

McKinsey Center for Government



Unleashing Youth in Asia

Solving for the “Triple-E” challenge of youth:
Education, Employment and Engagement

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In Asia today, there are more than 1.1 billion youth aged 10 to 24, representing 26 percent of the total population. India and China alone account for 660 million youth, with 360 and 300 million, respectively, living in these two countries.¹ As the largest generation of youth in history, they carry the burden of sustaining, if not improving upon, the dramatic socioeconomic growth that the region has experienced in the past few decades.

Meeting this promise will require tackling unprecedented challenges:

- **220 million** youth are not engaged in education, employment or training.² Among those who are, achievement is low. For example, only 37 percent of primary school students are expected to leave with a basic level of literacy and numeracy³
- **36 million** youth are unemployed, with **another 300 million** underemployed.⁴ This does not account for those in vulnerable working conditions (e.g., part-time work, jobs in the informal economy)
- **180 million** youth are living in extreme poverty (below USD 1.25/day). If the poverty line is adjusted to account for consumption costs specific to Asia, food insecurity and other vulnerabilities, this number increases by another **260 million**⁵

These numbers are staggering and it would be fair to argue that the world has never had a greater pool of human potential at risk.

Unleashing the full potential of Asia's youth will require solving for the "Triple-Es": education, employment and engagement. While each is important in its own right, the cumulative impact of all three offers Asian countries and communities their best bet for achieving exponential growth by involving their youth in creating the conditions for sustainable and inclusive development.

1 Population Reference Bureau, *The World's Youth: 2013 Data Sheet*, 2013.

2 World Economic Forum, *The Challenge of Youth Unemployment*, 2013.

3 Whelan, Fenton, *The Learning Challenge: How to ensure that by 2020 every child learns*, 2014.

4 World Economic Forum, *The Challenge of Youth Unemployment*, 2013.

5 Estimate based on youth population ratio (26 percent) and Asian Development Bank 2013 figures of 700 million to 1.7 billion (post ADB proposed adjustments) people living in extreme poverty in Asia. (*Key Indicators for Asia and the Pacific*)



Challenge 1: Education

The good news is that most Asian countries are on track to achieving a key UNESCO Millennium Development Goal -- universal primary school enrolment by 2015. Enrolment at the secondary school level is also improving, although enrolment varies widely from 72 percent in East Asia and the Pacific, to 50 percent in South Asia.⁶

Unfortunately, achievement remains chronically low. Of the children currently enrolled in primary school today, only 37 percent are expected to reach basic standards of literacy and numeracy by the end of primary school. Using benchmarks from international student assessments, such as the Programme for International Student Assessment (PISA), we further estimate that approximately 300 million children across Asia are failing to meet minimum international standards.⁷

Equity in education also remains an issue, with girls, ethnic minorities and children from poor families being much less likely to complete schooling, or perform well at school. In Bangladesh, for example, less than 20 percent of children from the lowest income quintile enroll in Grade 9, but close to 100 percent from the top income quintile do so.⁸ The socioeconomic achievement gap is particularly troubling, given the fact that income inequality (as measured by the Gini Coefficient) has increased over the past decade in many of the largest Asian countries, for example from 32 to 43 in China and from 29 to 39 in Indonesia.⁹

Compounding this challenge is the fact that the world of work is rapidly changing. The increasing use of smart machines will not only further replace human workers in rote tasks, but will also increase our reliance on such machines in our day-to-day lives. By one estimate, 65 percent of primary school students today will be employed in jobs that do not currently exist.¹⁰ The average youth of today will change jobs 10 times or more in their lifetime, compared to three to four times for their parents' generation.¹¹ In this context, preparing Asia's youth for the future means not only closing the region's enormous gaps in basic learning, but also equipping them with 21st century skills, such as inter- and multi-disciplinary thinking, creativity, critical thinking, resilience and cross-cultural competencies.

6 Population Reference Bureau, *The World's Youth: 2013 Data Sheet*, 2013.

7 Estimate based on the number of students in school, as per World Bank EdStats, multiplied by the passing rates on international assessments.

