



DEVELOPMENT INSIGHTS

Catalyst for sustainable and inclusive development:
Youth empowerment

May 2021

TSKB

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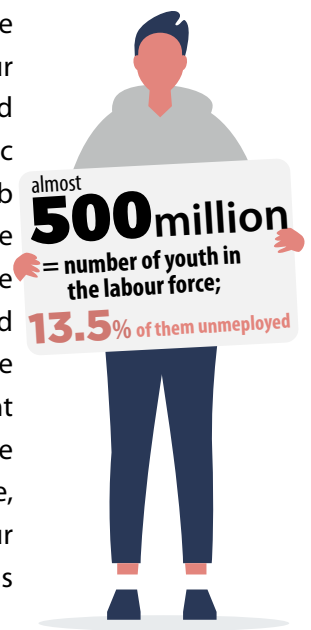
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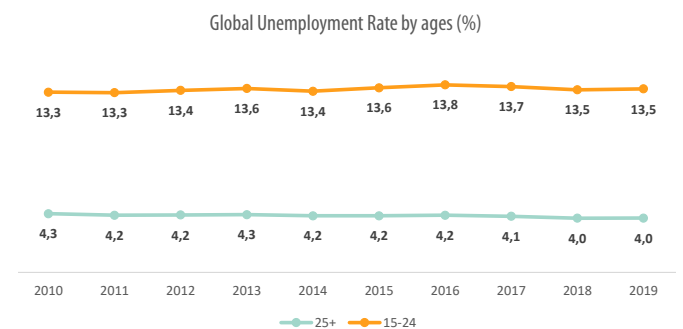
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Catalyst for sustainable and inclusive development: Youth empowerment

Youth unemployment has been a worldwide severe socio-economic problem for years. The fact that young population is already disproportionately adversely affected in the labour market compared to other age cohorts with high and persistent unemployment rates and they are more volatile during business cycle fluctuations. Arguably, COVID-19 pandemic and its economic as well as social impacts will have a disastrous effect on accelerating job losses for youth in coming years. According to International Labour Organization (ILO), the number of youths aged 15-24 in labour force was almost 500 million and 13.5% of them were unemployed in 2019.¹ It is notable that a decade after the financial crisis, while developed countries succeed to lower youth unemployment, developing countries failed to reduce unemployment problem among youth population.² Significantly, youth unemployment rates are indeed generally much higher than adult rates and youth are approximately three times more likely to be unemployed than adults (25 years and older).³ Inadequate cognitive, non-cognitive and technical skills, limited access to education and training, distorting labour regulations, low bargaining power, lack of access to capital and skill mismatch appear as major constraints that young labour force encounter in the job markets.⁴

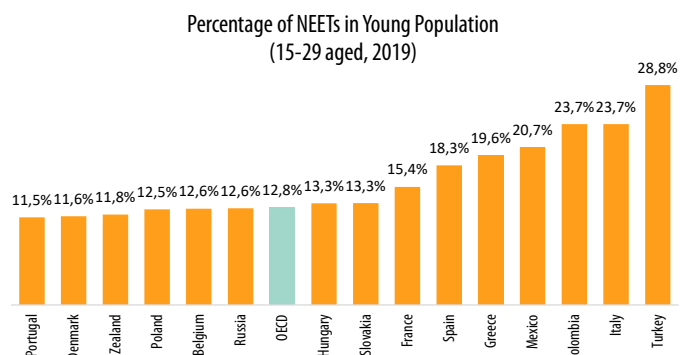


Source: World Bank, ILO Estimates, TSKB Economic Research



High NEET levels among the young still a major concern

The very high ratio of youth not in education, employment or training (NEET) presents massive challenges for youngsters seeking to enter the labor market or find a decent job. The lack of a well-trained and motivated youth workforce mainly results in lower productivity and constitute a barrier to innovation and growth. Hence, long-term youth unemployment triggers inequality and erode social cohesion, lead to political polarization, and ultimately to lower economic growth.⁵ Nearly 13% of young people in OECD can be described as NEETs. Turkey has the highest proportion of NEETs among the 15-29 age group in the OECD, at a rate of



