# OJT helps plug youth unemployment — WB

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Encouraging more private companies to absorb more on-the-job-trainees (OJT) can significantly bring down youth unemployment and underemployment through absorption post-training and provision of skills that will make trainees employable, according to a recently published policy paper by the World Bank.



In a paper titled "Who Benefits from Dual Training Systems Evidence from the Philippines," World Bank economists Takiko Igarashi and Pablo Acosta said OJT combined with vocational training opens up more opportunities for young Filipinos, particularly for those who did not demonstrate strong academic performance during basic education.

"Practical training through OJT can be a key policy solution for reducing the rate of youth unemployment in the Philippines, particularly after the completion of vocation training or high school graduation," the paper said.

The government offers tax incentives to encourage the participation of companies in the dual training system (DTS) which is spearheaded by the Technical Education and Skills Development Authority (TESDA). Under this system, students undergo vocational training in TESDA for about six months and later on undergo 10 months of in-company training.

While undergoing OJT, trainees receive an allowance of up to 75 percent of the minimum wage rate.

Firms providing OJT under the DTS are allowed to deduct from their taxable income 50 percent of the expenses incurred for the trainees. As of 2015, there were 706 TESDA-accredited partner companies and 108 technicalvocational institutions (TVIs) involved in delivering the DTS program.

The paper said that in addition to tax breaks, companies can also reduce recruitment and training costs as well as maintenance costs.

"The rationale for the DTS is that skills gap in training can be avoided as training investments respond directly to the needs of employers. Expected advantages for trainees include access to advanced technologies in industries as well as earnings during training," said the paper.

The paper said DTS provides a smoother transition from training to employment as seen in the high absorption rates of 80 to 90 percent with graduates often being employed by companies where they received OJT.

The researchers note that rising youth unemployment and underemployment rates remain a serious challenge in developing economies because of the skills gap between workforce demands and the skills of recent graduates.

"Youth idleness, a term referring to young people who are neither employed, nor enrolled in education, nor in a training program, describes one in every four persons ages 15–24 in the Philippines," the WB said.

"Meanwhile, the number of employers reporting difficulties hiring workers with relevant workforce skills has increased by 30 percent in the past six years, particularly among growing, innovative, and large-scale firms in the country," it said.

The January 2018 Labor Force Survey of the Philippine Statistics Authority showed the nationwide unemployment rate falling to 5.3 percent from 6.6 percent in the same period in 2017. The employment rate grew alongside this to 94.7 percent in January 2018 from 93.4 percent in the same period the previous year, translating to 41.8 million Filipinos employed.

The pool of potential workers widened as indicated in the rise to 62.2 percent of the labor force participation rate in January 2018 from 60.7 percent in January 2017. This was derived from a labor force population of 70.8 million consisting of Filipinos aged 15 and above.

As employment rose, so did those looking for additional hours of work or additional jobs, indicating the need for more quality employment. The underemployment rate in January 2018 rose to 18 percent from 16.3 percent in January 2017.

Among those who were unemployed, almost half (43.2 percent) were young workers aged 15 years to 24 years.

To improve the implementation of DTS in the country, the World Bank said more companies must be encouraged to recruit trainees.

"On the supply side, policies are needed to encourage the availability of enterprise-based training such as the DTS. The DTS has favorable labor market returns compared to other types of training modalities, and greater impacts in terms of labor market and skills enhancement compared to other school-based vocational training programs," the paper said.

"Effective policies to control the eligibility of participating firms and ensure the delivery of quality OJT should be implemented as the DTS scales up. As the program expands, the share of participating firms that primarily employ low-skilled labor may also increase. Thus, closely monitoring program quality and ensuring the skill intensity of OJT can support the successful implementation of the DTS," it said.

The study also emphasized the importance of a wellrounded career counseling to support students in their transition from school to employment instead of merely relying on general grade averages.

"General average grades granted at the completion of basic education are not a complete measurement to demonstrate skills, particularly soft skills and motivations, yet academic grades are widely used to advise career paths, admit applicants to vocational institutions, and grant public scholarships," the report said.