



## Overcoming the Youth Employment Crisis: Strategies from Around the Globe

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Edited by Gregory Randolph

October 2014





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# FOREWORD

When the JustJobs story began five years ago, countries around the world were bleeding jobs in the aftermath of the economic crisis. Today, the problems of jobless growth, stagnant wages and rising inequality remain endemic, and unprecedented levels of youth unemployment pose the risk of a lost generation. Thought leaders across the ideological spectrum realize the need for a paradigm shift in economic policymaking.

JustJobs Network works with policymakers, business leaders, and civil society to help define a new kind of economic growth – one that puts people first, recognizes the value of work, and fosters the creation of just and equitable societies.

Our work is strengthened by collaborations with a global network of research institutions and community-based organizations that promote multi-stakeholder dialogue, conduct innovative research, and connect ground-level realities to global policymaking on employment. This report marks the first time that the members of the network have come together on a collaborative research project – producing an insightful global review of a critical theme in the world of work.

The member institutions of the network were unanimous in choosing youth employment as the theme for this report. Not only were young people hardest hit by the global recession, they continue to suffer from unprecedented levels of joblessness, low wages and unfair working conditions at rates far exceeding other age cohorts.

Ensuring that aspiring young people have pathways to economic mobility is one of the greatest challenges facing the international community, one that must be prioritized in the post-2015 Millennium Development Goals. The social and economic costs of today's youth employment crisis are mounting, and coordinated global action to create high-quality jobs for young people is an urgent imperative.

JustJobs Network is proud to introduce this volume as a resource for policymakers around the world who strive to improve the working lives of young people.



**Sabina Dewan**  
President & Executive Director  
JustJobs Network





A close-up portrait of a man's face, looking down with a serious expression. His hands are placed on his forehead and temples. The entire image is overlaid with a uniform green color. The word "INTRODUCTION" is written in white, uppercase letters across the upper part of the man's forehead.

# INTRODUCTION



# INTRODUCTION

The youth employment crisis is one of the greatest perils facing the global economy today. Young people around the world – in industrialized, emerging and developing economies alike – face acutely high levels of unemployment, low wages, poor working conditions, and obstructed pathways to economic mobility.

About a quarter of the global youth population ages 15 to 24 is neither employed nor studying. Another quarter works in precarious employment.<sup>1</sup>

Before 2020, an additional 1.1 billion youth will enter the working age population – 90 percent in the Global South – but employment growth throughout the world remains anemic.<sup>2</sup> Global policymakers must act urgently to confront this dangerous concurrence: an economy failing to create jobs at the same moment when millions of aspiring youth are becoming job seekers.

Young people’s lack of access to quality employment is at once a short-term and long-

term threat. High levels of joblessness among youth today are an imminent hazard to social and political stability – especially as the gap between young people’s education levels and aspirations, and the actual opportunities that await them in the labor market grows.<sup>3</sup>

When people begin adulthood without work, they earn lower wages and are more likely to experience sustained periods of unemployment throughout their lives. Moreover, a lack of

***“Before 2020, an additional 1.1 billion youth will enter the working age population – 90 percent in the Global South – but employment growth throughout the world remains anemic.”***

productively employed young people threatens the sustainability of already imperiled social welfare schemes, especially in the aging countries of Europe, East Asia and North America where the demographics are increasingly lopsided. Emerging economies like India and Indonesia, predicted to reap the benefits of a “demographic dividend” over the next two decades, may in fact face a demographic disaster as the working age population grows much faster than the number of available jobs.

Policymakers, private sector stakeholders, and civil society leaders are increasingly recognizing the urgency of this historical moment and the necessity of improving young people's employment outcomes. They face a dual imperative: getting youth back to work quickly to avoid the mounting social and economic costs to this generation in waiting, while at the same time introducing structural reforms that can secure the promise of quality employment for future youth generations.

But while the challenge and potential consequences of today's youth employment crisis is well explicated, and the stream of promises from politicians to fix the problem has begun, policymakers are still struggling to understand

which combination of strategies will be most effective in addressing the epidemic.

This report examines what some governments, companies, and civil society groups are currently doing to improve youth employment outcomes, and with what effect. The strategies presented here are diverse; they are being tested in different geographies, with different youth populations, and seek to tackle different supply- and demand-side issues in the labor market. For this reason, the authors of this report do not propose that any one solution will work everywhere. Instead, the aim is to illustrate the range of different interventions that have the potential to help young people lead more productive lives, identify advantages and pitfalls of particular strategies, and consider the lessons they offer to policymakers going forward.

## The five major themes

Based on the range of challenges young people face in accessing good jobs and the diversity of strategies presented in this volume, five main themes emerge.

**1. *Young people require not only jobs, but career pathways*** – that is, not just a job today, but an employment opportunity that presents them with a route toward a productive adult life.

Recognition of the urgency of the youth employment crisis might tempt global leaders to apply quick-fix, band-aid solutions that get young people into jobs quickly and reduce the alarming rates of youth unemployment. But these strategies are unlikely to produce positive results in the long term if they are not combined with policies that give young people the tools and infrastructure to build successful careers.

Many countries are experimenting with youth wage subsidies to incentivize employers to hire young workers, but these programs will have a sustainable impact only if they enable youth to gain skills for which employers will eventually pay full price. At the same time, vocational education programs must also be carefully implemented and monitored, as some have the tendency to “store” rather than train young people.

## ***2. Young people's aspirations must inform job creation strategies.***

Interventions aimed at improving youth employment outcomes must be aligned with the hopes and ambitions of young people. Too many policy strategies operate under the flawed assumption that, for poor or disadvantaged youth, any job is better than no job. No matter who the target group, the success of a youth employment program depends on whether the intended beneficiaries actually aspire to the type of jobs on offer. When youth are funneled into jobs they do not want, the result is high turnover rates, which in turn affects the productivity of their employers. With limited and interrupted work experience, these young people fail to develop the skills necessary to work in high-productivity professions.

## ***3. Beyond job creation and training programs, policymaking must tackle the broader social and***

## ***economic obstacles that limit young people's employment prospects.***

There is a need to ground policy in an understanding of the social and economic circumstances that push young people into poor quality employment or leave them jobless. Part of this understanding requires an investigation beneath the macroeconomic. For instance, many youth fail to complete their education because their poor families require them to leave school and work; in turn, their long-term prospects for a high-quality job are circumscribed. In a different vein, many young people enter the labor market with social and cultural stigmas attached to them that limit their job search more than lack of qualification. A job or skills training strategy alone – without a concurrent vision to address these barriers – will be inadequate to improve youth employment outcomes.

## ***4. Policy coherence and effective coordination among stakeholders is required for any youth employment program to succeed.***

As government, civil society, and the private sector are all crucial in addressing the youth employment crisis, coordination among them is imperative. Employers, for instance, depend on government vocational institutes that give young people market-aligned skills. And both the public and private sector depend on civil society

to spread awareness and connect young people with educational and occupational opportunities. Moreover, different levels of government must also do more to coordinate their efforts, especially in countries with decentralized systems. At the local level, failure of different government agencies to coordinate with each other and with national authorities undermines implementation of programs aimed at helping youth gain skills, access jobs or start their own enterprises.

***5. Collective bargaining rights are critical to improving youth job outcomes.***

Finally, the chapters highlight the central role of collective bargaining in giving youth a platform

to voice their work-related grievances and advocate for better employment. Collective bargaining is critical to promoting the quality of work, so ensuring young people's right to organize is itself a strategy for addressing unsafe working conditions, low wages, and lack of social protections. Moreover, through collective bargaining, work can become the place where youth grow into active and engaged citizens. A healthy trade union movement promotes social and political stability.

## Structure of the report

Following chapter one, the introduction, chapters two through five focus on strategies related to workforce development. Chapter two evaluates the "transition system" in Germany – a collection of schemes aimed at providing young people a bridge between school and the country's much lauded vocational training programs. In chapter three, the authors describe how Brazil's social welfare policies have reduced early entry into the labor force, enabling youth to stay in school longer and gain the education and employable skills that deliver good job outcomes. Chapter

four considers the challenges and opportunities involved in expanding apprenticeships in the United States. Finally, chapter five analyzes India's national skill development policy, specifically the problem of low job retention rates among newly trained youth, and proposes a community-based method aimed at helping young people stay in their job placements.

Chapters six through eight deal with creating jobs for youth and matching their skills to labor market demand. Chapter six contains an analysis of South

Africa's demand-side intervention – a youth wage subsidy – aimed at incentivizing employers to hire young people. Chapter seven considers what types of support young people require to become self-employed, examining the impact of Indonesia's national entrepreneurship policy. And chapter eight describes a private sector model for connecting young people to employers – an online portal that creates guided career pathways for job seekers.

The last two chapters focus on quality of work and the role of collective bargaining in assuring

good job outcomes for young people. Rather than examining a particular country, chapter nine looks at the apparel sector globally, proposing that training young women to be labor organizers can be a strategy for addressing systemic abuse and low wages in the industry. The final chapter looks at how the Egyptian revolution spawned a movement of independent trade unions, which provides youth a platform to demand better wages and working conditions, and plays a role in creating the kind of democratic industrial relations system that spurs job creation.

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<sup>1</sup> The Economist. 2013. Generation Jobless. Accessed on September 25, 2014. <http://www.economist.com/news/international/21576657-around-world-almost-300m-15-24-year-olds-are-not-working-what-has-caused>

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<sup>3</sup> As Global Employment for Youth 2013 (ILO) showed, today's young people face the irony of being the most highly educated generation while also facing unprecedented levels of unemployment. See: ILO. 2013. Global Employment Trends For Youth 2013: A Generation at Risk. (Geneva: ILO).





# APPRENTICESHIPS FOR EVERYONE?

An assessment of Germany's "transition system"

Bettina Kohlrausch, Friedrich-Ebert-Stiftung

## **Friedrich-Ebert-Stiftung (FES)**

The Friedrich-Ebert-Stiftung (FES) is the oldest non-profit German political foundation. Its mission is to promote and strengthen democracy through political education, dialogue, and international cooperation. FES stands for social democratic values and supports the labor movement. As the largest global center-left "think and do tank" with more than 100 offices worldwide, the work of FES intersects with politics, the economy, the trade union movement, civil society, and science. By providing more than 2,700 scholarships annually to students from socially and economically disadvantaged families, FES makes an important contribution to promoting equal opportunities in facilitating access to education.

# Germany

10/148

JustJobs Index Ranking



60%

Labor Force  
Participation



50%

Youth Labor Force  
Participation



5.4%

Unemployment



8.1%

Youth  
Unemployment

**Source:** These data are ILO modeled estimates provided by the World Bank. Individual authors may use national estimates.

## Challenge

*An increasing number of German youth are unable to access Germany's much lauded vocational training system due to increased competition and a shortage of spots.*

## Strategy

*The German government has introduced the "transition system" – a collection of schemes aimed at providing young people a bridge between school and the vocational training system.*

# APPRENTICESHIPS FOR EVERYONE?

An assessment of Germany's "transition system"

**Bettina Kohlrausch**, Friedrich-Ebert-Stiftung

The highly regulated German vocational training system is known worldwide for enabling structured transitions from school to work and offering high numbers of young people quality training that leads to good job outcomes. The dual system, which combines practical firm-based apprenticeships with theoretical school-based training, has been, and still is, strongly linked to employers and labor market demand. It provides relatively smooth transitions from school to work. Moreover, there are no formal entry qualifications for training within the dual system, meaning – at least in theory – that young people with fewer formal qualifications can still progress toward a high-quality job.

*“Rising numbers of youth fail to start regular training immediately after leaving school. Instead, they often enter schemes of the so-called transition system.”*

During the last two decades, however, the transition from school to vocational training has changed, particularly for low-educated young people – those with lower secondary degrees or less education (see **Box 1**).<sup>1</sup> Rising numbers of youth fail to start regular training immediately after leaving school.<sup>2</sup> Instead, they often enter schemes of the so-called transition system.<sup>3</sup> The transition system is constituted by all kinds of training, education and labor market schemes that are meant to facilitate the transition from school to training, but do not provide approved vocational certifications.

This chapter assesses the extent to which the transition system is providing effective linkages between school and formal vocational training for vulnerable young people in the German labor market. First, it discusses two different explanations for why transition system programs are growing. The next section describes the transition system and who enters it, providing

an evaluation of the system's ability to channel young people toward positive employment outcomes. Finally, the chapter highlights some of the system's success stories and discusses ways forward to ensure that Germany's globally lauded vocational training system continues to put young people on a path toward high-quality employment.

## Box 1. An overview of the German educational and vocational system

### SCHOOLS

The German school system stands out for its early tracking, which places some students on academic pathways and others on occupational or vocational tracks.

**Academic track:** *Gymnasium*, or grammar school, is for students pursuing an academic education. Its intention is to prepare students for entry into higher education. *Gymnasium* runs through class 12.

**Occupational track:** *Hauptschule* and *Realschule* – or lower and intermediate schools – run through class 9 and 10, respectively. These schools provide a basic education and generally prepare students for a craft or industrial-based occupation. For the purposes of this chapter, these occupational schools are called “lower secondary schools,” providing “lower secondary degrees.”

### VOCATIONAL AND SKILLS TRAINING

Many young people in Germany opt for vocational training following their secondary schooling. They have two options:

- 1) Dual system: Germany's much lauded dual system combines practical firm-based apprenticeships with theoretical school-based training. It has become increasingly difficult for low-educated young people to gain entrance into this system, leading to the rise of the “transition system” – the subject of this chapter.
- 2) Full-time vocational schools: Vocational training also takes place in full-time schools. These schools arose for areas of employment that are not craft or industrial-based.

# School to work transitions in Germany: The challenge of integrating low-skilled young people

The nature of the German vocational education and training (VET) system presents clear advantages and disadvantages in terms of its ability to deliver good job outcomes to people from different educational backgrounds. These pros and cons are interlinked.

Regulated jointly by employers, unions and the state, the German VET system has long been considered an exemplary model for facilitating smooth transitions from school to work, creating a productive workforce, and ensuring that people have access to high-quality employment. The institutional advantages are clear. The training is firm-based, which enables close linkages between the vocational system and the labor market and ensures that apprentices are not only trained in a skill, but also socialized into a work environment.<sup>4</sup> Training is occupation-specific and highly standardized, making the skills obtained transferable across firms.

On the other hand, a high standardization of vocational qualification makes it difficult to switch between occupations. The result is stratification. As Allmendinger notes: “Stratification...affects the match between education and social structure. In stratified educational systems, there

is a tight coupling of the educational system and a differentiated occupational structure; in unstratified systems the coupling is loose.”<sup>5</sup> Tracking begins early, and career options are therefore limited at an early stage of professional development.

Indeed, comparative research on training systems demonstrates that systems providing higher and more standardized levels of vocational skilling often create an insider-outsider problem, where the lowest qualified are threatened with exclusion from the system.<sup>6</sup> In recent years this insider-outsider problem has become increasingly evident within the German VET system.

The close linkages with labor market have long made vocational training an attractive alternative to academic training, particularly for those possessing only lower secondary degrees (see **Box 1**).<sup>7</sup> But in the course of educational expansion, there has been a devaluation of lower secondary degrees. In the post-war era, the majority of students attended lower secondary schools. Nowadays only a minority attend, mainly children from lower socioeconomic backgrounds.

***“Systems providing higher and more standardized levels of vocational skilling often create an insider-outsider problem, where the lowest qualified are threatened with exclusion from the system.”***

Employers have negative associations with those holding only a lower secondary degree. When it comes to apprenticeship placements, these young people are displaced by those holding higher secondary degrees.<sup>8</sup>

Groups with lower levels of education – young people holding only a basic education (ISCED 0-2)<sup>i</sup> – are much more vulnerable in the labor market than their better educated counterparts (**Figure 1**). The discrepancy between unemployment rates of 15- to 24-year-olds holding only education on ISCED Level 0-2 and the unemployment rates of those holding education on ISCED level 3-4 has been increasing. While in 1992 the difference was 1.2 percentage points, it had risen to 6.2 percentage points by 2011.

Thus, low-educated young people in recent years have been excluded from the labor market at higher rates.<sup>9</sup>

As shown in **Figure 1** and extensively documented by research on the school-to-work transition in Germany, a completed vocational qualification (either academic or nonacademic, ISCED 3-4 or ISCED 5-6) is the most decisive

precondition for successful and sustainable labor market integration.<sup>10</sup> Beyond this general rule of thumb, young people holding no or only a lower secondary degree now face a growing risk of exclusion from training that provides approved vocational qualification.

The chances of young people who hold no degree or only a lower secondary degree entering

***“If they gain entry into the regular training system, youth with lower secondary degrees often find that the only apprenticeships available to them are in the craft or retail sectors, where employment outcomes are weaker.”***

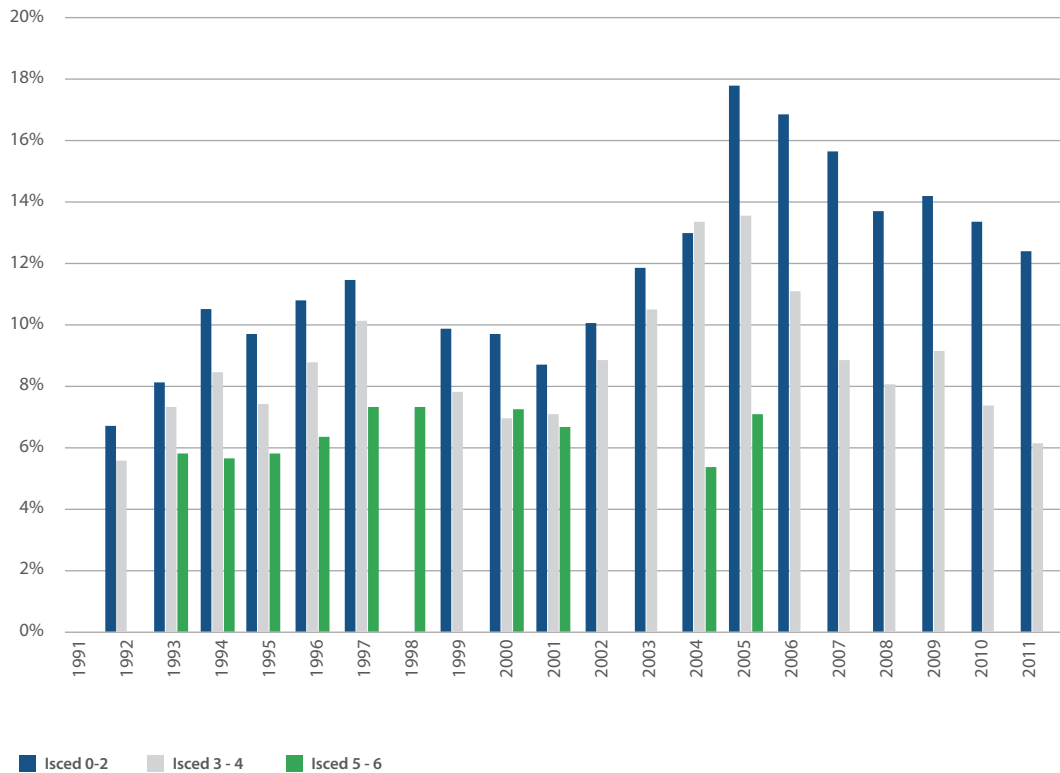
regular training directly after school are low: only 26 percent of those holding no school degree at all and 42 percent of those holding a lower secondary degree start regular training immediately after school. Even within the regular training system, there is a

difference in later labor market outcomes based on qualification at the time of entry. If they gain entry into the regular training system, youth with lower secondary degrees often find that the only apprenticeships available to them are in the craft or retail sectors, where employment outcomes are weaker.<sup>11</sup> In other words, even completion of vocational training does not guarantee successful and sustainable labor market participation.<sup>12</sup>

<sup>i</sup> International Standard Classification of Education (ISCED) facilitates comparisons of educational attainment across educational systems. Levels 0-2 refer to pre-primary, primary, and lower secondary schooling. ISCED 3-4 refers to upper secondary and post-secondary non-tertiary schooling (i.e. vocational programs). ISCED 5-6 refers to university or post-university education.

Figure 01

### Unemployment rates of 15- to 24-year-olds by education level in Germany



**Source:** Statistische Ämter Des Bundes und Der Lander. (Statistical Offices of the Lander and the Federal Statistical Office). Labor Force Survey. See footnote on page 14 for explanation of ISCED.

## The emergence of the “Transition System”

All of the factors that put lower secondary degree holders at a disadvantage in accessing apprenticeships are exacerbated by the fact that the number of people seeking apprenticeships is growing faster than the number of placements. The reason for this mismatch in demand and supply of apprenticeships is multifaceted. On the one hand, employers claim that youth leave the school system – particularly lower secondary schools – without the skills and qualifications necessary to meet employers’ expectations of apprentices.