Source: OECD, TSKB Economic Research

¹ ILO estimates, <https://ilostat ilo.org/topics/youth/>

² OECD Stats, <https://data.oecd.org/unemp/youth-unemployment-rate.htm>

³ ILO, Global Employment Trends for Youth 2020, Technology and the future of jobs, 2020

⁴ ILO, Toward Solutions for Youth Employment, A 2015 Baseline Report

⁵ OECD, Workforce Skills and Innovation: An Overview of Major Themes in The Literature, 2011

28.8% as of 2019, which went well beyond the OECD average. NEET rates are systematically higher for young women than for young men. 15.4% of young women are considered NEETs in OECD countries, while only 10.7% of young men were classified in this bracket in 2019 and the highest gender gap was recorded in Turkey (22.1 percentage points).⁶ The proportion of female NEETs in the female population aged between 15 and 29 reached to 40% in Turkey.⁷

Young labour force faces a challenging outlook in the wake of the COVID-19 crisis

The COVID-19 pandemic has been having a dramatic effect on the labor market and the dimensions of the youth problem is widening worldwide. According to the ILO estimates, job losses for young people in 2020 hit 8.7% compared to 3.7% for adults due to the pandemic.⁸ Even though all economic sectors are affected by the pandemic, labour-intensive industries with the largest employment of low-paid and low-skilled young workers have been most dramatically affected. Young people are overrepresented among workers in hard-hit industries, such as accommodation and food services.⁹ The Covid-19 pandemic made young people more vulnerable in labor markets, since education and training opportunities as

well as decent work for youth have been interrupted. The weak situation is leaving more young people as NEETs in the short and medium term. Also, simply because of the fact that young people also are often overrepresented in the informal sector, they are facing a higher risk of job and income loss during the COVID-19 pandemic.

Youth are disproportionately affected by the risks of climate change

Global warming poses an urgent threat for economic growth through damage to property, lost productivity, mass migration and security threats. Researchers at the University of Cambridge estimate 7.22% of global GDP is likely to disappear by 2100 unless necessary actions are taken to fight climate change, while these effects vary significantly across countries.¹⁰ Climate change causes net negative impacts on jobs and work productivity too. Projections indicate that increasing temperature contribute to heat stress, reducing the total number of work-hours in the G20 countries by 1.9% by 2030.¹¹ Youth are more vulnerable to the negative effects of climate change as young workers account for a sizeable share of the total employment in several sectors, primarily agriculture that is highly exposed to climate risks. Especially lower income countries struggle more



⁶ OECD Stats, <https://data.oecd.org/youthinac/youth-not-in-employment-education-or-training-neet.htm>

⁷ TurkStat, <https://data.tuik.gov.tr/Kategori/GetKategori?p=istihdam-issizlik-ve-ucret-108&dil=1>

⁸ ILO Estimates, <https://ilostat.ilo.org/topics/youth/>

⁹ ILO-OECD paper prepared at the request of G20 Leaders Saudi Arabia's G20 Presidency 2020, The impact of the COVID-19 pandemic on jobs and incomes in G20 economies, 2020

¹⁰ Kahn M., Mohaddes K., Pesaran R., Raissi M. & Yang J., Long-Term Macroeconomic Effects of Climate Change: A Cross-Country Analysis, August 2019

¹¹ ILO, The employment impact of climate change adaptation, Input Document for the G20 Climate Sustainability Working Group, 2018

to keep their young population in the job market with inadequate capacity for coping with climate change when environmental impacts accelerate.¹²

On the other hand, taking necessary actions in order to combat climate risks, and preserve and restore the environment lead to the creation of decent green jobs for youth. Green jobs can be directly linked to the environment, such as manufacturing or installing environmental technology, or scaling up already existing jobs. Since youth in green sectors have higher potential skills to adopt new technologies and more sustainable agricultural practices, and become innovative entrepreneur, the transition to the green economy will provide an opportunity to reduce youth unemployment.¹³ However, since the green jobs

emerged in the future are likely to require new skills, the issue of mismatches in skills raises significant concerns, especially among young people. That is why, the need to upskill young people is a challenge in the countries where there are fewer opportunities to learn new skills and seek employment, as different combination of skills and training sets will be demanded by the labour market. Initiatives to improve the quality of education and, in particular, invest in on-the-job training, sectoral strategies and policies need to be set up which will improve access to finance. Large as well as small enterprises can have a positive impact on young people's employment prospects and play critical role in boosting job creation, reducing the mismatch in skills and bringing about better labor market outcomes for the young and stimulating inclusive growth.¹⁴



