

Youth Unemployment in Developing Countries: A Review of Policy Interventions

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Abstract

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Youth unemployment in developing countries presents a persistent and complex challenge that threatens economic development, social cohesion, and long-term prosperity. This study conducts a systematic literature review of empirical research and policy evaluations to assess the effectiveness of various interventions targeting youth unemployment from five-year period. The review categorizes interventions into three main types: supply-side approaches (e.g., vocational education and skills training), demand-side measures (e.g., wage subsidies, entrepreneurship support), and integrated programs that combine elements of both. Findings suggest that while supply-side strategies are the most commonly implemented, they often fall short due to misalignment with labor market needs. Demand-side initiatives can yield positive outcomes, particularly in entrepreneurship and income generation, but suffer from scalability and sustainability issues. Integrated approaches emerge as the most promising, offering more holistic and context-sensitive solutions, though they require strong institutional capacity and policy coherence. This review emphasizes the need for inclusive, adaptable, and well-funded strategies that align youth skills development with real labor market opportunities to ensure sustainable employment outcomes.

1. Introduction

Youth unemployment remains one of the most pressing socioeconomic challenges in developing countries, posing significant risks to economic stability, social cohesion, and long-term development trajectories. Persistent youth joblessness is closely linked to structural labor market problems, including skills mismatches, limited access to formal employment opportunities, and weak institutional coordination (ILO, 2019; World Bank, 2020). Recent global assessments emphasize that without effective policy design and implementation, youth unemployment can undermine inclusive growth and exacerbate inequality (OECD, 2020).

In many regions of Africa, Asia, and Latin America, the transition from education to employment remains fragmented and uncertain. Empirical studies show that large shares of young people are absorbed into informal or precarious employment due to insufficient labor demand and weak school-to-work linkages (Fox & Kaul, 2018). Cross-country analyses further highlight that governance quality, institutional capacity, and policy coherence significantly shape youth labor market outcomes (Binder, 2021; ILO, 2022).

The concept of the demographic dividend presents a dual challenge for developing economies. A growing youth population can act as a catalyst for productivity and growth if accompanied by effective employment and skills policies, but it can also intensify unemployment pressures if labor markets fail to absorb new entrants (Bloom et al., 2018; World Bank, 2020). Recent structured syntheses stress that youth employment strategies must be embedded within adaptive institutional

frameworks to avoid one-size-fits-all policy responses (Xiao & Watson, 2019; OECD, 2022).

In response to persistent youth unemployment, governments and development partners have implemented a wide range of policy interventions. These include vocational and technical education reforms, active labor market policies, entrepreneurship promotion, wage subsidies, and digital skills initiatives (ILO, 2019; World Bank, 2022). However, systematic reviews indicate that the effectiveness of such programs varies widely across contexts, often depending on program targeting, implementation quality, and local institutional conditions (Card et al., 2018; Binder, 2021).

Evidence-based policy learning has therefore become increasingly important in the youth employment domain. Recent literature underscores the need for rigorous monitoring and evaluation systems to identify scalable interventions and to distinguish between short-term employment gains and sustainable labor market integration (Snyder, 2019; OECD, 2022). Mixed-method approaches that integrate quantitative impact evaluation with qualitative institutional analysis are particularly valuable for understanding why similar programs generate different outcomes across countries (Xiao & Watson, 2019).

Against this backdrop, a systematic synthesis of existing evidence is essential to inform more effective youth employment strategies. This literature review aims to consolidate findings from peer-reviewed studies on youth unemployment interventions in developing countries, examining both supply-side approaches such as skills development and human capital investment and demand-side measures

including employment incentives and enterprise support. By identifying recurring patterns, contextual success factors, and implementation challenges, the review seeks to provide evidence-based insights to support more inclusive and sustainable youth labor market integration (OECD, 2022; World Bank, 2022).

2. Literatur Review

A growing body of literature examines youth unemployment in developing countries as a multidimensional challenge shaped by structural, institutional, and policy-related factors. Recent reviews emphasize that persistent youth unemployment reflects deep-seated labor market rigidities, weak school-to-work transitions, and insufficient coordination between education systems and labor demand (Card et al., 2018; ILO, 2019). These challenges are particularly pronounced in low- and middle-income countries, where rapid labor force growth outpaces job creation (World Bank, 2020).

