

BRINGING YOUTH INTO LABOR MARKETS:

Public-Private Efforts
amid Insecurity
and Migration

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FOREWORD

Social spending and transfer programs—along with overall improvements in economic management—have helped to reduce inequality in Latin America and the Caribbean. But the region is still the most unequal in the world. This endemic inequality constrains economic growth and represents a significant challenge for socioeconomic development.

One result is the growing phenomenon of *ninis*—youth who neither study nor work (*ni trabajan, ni estudian*)—and the serious policy implications they present for business, government and society as a whole. With that in mind, this Americas Society white paper furthers the discussion on youth labor market access by highlighting innovative private-sector programs that promote youth employment as well as public policy efforts to foster opportunities for young workers. Our findings provide insight on how to structure innovative partnerships and institutional arrangements.

This paper is part of a larger effort where Americas Society, with support from the Ford Foundation and leveraging the relationship with its affiliate organization Council of the Americas, is helping to draw attention to under-served populations by presenting new research and promoting fresh debate on how the public and private sectors can address systemic problems of social inclusion. Reducing exclusion expands markets, promotes economic and political stability, and fosters economic growth. In addition to work on labor markets, we are also conducting research on increased political participation of marginalized groups and on access to education and health care. The Americas Society Social Inclusion initiative involves in-country research, white papers, a forthcoming (Spring 2012) issue of *Americas Quarterly* dedicated to social inclusion, and private roundtable meetings and public conferences.

This white paper builds on the initial findings of Americas Society's research on youth labor market access in 2011, *Taking Youth to Market: Expanding Formal Labor Market Access through Public-Private Collaboration*. The report examined initiatives to reduce youth unemployment and underemployment in Colombia and Peru—two countries with above average GDP growth but with chronically high youth unemployment. That white paper issued the following early recommendation based on the Colombian and Peruvian cases: governments and the private sector should develop formal means to communicate labor needs and to shape worker-training curricula; legislation should address labor market inefficiencies; special attention should be paid to the needs of high-risk young adults; business models should

leverage the unique skills of young workers to add social value and improve the bottom line; youth labor market access programs should be catalogued to encourage collaboration and to promote new initiatives; and the donor community must remain involved.

To broaden the scope of our research, this white paper presents the findings and conclusions of research focused on the particular cases of Mexico and El Salvador, countries grappling with youth unemployment amid insecurity and migration. It looks at innovative practices in fostering youth access to labor markets, with many of these efforts being driven both by the benefits to the business bottom line and the corresponding social value. We are not seeking to evaluate individual programs, nor is this an exhaustive typology of cases. Instead, our goal is to examine innovative solutions that address the key challenges for reducing youth unemployment and underemployment common in Mexico and El Salvador.

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Matthew Aho, Americas Society manager of policy, and Jason Marczak, director of policy, led this second phase of the market access component of our Social Inclusion Program. Our in-country counterparts include Karla Segovia, an independent consultant and researcher in San Salvador, El Salvador; and Tatiana Petrone, an independent consultant and researcher in Mexico City, Mexico. Christopher Sabatini, senior director of policy, oversees the Social Inclusion Program and Richard André, policy associate, collaborated in the first phase of research.

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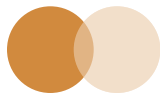
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INTRODUCTION

Latin America and the Caribbean weathered the global economic slowdown relatively well, with many countries—buoyed by sound macroeconomic policies and high commodity prices—registering GDP growth that helped the region to become a leader in the world economic recovery. Of particular importance for Americas Society’s market access work, Peru and Colombia (the case studies for the first phase of the research) maintained positive GDP growth during the worst year of the crisis in 2009; whereas Mexico and El Salvador (the focus of this white paper) returned to positive growth in 2010 and 2011 after contracting in 2009.

This return to growth has had a positive influence on employment. According to the International Labour Organization’s (ILO) *Panorama Laboral*, urban unemployment in the region decreased to 6.8 percent in 2011—a figure economists believe is a historic low. Data for 2011 show encouraging trends for regional employment, and most forecasts predict unemployment numbers to continue dipping slightly in 2012.