¹² International Fund for Agricultural Development (IFAD), Climate change is a youth issue, 2019
¹³ United Nations Framework Convention on Climate Change (UNFCCC), Adaptation Action through Green Jobs for Youth, August 2020

¹⁴ OECD and ILO background paper for the G20 Labour and Employment Ministerial meeting, Promoting better labour market outcomes for youth, September 2014

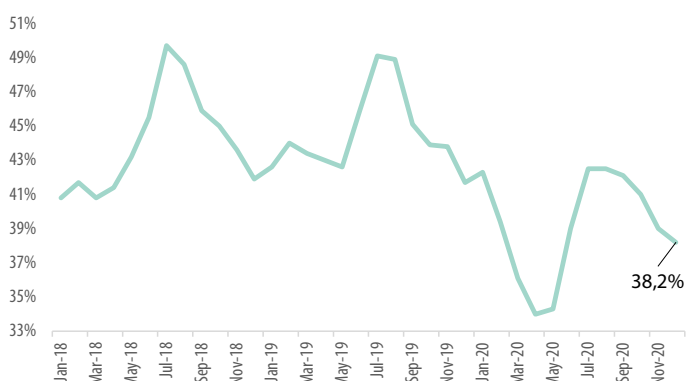
Turkey faces persistent problems in ensuring integration of youth into the labour market

In 2020, there are approximately 13 million people in the 15-24 and 25-34 age groups, representing 30.4% of Turkey's entire population.¹⁵ This young population will become a great opportunity for the Turkish economy if they can be assured of gaining the capabilities to address the country's future needs. However, this vast resource of young people has not yet been utilized sufficiently and these people face challenges to improve their qualifications. Youth unemployment, standing at 25.4% as of 2019, remains a crucial problem in Turkey, as the rate of youth unemployment in the country is so much higher than the average among the OECD (11.7%).¹⁶

The COVID-19 pandemic is having a devastating and disproportionate impact on youth employment in Turkey, while the most recent figures show that young people face major obstacles in moving between jobs and entering the labour market as well as continuing training and education. In parallel with global trends, the youth labour force participation rate in Turkey tend to decline during the pandemic and fell to 34.5% with a decrease of 9.1 percentage points YoY in May 2020.¹⁷ Even though the Turkish economy has started to partially recover since then and youth labour force participation rate has been on an upward trend, the rate still remains far below the pre-pandemic levels.

Figures also confirm that unemployment rates among Turkish youth have increased after the outbreak of the COVID-19 pandemic. Despite the fact that youth unemployment rate seems not to rise dramatically during the COVID-19 pandemic, composite measure of labour underutilization among young population provides a more comprehensive and precise picture about what Turkish youth go through in labour market in the coronavirus-driven recession. Composite measure of labour underutilization¹⁸ include, but may not be restricted to: time-related underemployment (persons in employment whose working time is insufficient in relation to alternative employment situations in which they are willing and available to engage), unemployment (persons not in employment, available and actively searching for a job), and potential labour force (referring to persons not in employment who express an interest in this form of work but for whom existing conditions limit their active job search and/or their availability and seasonal workers).¹⁹ This measure enables to observe mismatches between labour supply and demand, leading to an unmet need for employment among the population and this rate reaches alarming level in Turkey. During this period, composite measure of young labour underutilization peaked in May 2020 at 46.8%.²⁰

Youth Labour Force Participation Rate, Turkey (aged 15 -24)



Source: TurkStat, TSKB Economic Research

Unemployment Figures in Youth (aged 15 -24)



¹⁵ TurkStat, <https://data.tuik.gov.tr/Kategori/GetKategori?p=Nufus-ve-Demografi-109>

¹⁶ OECD Stats, <https://data.oecd.org/unemp/youth-unemployment-rate.htm>

¹⁷ TurkStat, <https://data.tuik.gov.tr/Kategori/GetKategori?p=istihdam-issizlik-ve-ucret-108&dil=1>