On the other hand, if there is indeed a “trainability” gap, this could be understood as part of the transition from an industrial to a knowledge- and service-based economy. Many occupations have undergone a process of “upskilling”, making training more challenging for employers.<sup>13</sup>

In either case, it is clear that many who seek good job outcomes by entering the vocational training system are left behind. In response, the government has evolved schemes for these young people who are unable to find apprenticeships. The goal of these programs is to integrate youth with lower educational qualifications into the regular training system by addressing their individual needs and preparing them for recognized vocational programs. These schemes make up the “transition system.”<sup>14</sup>

The transition system consists of all kinds of training, education and labor market schemes, none of which provide formal accreditation. These programs are organized by job centers (state government institutions), vocational schools, or private players assigned by state governments. They vary considerably in terms of their success at integrating young people into the regular training system and are often criticized for being inefficient.<sup>15</sup> The schemes have four main objectives:

- Second chance qualification: Young people with no degree or lower secondary degrees are given the chance to increase their level of qualification. They can attain lower or intermediate secondary degrees (see **Box 1**) that are combined with more occupation-oriented skills.<sup>16</sup>
- Vocational orientation: These schemes seek to improve participants’ “trainability” by focusing on individual deficits such as low numeracy or literacy or on personal problems such as drug addiction. Beyond this, young people receive applied training or internship opportunities to help them gain insights into their occupational interests and competencies.<sup>17</sup>
- Vocational preparation: In these programs, basic occupational qualifications are provided. The qualifications can sometimes be accepted



as credit toward a regular training qualification. As an example, a participant in one of these programs might obtain basic mechanical skills or learn how to drive a special vehicle, like a forklift truck.

- Prevention: An increasing number of schemes are targeted at students enrolled in lower secondary schools and aim to facilitate their transitions from school to regular training before they have graduated.<sup>18</sup>

## Second chance or dead end?

Analysis of participation patterns within the German transition system reveals that this approach has certain problems. With growing numbers of young people participating for at least one year in schemes of the transition system, these issues must be highlighted. At the same time, the transition system boasts some success stories, which this section will also examine.

### ***“Storing” not qualifying***

Recent research on transition patterns concludes that half of all young people entering the system never start regular training programs, while the risk of a long stay in the system is exacerbated for lower secondary degree holders.<sup>19</sup> Approximately 6 percent of young people holding lower secondary degrees who left the general school system in 2002 stayed longer than 30 months

***“For a large share of people, the transition system has the quality of “storing” rather than qualifying.”***

in the transition system. One quarter of them are unemployed. These findings show that, for a large share of people, the transition system has the quality of “storing” rather than qualifying.<sup>20</sup>

Solga,<sup>21</sup> for example, shows in her studies that these schemes sometimes have stigmatizing effects, since potential employers perceive these young people as being less capable than those straight out of school.<sup>22</sup> Moreover, chances of leaving the system for fully qualifying training depend not only on individual competences and school performance, but are pre-determined by socio-economic characteristics, such as migrant background.<sup>23</sup> In this regard, the increasing segmentation of the training system stratifies young people according to their educational and ethnic background.

Another critique of the transition system is that young people pass from one scheme to another with the programs failing to target their particular challenges.<sup>24</sup> This perception is confirmed by the 150,000 young people leaving the educational system every year without approved regular occupational qualification. These people may have attended schemes of the transition system, but they have never managed to successfully enter regular training. Despite the massive expansion of the transition system, the problem of educational poverty is not being solved. The social costs are severe. Most of these people are not able to develop stable careers and ultimately depend on social welfare instead.<sup>25</sup>

***Best practices: successful schemes within the transition system***

Despite the phenomena of “storing,” the German system is quite successful in integrating youth into some kind of training, even if its quality and segmentation need improvement. Even immediately following the economic crisis, the so-called NEET (“not in education or employment”) and youth unemployment rates remained low compared to other European countries.

Moreover, some of the transition system programs have achieved success in bringing young people attending lower secondary schools into regular training. The core principle of successful programs is early intervention, which occurs while young people are still attending school and aims to improve their understanding of different occupations, their motivation to learn, and the practical relevance of their education. These programs establish separate classes in which the students attend two days of practical training a week. The two main innovations of these programs are:

- First, the programs follow a preventative approach. Young people are eligible to join as soon as they have been identified as at-risk of failing school or at risk of an unsuccessful transition after school.
- Second, the program establishes strong linkages to firms at a very early stage. While attending school, the students are already doing long-term internships (two days a week) during the regular teaching time (at the cost of a reduced curriculum).

***“The core principle of successful programs is early intervention, which occurs while young people are still attending school.”***

Evaluations of these programs have shown that the approach can be successful in bringing students into vocational training.<sup>26</sup> It turns out that the most effective measure for promoting successful transitions into training is the long-term internship. Longer internships and particularly the performance of job-related tasks increased the odds of a successful transition.

Unsurprisingly, young people with high levels of conscientiousness and good working behavior are most likely to be matched successfully in a long-term internship. Interestingly, school achievement and cognitive abilities do not substantially ease the matching process.<sup>27</sup> These

findings show that youth with lower secondary degrees do not necessarily fail because they are unqualified, but perhaps because firms do not give them the chance to demonstrate their abilities.

In moving forward, the German government should focus on programs that facilitate the matching processes with potential employers and establish direct linkages to the labor market. These will be more effective in making the transition program a success than those focused only on improvement of participants' qualifications.

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# BRAZIL'S SOCIAL WELFARE APPROACH

Improving job outcomes for the youth by delaying their entrance into the workforce

**Alfredo Santos, Jr.**, Central Única dos Trabalhadores (CUT)

**Gregory Randolph**, JustJobs Network

## **Central Única dos Trabalhadores (CUT)**

Central Única dos Trabalhadores (Unified Worker's Central), commonly known as CUT, is the biggest national trade union central in Brazil. CUT was founded in August 28, 1983, during Brazil's re-democratization. Today CUT has 3,438 affiliated trade unions, 7,464,846 members and represents 22,034,145 workers. CUT stands for freedom and union autonomy, with a commitment to the understanding that workers have the right to decide freely about their forms of organization, membership and financial support, with complete independence from the state, governments, employers, political parties, creeds and religious organizations.

***CUT is a guest contributor to this report.***

# Brazil

# 68/148

JustJobs Index Ranking



70%  
Labor Force  
Participation



63%  
Youth Labor Force  
Participation



6.9%  
Unemployment



15.5%  
Youth  
Unemployment

**Source:** These data are ILO modeled estimates provided by the World Bank. Individual authors may use national estimates.

## Challenge

*Young people in Brazil enter the workforce too early, hindering their ability to gain the education and employable skills that deliver good job outcomes.*

## Strategy

*The Brazilian government has implemented a broad set of social welfare schemes aimed at giving families financial relief, enabling youth to stay in school longer and delay their entry into the labor force.*



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Brazil is the only one of the BRICS (Brazil, Russia, India, China and South Africa) countries where inequality in the late 2000s was lower than it was in the 1990s.<sup>1</sup> Moreover, the last monthly employment report, released in March 2014, registered an unemployment rate of only 5 percent, generally considered full employment.<sup>2</sup> These accomplishments result from Brazil's sustained economic growth, focus on job creation, and support for social institutions such as education and health care.

Nevertheless, Brazil is no exception to the rule that youth struggle far more than other age groups in their search for high-quality employment. The youth unemployment rate is twice the national average and three times the rate of unemployment among other age groups.<sup>3</sup> Almost 60 percent of youth work in the informal

sector.<sup>4</sup> The popular protest movement in 2013 revealed the frustration felt by many of the country's young people.

This chapter focuses on one of the most significant challenges Brazil faces in its effort to improve employment outcomes for young people: their early entry into the workforce. Youth in Brazil are often forced to leave school early, beginning work before they have completed secondary or tertiary education and gained employable skills. This limits their ability to find a formal sector job and achieve upward mobility.

The first section describes the problems associated with Brazilian youth starting to work at an early age – often at the expense of their education – and it traces the social policies that are starting to effectively reverse this trend over

the last decade. The subsequent section provides an overview of Brazil's social protection schemes and identifies the relationship between these programs and young people's ability to delay their entry into the workforce.

This chapter finds that Brazil's diverse basket of social welfare schemes is successfully enabling young people to stay in school and vocational training programs longer, ultimately improving their employment outcomes.

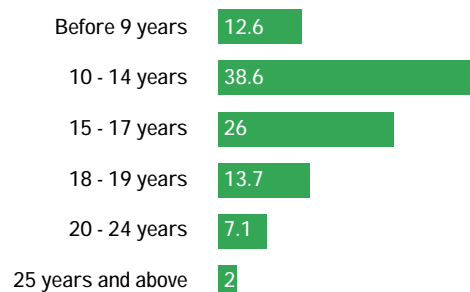
*“Youth in Brazil are often forced to leave school early, beginning work before they have completed secondary or tertiary education and gained employable skills. This limits their ability to find a formal sector job and achieve upward mobility.”*

## Defining the problem: Brazilian youth's early entry into the labor force

One of the central concerns that policymakers in Brazil face is the premature entry of young people into the workforce, which impairs their quality of life and makes it difficult or impossible for them to acquire the education and skills required for a well paying job, especially in the formal sector. Brazilian youth tend to enter the workforce earlier than their counterparts in other emerging economies. **Figure 1** illustrates that over half of Brazil's current workforce began working at the age of 14 or younger. Over 77 percent started their first job before the age of 18.

While some Brazilian youth manage to work and study at the same time – about 14 percent

Figure 01  
**The Age When Brazilian Workers Entered the Labor Force (%), 2009**



**Source:** Instituto Brasileiro de Geografia e Estatística. *Pesquisa Nacional por Amostra de Domicílios*. (Brazilian Institute of Geography and Statistics. National Sample Survey of Households.)

between the ages of 15 and 29<sup>5</sup> – the vast majority of those who enter the workforce early leave school to do so. This is reflected in the low rates of educational attainment among Brazilian workers. Only 17 percent have completed tertiary education, and only 36 percent have completed secondary education.<sup>6</sup>

To offer a comparison, 70 percent of China's working age population had received secondary education as of 2010.<sup>7</sup>

Leaving school to enter the workforce affects Brazilian youth on multiple levels.

First, as the International Labour Organization points out, the earlier a Brazilian enters the labor market, the more likely he or she is to end up in precarious employment.<sup>8</sup> The lack of experience and skills of these young workers means that they are less likely to find formal sector jobs. They end up in informal sector employment outside the reach of Brazil's progressive labor laws. And once they begin their working lives, transitioning from the informal to the formal sector is an almost insurmountable hurdle.

Moreover, turnover rates are higher among young people; one estimate pegs turnover among 18 to 24 year olds at 75 percent, with these young

workers spending an average of only 14 months in a job.<sup>9</sup> With barely more than a year at the same job, those who start working early are less likely to build the skills necessary for upward mobility.

Third, the level of educational attainment heavily impacts employment outcomes for Brazilian workers. Among those who have completed tertiary education, 85 percent are employed, compared with only 70 percent of those who stopped after secondary education and 67 percent of those who never finished secondary school. This gap is higher than in most industrialized countries in the Organization for Economic Cooperation and Development (OECD).<sup>10</sup>

Beyond rates of employment, educational attainment is directly correlated to income level. As the OECD reports: “[In Brazil], adults aged 25-64 with a tertiary education earn 157 percent more than their counterparts with only upper secondary and postsecondary non-tertiary education. That represents the second highest earnings premium among OECD and G20 countries (after Chile), where the average is 57 percent. At the same time, Brazilians without upper secondary education incur a high

***“[In Brazil], adults aged 25-64 with a tertiary education earn 157 percent more than their counterparts with only upper secondary and postsecondary non-tertiary education.”***

earnings penalty compared to those with an upper secondary or post-secondary non-tertiary qualification, earning 42 percent less against an average for OECD countries of 24 percent less.”<sup>11</sup>

When Brazilian youth leave school early to enter the labor force, they face higher rates of unemployment and are restricted to jobs that earn less and contain fewer protections. As this

chapter will demonstrate, however, the Brazilian government’s social welfare policies over the last decade have helped support young people who wish to study longer and delay their entry into the workforce. Given the pay-offs of higher educational attainment in Brazil, these steps by the government will translate into better employment outcomes for the nation’s current youth cohort.

## Improving opportunities for youth: Brazil’s social welfare approach

Over the last decade, particularly under the leadership of President Luiz Inácio Lula da Silva – or Lula, who served from 2003 to 2010 – Brazil aggressively pursued a combination of social welfare policies aimed at reducing inequality, raising wages for low- and middle-income families, and strengthening institutions like education and healthcare. While these popular policies had aims broader than improving the youth employment landscape, they have played an important role in expanding opportunity for young people and enabling them to study longer and enter the workforce later.

### ***Minimum Wage & Collective Bargaining***

Family income is a key factor in determining when a young person in Brazil begins to work.<sup>12</sup> One of

the most dramatic economic developments of the last decade in Brazil is the rapid expansion of household incomes, especially among the poor. Between 2003 and 2012, the average household income increased by 51.7 percent in real terms.<sup>13</sup> Meanwhile, the poorest decile of the population saw their real incomes grow by 106 percent.<sup>14</sup> In the same period, the minimum wage increased in real terms by 72 percent, due to a newly enacted law that requires minimum wage be adjusted according to the level of GDP growth during the two previous years plus inflation in the previous year.<sup>15</sup>

The wage gains were not just limited to minimum wage workers. In recent years, 84 percent of organized workers have seen wage increases

above inflation.<sup>16</sup> In advocating for the minimum wage legislation, ensuring its implementation, and leading the general efforts of workers to successfully lobby for wage hikes, Brazil's trade union movement – with whom Lula maintained a close relationship – played a pivotal role.

### ***Labor Inspections and Formalization of Work***

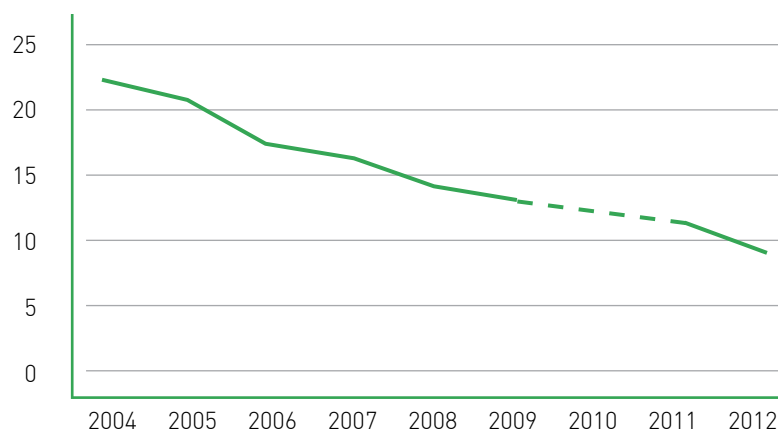
The increase in formal employment over the last decade, with regular wages and guaranteed labor rights, has also lifted up the middle and lower classes. In 2002, only 44.6 percent of the employed had a formal contract. This number increased to 57 percent by 2012.<sup>17</sup>

Better enforcement of labor laws and protection of rights through inspections and monitoring contributed to formalization of work in Brazil. In addition, the government provided incentives to small and medium enterprises to formalize their workers – for instance, financial incentives tied to regular payment of dues to the Employment Duration Guarantee Fund, which compensates workers for unjustified dismissal.<sup>18</sup>

### ***Direct Transfers***

In addition, income transfer programs serve 26.4 percent of Brazilian households.<sup>19</sup> The most significant, Bolsa Família – a program that

Figure 02  
**Poverty Rate in Brazil,  
2004-2012 (%)<sup>i</sup>**



**Source:** World Bank; Data unavailable for the year 2010.

<sup>i</sup> These data reflect the poverty rate as it is defined in Brazil, rather than a global benchmark.

provides conditional <sup>ii</sup> cash transfers ranging from US \$7 to \$45<sup>20</sup> – reaches 12 million people.<sup>21</sup>

Taken together, this collection of policies aimed at formalizing the informal sector, raising wages, and strengthening the purchasing power of the Brazilian people played a significant role in the rapid poverty reduction the country experienced over the last decade (shown in **Figure 2**). In turn, the reduction in poverty allowed more families to keep their youth in education longer, improving their prospects for better employment.

#### ***Expanding access to higher education***

In addition to policies aimed more generally at alleviating poverty and boosting household incomes, the Brazilian state also significantly expanded its investment in public education over the concerned period. In the first decade of the 21st century, public spending on education rose from 3.5 percent to 5.6 percent of GDP, and from 10.5 percent to 18.1 percent of total public expenditure. As a percentage of GDP, Brazil is nearly on par with the OECD average of 6.3 percent, and as a percentage of public expenditure it is far ahead of the OECD average of 13 percent.<sup>22</sup> Recently, the Brazilian government approved a target to increase public education spending to 10 percent of GDP by 2024.<sup>23</sup>

The government has made a concerted effort to expand educational institutions throughout the country, not only in major urban centers. Additionally, a reservation system was introduced that offers spaces to low-income students and black and indigenous students. This allows the children of the working class to finally enter leading universities in Brazil. Going further, the state also expanded scholarship programs for students to enter private universities. In

***“The results of these investments in higher education have been impressive: from 2000 to 2012, enrollment grew from 2.7 million to 7 million students.”***

2012, close to 300,000 full and partial scholarships were granted through the University for All Program (PROUNI).<sup>24</sup> In addition, the *Fundo de Financiamento Estudantil (FIES)* program allows students to fund studies in private universities through loans with subsidized interest rates, which they pay back after graduation. The expanded scholarship program and the FIES have resulted in university attendance of more than 2 million low-income youth.<sup>25</sup>

The results of these investments in higher education have been impressive: from 2000 to 2012, enrollment grew from 2.7 million to 7 million students.<sup>26</sup>

<sup>ii</sup>Cash transfers are contingent on compliance with requirements such as school attendance, vaccines, and pre-natal visits.

# The Impact of Delayed Entry

By giving young people extra resources and opportunities to stay in school, and combining those policies with much-needed financial relief for their families, the Brazilian government's approach has succeeded in lowering the percentage of young people that enter the labor force at too young an age. **Table 1** shows the percentage of youth ages 15 to 17 that were studying versus working in 2013.

Today, 85.5 percent of this young age group is still in school. Twenty-two percent are working, and only 45 percent are considered economically

active – either employed or looking for work. Other estimates suggest the percentage is even lower.<sup>iii</sup> Comparing these numbers to the workforce as a whole (**Figure 1**) illustrates how dramatic the shift toward education and away from early work is. Whereas the majority of Brazil's

*“Whereas the majority of Brazil’s workforce started working before the age of 15, the new generation of young people is dedicating themselves to studies until they reach adulthood.”*

workforce started working before the age of 15, the new generation of young people is dedicating themselves to studies until they reach adulthood.

As young people are able to study rather than enter the labor force early, the percentage of unemployed youth is

Table 01  
Brazilian Youth Ages 15-17  
Studying and Working (2013)

|                  | Studying (%) | Not Studying (%) | Total |
|------------------|--------------|------------------|-------|
| Working          | 16.5         | 5.5              | 22.0% |
| Looking for Work | 19.5         | 3.5              | 23.0% |
| Not Working      | 49.5         | 5.5              | 55.0% |
| Total            | 85.5         | 14.5             |       |

Table 02  
Brazilian Youth Ages 18-24  
Studying and Working (2013)

|                  | Studying (%) | Not Studying (%) | Total |
|------------------|--------------|------------------|-------|
| Working          | 15.0         | 39.0             | 54.0% |
| Looking for Work | 8.0          | 16.5             | 24.5% |
| Not Working      | 10.0         | 11.5             | 21.5% |
| Total            | 33.0         | 67.0             |       |

**Source:** Secretaria Nacional de Juventude (National Youth Secretariat). Agenda Juventude Brasil 2013 (Brazil Youth Agenda 2013).

<sup>iii</sup> Anderson Campos pegs the percentage of economically active 15 to 17-year-olds at 37 percent in his report: “Towards a State Policy to Combat Youth Unemployment and the Precarious Labor Market in Brazil!”

falling. Although young people aged 15 to 24 continue to represent a significant segment of those who are unemployed, the proportion has fallen from 43.7 percent in 2008 to 41.1 percent in 2013.<sup>27</sup> The absolute number of unemployed youth is also falling, from 4.1 million in 2008 to 3.4 million in 2012.<sup>28</sup> These data indicate that pressure on Brazilian young people to work has been mitigated by the social welfare policies of the last decade.

Nevertheless, the data on youth ages 18 to 24 (**Table 2**) illustrates vast room for improvement in tertiary education enrollment rates. Most young people between the ages of 18 and 24 have

given up their studies (67 percent), a majority is working (54 percent) and only 21.5 percent are not economically active. The earnings premium for workers with higher education should compel the Brazilian government to continue raising enrollment rates at universities. The upward trajectory – from 9 percent of the workforce with tertiary education in 2007 to 17 percent in 2011<sup>29</sup> – must be maintained.