These advances mask the particular challenges facing the region’s youth as they seek to enter the formal labor market. Overall, in a region where 16-to-24-year-olds comprise nearly 20 percent of the population, youth unemployment is nearly triple that of the adult population. The data is even worse for those at lower income levels or with fewer opportunities than their peers; for example, unemployment or underemployment is the reality for 60 percent of youth with nine years or less of education. Further, on average, 60 percent of young adults only have access to jobs in the informal sector. According to ILO Regional Director for Latin America and the Caribbean Elizabeth Tinoco, “The economic and social progress of recent years is unsustainable if policymakers don’t face the challenge of creating better opportunities for young people.”

Besides the bleak prospects for their socioeconomic future and ability to play vital roles in the region’s growth, these youth are at a higher risk of joining gangs or of being forced to migrate to look for new opportunities—challenges faced in Mexico and El Salvador.

Young workers face a unique set of widely recognized employment challenges. Low levels of education and vocational training, a lack of prior work experience and inflexible labor laws are all barriers to youth employment. Further, labor market studies show that firms often lay off young workers first, since companies have invested less time and money in their training and they possess fewer firm-specific skills.

“ The economic and social progress of recent years is unsustainable if policymakers don’t face the challenge of creating better opportunities for young people. ”

Successful efforts to reduce youth joblessness require a multifaceted approach. Governments, for example, can promote youth employment by codifying tax incentives that reward companies for hiring young adults, by funding public works projects that employ young workers, and by reforming school curricula to more accurately reflect the skills demanded by the labor market. But effective solutions must involve private-sector participation and public-private dialogue on how to improve labor market conditions.

That is why this white paper focuses on private-sector-led initiatives that address three of the key challenges for reducing youth unemployment and underemployment in Mexico and El Salvador: narrowing the mismatch between the skills young workers possess and those labor markets demand; fostering opportunities for entrepreneurship; and designing efforts to specifically support at-risk/disenfranchised youth. Although additional programs to foster youth employment exist in each country, this white paper focuses on those programs that are either most representative of the problem they seek to address or may not be as well known as similar efforts.

Rather than analyzing corporate social responsibility programs and other philanthropic efforts, this study focused on programs driven both by the benefits to the business bottom line—whether in productivity, sales and/or marketing—and the corresponding social value for the community at large and, in particular, young workers.

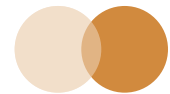
Prior research examined Colombia and Peru given their sustained growth throughout the global economic downturn and the corresponding reductions in 2010–2011 in overall unemployment and youth unemployment. In contrast, economic contraction was observed in 2009 in both Mexico (6.1 percent decline) and El Salvador (3.1 percent), with each country registering youth unemployment rates above the regional average. Further, the Mexican and Salvadoran economies both rely heavily on U.S. economic performance; both have witnessed a surge in recent years of drug- and/or gang-related violence; and the two countries have large at-risk youth populations—gang members

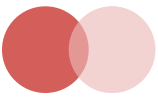
and former gang members in the Salvadoran case, and returning migrants in the case of Mexico.

The contextual implications of narcotrafficking and gang violence in Mexico and Central America add urgency to these policy discussions; unemployed young adults are ripe for recruitment by drug trafficking organizations and gangs. That is why the term “national security” is now sometimes used within the context of youth employment.

Although this white paper focuses on only two countries, it is important to bear in mind that the efforts discussed here and the lessons learned can be adapted elsewhere. The examples highlight how the business community can be proactive in creating a pipeline of young, skilled workers. But these workers need jobs, and while government is limited in its ability to create employment opportunities directly, it can foster a regulatory and legislative environment that facilitates private-sector job creation.

Youth labor market access is critical for a country’s future and for creating more sustainable and equitable growth across the region.





MEXICO:

Businesses Opening the Door while Trying to Keep Talent at Home

Of all the major economies in Latin America, Mexico's was arguably the most adversely affected by the global economic downturn. Close ties to the beleaguered U.S. economy and a major drop-off in tourism revenues due to drug violence and other factors led to a 6.1 percent contraction of GDP from 2008 to 2009. Growth recovered to 5.4 percent in 2010 and was projected to reach approximately 3.8 percent in 2011. Despite the return to growth, overall the urban unemployment rate of 5 percent has yet to return to pre-2009 levels.