8 Asian Development Bank, *12 Things to Know: Access to Education and Training in South Asia*, July 2014.

9 Asian Development Bank, *Asian Development Outlook 2012*, 2012.

10 United States of America Department of Labor, *Futurework: Trends and Challenges for Work in the 21st Century*, 1999.

11 Meister, Jeanne, *Job Hopping Is the "New Normal" for Millennials*, Forbes, August 2012.

Challenge 2: Employment

Asia can no longer rely on cheap labor or favorable demographics to drive growth. Across the region, populations are ageing. By 2050, for example, China's workforce is projected to contract by a quarter, and a third of the population will be over 65.¹² As a result, productivity will be key to building the region's economic resilience, which will require addressing the fundamental skills mismatch behind youth unemployment and underemployment across the region.

On one hand, Asia's 36 million unemployed youth account for more than half the region's unemployed population, but only one out of five of its workers.¹³ In India, for example, the Labor Ministry estimates that one in three graduates under the age of 30 are unemployed. In China, estimates of the number of unemployed graduates vary between 15 and 30 percent in a given year, which, even at the conservative end, means that each year about one million new graduates cannot find jobs.¹⁴ Estimates of underemployment are almost eight times higher at about 300 million.

On the other hand, recent McKinsey research indicates that about 40 percent of employers say that a lack of basic skills is the main reason for entry-level vacancies. Almost 60 percent of employers say that educational institutes are not adequately preparing youth for the world of work.¹⁵

This skills gap represents a significant economic opportunity cost for the region. In China alone, the price of this skills gap is expected to be as high as USD 250 billion by 2020 – greater than the total economic output of Hong Kong.¹⁶ Youth unemployment also has a “scarring” effect that persists for decades. For example, research indicates that one year of unemployment before the age of 23 can lead to a 23 percent lower salary compared to peers ten years later.¹⁷

Within this landscape, the challenge of increasing enrolment in high quality technical and vocational education and training (TVET) looms particularly large. Historically, TVET in Asia has struggled because it is viewed as an inferior option to a university education and is limited by quality issues in its design and delivery. The challenge is particularly acute in South Asia where only 1.4 percent of secondary school students are enrolled in TVET programs, compared to 24.5 percent of secondary school students in the European Union. East Asia and Pacific countries fare better with a 16.3 percent enrolment rate.¹⁸ Reversing this trend will be critical to opening up opportunities for youth and re-aligning industry demands with the current supply of skills in the workforce.

12 Hayutin, Adele, *China's demographic shifts: the shape of things to come*, Stanford Centre of Longevity, 2008.

13 International Labor Organization, *Global Employment Trends for Youth 2013*, 2013.

14 Sharma, Yojana, *What do you do with millions of unemployed graduates?* BBC, 1 July 2014.

15 Mourshed, Mona et al., *Education to Employment: Designing a system that works*, McKinsey and Co., 2012.

16 Chen, Li-Kai et al., *The \$250 Billion Question: Can China close the skills gap?*, McKinsey & Co. 2013.

17 The Economist, *The Jobless Young*, Sept 10, 2011.

18 World Bank Database: Education Statistics.

Challenge 3: Engagement

Citizen participation is strongly correlated with community cohesion and well-being. The question, of course, is what constitutes participation. Across Asia, definitions differ widely, based on political, socioeconomic and cultural norms, from youth simply being able to express their views on issues that affect them, to taking part in and having decision-making power over those issues. Coupled with rising inequality, it is perhaps unsurprising that a recent global survey found that Asian youth are less likely to believe they can make a difference – about 50 percent – compared with the global average of 62%.¹⁹

The goal of successful youth engagement is further complicated by the fact that Millennials (or generation Y) have fundamentally different values and outlooks on life. This is a generation that prizes autonomy and self-expression; has less institutional trust, such as in policy-making bodies, the judiciary, police and mainstream media, than previous generations; and increasingly eschews conventional notions of success, such as a steady desk job, in favor of pursuing personal passions.

Given these differences, new modes and ways of understanding youth engagement are required. A recent United Nations Development Program report found, for example, that while East and South-East Asian youth tend to identify less with political parties compared to older cohorts, they are engaging as much as older cohorts in non-electoral participation such as lobbying and activism.²⁰ Additionally, the 2014 Global Youth Well-being Index found that certain Asian countries like India and Indonesia do very well on indicators like volunteerism.²¹

Leaders in the region are well aware of the possible consequences, in the form of social and economic distress, when too many young people believe that their future is compromised. Governments in Asia are thus struggling to develop effective responses, and to define what they need to know. Given the inherent risks of social unrest, the challenge is how to tap the energy and idealism of Asian youth before they become disengaged and marginalized.

