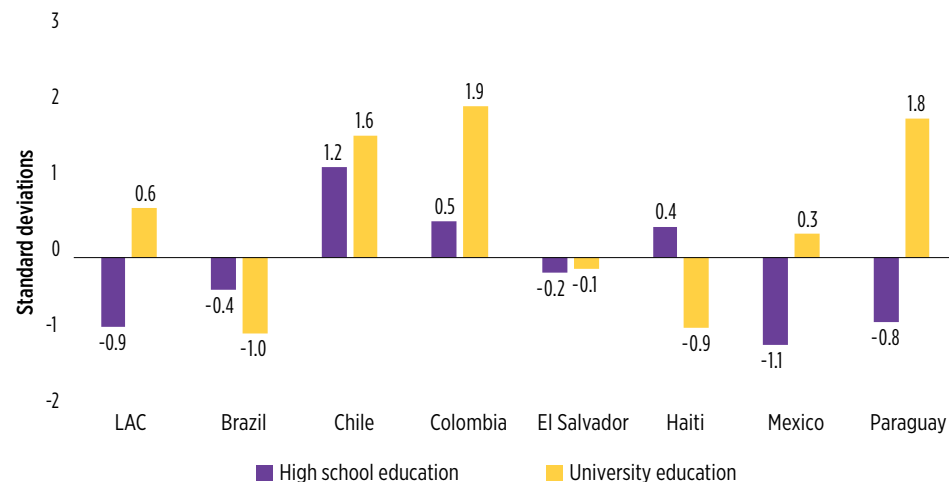
FIGURE 7 • YOUNG PEOPLE WITH MISINFORMATION REGARDING SALARIES IN THE LABOR MARKET (%)



Source: Author's calculations based on data from the Millennials in LAC survey.

Note: A young person has erroneous expectations if the gap between what the young person believes that workers earn after completion of different education levels and what they effectively earn on average, based on household surveys in each country, exceeds the standard deviation in any direction. Calculations obtained from weighted samples from the Millennials in LAC survey.

FIGURE 8 • MAGNITUDE AND DIRECTION OF MISINFORMATION



Source: Author's calculations based on data from the Millennials in LAC survey.

Note: Includes only young people with incorrect expectations. The error or bias is measured by the number of standard deviations from the effective average remuneration. Calculations obtained from weighted samples from the Millennials in LAC survey.

The role of public policy in building a better future

Considering the information provided by this study, how can public policies effectively strengthen the educational and occupational pathways of young people? How can they incorporate these findings into helping build a better future for the next generation of workers? The LAC region has made important strides, but there are still many challenges ahead. The results of this research suggest pathways for the future, within the specific context of each of the countries studied, and we present three main areas of policy interventions.¹⁰

- **Access to skills development.** The region must continue promoting policies aimed at removing limitations on training for young people. Conditional cash transfer programs and scholarships have succeeded in increasing access. Countries must also continue improving educational services with increased access, for example, through subsidized transportation and more childcare centers.
- **Quality and relevance of skills development.** The results of the study are both worrisome and encouraging. Deficiencies in skills required by the new economy, for example mathematical reasoning and English-language proficiency, are worrisome. However, our findings that young people are comfortable with new technologies—a necessary requirement in most job sectors—and are confident in their abilities and have high aspirations, are encouraging. High-quality and relevant skills development systems that meet the needs of young people would help them achieve their goals, better leverage their resources, and contribute to the economic development of LAC countries.

Providing quality education is a common challenge across LAC. To remedy this, the region must work to improve deficiencies in the cognitive skills of young people and promote the development of social-emotional skills required by employers (for example, responsibility, teamwork, and leadership) and an increased interest in learning. This is especially relevant, as it appears that future labor demands will require lifelong learning. Increased levels of access and development of new technological skills by young people in the region would provide opportunities

10. For a thorough review of the effectiveness of low-cost interventions to accompany young people in their education and work decisions, see: Novella, R., & Repetto, A. (2018). *Acompañando a los Jóvenes en Educación y Trabajo: ¿Qué Funciona y Qué No? Una Revisión de las Evaluaciones de Programas de Bajo Costo*. Washington, DC: BID.

for implementing innovative, flexible, and cost-effective digital training plans (for example, via e-learning) and alternatives to traditional training methods, which many young people are not able to access.

Likewise, participation of the private sector is key to ensuring that these training plans are relevant and aligned with labor market demands. The private sector can also contribute to improving the skills and employability of young people who step into the labor market at a young age, for example, through apprenticeship programs. These programs also have the potential to help young people overcome one of the main obstacles to their workforce participation, as identified by the qualitative results of the study: job experience requirements.

- **Orientation and information.** Given the uncertainties that characterize transitions from school to work and the levels of misinformation regarding the labor market, strengthening its orientation and information systems is a priority. Specifically, employment observatories and public employment services can play a role in generating and providing proper information (for example, realistic salary expectations, employment demands, etc.) so that young people can make more efficient and informed decisions regarding education and work. Such interventions can also make use of the technological access and knowledge held by young people by providing information through digital platforms complemented by virtual mentoring programs and vocational and occupational orientation.

For sustainable development in LAC countries, more inclusive economies and a determined effort to raise human capital are required. Investing in young people must be a priority. Providing new opportunities to such a critical group of the population not only benefits young people, but it is also good for economic development, social cohesion, and overall welfare in LAC countries.

Over the past decade, there has been a great deal of concern about the high percentage of youths who, when asked about their employment status, report that they are not in education, employment, or training (NEET). This book reveals that a large majority of NEET youth in Latin America are active —both in unpaid domestic and economic activities— or in search of a job, which shows the limitations of traditional inquiry methods regarding their employment status. The findings of this publication suggest a new way to survey this generation, which would help to really identify *millennials'* activities.

Diana Kruger

Associate Professor, Universidad Adolfo Ibáñez

Technology is changing at a faster rate than ever, shortening adaptation cycles and making obsolescence a constant. We need to rethink education for youths, to better equip them with the skills they really need (beyond basic literacy and arithmetic) to succeed in a world in constant change, like critical thinking and problem-solving skills. Efforts like this publication help us to better understand the skills, expectations and aspirations of young people, and they are essential to decision-making. This book will become an important cornerstone in the discussion of public policies for youth in Latin America and the Caribbean.

Luis Felipe López-Calva

*UN Development Programme (UNDP) Assistant Administrator
and Regional Director for Latin America and the Caribbean*

This book shows us that *millennials* in Latin America evoke two key words: optimism and concern. Optimism, because many youths have high aspirations and feel confident about their future. They have ambitious goals in terms of education and work, and believe that they can achieve them. They have grit. They are digital citizens. But that is not enough. Deficiencies in basic math skills, in languages and other socioemotional shortcomings run deep. This text carefully analyzes this optimism and these concerns, and it concludes that the task at hand is a big one: we need to invest much more in these young people to ensure that their aspirations become reality.

Jaime Saavedra

Senior Director of the Education, The World Bank

Download the publication
and access all the materials in:

www.iadb.org/millennials