As in much of Latin America, unemployment among youth is 2.4 times higher than that of the adult population, and there remain major challenges to youth labor market access. This is significant in a country where nearly one-third of the total population falls within the 12–29 age range. In 2011, while the youth unemployment rate dropped more than the adult rate in Brazil, Chile, Colombia, Panama, and Uruguay, in Mexico youth unemployment actually increased while adult unemployment decreased. At the same time, in urban areas 1 in 10 Mexicans between the ages of 15 and 24 was unable to find work, compared to 1 in 25 adults.¹

According to a 2005 survey, *Encuesta Nacional de Juventud*, a challenge for young workers who find jobs is that the positions are low paid and often incompatible with young workers' skills sets.² Of young people who found work, 27 percent said that they only accepted the job because it was available. This figure highlights that, when faced with the need to work, young people will accept any job regardless of whether it is the position they desire or are prepared for academically. This carries broad implications for their career trajectory.

Mexico's recent lackluster economic performance and the limitations of its public education system have led to an increase in the number of young people who neither study nor work (referred to as *ninias*) in the formal sector—an estimated 7.5 million young Mexicans.

This situation is complex. Mexican youth are heterogeneous. Their opportunity to develop work skills, their access to educational opportunities and their exposure to risks such as violence vary by income level, geographic distribution and gender.

Mexico's poor economic performance over the last decade is often blamed for its challenges in bringing job-seeking youth into the labor market. But

other factors also limit labor market access: low education rates (more than one-third of the population is estimated to be without primary or secondary education); the skills disconnect between higher education and formal labor markets; the overall high rate of unemployment (creating greater competition among job applicants); the prevalence of informal markets; and a high rate of teen pregnancy.

Another employment problem facing young people is their limited or complete lack of access to social security. According to the ILO, the number of Mexican youth in the informal sector who do not receive social security and other benefits established in the *Ley Federal de Trabajo* (Federal Work Law) reached 3.5 million in 2008 and 3.7 million in 2009.



Public Sector and Legal Framework

In response to high youth unemployment rates, Mexico's federal government has created a number of programs focused on young people. The *Programa del Primer Empleo* (First Job Program), launched in March 2007, is designed to incorporate recent graduates from universities and technical and professional schools into formal job markets. The program uses tax incentives to encourage companies to create new permanent positions for young adults who lack formal work experience. The deductions apply to Mexico's *Impuesto Sobre la Renta* (ISR) tax and provide for a 40-percent reduction on general ISR rates. The program also allows eligible employers to avoid paying employee-employer quota fees for the first year they participate in the program.

To qualify for tax rebates, the employer must comply with a series of government requirements. Among them is the requirement that new jobs be active for at least 36 continuous months. Employers must also register employees with the Mexican Social Security Institute and provide legal benefits to all employees.

According to President Felipe Calderón, the program has benefited 83,000 individuals and is now extended through 2012.³ Still, critics including Presburger Solomon, president of Mexico's largest business association, *Confederación de Cámaras Industriales*, said in February 2011 that the program is effectively "dead" because it creates few real hiring incentives for businesses.

Another program, *Bécate*, encourages unemployed and underemployed youth (older than age 16) to sign up for short-term training courses. The program is divided into different classes that try to fulfill students' specific needs. For example, the *Capacitación en la Práctica Laboral* (Practical Work

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Training) course focuses on unemployed young adults between the ages of 16 and 29 who have recently graduated from a technical or professional school, but who require more work experience to enter the formal labor market. *Bécate* provides short- and long-term benefits to participants, offering a 2,000-peso (\$160) stipend for students who complete the course and helping students throughout their job searches.

Jóvenes con Oportunidades (Youth with Opportunities), launched in 2003, provides financial incentives for students to complete *la educación media superior* (last three years of high school) in less than four years and before they reach age 22. They are also required to register with *Programa Oportunidades* and submit proof of school attendance every semester. It is popular nationwide and has benefited more than 790,000 people.



The Three Cases – Facilitating Inclusiveness

Still, the range of Mexican government programs to boost youth employment has not contained jobless rates. That is why one of the main goals of this research is to identify private-sector-led initiatives that facilitate youth labor market access and complement existing government efforts to combat the problem. Each initiative addresses different barriers to formal job markets including: skill-building, which helps young people better insert themselves into the labor market; the promotion of entrepreneurship; and efforts to increase access to labor markets for more vulnerable populations, such as women and repatriated migrants. Given the similar youth unemployment challenges and the existence of specific groups of disenfranchised youth in both Mexico and El Salvador, this section—as well as the following one on El Salvador—looks at programs in each of the three areas described above. The cases are presented under cross-cutting themes to provide a comparative snapshot of how each challenge is being addressed in each country.