19 Telefonica, *Global Millennial Survey*, 2013.

20 UNDP, *Youth and Democratic Citizenship in East and Southeast Asia*, 2014.

21 Goldin, Nicole et al., *The Global Youth Well-being Index*, April 2014.



What would it take?

What would it take to unleash and empower Asia's youth? How can we improve and scale education for youth in a way that helps them develop 21st century skills? How can we improve the transition of youth from the world of schooling to the world of work? How do we better involve youth in decision making and create active citizens who contribute to the community?

Given the vast sub-regional differences in the state of youth development across Asia, there is no silver bullet, and any potential solution will require careful tailoring for local context. Nonetheless, we see six important areas for action that could serve as a starting basis for addressing these issues. We recognize that solving these issues has traditionally been seen as the domain of the government or non-governmental organizations. Increasingly, however, businesses are mobilizing because the stakes are far too high. Indeed, some of the most exciting solutions we have seen involve leadership and collaboration across the public, private and social sectors.

Theme 1: Delivering quality education at scale

Rapidly improving poor student outcomes requires addressing four basic challenges: (i) teachers and principals who lack experience and motivation due to systemic conditions; (ii) governing education bodies that have little capacity or capability to support and manage schools; (iii) widely varying performance within the system; and (iv) limited resources, both human and financial, for any improvement programs.

A handful of Asia's school systems have successfully overcome these challenges, from Singapore and Hong Kong in the 1970s, to Madhya Pradesh in India in the early 2000s. Recent McKinsey research into school systems that have improved the most indicates there is a science to school system reform. These systems have all deployed a common set of practices at the start of their performance turnaround journey, chiefly: (i) using scripted, daily lesson plans that enable teachers to deliver uniform, quality instruction in each classroom; (ii) coaching on curriculum through a cadre of trained coaches who visit schools and provide in-class coaching; and (iii) using frequent student learning assessments to monitor progress against minimum proficiency targets.²²

Given the practical challenges in Asia around inclusion, distance and disparities, technology may hold the power to leapfrog and accelerate the pace of educational improvement by making cutting-edge curricula, as well as teaching and learning experiences, cheap and accessible. Research conducted in countries such as India suggests that disruptive technologies in education can improve secondary school graduation rates and boost labor productivity by 1.5 to 2 times.²³

Consider, for example, the role that MOOCs (massive open online courses) could play in Indonesia's archipelago of 17,000 islands: expanding virtual enrollment and offering every student access to the best content and teachers in the country (or the world). Khan Academy, an online learning platform, has received much attention for turning the promise of

²² Mourshed et. al., *How the world's most improved school systems keep getting better*, McKinsey and Co., 2010.

²³ *Twelve technologies to empower India*, McKinsey Global Institute, August 2014.

truly personalized learning into reality. The video tutorials with interactive, adaptive learning assessments have already been translated into 65 languages and are being used in schools across Asian countries, such as in China, Indonesia, India, and Pakistan, to complement classroom learning.

Theme 2: Solving the skills mismatch

Recent McKinsey research on the transition from the world of education to the world of work suggests that solving the skills mismatch will require greater partnership among government, industry and education providers, where every player is truly vested in each other's outcomes.

Some of the most interesting examples of collaboration are happening in Asia today. Consider, for example, the challenge of recasting vocational education as a pathway worth pursuing, especially in cultures that place an extraordinarily high value on academic achievement. In South Korea, the government started transforming a subset of existing vocational schools into Meister Schools in 2010 ("Meister" is German for "craftsman"). The government pays the students' tuition, room, and board; an extensive network of industry partners, including the large Chaebols, provide extensive input into the curriculum and guarantee students a job upon graduation. The core idea is to address the social stigma attached to manual or technical work. While the schools are very new, the effort is beginning to work, as evidenced by the high demand for each seat.²⁴