Moreover, the fact that 28 percent of people aged 18 to 24 are not studying and not employed (either looking for work or not economically active) shows that many youth still fall through the cracks.



## Conclusion

The case of Brazil demonstrates that improving employment outcomes for youth relies in part on understanding the circumstances that compel them to take up informal sector and low-paying work. Brazilian youth have long entered the workforce prematurely – before developing employable skills – because of the poverty their families face. Enabling youth to study longer and start working when they are better equipped to find high-quality jobs requires a multi-faceted intervention.

While policies aimed at improving young people's access to quality jobs tend to focus on specific supply side and demand side interventions, like skills training or a youth wage subsidy, Brazil's philosophy has involved a broader emphasis on social protections that empower young people by changing their environment. This approach, as this chapter has shown, can also be an effective strategy for giving young people more and better employment options.

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Gregory Randolph is Manager, Strategy and Outreach at JustJobs Network.*

## Endnotes

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# APPRENTICESHIPS IN THE UNITED STATES

Can they improve youth employment outcomes?

**Sarah Ayres**, Center for American Progress

## **Center for American Progress (CAP)**

The Center for American Progress (CAP) is an independent nonpartisan educational institute dedicated to improving the lives of Americans through progressive ideas and action. Building on the achievements of progressive pioneers such as Teddy Roosevelt and Martin Luther King, its work addresses 21st-century challenges such as energy, national security, economic growth and opportunity, immigration, education, and health care. CAP develops new policy ideas, critiques the policy that stems from conservative values, challenges the media to cover the issues that truly matter, and shapes the national debate. Founded in 2003 by John Podesta to provide long-term leadership and support to the progressive movement, CAP is based in Washington, D.C.

USA

17/148

JustJobs Index Ranking



62.9%  
Labor Force  
Participation



50.5%  
Youth Labor Force  
Participation



8.1%  
Unemployment



16.5%  
Youth  
Unemployment

**Source:** These data are ILO modeled estimates provided by the World Bank. Individual authors may use national estimates.

## Challenge

*In the post-recession labor market, young Americans face high levels of unemployment, low wage jobs, and record-high college costs. A lack of awareness and misperceptions among businesses, hinders the apprenticeship model from creating pathways to well paying jobs that don't require the youth to take on student debt.*

## Strategy

*An apprenticeship follows an earn-while-you-learn model and leads to a nationally recognized credential. The model can be adapted to many occupations if businesses are willing to take on significant upfront costs, in exchange for the benefits of a young workforce and if states support the marketing of such programs.*

# APPRENTICESHIPS IN THE UNITED STATES

Can they improve youth employment outcomes?

**Sarah Ayres**, Center for American Progress

Few young Americans are familiar with the concept of an apprenticeship – a structured form of paid worker training that combines on-the-job learning and classroom instruction. Expanding access to this highly effective training model can address many of the challenges facing young people in today's unfriendly labor market.

Millions of young people around the world complete apprenticeship programs in order to gain the skills they need to get good jobs, but young Americans are much more likely to participate in an internship that lacks the kind of structured, paid training that defines an apprenticeship. At a time when young people face high levels of unemployment, low wage jobs, and record-high college costs, apprenticeships

create pathways to well-paying jobs that do not require young workers to take on unsustainable levels of student debt.

But expanding apprenticeships will require overcoming a number of hurdles that have thus far prevented their broader adoption in the United States, most notably a lack of awareness and misperceptions among businesses. This chapter will discuss the economic challenges facing young Americans, explain how apprenticeship can help, outline the barriers to expanding apprenticeship, and provide a case study from South Carolina, a state that successfully launched a rapid expansion of apprenticeship over the past several years.

## Young Americans have poor employment prospects

### ***Unemployment***

Americans ages 16-24 are currently facing some of the worst employment prospects in recent history. Since the start of the Great Recession, unemployment rates among young people have increased dramatically. Today, the unemployment rate among teens (aged 16-19), at 24.2 percent, is still higher than it ever was prior to the Great Recession of 2007-2009.<sup>1</sup> Young adults have fared somewhat better than teens, but they also experienced an all-time high unemployment rate in 2010, when 17.2 percent of people ages 20-24 were out of work.<sup>2</sup>

The challenge is especially apparent when looking at the unemployment and underemployment rates for recent high school and college grads, all of which have doubled or nearly doubled since 2000. The unemployment rate among young high school graduates ages 17-20 was 22.9 percent in early 2014, up from 12.1 percent in 2000. And the unemployment rate among recent college graduates ages 21 to 24 was 8.5 percent in early 2014, up from 4.3 percent in 2000.<sup>3</sup>

### ***Insufficient postsecondary education and training***

Young Americans are not gaining the education and training they need to find well-paying jobs.

While previous generations may have been able to get a good, middle-class job with just a high school diploma, young Americans today are entering a labor market in which most jobs require postsecondary education. Consider that in 1973, just 28 percent of jobs required postsecondary education.<sup>4</sup> By 2008, that number had jumped to 59 percent, and Georgetown University researchers now expect that by 2020, 65 percent of all jobs in the economy will require some form of postsecondary education.<sup>5</sup>

***“One third of jobs will not require a four year bachelor’s degree but will require some level of postsecondary education or training - exactly what can be offered through an apprenticeship.”***

But the major gap in young people’s understanding of the labor market occurs here: many youth assume that the only path to a good job is a four-year university education, while many jobs require a different form of post-secondary education. One third of jobs will not require a four year bachelor’s degree but will require some level of postsecondary education or training, such as an associate’s degree, technical certificate, or industry credential<sup>6</sup> – exactly what can be offered through an apprenticeship.

Few students set out to earn a technical certificate or credential, with surveys indicating that nearly every high school graduate plans to go on to earn a Bachelor’s degree.<sup>7</sup> Unfortunately, fewer

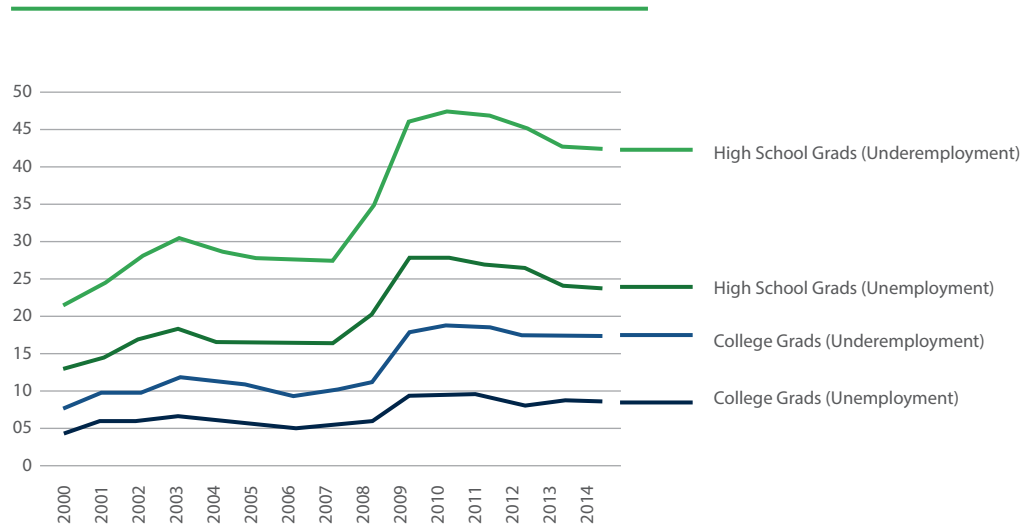


than half of these students actually complete a bachelor's degree.<sup>8</sup> There are many possible explanations for high college attrition rates, such as record-high tuition costs, lack of information for students to evaluate the quality of colleges, insufficient academic preparation, and disinterest on the part of students.

Whatever the reason, many of young people are left with the burden of student debt and without

the economic benefits of a degree, leading some experts to argue that too many students are "wasting precious time and money that could have been spent on career-focused certificates or associate's degrees that have better outcomes than are generally recognized."<sup>9</sup> Moreover, Georgetown researchers predict that the United States is on track to experience a shortage of about 5 million workers with technical certificates or credentials.<sup>10</sup>

Figure 01  
**Unemployment and Underemployment of Recent High School Grads and Recent College Grads (%)**



Source: EPI Analysis of Current Population Survey<sup>i</sup>

<sup>i</sup> High school grads include young high school graduates between age 17 and 20 who are not enrolled in additional schooling. College grads include college graduates between age 21 and 24 who do not have an advanced degree and are not enrolled in additional schooling. Underemployment rate includes the unemployed (jobless workers who report that they are actively seeking work), those who work part time but want full-time work ("involuntary" part timers), and those who want a job and have looked for work in the last year but have given up actively seeking work ("marginally attached" workers).

## Apprenticeships: A tool to improve youth employment outcomes

Apprenticeships are a workforce development tool that can alleviate some of these challenges and connect more young Americans to long-term, well-paying careers. Apprenticeships have been shown to boost workers' earnings and raise sponsoring companies' productivity levels, which is why many other countries rely on them as a central tool to develop a highly skilled, competitive workforce. But even though the U.S. Department of Labor administers a small system of registered apprenticeships, the training model is largely unfamiliar to Americans.

An apprenticeship is a job in which the worker is paid to learn a set of skills through on-the-job training. Unlike an internship—in which the intern works for little or no money and rarely receives formal training—an apprenticeship follows an earn-while-you-learn model and leads to a nationally recognized credential that recipients can take anywhere in the country. Today, there are 358,000 registered apprentices in the United States.<sup>11</sup> In 2012, 100,000 American workers started apprenticeship programs.<sup>12</sup> In England, a country with less than one-fifth of the U.S. population, there were 500,000 new apprentices that year.<sup>13</sup> If the United States had

as many apprentices per capita as Germany does, our system would support almost 7 million apprentices.<sup>14</sup>

The bulk of the United States' apprenticeships today are in skilled trades, but the model can be adapted to many industries and occupations. Apprenticeships are well established in the

***“Expanding the U.S. apprenticeship system would strengthen employment outcomes for young Americans by creating pathways for young workers to well-paying, middle-class jobs.”***

construction industry, and there are many high-quality programs for electricians, carpenters, plumbers,

and pipe fitters. The concept of a formal, paid training program can be applied to almost any occupation. For example, nearly every medical doctor participates in an apprenticeship of sorts; during their internships and residencies, doctors receive on-the-job and classroom-based training along with their salaries. England has overhauled its apprenticeship program in recent years, expanding its occupational reach so that a majority of new British apprentices now choose programs in the service sectors, such as business administration and retail.<sup>15</sup>

Expanding the U.S. apprenticeship system both in number of participants and available occupations would strengthen employment outcomes for

young Americans by creating pathways for young workers to well-paying, middle-class jobs.

Apprenticeships offer young people a job today – not just the hope that a job will be there after they invest in an expensive education. Apprentices' wages typically start at about 50 percent to 60 percent of their eventual wages, and their pay goes up as they progress through their programs and master more skills.<sup>16</sup> Moreover, because training is part of the job, apprentices do not have to forgo income from employment in order to pursue education and training.

Apprentices also hold the potential of raising wage levels for the many young people currently working in very low-wage jobs. According to the U.S. Department of Labor, workers who complete an apprenticeship earn an average starting salary of US\$50,000.<sup>17</sup> Researchers have found that workers who complete an apprenticeship make an average of US\$240,037 more than comparable job seekers in their lifetimes; if nonwage benefits are included, that number jumps to US\$301,533.<sup>18</sup>

For young Americans facing record high tuition fees and student debt levels, apprenticeships also offer the opportunity to attain an education with little or no debt. In many apprenticeship programs, apprentices can earn college credit for their coursework and on-the-job training. This credit can lead to an associate's degree and, depending on the industry, may also contribute to a bachelor's or master's degree. Ivy Tech Community College in Indiana, for example, has developed an initiative in which workers who are enrolled in one of several apprenticeship trade programs can obtain an associate's degree or technical certificate using credits earned for time spent on the job.<sup>19</sup> Nationally, about one-quarter of apprentices report that they have participated in a community college or vocational program in the last year, and an additional 30 percent report that they have taken a nondegree course in the past year, such as one offered by an employer.<sup>20</sup>

## The need to boost business demand for apprentices

The biggest hurdles preventing a large-scale expansion of apprenticeships are lack of awareness and misperceptions among businesses. Few employers are aware of the tremendous benefits

and return on investment that come with taking in an apprentice, and some companies mistakenly believe that apprenticeships only exist for unionized workers. There is no targeted federal

funding to help businesses offset the costs of sponsoring an apprentice, nor is there a national marketing effort to make businesses aware of the benefits of hiring apprentices. Fortunately, smart policies can address these challenges.

Many American businesses have incorrect or anachronistic views that prevent them from considering apprenticeships. First, many businesses mistakenly believe that apprenticeships are limited only to unionized workforces and/or require involvement from organized labor. A 2002 report by the South Carolina Chamber of Commerce noted that some companies have developed non-registered apprenticeships “deliberately as a result of the confusion regarding union involvement in Registered Apprenticeships.”<sup>21</sup> In fact, apprenticeships can offer great benefits to employers with non-unionized workforces, just as they can continue to play an important role in traditionally unionized fields.

Second, many businesses and workers alike share the perception that apprenticeships are only appropriate for the construction trades and other manual labor occupations. It is true that the majority of active apprentices are in those fields, but the model of an apprenticeship is applicable to a wide range of occupations, and some companies do offer apprenticeships in traditionally white-collar fields.

Businesses that do sponsor apprentices must be willing to take on significant upfront costs, including time from skilled employees to train apprentices, equipment for training, additional workers’ compensation insurance, apprentices’ wages, and, in many cases, tuition for related classroom-based training. Unlike in many other countries, where the public finances at least a portion of the school-based component, pays a portion of apprentices’ wages, or provides tax credits to subsidize sponsor program costs, there is no such federal incentive in the United States. Workforce Investment Act <sup>ii</sup> programs may be able to cover some of the costs, but these limited federal resources are allocated by local Workforce Investment Boards and are not guaranteed.

Although a handful of states engage in some marketing activities, marketing of apprenticeships in America is practically nonexistent. State officials lack sufficient, easily accessible funding opportunities to meet the need for increased marketing, outreach, and training efforts. An official in Utah, for example, noted that there simply is not enough money for the state to do marketing; instead they must rely mostly on word of mouth.<sup>22</sup> Many apprenticeship offices do the bulk of their outreach through websites, forums, and other online communications, but they lack resources for up-to-date websites or accessible web databases, limiting their ability to market to businesses or prospective apprentices.

<sup>ii</sup> *The Workforce Investment Act is a national law passed in 1998, which was intended to encourage the private sector to support workforce development. The law created Workforce Investment Boards, chaired by members of the local private sector, throughout the country. Funds from the law support local career pathway and skills training programs.*

# The case of South Carolina:

## Expanding apprenticeships through tax incentives and marketing

South Carolina offers an example of how smart policies aimed at increasing business demand for apprentices can create new opportunities for young people.<sup>23</sup> In 2001, the South Carolina state government issued a report forecasting key gaps between young adults' skills and workforce needs. That report called for "broadening [the] view of education beyond traditional academic boundaries to begin to see education as the precursor to employment" and urged enforcement of the School-to-Work Transition Act of 1994, which calls for apprenticeships and other programs to be used for workforce development.

This report spurred the business community, acting through the South Carolina Chamber of Commerce, to issue a white paper finding that apprenticeships were underutilized and recommending a "systemic structure for encouraging the development of apprenticeship training opportunities statewide."<sup>24</sup> The South Carolina Chamber of Commerce subsequently hired a consultant to analyze the state's readiness for the creation of a statewide apprenticeship program—including an analysis of constraints and opportunities for the use of apprenticeships, and recommendations on how to overcome existing barriers.

A few years later, the South Carolina Technical College System agreed to recommendations made by the South Carolina Chamber of Commerce to create a statewide program, and with \$1 million in funding from the state legislature, Apprenticeship Carolina was founded in 2007. Since then, South Carolina has seen a rapid expansion of apprenticeships, despite a budget of less than US\$700,000 annually, only six government employees, and a modest US\$1,000 employer tax credit per apprentice per year (for up to four years) passed by the state legislature.

Apprenticeship Carolina's key functions are to: (1) build relationships with employers; (2) market apprenticeships; (3) assist with the completion of apprenticeship registration paperwork for the U.S. Department of Labor; (4) identify core job competencies; and (5) coordinate curricula for job-related education with the technical college system. These services are offered to employers free of charge.

Since 2007, Apprenticeship Carolina has helped to register nearly 8,000 new apprentices—a large jump from the 777 apprentices that existed in South Carolina at the program's inception. The state's success, especially over the past two years, has been dramatic. From fiscal year 2011

to 2012, the number of new apprentices in South Carolina rose from 1,238 to 1,703—a 38 percent increase—compared with a national increase of only 12 percent (from 93,560 new apprentices in fiscal year 2011 to 104,332 in 2012).

The large increase in apprentices has been made possible because of strong support by the state's business community. Since 2007, South Carolina has seen a 570 percent increase in employer participation. In 2007, there were only 90 companies with registered apprenticeship programs in the state; today, there are 603 and many more planning to become involved. Apprenticeship Carolina now averages a new company registration each week, evidence that businesses are seeing a return on their investment in the state's young people.

The case of apprenticeships in South Carolina illustrates the potential of collaboration between the private and public sectors. Research and advocacy by the business community identifies potential barriers to expansion, helps implement strategies for overcoming them, and spurs initial adoption of the program by its members. State government undertakes complementary efforts to create incentives for private sponsorship of apprenticeships, conduct ongoing outreach and marketing, and lower the administrative burden of participation by businesses. Through this model, the state was able to create thousands of new apprenticeships that are connecting young workers with good jobs and training.

## Conclusion

Apprenticeships are a vastly underused training model in the United States, largely as a result of lack of awareness of their benefits. The successful expansion of apprenticeships in South Carolina indicates that, when businesses know the benefits, they are eager to sponsor apprentices. For this reason, this chapter recommends that policies to expand apprenticeships focus largely on boosting demand from businesses through increasing awareness and addressing misconceptions. Specifically, the government should expand marketing efforts to generate demand from businesses, create a federal tax credit of US\$1,000 per apprentice to help businesses defray training costs, and establish competitive grants to support promising state efforts to expand apprenticeships.<sup>25</sup>

The trajectory looks positive. After calling for “more apprenticeships that set a young worker on an upward trajectory for life” in his State of the

Union, President Obama requested an additional US\$500 million annually for new apprenticeships, with the aim of doubling the number of apprenticeships in America over the next five years.<sup>26</sup> The President recently announced the creation of US\$100 million in grants to support promising new partnerships that offer apprenticeships.<sup>27</sup> And Senators Cory Booker (D-NJ) and Tim Scott (R-SC) just introduced a bill, called the LEAP Act, which would provide businesses with a US\$1,000 or US\$1,500 tax credit for each apprentice they hire.<sup>28</sup> These represent important steps towards expanding access for young people to a highly effective method of training and education that will connect them to the high-skill, high-wage jobs of the future.

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# NEWLY TRAINED YOUTH IN INDIA

The challenge of job retention and the need for broader support networks

**Keren Nazareth and Irbaaz Sheikh**, Saath Charitable Trust

## **Saath Charitable Trust**

Saath Charitable Trust is a non-profit that has been working for poor and vulnerable communities since 1989, through its integrated slum development approach. Saath works with slum residents, migrants, minorities, children, women, youth and vulnerable people in urban and rural areas. Saath has expanded into three Indian states — Gujarat, Rajasthan and Maharashtra — and has impacted more than 400,000 individuals. Saath's thematic areas include livelihoods, health and education, governance, affordable housing, rehabilitation, resettlement & financial inclusion.

# INDIA

# 138/148

JustJobs Index Ranking



56%  
Labor Force  
Participation



38%  
Youth Labor Force  
Participation



3.4%  
Unemployment



9.7%  
Youth  
Unemployment

**Source:** These data are ILO modeled estimates provided by the World Bank. Individual authors may use national estimates.

## Challenge

*While India seeks to skill 500 million people by 2022, many of the youth who graduate from its training programs fail to stay in their new jobs.*

## Strategy

*A community-based organization, Saath, has developed a program to give young people a supportive network and the soft skills they need to manage their transition from the informal sector to a new, formal sector job.*

# NEWLY TRAINED YOUTH IN INDIA

The challenge of job retention and the need for broader support networks

**Keren Nazareth and Irbaaz Sheikh**, Saath Charitable Trust

More than 60 percent of India's population is below 35 years of age. Over the next two decades, India can leverage its youth population toward realizing a large "demographic dividend" – so large, in fact, that it holds the potential of adding two percentage points per annum to the country's GDP growth.<sup>1</sup> Reaping the benefits of this demographic advantage, however, requires that today's youth find high-quality, high-productivity employment.<sup>2</sup>

Unemployment among youth in India is high and growing, especially among literate youth. The rate of unemployment among youth who are graduates<sup>i</sup> or holders of a diploma or certificate<sup>ii</sup> is 28.3 percent among urban males.<sup>3</sup>

<sup>i</sup> Graduates have completed 12 years of primary and secondary education ("10+2"), plus a three-year college degree.