EDUCATION/TRAINING TO ADDRESS THE SKILLS MISMATCH – MANPOWERGROUP AND CISCO SYSTEMS, INC.

Despite an abundance of jobless young workers in Mexico, 2010 survey data from more than 2,000 Mexican companies show that 43 percent of employers report difficulty in filling open positions—well above the survey’s regional average of 34 percent.⁴ This applies not only to highly skilled positions for which only experienced adult workers would qualify, but also to positions such as sales representatives, office support staff and receptionist positions that would appear well-suited to younger applicants.

Among the greatest obstacles to fuller employment in the region are the gaps that exist between the skills young workers acquire in school and those in highest demand. Helping young workers develop skills that allow them greater access to formal job markets is a fundamental missing link in the labor supply-demand chain. According to survey data, companies often view young applicants as underprepared for formal jobs not only in terms of their hard skills, but also “soft skills” such as emotional intelligence and communication abilities.

ManpowerGroup and Cisco Systems, Inc. are striving to bridge these skills gaps through programs that provide hands-on and/or virtual training and accreditation. ManpowerGroup’s *Vinculación Académica* (Academic Linkage) works to interpret labor market demand in real time and connect the needs of employers to graduates of Mexican academic institutions with the ultimate goal of reducing talent scarcity in the labor market. To do this, the program forges connections between government employment promotion agencies, public and private secondary schools, universities and technical and/or vocational schools, and hundreds of private companies in ManpowerGroup’s databases.

ManpowerGroup’s program works from different angles: the first relates to the role of the company as a potential space for training, professional practice and social service that guides youth and provides them with a platform for development. Additionally, the role of the government—through different federal authorities such as the Secretariat of Public Education—can certify young people and educational institutions which, in conjunction with ManpowerGroup’s business units, can obtain information and develop plans of action and curricula in line with what companies are seeking.

ManpowerGroup offers students enrolled at all *Vinculación Académica*-affiliated schools information on local labor market demands, advice for improving their employability and the ability to participate in jobs fairs and

talent-search programs. The company also works with affiliated schools to help develop strategies to offer coursework and certifications in competencies that are in high demand by the local labor market. To date, the program has placed 14,395 young people in mid-level jobs and 8,178 people in more advanced positions throughout Mexico.

Cisco Systems, Inc.'s Networking Academy is a comprehensive information and communications technology training program that teaches students how to design, build and secure computer networks. It combines live and Web-based classes, student evaluations, instructor support and training, and exam preparation for industry-standard technology certifications.

Young workers' lack of accreditation and certifiable skills is one of the biggest barriers they face in entering formal job markets. According to a 2008 global survey of IT managers and recruiters conducted by Cisco, certifications follow university degrees as the single most important qualification used to determine job readiness, and are at the top of the list when determining a candidate's ability to perform a job.

The Cisco Networking Academy is global—classes are available at approximately 9,000 locations in 165 countries around the world—but Cisco in Mexico has made unique efforts to involve disadvantaged youth. First launched in Mexico in 1998 in collaboration with *Universidad Nacional Autónoma de México* (UNAM), the Academy has since established programs with more than 520 institutions nationwide and offered courses to nearly 160,000 students.

To reach students, the Academy establishes partnerships with schools, universities, businesses, nonprofits, and government organizations and works to customize coursework to meet each partner's needs. Cisco provides the curriculum, teacher training, support and a virtual community, while the educational institution provides instructors, physical space and Internet access. Curricula range from basic classes that introduce students to the fundamentals of networking to advanced skills for installing, configuring and repairing major commercial and public-sector networks.

Students who complete Networking Academy-affiliated coursework are often eligible to test for industry-standard certifications that are widely recognized by employers in the technology sector. According to Cisco, 22,000 Networking Academy students have gone on to achieve accreditation after their studies.

Student access to the Networking Academy varies. For instance, in the case of the Academy's ongoing program at UNAM, students are required to

“ManpowerGroup works with schools to offer coursework and certifications in competencies that are in high demand by the local labor market.”

apply for advanced Cisco-affiliated classes that are only open to applicants with outstanding academic records. Elsewhere, such as in secondary schools and in partnerships with vocational schools, enrollment is left open.