¹⁸ Composite measure of labour underutilization = (Time-related underemployment + Unemployment + Potential Labour force) / (Labour force + Potential Labour force)

¹⁹ ILOSTAT, Spotlight on Work Statistics, Avoiding unemployment is not enough: An analysis of other forms of labour underutilization August 2018

²⁰ TurkStat, <https://data.tuik.gov.tr/Kategori/GetKategori?p=istihdamissizlikveucet108&dil=1>, TSKB Economic Research Calculations

Gender inequality remains significant challenges for youth in Turkey

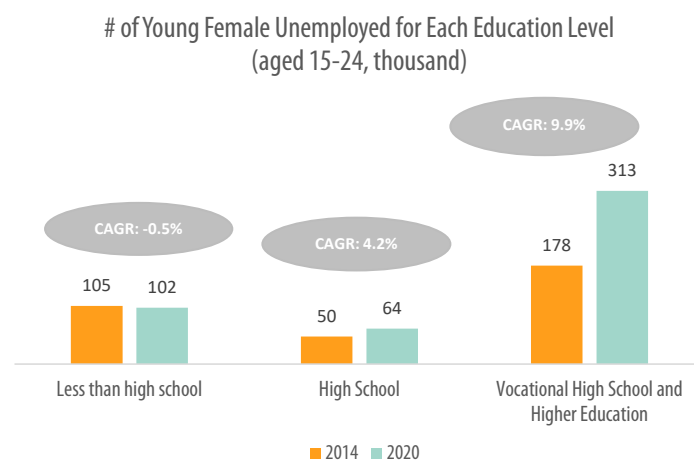
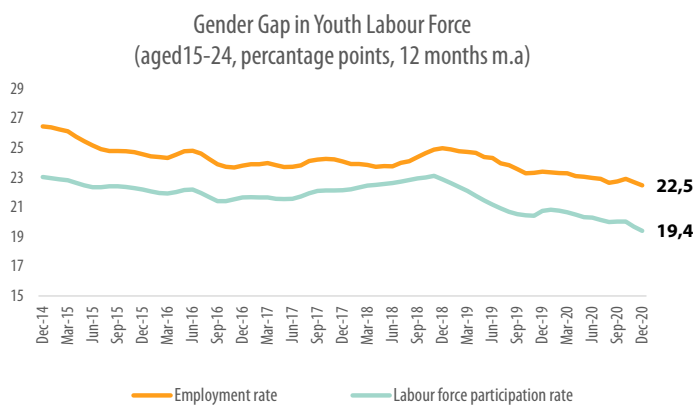
Another challenging outlook for labor markets in Turkey is low labour force participation and employment rate of young females. Turkey has one of the lowest young, aged 15 to 24, female labor force participation rates among the OECD, at 32.6%, while the average rate in OECD countries stood at 44.4% in 2019. Only one in every five young women in Turkey is employed (22.6% as of 2019).²¹ Even though gender gaps have been lowering in the labour market recently, this issue persists in Turkey as female employment rate and labour market participation rate stand lower than male by 20.7 and 23.3 percentage points in 2019, respectively.²² Highly educated young women struggles more to find a job in Turkey. In recent years, even though Turkey succeed to add more educated young women in labour markets, their share in unemployment figures dramatically went up. Young women in the labour force who have graduated from vocational high school, a secondary and



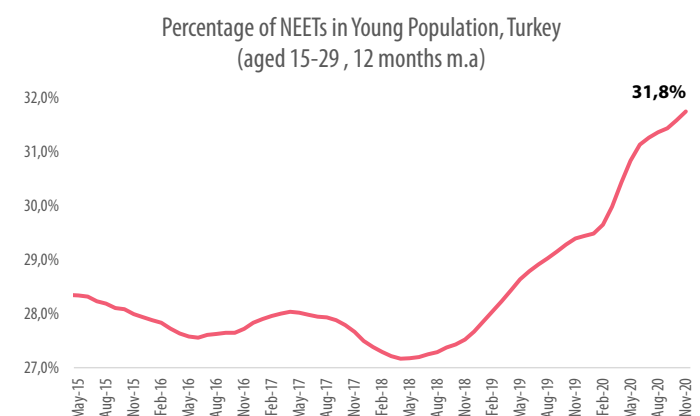
tertiary education not only have the highest share in unemployed young women, but also are the ones struggle most to find a job between the years of 2014 and 2020.