<sup>ii</sup> Holders of a certificate or diploma have completed 10 years of primary and secondary education, after which they immediately joined a three-year vocational course.

One underlying reason is an outdated education system, where most of the youth receive education and training that is anachronistic or mismatched as per current labor market demand.<sup>4</sup> One of the government's key priorities is to bridge the skills gap by providing market-aligned vocational training to youth.

The National Skill Development Corporation (NSDC), a public-private partnership, is responsible for stimulating the growth of the training industry. The Government of India has the ambitious goal of providing skill training to over 500 million people by 2022. Focused on facilitating transitions from the informal sector to the formal sector, the model is to train youth

***"India has the ambitious goal of providing skill training to over 500 million people by 2022."***

according to the requirements of industry and then place them into appropriate jobs.

The responsibility of executing training programs has fallen, in part, on non-governmental organizations. Through Saath's own experience in running these programs, it has identified a key gap in the current skill development model – low retention rates among newly trained youth in their job placement. Upon giving an overview of Saath's training

programs, this chapter will discuss the various challenges newly trained Indian youth face in staying at their jobs. Then it will describe Youth Force, a new initiative Saath has launched to help youth overcome these challenges by providing them a platform for support and mentorship as they transition into the formal workforce. Finally, it will examine the success of the Youth Force approach and discuss implications for India's national skilling agenda.

## Saath's experience

Saath has been implementing vocational training programs for youth over the past eight years. The livelihood program began in 2005 as Ek Mauka Udaan (One Chance to Fly), a joint venture between Saath and the local municipal corporation. In 2007 the Gujarat state government became a financial supporter of the program and renamed it Umeed (Hope). The project was expanded into the neighboring state of Rajasthan in collaboration with the state government there. The program has trained 53,279 youth and placed 75 percent of them in jobs.

### *The Saath model of skills training*

Saath's training model is illustrated in **Figure 1**. Before beginning a training program, Saath first of all conducts a community needs assessment to understand issues faced by local youth and the

types of jobs available in the local market. This assessment helps in curriculum development for identified trades. A mobilization team is then responsible for enrolling the candidates through road shows, pamphlet distributions, and door-to-door visits. The training typically lasts for three months, after which time youth are matched with a job. A "Placement Cell" is responsible for identifying opportunities and maintaining relationships with potential local employers. In parallel, job fairs are organized at regular intervals to facilitate linkages with the local labor market, in which all local youth – not only those in the training programs – can gather information on employment opportunities and vocational programs, as well as access to finance if they seek to start their own small business. The placement cell also tracks the trainees for six

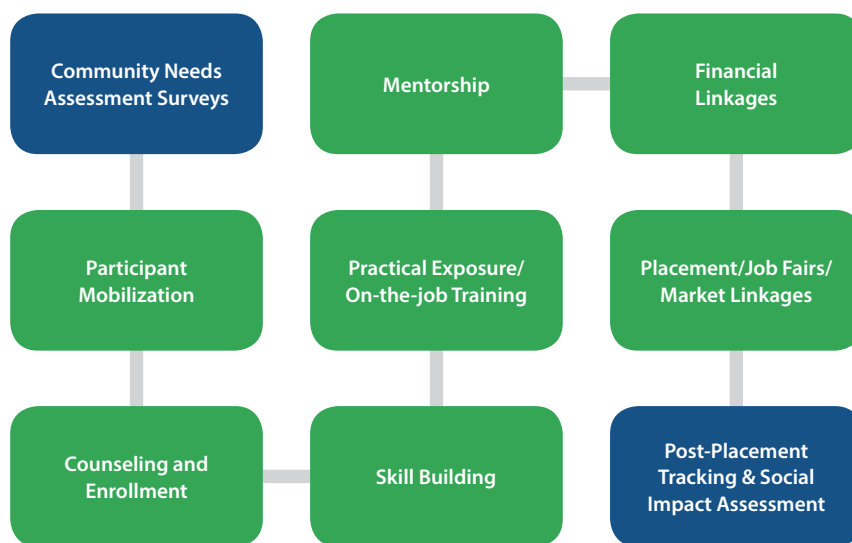
months after they begin their new jobs, enabling Saath to assess the impact of its program.

**Demographic profile of the trainees**

Before discussing the retention rate of trainees at their jobs, it is worth noting that Saath’s programs attract participants of a diverse demographic profile. Of the trainees, 44 percent are women, a proportion much higher than the women’s labor force participation rate in urban India

(22.2 percent).<sup>5</sup> In terms of caste, 34 percent are from India’s most marginalized communities – “Scheduled Caste” and “Scheduled Tribe,”<sup>iii</sup> and only 32 percent are not from a caste or religious minority. The plurality of trainees, 34 percent, have completed 12 years of primary and secondary education, while another 29 percent, left the education system after 10 years of education. Fifty-one percent are 20-years-old or younger, and 70 percent are 25 or under.<sup>iv</sup>

Figure 01  
Saath’s Training model



<sup>iii</sup> Scheduled Caste is the name given to lower castes that are protected by government through a 15 percent reservation in public sector employment and higher education. Scheduled Tribe is a term for indigenous communities, or adivasis, who are offered a 7.5 percent reservation.

<sup>iv</sup> These data are based on the six thousand youth Saath has trained over the last two years (2012-13 and 2013-14).

## The challenge of retention

Tracking retention rates of young trainees at their new jobs is critical to understanding the success of the training program. Staying at a job for a longer period of time gives a young person the chance to build a career, gather experience in a formal sector work environment, and build professional relationships and networks. Moreover, companies themselves benefit from maintaining higher retention rates among their employees – due to the institutional knowledge and trustworthiness of experienced workers – and are actively seeking to increase retention rates. Since companies view those who jump from job to job less favorably,

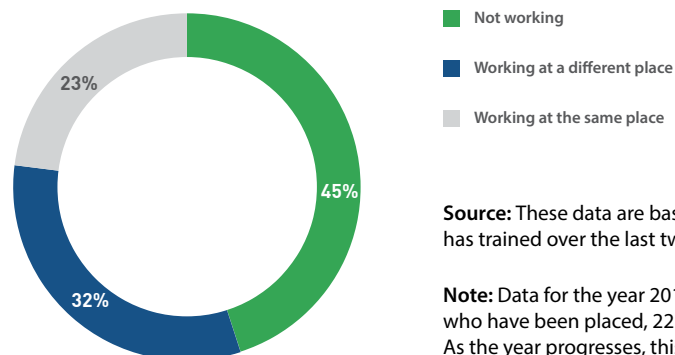
*“A skill gap is not the only barrier young people face in obtaining and holding down a job. Adjustment from the informal sector to a formal sector workplace can be a major challenge.”*

long-term employment prospects are diminished for young trainees who leave their new jobs soon after placement.

Tracking students is itself a challenge. Of the over four thousand youth trained in 2012-13, 40 percent were not reachable. With the boom in telecommunications in India, competing companies provide incentives for mobile users to change service providers, making follow-up communication difficult.

The numbers provided here are based on those who could be reached.

Figure 02  
**Employment status of newly trained youth (15-24 years) 6 months post placement**



**Source:** These data are based on the six thousand youth Saath has trained over the last two years (2012-13 and 2013-14).

**Note:** Data for the year 2013-14 is still in process, but of those who have been placed, 22 percent have already left their jobs. As the year progresses, this number is bound to increase.



Overall, rates of retention – here defined as the percentage in the same job after six months – have been low. In the year 2012-13, retention stood at just under 22 percent. If we consider separately the two states where training is taking place – Gujarat and Rajasthan – Gujarat has a retention rate of 25.7 percent, while the rate in Rajasthan is just 13.7 percent. The difference in the retention rates of these two states is largely driven by the spatial distribution of jobs; in Rajasthan, youth are often forced to take up jobs far from home, and the time and cost of a long commute is a common reason for leaving a job.

Many of those who have left their original placement have taken up a different job. Of the trackable students, 32 percent fall into this category. Meanwhile, 45 percent of the trackable

students are no longer working (See **Figure 2**).<sup>v</sup>

A variety of reasons explain these low retention rates. A skill gap is not the only barrier young people face in obtaining and holding down a job. Given that the target population has typically never worked in a formal sector environment, adjustment to a new workplace can be a major challenge. Logistical factors like long commutes play a role, as do social and cultural factors.<sup>6</sup> These young people often have not been socialized into long-term planning, nor do many understand the patience required for career development. In view of the challenges they face, some lack self-confidence. Female youth sometimes face restrictions from family members and the extra challenges that come from marital or child-rearing duties.<sup>7</sup>

## The Youth Force initiative

The study of retention rates has enabled us to identify two important gaps in the training and placement model. These gaps are not specific to Saath's model, but apply more broadly to the programs and schemes promoted by the Government of India.

1. Short-term training programs are unable to connect youth to their aspirations or help them create a long-term vision for career development.

2. The programs inspire commitment and excitement among youth during the three-month training period, but lack a mechanism for fostering dedication and drive following placement. Once youth are exposed to the reality of their new jobs, they lack support structures to help them deal with the transition.

In order to address these gaps, Saath created the Youth Force Initiative, which serves as a means for

<sup>v</sup> These data are based on the six thousand youth Saath has trained over the last two years (2012-13 and 2013-14).

building a long-term relationship with youth and supporting their personal development. The initiative serves as a platform where young people can grow, learn, exchange ideas, and build the “soft skills” that promote better employment outcomes. Youth Force seeks to create a space where young people from disadvantaged backgrounds can chart a long-term vision for themselves and lean on peers and mentors as they face challenges, such as those many trainees face in their new jobs.

In the Youth Force program, young people form youth groups to discuss community issues and plan and execute activities, drives and cultural programs. The youth groups present opportunities to build confidence and practice problem-solving. Launched in December 2012, nearly 6,000 youth in five cities have benefited from the program’s livelihood linkages.

Integrated with Saath’s livelihood programs, Youth Force aims to link 25,000 youth with viable livelihood options over the next three years. Youth groups are provided information on skill development and vocational training courses, and the young people participating in Youth Force even conduct their own “market scans” to survey the job opportunities available in their areas. For youth who want to start their own business or improve a micro-enterprise they already run, entrepreneurship training and

micro-finance linkages are provided. Beyond this, the youth groups gain access to career counseling and leadership development. Some promising young people are selected to be “Urban Animators,” a role in which they lead their peers in solving community issues facing youth. Seminars focus on issues such as education, personal development, workplace behavior, decision-making, goal-setting, conflict resolution, and financial management.

The confidence level, skills and capabilities of participating youth have increased through the program. Of the youth participating in the Youth Force program who have accessed a livelihood program, approximately 60 percent have stayed in their jobs for more than six months. Comparing this figure with the retention

Table 01  
**Impact of Youth Force in Five Cities (2013)**

| Activities             | Numbers |
|------------------------|---------|
| Urban Animators        | 26      |
| Youth Members          | 1,152   |
| Livelihood Linkages    | 5,759   |
| Micro Entrepreneurs    | 197     |
| Micro Finance Linkages | 2,095   |
| Total groups           | 11      |
| Job Fair Linkages      | 1,261   |

**Source:** Internal data from Saath’s Youth Force Initiative

rates achieved through the traditional training model demonstrates the importance of a wider ecosystem of support – both professional and personal.

The impact of Youth Force in the one-year period from December 2012 to November 2013 is shown in **Table 1**.

## Conclusion

There is no one solution to the challenge of job retention among newly trained youth, but it is clear that vulnerable young people require long-term supportive networks in order to improve their employment outcomes.

The expectation that a short-term training program could empower a young person to build a career, improving their confidence level and ability to plan long-term, is unrealistic. The current national training models promoted by the Government of India fail to take into account the necessity of long-term support and guidance. The government should build into its skill

development policy a mechanism for creating a cadre of trained counselors and career guides who can help youth plan for the future and deal with the transition into a new job.

Moreover, community-based and peer support organizations can play a pivotal role in creating this supportive infrastructure. So far, the non-governmental sector's approach to skill development has mirrored the government's assembly line model, focusing exclusively on the training. It is the post-training period, however, where real empowerment happens and youth employment outcomes are transformed.

***“The government should build into its skill development policy a mechanism for creating a cadre of trained counselors and career guides who can help youth plan for the future and deal with the transition into a new job.”***

***Keren Nazareth is the Executive Director of Saath Charitable Trust and Irbaaz Sheikh is a part of the management team.***

## Endnotes

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# SOUTH AFRICA'S EMPLOYMENT TAX INCENTIVE

Can a wage subsidy tackle the world's third highest youth unemployment rate?

**Development Policy Research Unit (DPRU), University of Cape Town**  
**JustJobs Network**

## **Development Policy Research Unit (DPRU)**

The Development Policy Research Unit (DPRU) has been actively engaged in policy-relevant socio-economic research since 1990, establishing itself as one of South Africa's premier research institutions in the fields of labor markets, poverty and inequality. The DPRU is a University-recognised research unit located within the School of Economics at the University of Cape Town. Through the application of economic and statistical techniques, DPRU's aim is to produce academically credible and rigorous policy analysis.

*JustJobs Network is a co-author of this chapter*

# SOUTH AFRICA

125/148

JustJobs Index Ranking



51.8%  
Labor Force  
Participation



26.1%  
Youth Labor Force  
Participation



25%  
Unemployment



52%  
Youth  
Unemployment

**Source:** These data are ILO modeled estimates provided by the World Bank. Individual authors may use national estimates.

## Challenge

*South Africa faces the third highest youth unemployment rate in the world, due to high labor costs, a massive skills gap and vulnerability.*

## Strategy

*The Employment Tax Incentive (ETI) is a wage subsidy scheme meant to incentivize firms to hire more young people by offsetting the cost. If the challenges around awareness and compliance costs can be overcome, the impact of the program on newly hired young people would be significant.*



# SOUTH AFRICA'S EMPLOYMENT TAX INCENTIVE

Can a wage subsidy tackle the world's third highest youth unemployment rate?

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Youth unemployment in South Africa has reached a critical high. At 52 percent,<sup>1</sup> the country faces the third highest youth unemployment rate in the world,<sup>1</sup> only behind Spain and Greece.<sup>2</sup> Almost 72 percent of unemployed South Africans are under 34 years of age.<sup>3</sup>

In terms of human capital, only 14 percent of young people hold tertiary degrees<sup>4</sup> – one of the best assurances of employment<sup>5</sup> – and those obtaining Further Education and Training (FET) often face a skills mismatch that renders them unemployable in sectors that offer high-quality jobs. Meanwhile, demand-side issues exacerbate labor market

woes for youth, with too few employers looking to hire young people.

South Africa faces the twin challenge of implementing structural reforms to enable better

***“South Africa faces the twin challenge of implementing structural reforms to enable better labor market outcomes for its young people over the long-term, while at the same time getting a large number of youth into jobs immediately.”***

labor market outcomes for its young people over the long-term, while at the same time getting a large number of youth into jobs immediately. Ensuring sharper alignment of skilling programs with labor market demand and removing barriers that prevent the growth

of small businesses is critical in the long run. However, the current social epidemic must be addressed, too, with policies that have a quicker

<sup>1</sup> This statistic refers to the share of the labor force ages 15-24 without work but available for and seeking employment.

turnaround. The scale of joblessness among youth is seen as a potential threat to social and political stability.<sup>6</sup>

As a response to this youth unemployment challenge, the government of South Africa passed the Employment Tax Incentive Act (ETI) in 2013, a firm-side subsidy aimed at encouraging employers to hire youth. This subsidy could complement other policies targeting unemployment such as the Expanded Public Works Program, which created 3 million jobs between 2009 and early 2013.<sup>7</sup>

This chapter analyzes the specific challenges that youth face in the South African job market and assesses the ETI as a strategy for tackling those challenges. It tracks early indications of the degree of success the scheme may achieve in helping young people access better quality employment. Further, the chapter considers how the youth wage subsidy must be part of a larger youth job creation strategy and proposes steps forward to ensure the sustainability of the program's impact.

## A market emerges, but leaves behind youth

While South Africa's growth rate, like that of other emerging economies, was weakened by the financial crisis – dropping from a high of 5.6 percent in 2006 to an average of less than 2 percent over the last five years – the country has retained its position as an investment destination in Africa. From 2007 to 2012, during the crisis, the number of FDI projects in South Africa grew at a compounded annual rate of 22.4 percent.<sup>8</sup>

However, this investment has not translated into jobs for the growing numbers of young workers in South Africa. From 2008 to 2012, the unemployment rate among youth aged 15 to 24 grew from 45.6 to 52 percent.<sup>9</sup> As of 2013, about

3.3 million young people were out of work and actively looking for a job. Of the South African population that is unemployed, 44 percent have never worked before, demonstrating the enormous difficulty youth without work experience face in penetrating the labor market.<sup>10</sup>

### ***High labor costs and the apartheid legacy***

One of the fundamental issues in South Africa's labor market is the lack of demand for young workers among employers. There are myriad causes. For one, a strong culture of trade unionism has produced positive effects for those already employed, with a wage premium and strong social protections. The high cost of employment

can act as a disincentive to hire inexperienced workers, who in turn struggle to get their foot in the door.<sup>11</sup> Without an entry point, young people lack critical job experience.

Meanwhile, South Africa's apartheid history plays a role in the spatial distribution of jobs and the formation of the information networks most people use to find work. Blacks in South Africa – who are unemployed at a much higher rate (55 percent among black youth)<sup>12</sup> live far from business centers and are often disconnected from word-of-mouth information on employment opportunities.<sup>13</sup>

#### ***A weak small business sector***

Small businesses in many economies are an engine of job creation, but in South Africa the sector is limited. Small and medium enterprises (SMEs) provide approximately 70 percent of national employment in South Africa, but 50 percent of those businesses fail within the first two years, and 67 percent provide no employment to anyone beyond their owners.<sup>14</sup> South Africa had only 38.8 micro, small, and medium enterprises per 1000 people in 2004, much behind other upper-middle-income countries like Chile (60.2) and Hungary (47.8). In addition, a meager 8.3 percent of these businesses were in the labor-intensive manufacturing and processing sector.<sup>15</sup>

A lack of entrepreneurship – exacerbated by credit constraints – and a lack of geographical access to

potentially lucrative markets combine to weaken the SME sector.<sup>16</sup> As a result of their stunted growth, small businesses have limited scope for absorbing the vast numbers of unemployed youth.

A related factor and one of the idiosyncrasies in South Africa's labor market is its minuscule informal sector. The share of persons employed in the informal sector in total non-agricultural employment stood at 17.8 percent in 2010, compared with 67.5 percent in India and 60.2 percent in Indonesia.<sup>17</sup> Large informal sectors in other emerging markets absorb a large number of young workers – albeit in suboptimal working conditions and with few protections. In contrast to countries like Brazil that have made formalization of employment a clear policy priority, South African policy on the informal sector has not taken one single direction; some measures seek to grow the informal sector to curb unemployment, while others attempt to formalize the informal sector to protect workers. The lack of policy consistency has not promoted the informal sector as a tool to absorb the unemployed.