But, beyond more conventional partnerships with universities, institutes and vocational schools, the Academy in Mexico also has established alliances with businesses, government agencies and community organizations to expand the reach of their programs and to support young people who have limited access to educational resources.

One such Academy initiative began in 2008 in collaboration with the national Secretariat of Health’s *Centros de Integración Juvenil* (Youth Integration Centers), which provide treatment to young adults who are struggling with alcoholism and addiction. According to Rebeca De La Vega, a Cisco Networking Academy administrator, the basic classes are open to students nearing the end of their treatment periods and are part of a larger health ministry effort to help young addicts reintegrate into society through education. Academy classes are currently available at 10 centers in Mexico City and at centers in San Luis de Potosí and in the north-central state of Hidalgo. De La Vega says that approximately 100 students have completed the programs and that there are cases of students who have become self-employed—and even started businesses—as a result of the program. Cisco plans to expand its collaboration with the Ministry of Health.⁵

In addition to working directly with government ministries and with local, state and federal governments, the Academy has partnered with civic groups, such as Mexico’s Boy and Girl Scouts. Its collaboration with *Fundación Código Ayuda*, which works with homeless youth, has resulted in basic computer classes being offered as part of the foundation’s outreach strategy.

Mexico suffers from significant skills gaps across a number of sectors. The Networking Academy’s more than decade-long experience training Mexico’s next generation of networking as well as information and communications technology professionals has helped thousands of young workers. Still, demand for workers in the technology sector and elsewhere continues to outstrip

supply—even in an environment of high youth joblessness. The Networking Academy is one clear example of an effective and scalable program that engages private companies, national and regional governments, as well as civil society actors to facilitate youth labor market access. But scaling up training efforts will require major public- and private-sector investments in education and skills training.

DEVELOPING ENTREPRENEURIAL SKILLS IN VULNERABLE COMMUNITIES — DANONE/SEMILLA

For much of Mexico’s young labor force, informal employment is the only available option. This is especially true for young women. In fact, 45 percent of Mexican women between the ages of 15 and 24 who have managed to find jobs are employed in the informal sector and lack access to the basic social safety nets that formal employment provides. Nationwide, 12.5 million Mexicans do not have access to any form of social safety net.

Creating formal jobs—particularly for young women living in vulnerable circumstances—was the motivation behind the creation of *Semilla*, a Mexican NGO launched in 2007, as the third party in a partnership with the NGO *Cauce Ciudadano* and the dairy conglomerate Danone de Mexico. *Semilla* was designed to create a win-win relationship between a NGO with close ties to marginalized communities on the northern outskirts of Mexico City and the for-profit subsidiary of French yogurt and dairy products giant Danone. Under the program, *Semilla* committed to the recruitment and training of Danone yogurt and dairy product distributors, who would sell door-to-door in neighborhoods underserved by Danone’s existing distribution networks. In return, Danone agreed to create formal-sector jobs that paid a base salary, plus 12-to 15-percent commissions on individual distributors’ sales. Ninety percent of distributors are women and over 60 percent are under 30 years old. All distributors are formally employed, and thereby eligible for social security and other social safety nets. *Cauce Ciudadano* played a crucial role in initial recruitment efforts and provided basic skills training to *Semilla* distributors.

What began as a nonprofit initiative in 2007 to create formal, entry-level employment for about 150 distributors has since involved into a financially sustainable, symbiotic business partnership between *Semilla* and Danone. In September 2011, *Semilla* converted its legal status into a multi-tiered, for-profit enterprise. At present, more than 450 employees earn 4,500 to 5,000 pesos (\$350 to \$390) per month for 7- to 8-hour workdays at three different employment levels. Tier-one employees are still the on-the-ground distributors upon

which the enterprise was founded, but the company now also has positions for more experienced workers, who handle employee training and business administration. Through this program, Danone has expanded its distribution to five municipalities.

Since *Semilla* has proven both effective at creating new jobs and at turning profits, plans are in the works to expand the program. According to Carlos Cruz, director of *Cauce Ciudadano*, market analysis is currently being performed to target new communities; the long-term goal is to employ up to 4,000 people by 2016.⁶ Plans are also underway to expand the trilateral relationship to include new civil society organizations, as well as state and federal government offices. Based on the program's success, Danone de Mexico received the Mexican Center for Philanthropy's 2011 award for Best Practices of Corporate Social Responsibility in the category of Community Links.