High NEET levels among the young still a major concern

The very high ratio of youth not in education, employment or training (NEET) poses enormous difficulties for youngsters seeking to enter the labor market or find a decent job. Turkey has still the highest proportion of NEETs among the 15-29 age group in the OECD, at a rate of 28.8% - more than double the OECD average (12.8%) as of 2019.²³ Furthermore, evidence of the impact of COVID-19 lockdown restrictions on the young have been highlighted by the figures showing the sharp rise in NEETs aged 15-29 already on a steady increase since the beginning of 2019.



Source: TurkStat, TSKB Economic Research



Source: TurkStat, TSKB Economic Research

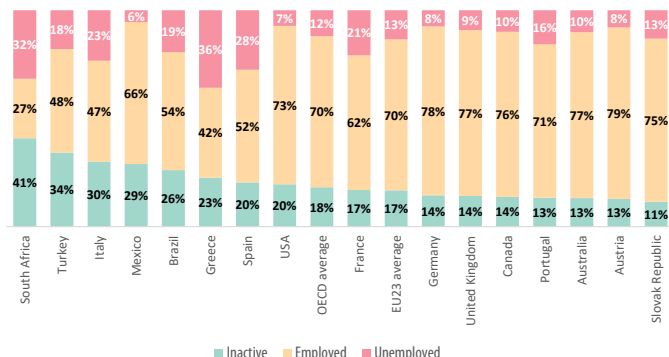
²¹ OECD Stats, <https://data.oecd.org/emp/labour-force-participation-rate.htm>

²² TurkStat, <https://data.tuik.gov.tr/Kategori/GetKategori?p=istihdam-issizlik-ve-ucret-108&dil=1>

²³ OECD Stats, <https://data.oecd.org/youthinac/youth-not-in-employment-education-or-training-neet.htm>

While more than a quarter of young people in Turkey were neither working in a place nor receiving a education or training, more strikingly more than one third of those NEETs are not even looking for a job.²⁴ The ones in this group are classified as inactive individuals by the OECD.²⁵

Percentage of Youth not in Education, by Labour Market Status
(aged 18-24, %, 2019)



Source: OECD Education at a Glance, TSKB Economic Research

The OECD report on employment and educational attainment finds that a significant proportion of the young people in the NEET group in Turkey do not participate in the labor force - unlike in Italy, Greece and Spain, which have higher rates of youth unemployment than in Turkey and have a high ratio of young people in the NEET group.

Turkey is greatly affected by climate change and potential risks feed young population's vulnerability

Turkey is among the countries at high risk from the effects of climate change, due to its geographical features but also its increasing and urbanized population. In 2020, 93% of the total population of Turkey lived in urban areas, an increase of 22.5 percentage points over the last 14 years.²⁶ Research studies reveal that economic

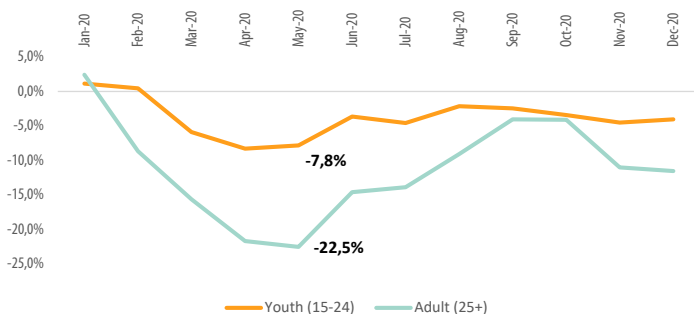
293,000 young people in Turkey lost their positions

in the last year employed in accommodation and food services, manufacturing, and wholesale and retail trade activities.



growth is negatively affected by changes in temperature and precipitation and also indicate that agriculture is the most vulnerable sector to climate change.²⁷ Furthermore, studies show the evidence that climate change may have played a direct causal role in the emergence of the virus responsible for the COVID-19 pandemic.²⁸ Having said that, other businesses are also under pressure to change their operating models into more adaptable ones. The European Commission warns that insurance, infrastructure and building, human health, tourism, energy systems are also high-risk sectors.²⁹ More than half of young workers in Turkey are employed in accommodation and food services, manufacturing, and wholesale and retail trade activities, where 293,000 youth aged 15 to 24 lost their positions in a year. Figures prove that employment among young