#### ***The skilling challenge***

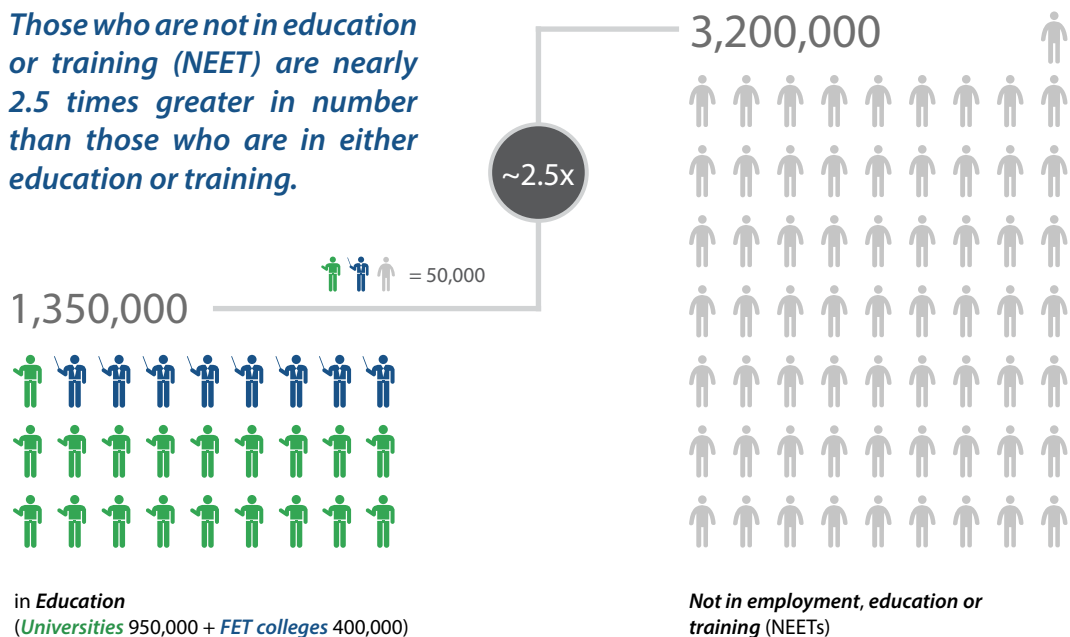
South Africa's supply side challenges to youth employment are equally, if not more, severe. Those with tertiary education in South Africa are the most likely to find employment. They represent 17 percent of the labor force but only 5.8 percent of the unemployed.<sup>18</sup> Nevertheless,

the country's tertiary educated youth – most suited for sectors such as finance, banking and engineering – still face an uncertain future. While still performing better than other sectors, annual growth of the services sector reached a five-year low of 2 percent in 2013.<sup>19</sup> As greater numbers of young people choose to pursue tertiary education (950,000 were enrolled in 2010),<sup>20</sup> reviving the service sector is an imperative.

students were enrolled.<sup>21</sup> Their competitiveness in the labor market for high-quality jobs depends on the capacity of these institutions. FET colleges have, up until now, experienced low graduation rates, inadequately qualified lecturers and insufficient industry-linked experience. The government plans to improve completion rates, student services, and infrastructure with an aim to offer programs more relevant to the needs of employers.<sup>22</sup>

About 570,000 young people are in FET – a dramatic increase since 2009, when only 200,000

*Those who are not in education or training (NEET) are nearly 2.5 times greater in number than those who are in either education or training.*



in Education  
(Universities 950,000 + FET colleges 400,000)

Not in employment, education or training (NEETs)

Source: CJ Sheppard and N. Cloete 2009. Scoping the Need for Post-School Education. (Cape Town: CHET)

Amongst the unemployed in South Africa, those who are not in education or training (NEET) are two and a half times greater in number than those who are in either education or training.<sup>23</sup> Youth who fall into the NEET category face the most pressing challenges because of their massive numbers and low skill levels. While the agricultural sector may have had the capacity in the past to absorb low-skilled youth, it has seen negligible growth in the last five years. Total employment in the sector has diminished from 9.1 percent in 2004 to 4.6 percent in 2011.<sup>24</sup>

#### ***Vulnerable employment***

Aside from the lack of jobs and the skill mismatch between employers and job seekers, quality of work remains a challenge as well. The mining industry, for instance, has become notorious

for disruptions in the form of strikes and worker unrest. In 2012 alone, mining sector workers called 17 national strikes.<sup>25</sup> These workers face a range of health and safety hazards, such as falling rocks, exposure to dust, intensive noise, fumes and high temperatures.

South Africa does have a comprehensive legislative posture towards occupational hazards, but lacks the resources to enforce compliance. Besides mining, other sectors that employ low-skilled workers such as iron and steel, chemicals, transport, agriculture and forestry, building and construction, and foods, drink and tobacco manufacturing have been identified as high-risk industries by the South African Department of Labour.<sup>26</sup>

## The employment tax incentive

This section outlines a program of the South African government aimed at addressing the lack of demand for young workers. The Employment Tax Incentive (ETI) is a wage subsidy scheme meant to incentivize firms to hire more young people by offsetting the cost. For workers aged 19 to 29 earning between R 2000 and R 4000 (US \$187-374) per month, the government will pay R

1000 (US \$94) per month directly to the employer. For a worker earning above R 4000, the subsidy decreases, and it does not apply to anyone earning above R 6000 (US \$561) per month.

Businesses can avail the subsidy for two years per employee, though the amount decreases by half in the second year. While the ETI Act lacks a direct

link to skills training programs, the government expects that on-the-job experience will develop market-aligned skills in its youth workforce.

In February 2011, the South African Treasury published a projection that estimated the ETI scheme will create 178,000 new jobs over three years, at a cost of R 28,000 (US \$2,600) per job, costing R 5 billion (US \$464.7 million) to the exchequer.<sup>27</sup> The proposal also took into account dead-weight losses that would amount to accruals to employers who have already hired approximately 423,000 young employees in the absence of the subsidy.

***“While the ETI Act lacks a direct link to skills training programs, the government expects that on-the-job experience will develop market-aligned skills in its youth workforce.”***

Other countries have also experimented with youth wage subsidies. Chile rolled out a subsidy targeted specifically at youth from poor backgrounds, and Colombia’s program is available specifically to small businesses.<sup>28</sup> Spain has introduced a program that involves social partners, public administrators and private sector stakeholders, offering a subsidy not only for employment, but also apprenticeship and training programs.<sup>29</sup> Australia, too, has linked its subsidy program directly to skill development.<sup>30</sup> In addition, Argentina, Bulgaria, Czech Republic, Kyrgyzstan, Mexico, Poland, Slovakia, South Korea, Switzerland, Sweden, and Turkey all have some form of a wage subsidy program.<sup>31</sup>

## Potential impact: Progressive policy or regressive tax?

The ETI came into effect in January 2014, amid much debate in South Africa's civil society and business community around the program's potential effects and implications. A couple factors make it difficult to evaluate the wage subsidy at this stage. First, the program has only been in place for nine months. Awareness of the scheme, especially among small businesses, appears to be one of its major challenges,<sup>32</sup> so the number of businesses hiring or planning to hire subsidized workers may change significantly once knowledge of the program spreads. Second, it is not possible to predict the South African labor market's response to a wage subsidy based on other countries' experiences; as the International Labour Organization (ILO) notes, "success of a wage subsidy can be context specific and depends on the nature of the intervention and the structure of the labor market."<sup>33</sup>

Nevertheless, some early indications point to the potential uptake among businesses, the possible impact on youth who are hired under the subsidy, and the challenges that may limit the program's success.

### ***Interest among employers, but hurdles on compliance***

According to then Minister of Finance Pravin Gordhan, the program recorded 56,000 beneficiaries in its first month of inception.<sup>34</sup>

In a poll conducted earlier this year, 41 percent of large businesses said they were considering hiring young people to avail the subsidy. Among small businesses that were aware of the program, 60 percent are considering hiring youth under the subsidy.<sup>35</sup>

The poll also revealed two major obstacles the scheme faces. The first, as mentioned, is awareness, especially among small businesses. The second, and perhaps larger challenge, relates to tax compliance. In order to qualify for the subsidy, businesses must register their payrolls with the PAYE ("Pay-As-You-Earn") income taxation system.<sup>36</sup> Right now, 64 percent of small businesses are not registered with the PAYE system, and the costs of doing so may outweigh the benefits of the subsidy.<sup>37</sup> Overcoming this hurdle is important, since SMEs must play a critical role in South Africa's effort to reduce youth unemployment.

### ***A long-term solution for young people?***

A randomized control trial conducted by the ILO sheds light on the potential impact of the program on long-term employment outcomes. In the study, young South Africans hired through a wage subsidy were about 25 percent more likely to be in wage employment after the expiration of the subsidy than the control group – both one year and two years following expiry of the voucher.<sup>38</sup>

These findings suggest that, if the challenges around awareness and compliance costs can be overcome, the impact of the program on newly hired young people would be significant.

Using the ILO study as a basis, another impact evaluation predicts that the ETI will create 88,000 new jobs – that is, jobs that outlast the subsidy itself. The evaluation estimates that the cost per job created through the ETI would still be less than the cost per job created by the Expanded Public Works Program, another of South Africa’s major employment schemes.<sup>39</sup> The scale of job creation, however, is far greater in the case of the latter program, which has created 3 million jobs since 2009.

#### ***Civil society’s concerns***

One of the central concerns voiced in civil society is regarding impact of the subsidy on older workers. Trade unions in particular have predicted this outcome, saying older people will lose their jobs to subsidized young workers.<sup>40</sup> This concern may be exaggerated, however, as one poll of employers found that only 27 percent would consider replacing older workers with a younger, subsidized employee.<sup>41</sup>

Others suggest that the scheme will simply subsidize existing workers who are within its scope or those in new jobs that would have been created anyway – resulting in a handsome tax break for employers with little to no impact on the youth unemployment epidemic. However,

***“One of the central concerns voiced in civil society is regarding impact of the subsidy on older workers. Trade unions in particular have predicted this outcome, saying older people will lose their jobs to subsidized young workers.”***

because the subsidy is implemented through the tax system, the scale of targeted businesses is larger and therefore the program may be taken up more broadly than employment programs previously introduced.

#### ***The international experience***

The impact of wage subsidies internationally has been mixed. Argentinean and Australian youth hired under a wage subsidy were significantly more likely to be employed 18 months to two years following the expiry of the vouchers.<sup>42</sup> In Turkey, the program increased the number of jobs by an estimated 5 to 15 percent and played a major role in increasing registration of firms. But wage subsidies in countries like Czech Republic and Poland have had a negative effect on the earnings of program participants after the subsidy expires. Several countries have faced administrative challenges in implementation.<sup>43</sup>



Several countries implementing wage subsidy programs have evolved mechanisms for overcoming the potential pitfalls of the policy tool. In Chile, for instance, the employer does not know which workers are subsidized, eliminating the potential for a substitution effect.<sup>ii</sup> The

linkages to skill development in countries like Australia increase the likelihood that improved employment outcomes will be sustained in the long run. To preempt a backlash from trade unions, Spain involved them in the process of policy design and implementation.

## Conclusion

The ETI is an important measure to curb high youth unemployment in the short run, and it is likely that the program will open doors for young people to enter the labor market and become more employable. However, it is by no means a panacea for South Africa's youth entering the labor market. The ETI must be linked to strategies that include up-skilling South Africa's youth, growing small businesses and promoting labor-intensive sectors if it is to have the desired impact of improving youth employment outcomes in the long term.

To this end, policymakers should increase awareness of the scheme among small businesses and ensure that the cost-benefit analysis for

these enterprises is in favor of participation. Most importantly, South Africa must explore ways to link the subsidy with skill development more directly – for instance, by offering a skilling component to program participants aligned with their occupation. In this way, the ETI can serve another goal – strengthening the linkages between labor market demand and vocational training – and its impact can be more sustainable.

Through close evaluation and tracking of the program's success as it evolves, South African policymakers can ensure that the ETI is contributing positively to a larger policy architecture aimed at lifting young people out of joblessness.

<sup>ii</sup> *The program in Chile targets youth from poor backgrounds. In the case of South Africa's program, an "employer-blind" system would be impossible.*

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# ENTREPRENEURSHIP AS A YOUTH JOB CREATION STRATEGY

A case study from Belu District, Indonesia

**Victoria Fanggidae**, Prakarsa

## **Perkumpulan Prakarsa**

Perkumpulan Prakarsa: Welfare Initiative for Better Societies is a dynamic Indonesian think tank founded in August 2004 and based in Jakarta. Prakarsa works to cultivate and develop ideas around welfare issues through independent and rigorous research as well as active engagement with stakeholders in the pursuit of social justice and a prosperous society. Prakarsa focuses its research on four areas: welfare policies, poverty and inequality, fiscal policies, and sustainable development. Prakarsa combines research with policy analysis, engagement and communication to turn ideas into actions.

# INDONESIA

# 126/148

JustJobs Index Ranking



68%  
Labor Force  
Participation



51%  
Youth Labor Force  
Participation



6.6%  
Unemployment



21.6%  
Youth  
Unemployment

**Source:** These data are ILO modeled estimates provided by the World Bank. Individual authors may use national estimates.

## Challenge

*Facing the decline of its job-creating manufacturing sector, Indonesia must create more employment opportunities for youth in order to reap the rewards of its “demographic dividend.”*

## Strategy

*The Indonesian government has rolled out the National Entrepreneurship Movement, which seeks to reduce youth unemployment through a collection of training and micro-finance programs.*

# ENTREPRENEURSHIP AS A YOUTH JOB CREATION STRATEGY

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Entrepreneurship is sometimes presented as a panacea for curbing the global youth employment crisis, especially in the global South. The turn toward entrepreneurship is shaped, in part, by the failure of the manufacturing sector to support massive formal job creation in developing and emerging economies. In Indonesia, for instance, the informal economy still employs 60 percent of the workforce, playing a prominent role in sustaining economic growth and job creation.<sup>1</sup>

The logic of promoting entrepreneurship as a job creation strategy is that the unemployed

become self-employed, and the most successful become employers and job creators themselves.

*“This perception of entrepreneurship as a job creation strategy that requires limited government involvement is part of what makes it a favored strategy in countries like Indonesia where state capacity is limited.”*

Moreover, entrepreneurship is sometimes perceived as an “easier” path to job creation and economic development – as it requires neither a public sector with the resources to employ people on a large scale nor a government with the capacity to create streamlined and reliable regulatory regimes.

This perception of entrepreneurship as a job creation strategy that requires limited government involvement – which this chapter will challenge – is part of what makes it a favored

strategy in countries like Indonesia where state capacity is limited. This is especially true when it comes to dealing with the growing crisis of youth unemployment.

This chapter explores how the Indonesian government and other stakeholders are promoting youth entrepreneurship to address the country's youth employment challenges, discussing specific policies and approaches. Then,

utilizing a case study from the Belu District in East Nusa Tenggara (NTT) province, the chapter examines how these policies translate on the ground, the type of stakeholder coordination and state capacity they require, and their effect on young people's employment outcomes. Finally, the chapter proposes ways forward in strengthening entrepreneurship policies in Indonesia and similar contexts.

## The employment landscape in Indonesia

Although the Indonesian economy grew steadily in the years following the economic crisis – averaging 5.9 percent between 2008 and 2013, a better performance than emerging economies like Brazil – the growth could be described as “jobless.” Compared to GDP growth, employment growth was anemic, peaking at just over 4 percent in 2007 and falling gradually since then.<sup>i</sup> Employment even experienced negative growth in 2013.

Nonetheless, Indonesia's open unemployment rate is only moderate.

The rate has declined from nearly 10 percent in 2004 to 6.3 percent in 2013. The current labor

force participation rate, at 66.9 percent, has declined slightly from 67.5 percent in 2004.<sup>2</sup> These data fail to capture, however, the vast number of Indonesians who are underemployed or who are in low-quality informal sector jobs. Meanwhile, youth unemployment in Indonesia (ages 15-24) is 21.6 percent, higher than the global average

of 13.5 percent.<sup>3</sup>

And the percentage of Indonesia's unemployed that are youth stands at 52 percent,<sup>4</sup> higher than the global average of 40 percent.<sup>5</sup>

About 3.7 million

Indonesian youth are unable to find work.<sup>6</sup>

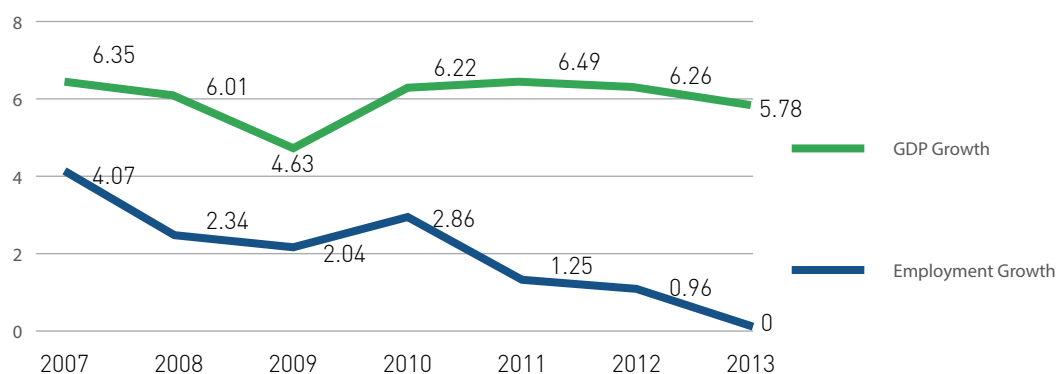
***“Every year, about 1.7 million new people, mostly youth, enter the Indonesian workforce. Yet the capacity of medium and large industries to absorb them is diminishing.”***

<sup>i</sup> Employment growth is defined as the percentage change in the employed population calculated with regard to the previous year.



Figure 01

### Annual GDP vs Employment Growth (%)



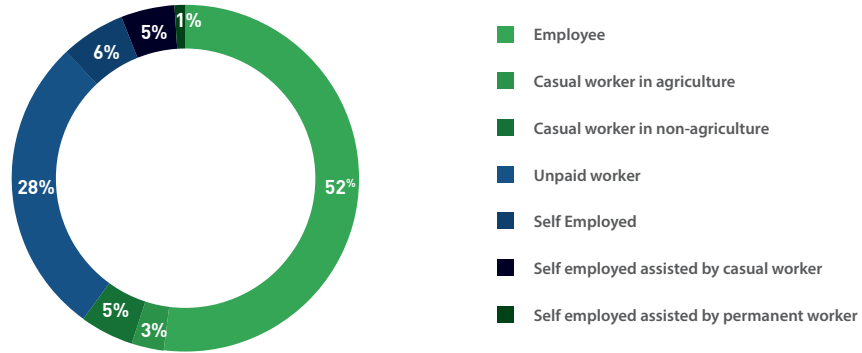
Source: World Indicator and BPS, 2014 (extracted)

The informal sector<sup>ii</sup> absorbs a majority of the Indonesian work force. Through 2013, the sector continued to employ 60 to 70 percent of the total number of working people (see **Figure 3**). A recent study<sup>7</sup> found that Indonesia has the highest ratio of shadow economy businesses – those not authorized or legally registered, mostly identical with the informal sector – in the world, followed by India, the Philippines, and Pakistan. The ratio is 130 shadow economy businesses per one business that is registered. Compared to the general population, youth are less likely to work in the informal sector; just over half are formally employed, compared with about 40 percent of the general population. However, as **Figure 2** shows, an alarming percentage of youth are unpaid workers.

Every year, about 1.7 million new people, mostly youth, enter the Indonesian workforce.<sup>8</sup> Yet the capacity of medium and large industries to absorb them is diminishing. Indonesia is experiencing the same phenomenon of premature deindustrialization as other emerging economies – where the manufacturing sector has begun its decline “prematurely,” before growing large enough to raise living standards through large-scale job creation.<sup>9</sup> Between 2006 and 2010, over half (53 percent) of the total number of medium and large industries had negative growth in terms of number of people they employed. Medium and large industry shed 550,000 jobs in 2013.<sup>10</sup> Micro and small enterprises were barely able to make up the difference, adding 600,000 positions.<sup>11</sup>

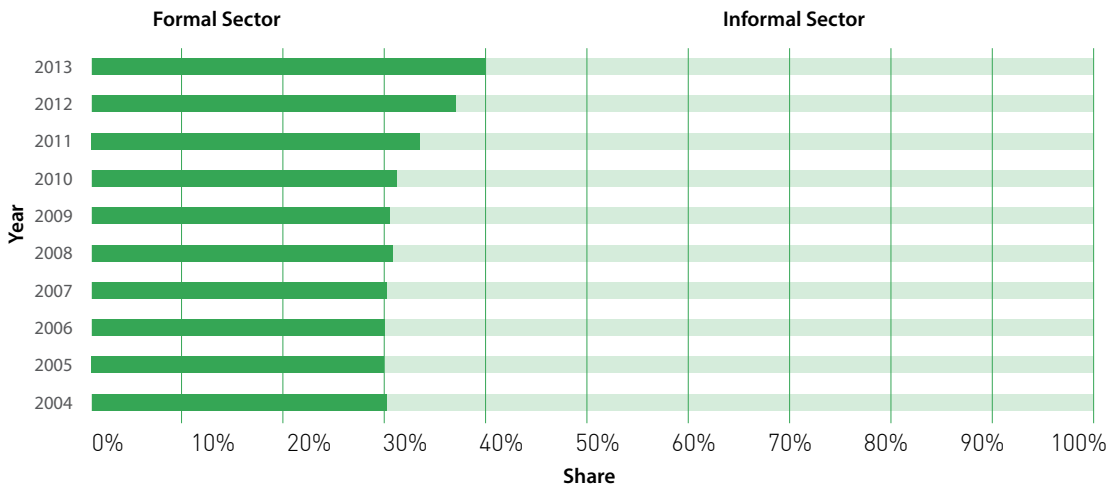
<sup>ii</sup> According to BPS (Statistics Indonesia), out of seven categories of main employment status, only two categories (employee and employer with permanent workers) are counted as formal sector. The other categories – self-employed, self-employed assisted by family members/with temporary help, casual employee in agriculture, casual employee in non-agriculture, and unpaid worker are considered informal sector.