One prominent strand of research focuses on supply-side interventions, especially education reform and vocational training. Systematic syntheses argue that education systems must be adaptive and aligned with evolving labor market needs to reduce skills mismatches and improve youth employability (Snyder, 2019; OECD, 2022). However, empirical evidence suggests that training programs alone often produce limited employment effects when not accompanied by strong employer engagement and institutional support (Card et al., 2018; ILO, 2022).

Another stream of literature examines entrepreneurship promotion and skills-based activation programs as responses to limited formal employment opportunities.

Cross-country evaluations indicate that entrepreneurship and self-employment initiatives can support income generation for some youth, but average impacts on sustainable employment remain modest without complementary access to finance, mentoring, and business development services (Fox & Kaul, 2018; World Bank, 2022). These findings highlight the importance of embedding youth entrepreneurship programs within broader institutional and governance frameworks (Binder, 2021).

On the demand side, recent studies stress that job creation policies are unlikely to succeed without a conducive business environment and targeted incentives for youth hiring. Empirical reviews show that high levels of youth informality are driven by barriers to formal sector entry, limited access to productive assets, and weak regulatory enforcement (ILO, 2019; World Bank, 2020). The effectiveness of labor market incentives, wage subsidies, and enterprise development programs is therefore closely linked to bureaucratic capacity, transparency, and policy coherence (OECD, 2022).

The literature increasingly converges on the view that youth unemployment results from the interaction of multiple constraints rather than a single market failure. Integrated policy approaches that combine skills development, labor demand stimulation, institutional reform, and evidence-based policy learning are more likely to generate sustainable employment outcomes (Snyder, 2019; Xiao & Watson, 2019). Recent structured reviews further emphasize that adaptive and context-sensitive policy design is essential to avoid one-size-fits-all solutions in youth employment strategies (OECD, 2022).

3. Methods

This study adopts a systematic literature review (SLR) approach to examine empirical research on policy interventions addressing youth unemployment in developing countries. The SLR method is appropriate for synthesizing fragmented evidence, enhancing transparency, and ensuring replicability in qualitative policy-oriented research (Xiao & Watson, 2019; Snyder, 2019).

The review followed established evidence-synthesis principles and reporting standards commonly applied in social science research. In particular, the design of the review was informed by structured screening and documentation procedures consistent with PRISMA-oriented logic adapted for policy studies (Page et al., 2021). The review process comprised four stages: identification of studies, screening of titles and abstracts, eligibility assessment through full-text review, and qualitative synthesis of findings (Xiao & Watson, 2019).

The literature search was conducted across major academic databases, including Google Scholar, ScienceDirect, JSTOR, and Web of Science, to ensure broad coverage of peer-reviewed research. Search strings combined keywords such as youth unemployment, developing countries, policy intervention, vocational training, and entrepreneurship programs, using Boolean operators to improve precision and recall (Page et al., 2021).

Inclusion criteria were applied to select studies that: (1) focused on youth populations aged 15–29; (2) examined labor market or employment-related interventions in low- and middle-income countries; (3) were published in peer-reviewed journals in English; and (4) provided empirical evidence through

quantitative, qualitative, or mixed-method approaches (Card et al., 2018; ILO, 2019). Studies that were purely theoretical, focused exclusively on high-income economies, or lacked empirical evaluation were excluded.

Following screening, an initial set of approximately 40 articles was identified, of which 20 met the inclusion criteria for in-depth analysis. The selected studies were then categorized thematically into supply-side interventions (e.g., education and skills training), demand-side interventions (e.g., wage subsidies and enterprise support), and integrated policy approaches combining multiple instruments (World Bank, 2020; OECD, 2022).

Data extraction involved systematic coding of each study based on intervention type, geographic context, methodological approach, outcome measures, and implementation challenges. Thematic synthesis and qualitative coding were conducted in line with contemporary best practices for systematic reviews, enabling cross-context comparison and identification of evidence gaps (Snyder, 2019; Xiao & Watson, 2019).