More on Entrepreneurship

According to the 2005 *Encuesta Nacional de Juventud*, only 22 percent of Mexican youth have considered starting their own business. Of the few that have tried, 53 percent were unable to start their business, 30 percent began operations only to see the business fail, and only 14 percent managed to set up the business and keep it running. Entrepreneurship is a well-established generator of employment worldwide, which means that Mexico's survey data have important implications. Mexican youth, on average, appear to be less entrepreneurial than their regional counterparts, and, of the small percentage of young entrepreneurs who do start business, only a very small fraction succeed.

Mexico's *Fundación ProEmpleo* is one successful support mechanism for young entrepreneurs. Created by the business community to accelerate job creation, *Fundación ProEmpleo* focuses on developing new businesses that strengthen gross domestic product, boost nationwide productivity, improve the quality of life, and help to build a culture where people are well equipped to be entrepreneurs.

Through training that includes topics from human development to business-plan assembly, young people have the chance to move on to an incubator or, in the case of companies already created, to form part of the Center of Business Development. This is a valuable step toward publicizing their work and participating in the Mexican federal government's *Semana PYME* (Small and Medium-Sized Enterprises Week), an important event for small businesses. The final stage of the program aims to keep the business up to date

through workshops with businesspeople who offer free consultations and advice.

After 16 years of operation, *Fundación ProEmpleo* has so far empowered more than 47,432 entrepreneurs who have managed to start and improve more than 18,000 small businesses. Nearly 30 percent of these businesspeople are between 18 and 30 years of age.

TARGETING DISENFRANCHISED YOUTH (RETURNING YOUTH MIGRANTS) — MATT

Yo Soy México was created by *Mexicanos y Americanos Trabajando Juntos*, (Mexicans and Americans Thinking Together—MATT), a binational organization created in 2006 to strengthen U.S.–Mexico relations. Launched in 2011, *Yo Soy México* is the first civil society program to work with federal and state governments as well as private businesses to help find jobs for Mexican migrants that have recently returned from the United States. In the fourth quarter of 2007, for example, return migration totaled 133,490, while it dropped slightly but remained high during the same period in 2008 (95,238).⁷

The program is specifically designed for young Mexicans (half of all returning migrants are between ages 17 and 29); the goal is to connect those who return with job opportunities in their communities of origin or, when necessary, in other communities where better employment options exist. MATT actively recruits prospective returning migrants from Mexican government repatriation centers in the northern Mexican states of Mexicali and Tijuana.

Although the *Instituto Nacional de Migración* (National Institute of Migration) and some U.S.-based organizations have attempted to collect statistics about returning migrants in Mexico, it is quite challenging to collect data about past employment. This makes it difficult to connect these job-seeking youth with available positions. MATT and the *Centro de Investigación para el Desarrollo* (Center of Research for Development—CIDAC) have recently developed a quantitative study to better understand this profile and to facilitate young returning Mexicans' entry into the job market. Most recently, CIDAC developed a partnership with Texas A&M University to develop an online English teaching and certification system to help certify the language skills of returning migrants in order to increase their appeal to potential employers.

Although the initiative only began last year, the results are promising. To date, *Yo Soy México* has managed to forge alliances with companies such as

the steel mining corporation Altos Hornos de México, where 23 recently returned migrants are working as welders and an additional 14 people are currently in training. Similarly, the government of the state of Puebla is considering a strategy to place 48 repatriated citizens, and the *Confederación Patronal de la República Mexicana* (Mexican Employers' Association) has an additional 15 young people in training. In the last six months, MATT has collected employment history information and skills evaluations from over 3,200 returning migrants and is working with business associations, the *Instituto Nacional de Migración* and the office of First Lady Margarita Zavala to expand *Yo Soy México*'s employer network.

Yo Soy México addresses an important labor market challenge for recently returning Mexicans: more complete work histories and skill profiles increase the likelihood that migrants will find jobs when they return to their communities. According to the CIDAC study, Mexico ranks third globally in regard to the difficulty in finding talent, with a high demand for technicians, chauffeurs, production-line operators, and laborers. Through the studies it has carried out and the courses teaches it in conjunction with businesses, MATT is trying gradually to close the gap between employees and employers.