Figure 02  
**Employment status of 15-24 years age group, 2013**



Source: BPS, 2014 (extracted)

Figure 03  
**Contribution of formal and informal sector in Indonesian employment, 2004-2013**



Source: BPS, 2014 (extracted)

On the supply side of the labor market, workforce quality – mainly skill mismatch and low levels of education – remains a huge challenge. A World Bank survey indicated that 50 percent of senior secondary and 15 percent of tertiary education graduates work in unskilled positions. Meanwhile, 70 percent of manufacturers say it is “very difficult” to fill skilled positions.<sup>12</sup> According

to the Global Talent Competitiveness Index 2013, Indonesia ranks 90 out of 103 countries in terms of employable skills, the worst performer among countries surveyed from the Association of Southeast Asian Nations (ASEAN).<sup>13</sup> Nearly half (46.8 percent) of the total Indonesian labor force has completed only primary school or less.<sup>14</sup>

## The entrepreneurship landscape in Indonesia

Ideally, entrepreneurs play three significant roles in any context: first, they diversify a country's economy by adding novel types of businesses; second, they provide fresh employment opportunities for job seekers; and third, they increase national output (GNP) per capita.<sup>15</sup>

Despite the potential positives, various indices show that entrepreneurship in Indonesia

lags behind other G20 economies. The Entrepreneurship Barometer 2013 compared G20 countries in terms of five pillars of entrepreneurship, and Indonesia performed worse than other emerging economies. In two aspects – entrepreneurship culture and education and training – Indonesia ranked nineteenth among the 20 countries (**Table 1**).<sup>16</sup>

Table 01  
Pillars of entrepreneurship in six emerging economies of the G20

| Countries | Ranking (out of 20 countries) |                          |                  |                      |                     |
|-----------|-------------------------------|--------------------------|------------------|----------------------|---------------------|
|           | Access to Funding             | Entrepreneurship Culture | Tax & Regulation | Education & Training | Coordinated Support |
| Brazil    | 9                             | 12                       | 17               | 10                   | 3                   |
| China     | 3                             | 18                       | 16               | 18                   | 6                   |
| India     | 11                            | 11                       | 19               | 20                   | 5                   |
| Indonesia | 10                            | 19                       | 12               | 19                   | 4                   |
| Turkey    | 17                            | 15                       | 11               | 17                   | 7                   |
| Mexico    | 18                            | 17                       | 14               | 15                   | 2                   |

Source: E&Y. Entrepreneurship Barometer 2013

The 2013 Global Entrepreneurship Monitor ranks Indonesia below the average of its peer countries<sup>iii</sup> on five different indicators<sup>17</sup>: 1) entrepreneurship as a relevant economic issue; 2) taxes and regulation are either size-neutral<sup>iv</sup> or encourage new SMEs; 3) government entrepreneurship programs; 4) entrepreneurship education at

primary and secondary school; and 5) research and development funding. According to data from the Ministry of Cooperatives and Small and Medium Enterprises, the ratio of entrepreneurs to total population is 1.9 percent in 2013, below the average of Indonesia’s neighbors.<sup>18</sup>

## Indonesia’s approach to youth entrepreneurship

The Indonesian government sees entrepreneurship as an important strategy to address youth unemployment. As of now, only about 12 percent of working youth are entrepreneurs (across the three categories of self-employed shown in **Figure 2**).

for Youth (**Figure 4**). There are three main program clusters aimed at tackling youth unemployment – training, apprenticeship, empowerment and entrepreneurship – and one overarching program to increase access to information on job vacancies.<sup>19</sup>

The importance of entrepreneurship from the government’s perspective is reflected in its National Strategy for Creating Job Opportunities

A law passed in 2009 stipulated that national government, local government, youth organizations and communities must foster

Figure 04  
**Indonesian Government Youth Employment Strategy**

| YOUTH EMPLOYMENT JOB OPPORTUNITY CREATION STRATEGIES  |   |  |
|---|---|--|
| YOUTH POLICY : “Reducing the uneducated labor force”  |   |  |
| TRAINING  | APPRENTICESHIP                                | EMPOWERMENT AND ENTREPRENEURSHIP   |
| SKILL DEVELOPMENT                                     | IMPROVING MARKET ALIGNMENT OF APPRENTICESHIPS | <ul style="list-style-type: none"> <li>IMPROVE VULNERABLE YOUTHS’ ACCESS TO EMPLOYMENT OPPORTUNITIES</li> <li>IMPROVING OPPORTUNITIES FOR YOUTH TO BE ENTREPRENEURS</li> </ul> |
| INCREASING ACCESS TO JOB VACANCY INFORMATION SERVICES |   |  |

**Source:** Maruli A. Hasoloan. 2013. Youth Employment in Indonesia. (Ministry of Manpower and Transmigration).

<sup>iii</sup> Peer countries refers to the categories this index employs to differentiate between types of entrepreneurship. In Phase 1 countries, entrepreneurship is “factor-driven” – put otherwise, survival entrepreneurship. In Phase 2 countries – the category where Indonesia falls – entrepreneurship is largely “efficiency-driven”, and Phase 3 is defined by “innovation-driven” entrepreneurship.

<sup>iv</sup> Size-neutral taxes and regulations are equally advantageous or disadvantageous to small and large businesses.

youth entrepreneurship through “training, internships, coaching, partnerships, promotion and assistance to access capital.”<sup>20</sup> This is to occur through developing a culture of youth entrepreneurship and innovation, and through setting up mechanisms to channel capital to young entrepreneurs.

The National Entrepreneurship Movement, or *Gerakan Kewirausahaan Nasional* (GKN), launched in 2011 by the Government of Indonesia, targets all age groups but places special emphasis on creating new young entrepreneurs. The expressed goal of the movement<sup>21</sup> is to increase the ratio of entrepreneur to total population from 0.24 percent in 2011 to 2 percent in 2014.<sup>21</sup> Dozens of ministries have signed a Memorandum of Understanding to assist in its implementation, including the Ministry of Manpower and Transmigration (MoMT), Ministry of Cooperatives and SMEs (MoCSME), Ministry of Tourism and Creative Industry (MoTCI), Ministry of Education and Culture (MoEC), Ministry of Youth and Sports (MoYS), Ministry of Industry (Mol), and Ministry of Marine Affairs and Fisheries (MoMF).

Given the breadth of involvement across different ministries, GKN demonstrates the fact that entrepreneurship is now a mainstreamed priority in Indonesian policymaking.

MoMT, for instance, has programs for fresh university graduates to become facilitators that support entrepreneurship in rural communities. The MoCSME collaborates with MoEC in running

a business incubator program in various public universities and developing an entrepreneurship curriculum for vocational high schools and colleges. MoYS implements a program to build *Kelompok Usaha Pemuda Produktif* (KUPP), or Productive Youth Enterprise Groups, the ground reality of which this paper will examine.

In addition to the government’s cross-ministry effort, many other institutions promote programs and projects for new entrepreneurs to start and/or maintain their businesses. Among these are educational institutions – both formal (schools, universities, academies) and informal (unregistered private training centers) – as well as multilateral agencies such as the ILO (International Labor Organization) and Asian Productivity Organization (APO), and business associations like the *Asosiasi Pengusaha Indonesia* (Association of Indonesian Business Owners).

The following case study looks at how the promotion of entrepreneurship functions in practice, on the ground. The examination focuses on the KUPP Program, implemented by the Ministry of Youth and Sports in cooperation with the Ministry of Education and Culture, in an underdeveloped district in the East Nusa Tenggara (NTT) province. It will demonstrate the necessity of improving coordination and capacity among local stakeholders, particularly government, if the strategy of encouraging entrepreneurship is to succeed in creating productive employment for youth.

<sup>21</sup> Note that data on entrepreneurship across ministries in Indonesia is conflicting. These data are included because they are used consistently with respect to the to *Gerakan Kewirausahaan Nasional*.

## Belu District and the KUPP entrepreneurship program

Belu District, with a total population of approximately 400,000,<sup>22</sup> is one of the poorest districts in the province of NTT, located in the less developed and poorly connected eastern part of Indonesia. Almost a quarter of the total population of Belu District is between 15 and 29 years of age.<sup>23</sup> However, lack of skills and education is a major constraint for this age cohort in accessing productive, high-quality employment. In fact, over 70 percent of the total labor force in the district has only completed primary school.<sup>24</sup> Most youth can only access low-skilled, low-paid, or even worse, unpaid work.

Atambua is the capital of Belu and the second largest city in the region. While the majority of people work in the agricultural sector, a growing services and trade sector is beginning to reshape the local economy. Most of the new businesses, however, are owned by migrants from outside the region or descendants of Chinese traders. In this socioeconomic context, entrepreneurship among the indigenous population is mostly “factor-driven” – driven by necessity – though the increase in economic activity could provide expanded opportunity for those building their own enterprise to achieve upward mobility.

The analysis here is based on qualitative fieldwork conducted at the time of program implementation in 2011. For primary data collection, semi-

structured interviews were conducted with the youth group leaders, vocational skill trainers, and government officials. Focus group discussions were held with youth group members. This case study also relies on secondary data collected from the local statistics office (BPS Belu District), *Belu Dinas PPO* (Office of Education, Youths and Sports),<sup>vi</sup> and the ILO branch office in NTT province.

The Belu district is plagued by youth unemployment and underemployment that leads to social problems like criminality. To address the concomitant issues of youth unemployment and juvenile delinquency, the Belu Office of Education, Youths and Sports launched a grant scheme funded by the district budget in fiscal year 2010. The KUPP scheme provides start-up capital to youth groups to open a new business.

Vocational skills training and mapping of local business opportunities were not included in the government scheme. The ILO, therefore, linked up with the program to plug these gaps, agreeing to provide Community Employment Assessment training, vocational skills training, and “Start and Improve Your Business” training through a local partner.

A public event with local leaders introduced the KUPP program. Youth groups that expressed

<sup>vi</sup> In decentralized Indonesia, local governments are allowed to have particular nomenclature for their own departmental offices. For instance, while the Ministry of Education and Culture and Ministry of Youth and Sports are two separate ministries in Jakarta, in Belu District, local government grouped them into one local Office of Education, Youth and Sports

interest submitted business and budget proposals to the local government office. Upon approval of their business plans, *Dinas PPO* disbursed funds (IDR 9 million – US\$ 766) in cash to 60 groups. While 32 groups received training in addition to the grant, it was concluded that the business

plans of the other 28 did not require vocational training (e.g. motorcycle washing).

Unfortunately, the trainings meant to help youth assess the potential for different types of local businesses, acquire the appropriate skills, and

### Former gang leader leads poultry-raising youth enterprise

Octovianus, or Octo, used to be a gang leader in the Fatukbot village of northern Belu. Now he runs the Tirta Kencana poultry group, a youth enterprise group established through the KUPP program. The idea of starting a chicken-rearing business came from observing the rise of warungs – or small roadside stalls – in Atambua, in addition to the increasing demand for meat at celebrations and ceremonies. Upon hearing about the government scheme, Octo formed a group and submitted a proposal, receiving IDR 9 million (US\$ 766) in start-up capital. Most of his team members were previously unemployed or drove rented motorbike taxis.

Octo's group teamed up with another youth enterprise group to share the cost of building a chicken cage, constructing a barrier in the middle to separate their livestock. Starting their business has been a process of learning by doing. Octo said he has realized that "continuity of supply rather than large quantity is the key to sustaining this business." The groups learned that demand peaks during holidays, so ensuring that stock is available during this time will enable higher profits. As he explained, "we fattened 400 chickens in October and all sold out before Christmas. Demand was still high though, and the price of a chicken went up from IDR 30,000 to IDR 40,000" (approximately US\$ 2.50 to US\$ 3.50).

Octo's partner group believes the skills training would have been more helpful if timed differently. They had already been running their business for four months before the ILO partner organization conducted the training, at which point they learned that they had built their chicken coop incorrectly.

The group led by Octo has managed to streamline its management and financial processes. For instance, they calculate their profit at the end of every month and put half toward business savings and half toward wages. Recently, when a strong storm damaged their coop, they were able to use some of their savings pool to repair it. Wages are not high yet, but they hope with improved business practices and enough capital to continue growing the business, their earnings will increase.

Octo's initial group of seven members (three women and four men) has remained relatively stable. Only two members have left. He is optimistic that the business will continue to grow, since demand is still higher than supply in Atambua. Once the poultry business is stable, he said enthusiastically, they will expand to raising pigs, which he hopes will provide more employment opportunities for youth in the village.

start their enterprises were all given after the receipt of business plans and the disbursement of grants. The trainers, however, did visit the youth groups on an ongoing basis to monitor their progress.

The groups encountered many problems during the first months of their businesses. Despite their demonstrated interest, lack of experience became a major obstacle. Because of the time gap between capital disbursement and skills training, they initially had to improvise and learn by doing. Those who raised poultry, for instance, received the start-up capital assistance before they knew how to build a barn. Those raising pigs lost much of their initial capital investment when their piglets were struck by disease, as they lacked the knowledge to identify and treat the illness.

Some groups were more successful in their attempts to learn by doing. The young people used their own social networks to identify appropriate markets for their goods and services. Those raising animals sought out information on upcoming ceremonies or feasts where there would be demand for meat. The group making bricks conducted informal market assessments to understand how to distinguish their product and found out about upcoming construction projects.

Businesses involving lower capital investment and fewer skills, such as motorbike washing,

were the most likely to fail – perhaps because of a lower potential for growth. Many members of these groups found little difference between the new business and their previous forms of employment, returning to occupations like *ojek* – or motorcycle taxi drivers.

Most businesses have an equal profit-sharing model. Although it was premature at the time research was conducted (2011) to understand the sustainability of these businesses, the groups recognized that with good bookkeeping, they would be able to access micro-finance for additional capital in the future. However, most said that they would avoid loans in the first year, citing a reluctance to take on liabilities.

Despite varying levels of success, these activities have provided young people with livelihood activities that keep them occupied and away from other non-productive or even delinquent activities. One of the group leaders pointed out that he used to be a gang leader but now has the ambition to expand his animal husbandry business.



## Understanding the Belu case study

Several insights can be gleaned from this case study. The program in Atambua contains several successful strategies. First, it links youth entrepreneurial groups to start-up capital. In relatively remote areas like Atambua, economic development has historically relied heavily on government-sponsored activities. Economic dynamism is increasing, especially in the service sector, and there is growing potential for entrepreneurs. But marginalized groups in communities like Atambua can only capitalize on this situation and start their own businesses if they have access to affordable micro-finance.

Second, the program has encouraged more young people to consider the opportunity of starting a small business. On a related note, the intervention appears to have contributed to a reduction in juvenile delinquency in the town. One can speculate that an increase in the amount of time young people spend productively has reduced idle time that can lead to delinquent activities. Additionally, young people for whom the program has promoted new aspirations now have more reason to stay out of trouble.

Finally, the program illustrates coordinated support between a government agency and a multilateral organization. Cooperation helped both agencies to fill the gaps in their program models, and the different types of assistance proved useful for the new entrepreneurs.

On the other hand, this case study reveals several challenges that must be overcome for an entrepreneurship program to have a meaningful and sustainable impact on young people. Coordination issues were apparent – both in terms of Indonesian ministries failing to fulfill their mandate, and in terms of the timing of complementary interventions.

Youth groups would have benefited from skills training prior to setting up their businesses, which could have been provided by the Office of Manpower and Transmigration or the Office of Cooperation and SMEs. At the national level, the Ministry of Home Affairs (MoHA), MoCSME and MoMT are responsible for mapping business prospects nationwide to supply the information for the GKN. In this case, the responsible ministries did not deliver and the task was passed on to the ILO. Reliance on assistance from multilateral agencies calls into question the sustainability of an initiative like the GKN.

Sequencing of programs during this intervention was a further challenge. Skills training was provided to young people in Atambua after the Start and Improve Your Business (SIYB) training. The mapping of business opportunities was undertaken after proposal writing, while it should have been carried out first so that youth could base their ideas on an understanding of untapped opportunities. As a result of these sequencing problems, some of the groups started businesses

without the proper skills and/or pursued a business idea with less viability.

Moreover, this entrepreneurship program highlights the need to better understand young people's aspirations and the environments that give rise to, or hinder, entrepreneurial ventures. While this chapter has focused on the Indonesian government's role in executing

an entrepreneurship program, other factors – including social and cultural particularities and differences in young people's aspirations – likely influenced the level of success these youth enterprises achieved. Understanding these factors is critical, as they can help policymakers develop entrepreneurship programs and training curricula most likely to benefit young people.

## Conclusion

***Entrepreneurship policies require strong, coordinated government institutions for effective implementation.*** Contrary to the notion that promoting entrepreneurship can stimulate job creation in environments where state capacity is weak, the program studied here could have had a much greater impact if the implementing agencies were more empowered and coordinated. Translating policy into effective implementation remains weak in Indonesia, due partly to its decentralized structure of government. For instance, MoHA and the other ministries responsible for mapping prospective business did not coordinate well with Dinas PPO, the local implementing agency. International agencies may fill some of these governance gaps, but this model raises questions of sustainability.

***Entrepreneurship policies only work as part of a larger enabling framework.*** Skills training programs will do little to launch successful enterprises if they are not linked to start-up capital. Similarly, funding channels cannot be separated from education, training, and facilitated mapping of untapped business opportunities. A successful entrepreneurship strategy depends on an ecosystem of complementary interventions.

***Support in the initial start-up phase must be prioritized.*** New entrepreneurs face great challenges in the first three months to one year after starting their businesses. During this critical period, they require coaching, mentoring, and guidance. Maintaining closer relationships with new entrepreneurs also enables better

monitoring and evaluation, critical to ensuring that initial training and follow-up guidance are relevant to the hurdles these start-up enterprises face. Government and multilateral organizations are investing in these entrepreneurs, so it is their interest to see that they succeed and create businesses that drive local economic development and job creation.

***Policymakers require a better understanding of youth aspirations.*** Youth job creation policies must originate in an understanding of young people's aspirations and their environments.

Entrepreneurship programs will be most successful if they are targeted specifically to young people who aspire to own their own business. A more intentionally designed entrepreneurship policy will also help countries like Indonesia move the dial from "factor-driven" entrepreneurship to "innovation-driven" entrepreneurship, which tends to be higher-productivity. Further, understanding the types of young people not likely to benefit from the program described here can help policymakers evolve other strategies to improve the employment outcomes of these youth.

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# BRIDGING THE INFORMATION GAP

A private sector initiative that enables young people to access information on skills that employers demand

**Felix W. Ortiz III**, Viridis Learning

## **Viridis Learning**

Viridis is a human capital technology solution offering training to individuals that lead to industry recognized credentials and job placement for those looking to enter, sustain or grow within the middle-skill workforce. Viridis aims to make labor market-matching more efficient by bridging the information gap between young people and employers. Viridis was founded in 2010. Its platform is currently available for users in the United States, but the company plans to expand globally.

***Viridis Learning is a guest contributor to this report.***

USA

17/148

JustJobs Index Ranking



62.9%

Labor Force  
Participation



50.5%

Youth Labor Force  
Participation



8.1%

Unemployment



16.5%

Youth  
Unemployment

**Source:** These data are ILO modeled estimates provided by the World Bank. Individual authors may use national estimates.

## Challenge

*An existing information gap impedes youth, specifically those projected to enter the United States middle-skills workforce, from acquiring the foundational skills, necessary resources, credentials, and superintendence from educational institutions to realize their full employment potential.*

## Strategy

*Viridis Learning is a unique educational and job-matching program aimed at fostering a labor market-matching infrastructure through a technology platform, that includes features such as an employability score, a lifelong “Skill Passport” with stackable credentials and employer access to a real-time database of qualified job candidates.*



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Globalization, propelled by technological change, is fueling a restructuring of economic activity that is changing the demand for skills in labor markets around the world. In the United States as in many other countries, this has led to a mismatch between the skills that the labor market demands and the available supply of trained individuals. A lack of information on the changing needs of the labor market, and how and where people can obtain the relevant skills is partly to blame.

These challenges have inspired government to expand training and apprenticeship programs to close the skill gap, especially for young people

that are facing some of the worst employment prospects in recent history. But given scale of the challenge and the types of valuable market

*“Better information on the dynamic needs of the labor market can aid young people in obtaining relevant skills, finding jobs and ultimately improving their long-term career prospects.”*

information they possess, private sector stakeholders can also play a key role. Offering young people a platform to access information on the skills that employers demand and find relevant training opportunities is one way the private sector can help. Better information on the dynamic needs of the labor market can aid young people in obtaining relevant skills, finding jobs and ultimately improving their long-term career prospects.