Similarly, high productivity "bootcamps" that focus on delivering skill sets that are most relevant to a particular profession could enable high volumes of youth to develop essential skills quickly. In India, IL&FS, a private provider, identifies anchor industry partners for each course it offers. The course curriculum is developed collaboratively with the industry partner, and is generally 1- to 3- months long. As with the Meister schools, IL&FS, also guarantees its students a job upon graduation through its network of partner companies; no course is opened until hiring commitments have been secured for each student.²⁵

Theme 3: Cultivating youth entrepreneurship

Making the transition from the world of schooling to the world of work easier is only one side of the coin. The other side requires creating more opportunities for youth to enter the labor market by promoting job creation. Given that global World Bank research shows 70 percent of jobs are created by small and medium enterprises, building greater entrepreneurship among youth is critical.

At the most basic level, this means addressing the most common barriers faced by youth entrepreneurs: access to capital, lack of business and management skills, and lack of mentorship support. Governments have already moved in this direction, by providing a range of funding mechanisms for different financing needs, especially small business needs, such as micro-financing, grants, subsidies, soft loans, and venture financing. Government sponsored programs typically pair this funding with mentorship support from established business leaders and "top-up" skills training as required (e.g., how to write a business plan).

²⁴ Mourshed et al., *Education to Employment: Designing a system that works*, McKinsey and Co., 2012.

²⁵ Ibid

BOX 1

Social entrepreneurship

Across Asia, there is a growing appreciation of the role that social enterprises can play in addressing major societal challenges, as exemplified by the rising number of youth programs focused on social entrepreneurship. For example, there are now an estimated 116,000 social enterprises in Thailand aimed at making sustainable, positive changes in the country. Similarly, in the Philippines, youth social entrepreneurs are spearheading an increasingly visible movement for change:

- **Rags2Riches:** Founded in 2007 by then 23-year-old Reese Fernandez, the company creates fashion and home accessories out of upcycled scrap cloth by working with artisans living in poor communities across the country. About 300 women are currently employed in the metro Manila area. The company has upcycled 800 tonnes of material in two years.
- **Hapinoy:** Founded in 2007 by Mark Ruiz, Hapinoy aims to empower the owners of “sari-sari” stores (makeshift local community convenience stores) by offering sustainable distribution channels and business development strategies. Hapinoy has helped 10,000 stores nationwide receive discounts of up to 15% on certain products, and made it possible to distribute quality-of-life goods, such as medicine, to isolated communities.

Increasingly, schools and universities are introducing entrepreneurship at an early stage through dedicated courses, opportunities for hands-on learning, and business incubation units. For example, the Singaporean government is encouraging the setup of comprehensive, structured entrepreneurship learning programs for their students by providing schools from primary, all the way to polytechnics, with grant funding through the Young Entrepreneurs Scheme for Schools (YES! Schools).²⁶

Companies also play a key role here, with corporate leaders like Richard Branson, founder of Virgin Group, and Fadi Gandhour, founder and Vice Chairman of Aramex, arguing that companies need to actively support the creation of entrepreneurial ecosystems. For example, companies can help SMEs expand their reach by bringing them into their supply chain. Companies can also provide mentorship and skills training, and advocate for reduced trade barriers and impediments to doing business.

26 <http://www.spring.gov.sg/Entrepreneurship/FSP/Pages/young-entrepreneurs-scheme-schools.aspx>

Theme 4: Accelerating youth leadership development opportunities

Empowering youth means equipping them with the skills and networks needed to, at minimum, take charge of their own lives, if not lead change in their communities. This means creating opportunities – in and out of school – for youth to develop a basic set of knowledge, skills and attitudes to “lead themselves.” For example, school systems are increasingly making youth participation in structured, extra-curricular activities a requirement for graduation, seeing this as a way to increase opportunities for youths to build critical lifelong skills like interpersonal communication, teamwork, and independence.

It also means creating vehicles for building a vanguard of high potential public, private and social sector leaders who not only “lead others” but also “lead change”. Here, research tells us that leadership skills are best acquired from concrete opportunities that offer experiential, just-in-time learning, and that include time to discuss and reflect on the learned experience. In fact, the most effective leadership programs are those that follow a field-and-forum approach that enables participants to apply the skills they learned in projects where they have a leadership role.