The Three Cases – Assessing the Case Studies

It is widely recognized that there is a major disconnect between Mexican companies' labor needs and the available workforce. This affects various sectors, among which education and business stand out. Evidence also suggests that the skills currently being developed through the national education system are not improving the employability of young people. The programs featured here by companies such as ManpowerGroup and Cisco Systems, Inc. have found a useful entry point for addressing the problem by promoting linkages between businesses and the education system. That said, the government also plays a fundamental role through public education and public-private dialogue on the development of new curricula, and professional certification systems for young people would enhance these programs and provide a foundation for the reduction of skills gaps at the state and federal levels.

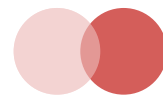
Unequal distribution of wealth is a top challenge for Mexico. Mass migration to the U.S. and elsewhere is one consequence of the country's poverty and inequality. Although net migration is now hovering around zero due to a lack of opportunities in the United States, it will likely pick up again as the U.S.

economy continues to recover. Given the cyclical reality of migration, government, business and civil society each have a role in facilitating the reintegration of returning migrants by helping them maximize the skills and work experience developed while living outside the country. In this sense, MATT, through its *Yo Soy México* program, is an innovator in its efforts to catalogue the employment profiles and work histories of the returning migrant community. MATT's plans to expand the services it offers and diversify its relationship with state and federal government actors are crucial to larger scale efforts to reintegrate the returning migrant population.

Similarly, Danone has revolutionized the paradigm of corporate social responsibility through its social investment in the creation of formal jobs for young women of limited resources. Other companies should analyze the Danone-*Semilla* business model given its benefit to both the business itself and the community at large.

Mexico is also characterized by low levels of entrepreneurship, with one challenge being that young entrepreneurs face obstacles such a lack of access to credit. *Fundación ProEmpleo*'s programs offer a response to these challenges, betting on the ability of young people to develop their own ideas, and accompanying them in the process through investment, tools and advice on how to create a successful business.

Still, it is important to note that the challenges facing Mexico's youth are not specific to Mexico alone. Skills training, entrepreneurship and the creation of opportunities for at-risk/disenfranchized youth (in this case migrants) that face unique challenges in gaining decent employment are challenges seen across the Americas. The following section looks at what is being done to address these issues in El Salvador, another country that is highly dependent on the U.S. market for its trade and economic growth.





EL SALVADOR:

New Efforts to Train Youth and Strengthen Economic Growth

One of the greatest challenges for El Salvador, a country of 5.7 million people, is opening new opportunities for its 18-to-29 year old population. Nationally, according to the *Encuesta de Hogares para Propósitos Múltiples*, unemployment stood at 7 percent and self-employment at 31 percent in 2010, but the country was gripped by 43 percent underemployment. For youth, which represent 30 percent of the country's economically active population, the employment situation was even bleaker in 2010: both unemployment (12 percent) and underemployment (50 percent) are significantly higher, and self-employment (16 percent) is lower, than the national average. El Salvador's youth earn approximately \$50 less per month than the average median income.

Structural and contextual conditions play a role in the lack of demand for youth labor. First, the economy needs to grow faster in order to boost job growth. In the last five years, El Salvador reported the lowest GDP growth in Central America—approximately 1.5 percent annual GDP growth versus 3.8 percent for the rest of the isthmus. But, even if the economy grew more quickly, low-quality education is still the biggest challenge to fostering youth access to employment. Relevant workplace skills—mathematics, writing, English, and computer proficiency—must be taught so that students leave school with greater proficiency.

Another challenge is the country's overall decline in competitiveness. This is reflected by, among other things, the deterioration in its rankings in the annual World Bank/International Finance Cooperation *Doing Business* report,⁸ the low inflows of foreign direct investment in 2010 (a 79-percent drop compared to 2009),⁹ and the loss of investment grade credit rating by Standard & Poor's in 2009 after holding the rating for 12 years. Further, El Salvador ranked 91 of 142 countries in terms of competitiveness according to the World Economic Forum's *Global Competitiveness Report 2011-2012*. The International Monetary Fund projects average GDP growth of only 2 percent over the next three years.

With a small and homogenous exporting base of only 3,000 companies and close ties to the U.S., El Salvador suffered a 3 percent GDP contraction during the 2009 financial crisis. Approximately 40,000 private-sector jobs were lost and have not yet been fully recovered. Fewer job opportunities pose a critical challenge for young workers, especially those looking for their first job, since

“ Even if the Salvadoran economy grew more quickly, low-quality education is still the biggest challenge to fostering youth access to employment. ”

they must compete in a tight labor pool alongside other applicants who have more work experience.