First, this chapter explores how the information gap impedes youth from acquiring the foundational skills, necessary resources and credentials from educational institutions to realize their full employment potential. As a result, individuals are frequently denied access to

available jobs that could maximize and leverage their vocational potential. Next, this chapter discusses an innovative approach by a private sector company – Viridis Learning – that helps bridge this critical information gap.

## The skills and information gap

Of the many factors at play in the global youth employment crisis, one of the most critical is the information gap between youth, educational institutions, and employers. Constantly evolving technologies and innovations change the skills that are demanded by sectors such as STEM,<sup>i</sup> energy, manufacturing, healthcare, and information and communication technology (ICT). The middle class jobs of the 21st century are really “blue tech” as opposed to blue collar.

These new types of employment opportunities offer the potential to increase productivity and boost earnings. But many young people are not aware of what these job opportunities are and/or are not given the proper resources, information or pathways to prepare and qualify themselves for these “blue tech” positions.

This lack of awareness is partly responsible for the high levels of unemployment among American

youth. As of July 2014, 3.4 million young people between the ages of 16 and 24 were unemployed. At 14.3 percent, the youth unemployment rate is more than double the national rate.<sup>1</sup> This figure does not account for the many discouraged youth that want and are available for work but drop out of the labor force because they are unable to find jobs, or those that are involuntary part-time workers. Among young high school graduates ages 17 to 20 who are not enrolled in further schooling, the unemployment rate is nearly 23 percent, but their underemployment rate is above 40 percent.<sup>2</sup>

These dismal numbers come with many adverse implications. Being unemployed for six months or more diminishes a young person’s earnings over the next decade. One estimate suggests that the loss in earnings could be as much as US \$22,000.<sup>3</sup> Long spells of unemployment make it hard for young people to find good jobs in the future,

<sup>i</sup> Science, Technology, Engineering and Mathematics.

and fewer employed young people means fewer contributions into social welfare schemes. Young people that are unemployed, underemployed, or in other forms of irregular employment are also more likely to engage in illegal activities.

But these discouraging numbers are not just the result of a lack of employment opportunities. A shortage of the skills that match the demands of existing job openings is part of the problem. The U.S. Department of Education estimates that in 2012, 600,000 manufacturing jobs in the United States went unfilled due to the skills shortage.<sup>4</sup>

Recently, in July 2014, the Wall Street Journal and Vistage International found that 33 percent of 848 small business owners and chief executives said they had unfilled job openings the month before because they could not identify qualified applicants. This was up from 31 percent of 811 owners nearly two years ago. In the survey, 35 percent of businesses in the service sector said they could not identify qualified candidates, versus 12 percent of manufacturing firms and 8 percent of wholesale trade businesses. Overall, 43 percent of small business owners said unfilled jobs were impeding their business's growth or expansion, compared with 39 percent in 2012.<sup>5</sup>

What is keeping students and job seekers from becoming qualified to fill these jobs? Training programs do exist: 90 percent of high school graduates take at least one occupational course, and about 40 percent of students take at least three full-year occupational courses.<sup>6</sup> However, too many vocational programs lack rigor, relevance, and/or updated equipment. Moreover, many programs fail to align educational credentials

***“A shortage of the skills that match the demands of existing job openings is part of the problem. The U.S. Department of Education estimates that in 2012, 600,000 manufacturing jobs in the United States went unfilled due to the skills shortage.”***

with industry-based certifications, impeding what could be a smooth school-to-work transition.

Other countries face a similar challenge. McKinsey & Company's 2014 Education to

Employment Survey surveyed youth, employers, and postsecondary education providers across eight European countries, which combined are home to nearly 73 percent of Europe's 5.6 million jobless youth. The survey found that employers are dissatisfied with applicants' skills; 27 percent were leaving a vacancy open because they were unable to find anyone with the right skills, and a third said lack of skills is causing major business problems in terms of cost, quality, or time.<sup>7</sup>

Addressing the youth unemployment and underemployment challenges calls for

interventions that not only create more jobs, but create career pathways for young people, providing them with sufficient information on available job and training opportunities. Governments around the world have taken measures to enhance vocational education and training opportunities, such as the U.S. Workforce and Innovation Opportunity Act, and

have deployed strategies to create jobs, such as the youth employment guarantee in Europe and South Africa. But there still remains a gap when it comes to disseminating information to youth about available job and training opportunities. Bridging this gap is vital to empowering young people to think more strategically and make informed decisions about their careers.

## An innovative strategy to connect job seekers and employers

This need has spawned opportunities for private sector players to complement the measures taken by governments. One such example is Viridis Learning – a unique educational and job-matching program aimed at fostering a labor market-matching infrastructure through a technology platform.

This section describes the Viridis Learning model and outlines how a diverse demographic of job seekers can benefit from it. These tools include: an employability score; a lifelong “Skill Passport” with stackable credentials that focus on industry and workplace competencies; a customized career pathway; a comprehensive tracking system for educational professionals to monitor the progress of each individual student; and employer access to a real-time database of qualified job candidates.<sup>ii</sup>

### ***A skill passport and employability score***

A Viridis Learning user, once enrolled, completes a detailed online assessment that determines employability across a broad spectrum of characteristics. These include attributes ranging from personality and work style, geographic location and educational background to prior vocational certifications and experience. The assessment yields a highly personalized “Skill Passport,” which serves as a user’s online professional profile. The Skill Passport also can be used and referenced throughout an individual’s career, where additional credentials – workplace competencies and industry-wide proficiencies and technical skills – can be earned and “stacked” within the online tool.

<sup>ii</sup> *These tools are all proprietary and owned exclusively by Viridis Learning.*

Along with the Skill Passport, Viridis Learning offers users an employability score that quantifies an individual's professional value in the labor market. The score provides an incentive to individuals to build their credentials to improve their score. This score makes it easier for employers to find and hire workers that are compatible with open positions.

#### ***Charting a career pathway***

But obtaining a skill passport and employability score alone are not enough. Young people need to acquire the skills needed to meet labor market demand. Therefore, Viridis provides an online community college program to help its users develop the "blue tech" skills in demand.

The integration of the Skill Passport, the employability score and the enrollment in the community college program allows for the development of a customized career pathway – or roadmap – for each user. This is then matched with job openings within a job seeker's geographic region. Users are also encouraged to review a variety of job vacancies – their requirements, prerequisites, associated salary and benefits – that are compatible with their profile.

Partnerships with strong community colleges, vocational programs, and workforce organizations are key to the Viridis model as they enable the platform to grow quickly and adapt to new geographies. The system is customizable based on the needs and desires of the organizations utilizing its service. While the model may vary based on the coursework, curriculum, and certifications offered by partnering educational institutions, these can be adapted to also meet the needs of specific industries in localized areas needing qualified workers. Whenever a particular

***“Partnerships with strong community colleges, vocational programs, and workforce organizations are key to the Viridis model as they enable the platform to grow quickly and adapt to new geographies.”***

city, country or geographic region has identified the sectors it seeks to support, a technology model such as this can help to curate a local qualified workforce.

#### ***Helping mentors stay connected***

This innovative platform also enables education professionals and career counselors affiliated with community college partners to measure and interact with students in real time. This comprehensive monitoring system enables educators to follow and assist a student through the entirety of their education and career trajectory, from initial course enrollment to successful employment and job retention.

### ***Helping employers find the right candidates***

A critical component of the Viridis model is a network of more than sixty work partners, including big companies like the Comcast Corporation, and multinationals like The Coca-Cola Company, who can evaluate certified and verified job candidates efficiently based on the employability score and Skill Passport. This standardized measure allows recruiters and hiring managers to quickly identify ideal job candidates

looking to enter or shift positions within the workforce.

Like job seekers, employers register and create a customized profile on the Viridis platform, where they are matched with well suited candidates based on their requirements. The tool has the potential to save employers the time and costs associated with recruitment and internal training, and it helps to decrease turnover rates.

## The potential of tech-enabled labor market matching

As the employment landscape changes with advancements in technology and trade, there is a need to, (i) gather information on the changing needs of employers (ii) design robust strategies for workforce-development that are attuned to labor market demand, (iii) ensure that young people are aware of these training and ensuing job opportunities, and (iv) match youth with open and compatible employment opportunities.

Providing young people with an integrated online platform – which allows them to track their skills, gauge their employability relative to others in the economy, garner information on skills training and job opportunities, and understand

what employers are looking for – can enable a smoother school-to-work transition.

Pilot studies of the Viridis Learning model have shown that 93 percent of users complete their Skill Passport, 70 percent are placed in jobs, and 65 percent remain in those jobs for at least one year. Data suggests that the model performs best in the sectors currently facing an exceptionally large skills gap. These include manufacturing, information technology, and energy, due to their rapid expansion and ever-changing utilization of new technologies. Additional sectors of focus for Viridis Learning are the logistics industry, which represented 8.5 percent of annual GDP for

the United States in 2012,<sup>8</sup> and the hospitality industry, which was expected to grow by 17 percent in wage and salary employment between 2004 and 2014.<sup>9</sup>

An online portal that creates guided pathways for job seekers offers the potential to improve the employment outcomes not just for youth, but a range of individuals in diverse circumstances. Adult learners, transitional workers, military veterans, those classified as underemployed, as well as low-skilled, low-income individuals seeking to enhance credentials and enter middle class can all benefit

***“Pilot studies of the Viridis Learning model have shown that 93 percent of users complete their Skill Passport, 70 percent are placed in jobs, and 65 percent remain in those jobs for at least one year.”***

from such an online platform that serves the aforementioned functions. This platform can also serve as a resource to populations reentering the workforce after incarceration.

In the future, data on the users of systems like Viridis Learning’s can be aggregated and interpreted on a macro-level to identify key trends and shifts in employment across cities and geographic regions. This will enable government to assess the performance of training programs and their impact on employability and economic mobility, and the private sector to anticipate and plan for the future labor market landscape.

## Conclusion

A great deal of attention is given to skills development to improve the supply of labor, and to growing labor-intensive sectors to create more jobs that can absorb young workers. But this chapter highlights the information gap that young job seekers and employers both face in the job matching process. It is equally important to overcome this challenge to improve youth employment outcomes.

Innovative private sector approaches like that of Viridis Learning can complement government

***“Technology platforms like Viridis have access to a growing database of information on job seekers and employers that can help inform public investments in skill development.”***

policies to bridge this information gap. Technology platforms like Viridis have access to a growing database of information on job seekers and employers that can help inform public investments in skill development. And by helping policymakers understand the dynamics of a rapidly changing labor market, the Viridis model also benefits, as it relies on publicly funded training providers like community colleges. If public and private stakeholders combine their efforts in this way, the result could be an effective job-creating and job-matching ecosystem.

*Felix W. Ortiz III is Founder, Chairman and CEO of Viridis Learning.*



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# WOMEN HUMAN RIGHTS DEFENDERS

Training youth to lead reforms in the apparel sector

Judy Gearhart, International Labor Rights Forum

## **International Labor Rights Forum (ILRF)**

International Labor Rights Forum (ILRF) is a human rights organization that advocates for workers globally. ILRF works with trade unions, faith-based organizations, and community groups to support workers and their families.

ILRF works for a world where workers have the power to speak out and organize to defend and advance their rights and interests; a world where workers have the right to form unions and bargain collectively to secure a safe and dignified life for themselves and their families; and a world where everyone is free from discrimination, forced labor and child labor.

# Global Apparel Sector



60 million  
Total  
Employment



US \$ 1,162.8 billion  
Total Retail  
Industry Value



US \$ 709 billion  
Total Value  
of Exports

68%  
Total Women in  
the Workforce

**Source:** ILO and companyandmarkets.com

## Challenge

*Low skill garment workers are deprived of safe working conditions, fair wages and collective bargaining rights across the world. Yet, policymakers often operate under the assumption that companies will simply move elsewhere if the costs of labor increase.*

## Strategy

*The key to reform in the apparel industry lies in enabling young, first-time workers to stand up for their rights. As the vast majority of apparel sector workers are young women, better collaboration between women's rights organizations and trade unions is an imperative.*

# WOMEN HUMAN RIGHTS DEFENDERS

## Training youth to lead reform in the apparel sector

**Judy Gearhart**, International Labor Rights Forum

Many countries in the Global South see apparel – a labor-intensive sector that can help drive export-oriented industrialization – as a stepping-stone toward development. In some countries, like Cambodia and Lesotho, the textile and clothing industry employs up to 90 percent of the total number of manufacturing sector workers.<sup>1</sup> The vast majority of garment sector workers are female; for instance, 76 percent<sup>2</sup> of Thai garment workers and 85 percent<sup>3</sup> of Bangladeshi garment workers are women. Cheap, flexible and young female labor forms the backbone of this industry. But the modest economic returns of formal employment in the sector often come at a heavy personal cost to these young women. Now, as governments and apparel industry leaders take a deep look at reforms, in the aftermath of the 2013 Rana Plaza factories collapse, it's an important time to identify strategies that can give a voice to these young workers.<sup>4</sup>

This chapter analyzes the serious challenges faced by young apparel sector workers in the Global South – challenges aside from worker safety that lie outside the media spotlight. It cites evidence based on field experience that starts to answer some of the difficult questions pertaining to the employment of young women in the sector. Are these young women able to build a career and a life from this early employment experience in the apparel sector? How will these jobs, which are the first formal sector employment for many, impact these workers in the future? Does the increased employment of young women enable a substantial change in their role in society?

This chapter substantiates the claim that upward mobility is not the outcome for most young apparel sector workers. It then goes further to outline a strategy for improving working conditions in the apparel industry by training young women to become effective labor organizers, examining a case study from Honduras.

## The apparel industry challenge

The apparel industry – particularly the cut, make, and trim portion – requires relatively low skill levels, making it a common point of entry for young workers joining the industrial labor force. The margins in the industry are notoriously slim,<sup>5</sup> however, and policymakers must deal with the reality that companies often move elsewhere when the costs of labor increase. For example, major apparel brands like Crocs and Coach have begun to shift their production from China to countries in South and Southeast Asia, due, they say, to rising labor costs.<sup>6</sup> Wages in China rose 10.7 percent in 2013 and are projected to rise another 11 percent in 2014.<sup>7</sup>

***“In five of the top 10 apparel-exporting countries to the United States, wages for garment workers declined in real terms between 2001 and 2011 by an average of 14.6 percent.”***

As a result of this phenomenon, many governments seek to attract producers and catalyze the growth of their apparel sectors by minimizing labor regulations to keep labor costs low. When workers’ rights organizations seek wage increases for apparel sector workers or insist on better regulation, government and industry representatives argue against these demands on the grounds that labor will become more costly than in neighboring countries and the centers of production will shift.<sup>8</sup>

The result is wage stagnation in the industry. In a study of apparel sector wages in 15 of the top

21 apparel exporters to the United States, the Workers’ Rights Consortium and the JustJobs Network found that real wages in these countries have not kept pace with increases in productivity, and in many cases wages have actually declined in real terms. On average, prevailing straight-time wages<sup>1</sup> in the export-apparel sectors of these countries provided only 36.8 percent of a living wage. Furthermore, in five of the top 10 apparel-exporting countries to the United States — Bangladesh, Mexico, Honduras, Cambodia, and El Salvador — wages for garment workers declined in real terms between 2001 and 2011 by an average of 14.6 percent. The gap between apparel sector wages and the living wage increased.<sup>9</sup>

Over the last decade, Bangladesh’s export apparel industry has been the fastest growing in the world, and the country now has the second largest apparel export industry after China. In the aftermath of the Rana Plaza factories collapse that killed more than 1,100 Bangladeshi apparel workers in April 2013, a diverse range of stakeholders – civil society, policymakers, consumers, and the large corporations that depend on Bangladeshi workers – have sought to find solutions for improving working conditions in garment factories.

<sup>1</sup>Defined as regular wages, not including overtime hours.

The most noteworthy effort thus far is the Bangladesh Accord on Fire and Building Safety – a legally binding agreement negotiated by Bangladeshi unions, Global Union Federations, and international workers’ rights groups that requires signatory companies to comply with independent safety inspections of the garment factories in their supply chains. Yet despite the progress the Accord represents, a number of concerns besides worker safety also warrant attention.

In order to make ends meet, most apparel workers agree to work excessive amounts of overtime, which can lead to the type of exhaustion and malnourishment behind the widespread fainting of Cambodian garment workers earlier this year.<sup>10</sup> The International Labour Organization’s Better Work program found that compliance levels in Cambodian factories are below 50 percent on several regulations that are relevant to these fainting episodes, including those pertaining to long overtime hours and heat levels in factories. As of 2013, in 97 percent of factories, overtime is not exceptional, and in 86 percent of factories it is not limited to less than two hours per day.<sup>11</sup>

Beyond the worsening wage conditions, the young female workforce in the garment sector

faces another chronic issue: sexual harassment in the workplace. In a conference convened by the International Labor Rights Forum in April 2014, four women trade union leaders – from Bangladesh, Honduras, and Cambodia – spoke about their experiences with sexual and physical abuse at work. These women, who all began working in the apparel industry between the ages of 13 and 17, had each suffered and/or witnessed sexual harassment and corporal punishment at work.

***“Beyond the worsening wage conditions, the young female workforce in the garment sector faces another chronic issue: sexual harassment in the workplace.”***

Better Work reports a high incidence of sexual harassment in the countries where it works. In

Indonesia, 82 percent of garment sector workers report that sexual harassment is an issue in the factory where they work. In Jordan and Haiti, the figure is 34 and 38 percent, respectively.<sup>12</sup>

The fact that many of the young women working in the garment industry are formal sector employees should provide them with better protections. Indeed, several major apparel-exporting countries where violations are still common – including Cambodia, Guatemala, Honduras, Indonesia, and Philippines – have ratified all eight of the International Labour Organization’s core conventions.<sup>13</sup> But enforcement of these laws remains weak and young women in the sector

are subject to low wages and exploitation. As such, many have sought to organize themselves into unions. The denial of collective bargaining rights among factory owners and in some cases governments is a major challenge confronting these young women.

Worker organizing is often curtailed through discrimination against trade unionists or direct violence against organizers. In January 2014, for instance, Cambodian workers met with violent

crackdowns when they protested for better wages; five were killed and 23 arrested.<sup>14</sup> In Bangladesh, under the duress of significant trade pressure,<sup>15</sup> the government began registering local trade unions, but organizers were attacked as they sought to move towards collective bargaining.<sup>16</sup> In Honduras, workers are routinely discriminated against for organizing and union leaders face tremendous pressures when they seek to engage in collective bargaining.<sup>17</sup>

## A strategy to change the industry through young women's leadership

There is growing recognition among civil society organizations that enabling young, first-time formal sector workers<sup>ii</sup> to stand up for their rights is critical to reforming the poor wages, unsafe working conditions and exploitation that occurs in the sector. Efforts to push governments to recognize freedom of association and collective bargaining, better enforce labor regulations, and protect the rights of workers must be complemented by the community-based work of empowering young women to organize themselves.

Responding to this imperative requires collaboration between women's rights

organizations and trade unions. Women's rights groups help place the infractions against individuals in a broader social and economic context and are better placed to advocate for equal treatment, motivate women's participation, and help ensure that women are protected from violence. Trade unions, while facilitating these causes, also empower women by bringing them together to take collective action.

Examples of this hybrid model already exist. In Bangladesh, for example, the Bangladesh Center for Worker Solidarity and Karmojibi Nari are two NGOs that have established community-based centers for women's rights and empowerment

<sup>ii</sup>Many apparel industry workers, especially young women, have already been working in the informal economy, but for most the apparel industry is their first formal sector employment experience.



training and maintain a collaborative working relationship with trade unions and organizers.

The model has been operating in Latin America since the 1980s. Women lawyers and rights advocates have been working through community-based organizations to provide basic legal training to women with a primary education. As these initiatives have joined with union organizing programs, the increase in women's leadership has been tangible. Two NGOs helped pioneer this approach: *Servicio, Desarrollo y Paz* (SEDEPAC) in Mexico and *Centro de Derechos de la Mujer* (CDM) in Honduras.<sup>iii</sup> The focus of these programs has helped women to organize and build networks of women human rights defenders and to file basic court cases – ranging from domestic violence, rape, and divorce to workplace sexual harassment and discrimination cases.

The strategies employed by these organizations contain several common elements, which are discussed briefly here.

#### ***“See, Analyze, Act”***

There are three phases to the training, where participants look at their experiences with a shared problem, analyze what they can do about it, and decide what actions to take. This road-tested popular education formula creates the fundamental building blocks for the course. As a result, the training goes far beyond awareness

raising or technical skill building. The ‘see’ component is meant to build on (not just build up) the knowledge of the course participants. It is critical that the women first realize their own expertise, so rather than start with lectures, the trainers facilitate a series of discussions about life experiences. Once participants understand the powerful knowledge of their experiences, the group then moves on to analyze the problem and the legal recourse available to them. Trainers help participants put the law into their own language and understand how they can use it. From that moment, the discussions of how to act happen with almost no prompting.

