

LABOR MARKET SEGMENTATION AND YOUTH EMPLOYMENT: STRUCTURAL BARRIERS, POLICY RESPONSES, AND INSTITUTIONAL SOLUTIONS

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Abstract: Labor market segmentation significantly shapes youth employment outcomes by creating unequal access to stable jobs, wages, and career prospects. This article investigates the structural nature of labor market duality and its implications for youth unemployment, job precarity, and long-term economic integration. Drawing on international empirical findings and comparative analysis, the study explores how segmented labor markets generate structural barriers for young people and examines the effectiveness of policy interventions, including active labor market policies, vocational education systems, and institutional reforms. The findings indicate that reducing labor market segmentation requires coordinated policy frameworks combining education reform, institutional restructuring, and targeted employment support mechanisms.

Keywords: Labor market segmentation, youth unemployment, institutional economics, active labor market policies, vocational education

Youth unemployment remains one of the most persistent challenges in global labor markets. Structural inequalities embedded in segmented labor markets systematically disadvantage young workers, particularly those entering employment for the first time. Labor market segmentation divides employment opportunities into primary and secondary segments, creating disparities in wages, job security, and career mobility. Young individuals are disproportionately concentrated in precarious segments characterized by temporary contracts, informal employment, and low income, which limits long-term economic stability and social inclusion.

Labor market segmentation theory explains persistent inequality in employment outcomes by institutional and structural barriers rather than individual productivity differences. The primary labor market offers stable employment, higher wages, and career advancement opportunities, while the secondary segment is associated with unstable jobs, lower pay, and limited upward mobility. Youth frequently encounter barriers such as lack of experience, credential mismatch, and employer discrimination, reinforcing their confinement to secondary labor market positions.

Empirical evidence from advanced and emerging economies demonstrates that segmented labor markets significantly elevate youth unemployment and underemployment. Studies from South Korea indicate that labor market dualism contributes to structural youth unemployment exceeding 9%, while in Southern European economies, youth unemployment rates consistently surpass 25% during economic downturns. In Latin America, informal employment accounts for nearly 60% of youth labor participation, exposing young workers to unstable income and limited social protection.

Active labor market policies play a crucial role in mitigating youth unemployment. Training programs, wage subsidies, employment services, and apprenticeship systems aim to enhance employability and labor market integration. Empirical assessments from European labor markets show that participation in structured vocational training increases youth employment probability by 15–20%. In low-income contexts, apprenticeship and internship programs significantly improve employment transitions, although their effectiveness depends on institutional quality and employer participation.



Dual vocational education and training systems demonstrate strong outcomes in bridging education-labor market mismatches. Germany and Austria consistently maintain youth unemployment rates below 7% due to strong vocational training institutions. These systems integrate academic learning with workplace training, ensuring skill relevance and smoother school-to-work transitions. Emerging economies increasingly adopt similar frameworks to reduce labor market segmentation and enhance youth employability.

Labor market institutions shape the effectiveness of youth employment policies. Flexible hiring regulations, portable social protection systems, and inclusive wage-setting mechanisms enhance youth labor market integration. Evidence suggests that institutional rigidity intensifies segmentation, while coordinated labor market governance improves employment stability and wage equality. Countries implementing integrated employment strategies achieve more equitable labor market outcomes.

Reducing youth labor market segmentation requires systemic reforms combining education policy, labor regulation, and employment services. Governments should prioritize vocational training expansion, employer engagement, and long-term labor market monitoring. Digital employment platforms and data-driven policy evaluation can further enhance policy effectiveness.

Labor market segmentation represents a structural challenge to youth employment worldwide. Sustainable solutions demand integrated policy approaches that address institutional barriers, educational mismatches, and labor market rigidity. Effective youth employment strategies contribute not only to economic growth but also to long-term social stability.

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