By applying this structured and transparent methodology, the review provides a robust foundation for assessing the effectiveness of youth employment policies across diverse institutional settings and contributes to evidence-based policy learning in developing-country contexts (Binder, 2021).

4. Results and Discussion

The findings from this systematic literature review identify three dominant categories of policy interventions addressing youth unemployment in developing

countries: supply-side strategies, demand-side initiatives, and integrated approaches. This typology is consistent with contemporary labor-market policy syntheses that emphasize the multidimensional nature of youth employment challenges (ILO, 2019; World Bank, 2020).

Supply-side interventions remain the most frequently implemented approach, with a strong emphasis on improving youth employability through technical and vocational education and training (TVET). Recent systematic reviews confirm that skills-oriented programs can improve school-to-work transitions when curricula are aligned with labor-market demand and supported by post-training mechanisms (Snyder, 2019; OECD, 2022). However, multiple studies report that many training initiatives remain weakly connected to employer needs, limiting their effectiveness in producing sustainable employment outcomes (Pritchett et al., 2022). Evidence further suggests that without complementary components such as internships, job placement services, or mentorship, the positive effects of skills training tend to diminish over time (World Bank, 2020; ILO, 2022).

Demand-side interventions focus on stimulating job creation through enterprise development, wage subsidies, and support for youth entrepreneurship. Contemporary empirical syntheses indicate that entrepreneurial programs are more effective when embedded within strong institutional environments and supported by adaptive learning and monitoring frameworks (OECD, 2022; Binder, 2021). Recent cross-country reviews also show that access to finance, mentoring, and business development services improves income stability among youth entrepreneurs, particularly in contexts with functional market institutions (World

Bank, 2020). Nonetheless, the literature highlights persistent challenges related to scalability and inclusiveness, as many programs disproportionately benefit youth who already possess basic skills or social capital (Pritchett et al., 2022; ILO, 2022).

The strongest and most consistent evidence of positive outcomes emerges from integrated approaches that combine supply-side and demand-side strategies. These interventions simultaneously address skills development and labor-market access by linking training programs with employment services, capital access, or enterprise incubation (Snyder, 2019; Xiao & Watson, 2019). Post-pandemic structured reviews emphasize that multisectoral coordination enhances program effectiveness by creating synergies between human-capital investment and real economic opportunities (OECD, 2022). Recent evaluations further indicate that integrated programs are particularly effective for disadvantaged youth when they incorporate local labor-market diagnostics and adaptive implementation mechanisms (Binder, 2021).

Despite their promise, integrated interventions are also the most complex to implement. The literature consistently stresses that success depends on institutional capacity, inter-agency coordination, sustainable financing, and effective monitoring systems (ILO, 2019; OECD, 2022). In contexts where these enabling conditions are weak, coordination failures often undermine program outcomes and reduce long-term impact (Pritchett et al., 2022).

Overall, the review confirms that no single intervention provides a universal solution to youth unemployment in developing countries. Effective policy responses must be interpreted within broader governance structures, labor-market conditions,

and institutional realities rather than isolated program outcomes (World Bank, 2020; OECD, 2022). The evidence strongly supports policy coherence and integrated investment in skills formation, opportunity creation, and institutional capacity as prerequisites for sustainable youth employment outcomes (Snyder, 2019; Binder, 2021).

5. Conclusion

Youth unemployment in developing countries remains a multifaceted challenge driven by structural labor market barriers, skills mismatches, and limited access to quality employment opportunities. This systematic review confirms that while various policy interventions ranging from vocational training and entrepreneurship support to wage subsidies and integrated employment programs have been implemented, their effectiveness varies depending on contextual and institutional factors. Recent literature emphasizes that supply-side interventions such as skills development are common but often lack alignment with evolving market needs, while demand-side strategies like business support and cash grants show promise but remain limited in scalability and outreach. The most impactful results emerge from integrated and problem-driven approaches that combine training with employment facilitation and financial support, although these require strong institutional capacity, coordination, and adaptive learning systems. Sustainable progress in tackling youth unemployment will therefore depend on context-sensitive, inclusive, and well funded strategies that bridge the gap between education

systems and real labor market opportunities, supported by robust evaluation-oriented policy frameworks (Snyder, 2019; OECD, 2022).

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