#### ***Connection to broader social justice movement***

The trainers in these programs tend to be active participants in the women's movement in their respective countries. The fact that the organizations that provide the course are also engaged in other social justice movements, especially the women's movement, is an important asset. This allows the trainers to root the training in broader support networks. In Honduras, for example, CDM adapted their course after the coup in 2009 so that they could include modules on citizenship and political participation.<sup>18</sup>

#### ***Grounding in law and legal processes***

The core technical modules of the training focus on relevant laws and legal processes. Legal grounding is critical to the empowerment of the women participating because it emphasizes

<sup>iii</sup>The author worked for SEDEPAC from 1991 to 1993 and provided technical assistance to some of the women's human rights defenders (defensoras populares) who graduated from the CDM program in 1996/97.

women's entitlements and the duty of the state to ensure those. Importantly, the training goes beyond a "know your rights" class. It focuses on how participants can organize and support each other in using the legal mechanisms available to them. Because these courses focus on strategies for claiming rights, they avoid some of the shortcomings often associated with 'life skills' training or programs to help women organize their lives better. Rather than convey a message that women should make more with what they have, the course galvanizes participants to demand the justice to which they are entitled.

This training model outlined here has enabled groups of trained defenders in both Mexico and Honduras to organize their own grassroots group of defenders. These grassroots coalitions of women human rights defenders have become well known within their communities, and women continue to call on them to intervene and process cases.

In Honduras, CDM has been running the human rights defenders course for more than 20 years and the women who have come out of those

trainings have become leaders and organizers throughout the social justice movements of the country. The course is generally offered in the northern industrial region of the country, where *maquiladoras* – free trade zones – and banana plantations are prevalent.

In the last five years alone, CDM has trained upwards of 450 women human rights defenders. The majority of the defenders, approximately

60 percent, work in the *maquiladoras*. Many of these young women initially come into the course through their contact with the unions, and as a result the unions now have approximately 150 of the defenders mainstreamed throughout their network.<sup>19</sup>

CDM's Program Coordinator, Yadira Minero, is careful not to claim credit

for what many would consider the impressive impact of their program. She insists that what the women's rights popular defenders have done after completing the course is all to the credit of the women leaders themselves. Nevertheless, the CDM-trained women human rights defenders have a strong presence and influence within their communities and their workplaces.

***“Efforts to push governments to recognize freedom of association and collective bargaining, better enforce labor regulations, and protect the rights of workers must be complemented by the community-based work of empowering young women to organize themselves.”***

Evangelina Argueta, the Coordinator of the *Maquiladora* Organizing Project at the *Central General de Trabajadores* (CGT), or Honduran Confederation of Labor, says the women who have completed CDM's defenders training have all become leaders in their trade union.<sup>20</sup> They are working as officers within their union or as organizers in other factories. The training has helped these women document and file sexual

harassment and discrimination cases. They are also better equipped to stand up for their peers, raise concerns directly with management, and identify issues that must be addressed by the union. Of the seven CGT trade unions that are registered in the Honduran *maquilas*, four of the presidents are women, and all four of these women are graduates of CDM's defenders training.

## Conclusion

The collapse of Rana Plaza in Bangladesh shone a spotlight on worker safety violations in the labor-intensive apparel sector. But the fact that a majority of those working in the factories, and in the apparel sector worldwide, are young women that also suffer wage discrimination, sexual harassment and other forms of exploitation is not adequately addressed. The benefits of working in the formal sector largely elude these young women.

If young women workers are to fully benefit from entering the formal sector, they require the skills necessary to organize themselves, tap support networks, and bargain for higher wages and better working conditions. While the Bangladesh Accord on Fire and Building Safety is a significant

advance beyond past initiatives that have been voluntary and confidential, more needs to be done in order to address the chronic challenges inherent in the industry.

Women's rights advocates and trade unions should take advantage of this window of opportunity – while the apparel sector is under heightened scrutiny – to build young women's leadership in the workplace. Enabling young women and girls to not only find formal sector jobs, but also take on a proactive role in organizing and defending their rights at work, can transform the pervasive practices in the apparel industry and generate better employment outcomes for its millions of workers.

*Judy Gearhart is the Executive Director of International Labor Rights Forum.*

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<sup>20</sup> Interview with Evangelina Argueta, Coordinator of Project Maquila for the CGT, August 22, 2014.



# THE NEW EGYPTIAN LABOR MOVEMENT

Giving youth a voice in the workplace

**Kristian Takvam Kindt**, Fafo Institute for Applied International Studies

## **Fafo Institute for Applied International Studies**

Fafo is an independent and multidisciplinary research foundation focusing on social welfare and trade policy, labor and living conditions, public health, migration and integration, and transnational security and development issues. Fafo works within both a domestic Norwegian and a larger international context. Fafo was founded by the Norwegian Confederation of Trade Unions (LO) in 1982 and was reorganised as an independent research foundation in 1993 with contributions from the Norwegian Confederation of Trade Unions, Norwegian Union of Municipal and General Employees and six major Norwegian companies. Fafo has offices in Oslo, Jerusalem and Beijing.

# EGYPT

139/148

JustJobs Index Ranking



49%

Labor Force  
Participation



34%

Youth Labor Force  
Participation



11.9%

Unemployment



35.7%

Youth  
Unemployment

**Source:** These data are ILO modeled estimates provided by the World Bank. Individual authors may use national estimates.

## Challenge

*Following the 2011 revolution and the recent years of political turmoil, young people in Egypt lack good job opportunities and the voice to advocate for higher wages and better working conditions.*

## Strategy

*The rise of independent trade unions is fostering a more stable environment for job creation and offering Egyptian youth a channel for voicing their demands.*



# THE NEW EGYPTIAN LABOR MOVEMENT

Giving youth a voice in the workplace

**Kristian Takvam Kindt**, Fafo Institute for Applied International Studies

The desperate need for more and better jobs for Egypt's youth is one of the key challenges confronting the country. Youth discontent was the spark that helped ignite the 2011 revolution, and if high youth unemployment and poor working conditions continue to persist, so will Egypt's social unrest and its economic woes. As Dewan et al claim in a report by the JustJobs Network, "Stability depends on whether Egypt's economy can generate enough "just jobs"—complete with appropriate remuneration, good working conditions, and opportunities for average citizens to make a better life for themselves and their families—to give the nation's new democracy the underpinning it needs to thrive."<sup>1</sup>

*"If high youth unemployment and poor working conditions continue to persist, so will Egypt's social unrest and its economic woes."*

This chapter examines whether trade unions can be a constructive actor to help generate more positive job outcomes for Egyptian youth.

Can they be part of the solution, and if so, how?

An examination of strike statistics and qualitative fieldwork in Egypt suggest that trade unions exert an important positive influence on employment outcomes in the Egyptian labor market.

They have the ability to improve work standards, build a more democratic and transparent industrial relations system, and provide an arena for youth to voice their grievances in a controlled environment rather than through

violent and unruly means. Although there are several challenges facing youth organizing in trade unions, supporting and strengthening

independent trade unions in Egypt will help improve the employment outcomes for youth in Egypt.

## Youth and trade unions in Egypt

Youth unemployment is high and rising in Egypt. Over 850,000 new young people enter the workforce each year, more than the Egyptian labor market is able to absorb. There is a poor match between skills and job opportunities, and the youth bulge is turning into a lost generation.<sup>2</sup> The situation for a large segment of the Egyptian population can be described with Singerman's term, "waithood,"<sup>3</sup> defined as a liminal phase between childhood and adulthood where quality jobs and opportunities are lacking. Youth find themselves in a situation where they are unable to "access the basic resources to become independent adults."<sup>4</sup>

An analysis of "waithood" and youth unemployment in Egypt has prompted scholars to propose various solutions: increasing private sector employment,<sup>5</sup> reforming the public sector,

improving the education system,<sup>6</sup> and changing the job preferences of Egyptians from the public to the private sector.<sup>7</sup> Very few<sup>i</sup> of the proposed strategies mention trade unions as a possible ally to improve job outcomes – both the quality and quantity of jobs – for youth. Those who do mention trade unions as an actor do not engage in an analysis of exactly how trade unions can help improve job outcomes and their current role in doing so.

***"Fostering democratic reform, promoting stability, and preventing conflict in Egypt will require jobs but the jobs must be "just jobs." Reinforcing the region's trade union movement is vital to this goal."***

There are several possible reasons why trade unions are neglected in policy initiatives aimed at improving

job outcomes for youth. First, there was no real labor movement in Egypt until recently. The state-controlled Egyptian Trade Union Federation (ETUF) was the only recognized trade union federation and did not function as an arena for representation of workers, but was

<sup>i</sup> A notable exception is (Dewan, Hairston, and Bernhardt 2012)

rather a government instrument to keep worker discontent in check.<sup>8</sup> Since 2006, however, Egypt has seen a huge wave of strikes, with over 4,000 since the revolution in 2011.<sup>9</sup> Over a thousand new unions, independent of the ETUF framework, have been created, and two new federations representing the independent trade unions have emerged.<sup>10</sup>

Second, some argue that trade unions are obstacles to development in the sense that their demands create an environment where businesses are not able to operate predictably. By this logic, trade unions disrupt possibilities for foreign direct investment, and thereby employment creation.<sup>11</sup> Other studies rebut this conclusion; as Dewan et al argue: “Fostering democratic reform, promoting stability, and preventing conflict in Egypt will require jobs but the jobs must be “just jobs.” Reinforcing the region’s trade union movement is vital to this goal.”<sup>12</sup>

## Decent work standards

One of the most important contributions of Egypt’s independent trade unions is their fight for decent work standards and better quality jobs. The poor quality of work in Egypt is as pressing a problem as the dearth of employment opportunities. As Dewan et al claim,<sup>15</sup> national

The rise of new independent unionism in Egypt lends itself to examining the role of trade unions in stemming youth unemployment and improving working conditions for young people. This chapter outlines three ways in which trade unions in Egypt contribute positively to job outcomes for youth. The final section discusses the challenges the trade union movement faces in order to utilize its potential as an ally in the struggle to help Egyptian youth find better jobs.

The following analysis is based on qualitative fieldwork among young trade union activists in Egypt in 2012, 2013, and 2014.<sup>13</sup> The fieldwork consisted of interviews with leaders in the two independent trade union federations, local union organizers, and members of trade unions. This chapter also draws on articles and data from a strike statistics database containing information on number of strikes, type of strike, and demands raised.<sup>14</sup>

labor statistics “don’t capture the many people that show up in labor statistics as being employed when in reality they are underemployed, sharing low-productivity work, or are in other forms of irregular employment. Such individuals are not gainfully employed.”<sup>16</sup> Similarly, Rousdy argues

that “although younger cohorts are getting jobs faster than their older counterparts, the quality of these jobs is deteriorating significantly.”<sup>17</sup> In 2012, it was estimated that 51 percent of the labor force was employed in the informal sector in Egypt without labor rights, or supervision of the quality of their jobs.<sup>18</sup> Fighting for more decent work standards therefore becomes an important step in order to ensure that youth have gainful employment.

One way to investigate the trade unions’ performance on this issue is to look at the type of demands that are raised. **Table 1** shows reasons

for strikes in Egypt in 2012. The vast majority of these demands are local, workplace-specific demands such as higher wages, more bonuses and job security. Some analysts argue that the trade unions should develop more politically oriented demands in order to be constructive players on the national political scene.<sup>19</sup> But organizing young workers around local demands such as wages and job security is an essential step in improving quality of work.

No official statistics exist on how many of their demands have been satisfied, but evidence from the field shows that these strikes led to

Table 01

### Demands Raised by Striking Workers in Egypt (2012)

| Demands raised by striking workers in Egypt (2012) | Number of protests / strikes | Proportion of Total (%) |
|--|------------------------------|-------------------------|
| Wage or bonus increase                             | 708                          | 36.0                    |
| Improvement in work security                       | 380                          | 19.3                    |
| Protest against employees being fired              | 108                          | 5.5                     |
| Poor treatment from management                     | 71                           | 3.6                     |
| Corruption in the management                       | 111                          | 5.6                     |
| Protest against closing factories                  | 29                           | 1.5                     |
| Delayed payment or promotion                       | 114                          | 5.7                     |
| Other  | 448                          | 22.3                    |
| <b>Total</b>                                       | <b>1969</b>                  | <b>100</b>              |

**Source:** Amin al-Din, Nadeem. 2013. *al-’ihtigāt ‘al-’umāliyya fi masr 2012 (Workers Protests in Egypt 2012)*, edited by Nadeem Amin al-Din. Cairo, Egypt: Egyptian Center for Social and Economic Rights

several concessions by employers in a number of workplaces. Many of those interviewed noted that trade union involvement has actually helped increase their wages and made working conditions safer. For example, as Ali, a young transportation worker who participated in all strikes that took place after the revolution, said: “Before we did not earn anything, but now we can soon live off our wage.” Similarly, Hassan, a young doctor participating in the doctors’ strike, stated: “Our hospitals are garbage. But this strike actually enables us to get more medicine, to say when we lack equipment. The unionists are really helping to improve the situation.”

After pressure from unions, the government has also decided to raise the minimum wage<sup>20</sup> – an

achievement that would not have been realized without a unified stance from unions. While enforcement of the minimum wage remains a challenge, the new law is an important step and an example of how union pressure can be effective. A number of fresh strikes are now demanding the implementation and enforcement of the new minimum wage law.<sup>21</sup>

In addition to improving the quality of jobs and wages for workers, a focus on raising wages may also be beneficial for job creation in Egypt. Through higher wages, workers begin consuming more, fueling aggregate demand that in turn reinforces economic dynamism and growth.<sup>22</sup>

## Democratic industrial relations system

Trade unions can also play a role in creating better job outcomes for youth through building a more democratic industrial relations system. A democratic and transparent industrial relations system is universally acknowledged as an important step for creating just jobs.<sup>23</sup> As the ILO clearly states, without social dialogue and real representation, it is impossible to design policies adapted to the needs of young people. As Dewan et al argue, “workers must have the right to

freedom of association and collective bargaining so that they can be a force in propelling Egypt’s economy forward and in claiming their fair share of its prosperity.”<sup>24</sup>

In the Egyptian legal framework, freedom of association for unions is not fully recognized. A draft for a trade unions freedom law has existed since March 2011, but successive governments have shown little interest in passing and

implementing it.<sup>25</sup> Instead of waiting for the freedom of association to be granted by law, the trade unions are enforcing freedom of association bottom-up. Two concrete examples illustrate this.

The public transportation workers – a group that was followed closely in the fieldwork – were one of several hundred groups of workers who created an independent union in 2011. As opposed to the old ETUF - affiliated union, the independent union conducted fair elections.<sup>26</sup> Even though the independent union was not legally recognized, it fought its way to become the de facto representative of public transportation workers. During a strike in September 2011, the employer tried to negotiate a deal with the state-controlled union and called off the strike.<sup>27</sup> The Independent Transportation Workers refused to accept this deal, since they were not present in the negotiations. They resumed their strike.<sup>28</sup> After one more week the employer agreed to negotiate with the Independent Transportation Workers, and reached a deal.<sup>29</sup> As one of the leading activists in the union said, “We don’t have time to wait for changes in legislation. We fight to implement our rights from below.” On subsequent occasions, the employers consulted with the Independent Transportation Workers. This anecdote reflects how social movements, rather than legislation,

have brought about changes in Egypt’s industrial relations system.

The organizing efforts of Egyptian doctors provide another example of how Egyptian trade unions have helped democratize industrial relations. The doctors did not form an independent syndicate but chose to work from inside instead, forming a group called “the independent current” within the ETUF affiliate. In many instances, these independent doctors forced the syndicate to behave by democratic rules. First, they managed to push through the first elections in the doctors’ syndicate in over twenty years.<sup>30</sup> Second, they

***“We don’t have time to wait for changes in legislation. We fight to implement our rights from below.”***

*- Leader in the Independent Transportation Workers union*

managed to mobilize doctors to participate in general assemblies in the doctors’ syndicate. These general assemblies constitute the highest authority in the syndicate, and decisions such as whether to go on strike now come up for debate and voting in these forums. The participation rates in the assemblies were at an all time high in 2011 and 2012, which in itself is important for the legitimacy of the democratic process within the syndicate.<sup>31</sup> And third, the independent current functioned as guarantors of democratic conduct during the general assemblies.

Some of the interviews with the doctors’ union described how the Muslim Brotherhood-affiliated

syndicate leadership attempted to trick the Independent Doctors by breaking democratic rules during general assemblies. On several occasions the leadership tried to invalidate their votes or hinder them from entering the general assembly. Essam El-Erian, who led some of the assemblies, also refused to sign decisions for strikes even after they were approved by a vote. The Independent Doctors fought this on every occasion and made sure that the syndicate abided by the rules. They also showed commitment to democratic rules through accepting losses. When the Independent Doctors did not win a majority for a demand or strike action in the general

assembly, they accepted it. When the Muslim Brotherhood won the majority of votes in the syndicate elections, they accepted it.

These two examples demonstrate how independent unions in Egypt are essential actors in ensuring a democratic industrial relations system. A transparent industrial relations system, if allowed to develop, would create a more favorable investment climate while at the same time ensuring that the interests of workers, especially the nation's frustrated youth, are represented and that their concerns can be voiced more effectively than in the past.

## A channel for voicing discontent

Youth discontent, especially over socioeconomic conditions, sparked the 25<sup>th</sup> January revolution in 2011. Youth grievances must be addressed in order to provide greater social and political stability in the nation. In 2011, the only channel youth found to voice their concerns was street protest. These street protests led to important changes, but the political scene is arguably as undemocratic now as during the Mubarak era, leaving little hope that youth will be able to voice their concerns effectively through party politics in the coming years. In the absence of meaningful political participation, trade unions are becoming an arena for putting forward grievances. In this way, they have the potential to foster more social stability.

Interviews with young members from a number of different unions point out that independent unions actually give workers a sense of agency, a feeling that they are able to change their economic situation for the better. Respondents stated that the independent union has made it easier to voice their grievances, and all expressed that their work situation had gotten better in recent years. They appreciated the concessions the administration gave, the increase in bonuses, and better working conditions. They felt that they had someone to turn to, someone to complain to and that the independent union was actually helping them change their workplace for the better. This finding is confirmed by the fact that the membership numbers in the independent

union are rising, and that the strikes initiated by the unions have gained increasing support over the last two years.

Trade unions can offer something that street protests cannot: direct influence over one's work situation. The fact that trade unions are developing into platforms to voice dissent might have a stabilizing effect. As Teitelbaum argues with evidence from the Sri Lankan context: "Repression of unions may backfire, creating bursts of highly visible and destabilizing protests that undermine the developmental objectives of neoliberal reform."<sup>32</sup> In other words, increasing youth participation in unions is a way towards stability, not increased tension, which can create a more attractive environment for investment and job creation.<sup>33</sup>

### ***The remaining challenges***

Although trade unions in Egypt contribute positively in these respects, it is important to mention the major challenges that still hinder them from being more constructive.

The four most important challenges are:

1. *Internal cleavages within the trade union movement:* Five different federations have been created for independent unions since the 2011

revolution, and there are personal and political conflicts within several of the local unions. It is difficult, therefore, for national and international actors to understand with whom they should engage.<sup>34</sup>

2. *Lack of legal recognition for the unions:* Even though the unions have seen some success mobilizing and bargaining on their own, the lack of full legal recognition makes it difficult for the unions to collect union dues, and allows for the possibility that unions could be shut down because they are not operating within the limits of the law.<sup>35</sup>

3. *Lack of awareness among some youth of the importance of trade union work:* All the interviews conducted suggest that there is a lack of awareness among youth of the importance of trade union work. This makes the recruitment of youth into trade unions difficult.

4. *The informalization of the labor market:* Egypt's large and growing informal sector, to a large extent, is outside the reach of trade unions. And the informal sector tends to be where many young people find employment.<sup>36</sup> As of yet, the independent trade unions have not devised a successful strategy for including the informal sector in their work.

***“Trade unions can offer something that street protests cannot: direct influence over one’s work situation.”***



## Conclusion

A lack of high-quality job opportunities for youth remains one of Egypt's biggest challenges. Addressing this crisis is not only important for young people, but an absolute necessity if Egypt is to stabilize and recover economically and politically.

Extensive fieldwork carried out over three years points to three ways in which independent Egyptian trade unions have made a positive contribution in addressing this challenge. The trade unions have fought and have in many instances succeeded in implementing decent

work standards; they have been key players in enforcing a more democratic industrial relations system; and they have provided a platform for youth to voice their grievances in an organized manner, rather than through violent protest. The effect of these contributions is higher quality jobs and a more stable and predictable work environment, which can create a better climate for investment and promote the creation of more jobs. Trade unions are not a panacea, but they serve as an important channel through which Egyptian youth can play an active role in improving their employment outcomes.

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