Change in # of People Employed, by ages, Turkey (yoy)



Source: TurkStat, TSKB Economic Research

Change in the # Youth Employed between the years of 2019 and 2020 (aged 15-24, thousand)



²⁴ OECD, Education at a Glance 2020, September 2020

²⁵ OECD, Education at a Glance 2020, September 2020

²⁶ TurkStat, <https://data.tuik.gov.tr/Kategori/GetKategori?p=nufus-ve-demografi-109&dil=1>

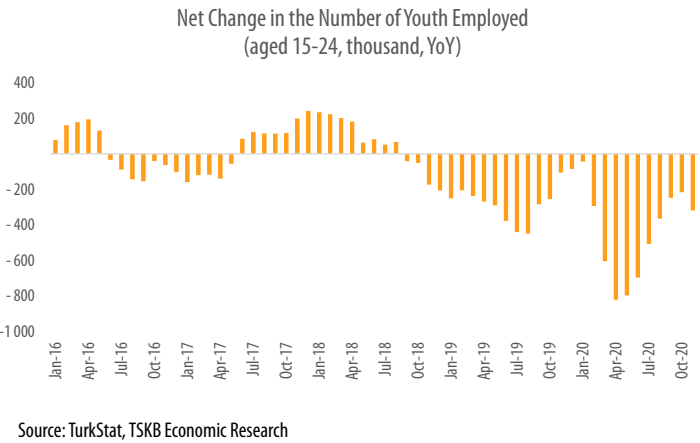
²⁷ Benjamin Jones, Benjamin Olken, Melissa Dell; Does climate change affect economic growth?; June 2009

²⁸ Science of The Total Environment, Shifts in global bat diversity suggest a possible role of climate change in the emergence of SARS-CoV-1 and SARS-CoV-2, January 2021

²⁹ The European Commission, Climate Action, https://ec.europa.eu/clima/policies/adaptation/how/sectors_en

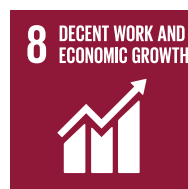
workers has decreased more sharply than adult workers (older than 25 years old) in the COVID-19 recession.³⁰

Moreover, young working people are the first to lose their jobs, or will have to resort to lower quality, less paid, insecure or unsafe jobs. Employment figures in Turkey displays the fact that the fall in youth employment has been accelerating since the beginning of 2019. Considering potential disruptive impacts of climate change, green investments can boost opportunities to address the youth employment challenge while simultaneously preserving the environment and increasing climate resilience.



Young people are required for not only quantity, but also quality of inclusive economic growth

Sustainable growth and development cannot be achieved without inclusivity, since it promotes income equality and reducing poverty. Considering young people all over the world have been facing diverse challenges, and low as well as falling participation of youth in economic and social life is a threat to both young populations' economic security and overall economic progress. Therefore, acknowledging tendency for unemployment rates to be higher for young people than adults and putting this issue on the agenda is an urgent concern. The COVID-19 pandemic's toll on employment is heavier for youth and increasing climate risks hurt the most vulnerable groups, including young people, first and hardest. Besides, the introduction of new technologies accelerates the increase in productivity at the expense of the number of jobs, nudging an overqualified workforce to work in low-skilled jobs in the digitalized work environment. The issue of mismatches in skills raises significant concerns, especially among young people. Leaving these problems largely unaddressed could rise existing inequalities and reverse decades of progress toward an inclusive economy for youth. By removing barriers to labor market opportunity and ensuring that young populations' economic contributions are not limited, they can take place in shaping global action more active and have vital role to disseminate the mindset required to embrace the values of sustainability and inclusivity. Taking targeted coherent actions at both national and international levels and allocating financial resources to the right channels with the aim of strengthening youth policies will improve the ability to generate effective solutions to ongoing fundamental inequalities among young people.



³⁰ TurkStat, <https://data.tuik.gov.tr/Kategori/GetKategori?p=istihdam-issizlik-ve-ucret-108&dil=1>



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