BOX 2

Each year, top Indonesian students from universities across the country are chosen to participate in a 6-month program in Jakarta that combines leadership forums with fieldwork in Personal Leadership Projects designed and driven by the youth, or Breakthrough Leadership Projects sponsored by companies and institutions. Participants also receive mentorship from a wide range of leaders from the public, private and social sectors.

YLI patrons and steering committee members comprise the who’s who of the Indonesian corporate, social and public sectors, including influential cabinet ministers, academics, leading CEOs and senior executives of the largest institutions in Indonesia.

In addition to graduating high-performing youth leaders, the program has delivered wide-ranging impact via field-work projects and ground breaking initiatives led by participants. Graduates have also continued to drive change in society, for example:

- Teaching farmers to create pest apple snails-based products to increase their income
- Supporting the Open Government Indonesia initiative with audits of public services, multimedia collateral, and social media outreach with the President’s Office.
- Launching an online marketplace that aims to create wider access to education by helping students find teachers offering tutoring support anytime anywhere.

One example is the Young Leaders for Indonesia (YLI) program, which was established in 2008 to develop the next generation of Indonesian leaders across business, government and society (see Box 2). YLI was started by a group of passionate, young McKinsey consultants who wanted to make a difference to Indonesia. It aims to inspire university students by helping them envision how they can make a difference to Indonesia by 2030, equipping them with leadership skills and supporting their transition to their first job.

Theme 5: Creating platforms for youth-driven solutions

The goal of engaged citizenry is increasingly important in the public sector, which views citizens as sources of innovation and co-creators of solutions and services. To achieve this goal, governments around the world are creating a variety of platforms for youth action and the voice of youth.

Singapore, for example, has created Youth Corps Singapore, a flagship program for youth volunteerism. The program equips teams of youth with the skills to design, drive and deliver projects that sustainably address a wide range of community needs. Youth determine what issues to focus on, what the solution looks like, and drive every aspect of implementation from stakeholder engagement to impact assessment. The goal is to create a cadre of youth leaders who are prepared and committed to becoming the catalysts for change in their communities.²⁷

Engaging youth successfully will require meeting them on their turf. For example, engaging Millennials in social and public interest issues means communicating with them via the technology they are most comfortable with, considering crowd-sourcing solutions from youth and setting up public technology platforms.

Dosomething.org, for example, is a web-based organization founded in 1993 to create a culture of volunteerism and activism to “make the world suck less”. Its 2.9 million members worldwide tackle campaigns on a broad range of topics “from poverty to violence to the environment to literally anything else.” Its credibility comes from the fact that the organization is 100 percent youth led, and is thus fully tapped into youth culture and youth speak.

Theme 6: Understanding youth preferences

Youth are not homogeneous. The days of “one size fits all” solutions are over. Just as consumer research has moved beyond simple demographics to attitudinal segmentation, so too should policy makers and employers consider how attitudes and values shape youth decision making and behaviors. Further, youth today make decisions based on motivations that are different from the previous generation and these choices shape their identities.

To illustrate, McKinsey’s research on youth experiences in the education to employment journey indicated that it was possible to identify several distinct segments of youth, differentiated not only by educational level, but also by factors such as how well informed they were about the choices they made and their interest in pursuing their education and career.

²⁷ <http://www.youthcorps.sg/>

In India, for example, we found that 32 percent of youth were in the “too cool” segment (not interested in seeking a post-secondary education) and 42 percent were in the “too poor” segment (would like to attend but could not afford to do so). While targeted financing schemes can address the affordability challenge for those in the “too poor” segment, different interventions are required to address those in the “too cool” segment who are disengaged and do not see the value of further education.²⁸

Conclusion

Our conversations with corporate, social and public sector leaders reveal a shared belief that the challenges facing Asia’s youth today constitute one of the biggest threats to the region’s political, social and economic future. Addressing the deep, systemic issues around the “Triple-Es” of youth –education, employment and engagement, will require rethinking the status quo and investing in solutions that will increase both the frequency and scale of success. Critically, it will require collective action on the part of all stakeholders across the public, social and private sectors.

Our youth deserve nothing less.

28 Mourshed et al., *Education to Employment: Designing a system that works*, McKinsey and Co., 2012.

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