The concentration of companies and investment in the San Salvador metropolitan area—the location of 8 of 10 companies and 70 percent of private investment—adds to the difficulties for rural youth in accessing job opportunities, especially competitive, formal jobs.¹⁰

Remittances, which accounted for 16 percent of GDP in 2010, can negatively influence youth job prospects as well.¹¹ One result is that rural youth, who receive a large percentage of these remittances, have become less inclined to work in agriculture and other lower-wage industries vital to local economies. On the other hand, research suggests that remittances have helped boost school attendance and retention in rural areas.¹²

Local hiring practices also affect youth labor. Most companies adhere to the social norm of hiring workers only age 18 or older, even though the Constitution and the Labor Code stipulate that 14 years is the legal minimum employment age.

Experience is another barrier to labor market entry. Job announcements usually include an age preference (such as requiring people below 35 years old) but also require a minimum amount of experience. Recent graduates are often caught in the quandary of needing experience to get hired but then being unable to gain that experience. Most secondary and higher education programs do not require on-the-job training.

The educational curriculum and its quality also have created skills gaps in basic math, grammar composition, language, and computer proficiency—areas that the private sector notes are the main gaps among young workers. The result is that traditional industries such as legal services or corporate offices hire fewer youth (10 to 20 percent of their payroll on average); whereas youth can account for up to 80 percent of the payroll at call centers, fast food restaurants and other newer industries.¹³ Still, these emerging industries also face challenges in finding employees with the necessary English skills and computer proficiency.

“The Government of El Salvador, at the local and national level, is actively working to expand youth access to employment opportunities through programs that foster youth training.”

El Salvador’s education mismatch, business concentration and weak labor demand also lead to greater domestic and international migration, especially for rural youth seeking new job possibilities. One result is that many young Salvadorans—especially those who live independently or have seen their families broken apart by immigration—enter into illicit activities or become easy targets for gang recruitment.



Public Sector and Legal Framework

The Government of El Salvador, at the local and national levels, is actively working to expand youth access to employment opportunities through programs that foster youth training. Still, additional legislative changes should be made to facilitate greater opportunities for youth.

Notable public-sector initiatives include:

- **Facilitating worker training opportunities and access to formal education.** Some local governments proactively seek out youth scholarships or employment opportunities. One example is the *Asociación de Municipios de Los Nonualcos*, which brings together 16 municipalities located near the facilities of airplane maintenance company Aeroman. In collaboration with the company and the *Agencia de Promoción de Exportaciones e Inversiones de El Salvador* (The Investment Promotion Agency of El Salvador—PROESA), the municipalities finance training for students pre-selected to join the company to ensure they have the necessary math and physics skills required for the job.

Other municipalities link local youth with scholarship programs like the U.S. government-funded Fulbright Program or Scholarships for Education and Economic Development (SEED). In the city of Puerto El Triunfo, a local official is leading the effort to identify talent across the larger Bahía de Jiquilisco and to encourage youth to apply for scholarships

like SEED. The municipality of San Salvador has its own youth and job promotion programs: a department for youth programs provides training courses and a job promotion department then seeks to connect the students with employment opportunities.

- **Enhancing skills through continuing education programs.** Government-sponsored educational programs, which work with the private sector to include on-the-job training, are effective in developing the skills needed for technical jobs. In turn, companies increasingly demand these programs; they often provide input on the curriculum, facilitate internships and give students access to their worksites and machines.

Among the most effective public-private education programs is *Formación Dual*, offered at the public *Instituto Tecnológico Centroamericano* (ITCA) and run by the private foundation *Fundación Empresarial para el Desarrollo Educativo* (FEPADE).¹⁴ Since 2008, ITCA has offered a two-year technical training program that combines on-the-job training and coursework for preparation in careers such as mechatronics, electronics and logistics.⁹ Students attend classes for three months and then spend the following four months working in a private company. From program inception in 2008 through 2011, the program grew from 22 companies to over 100 firms working in alliance with ITCA; over that same period, the number of students jumped from 40 to approximately 200 participants. Graduates also have seen success in finding jobs.

Several companies participate in the dual formation program at ITCA—including Siemens, Bayer, Grupo Hilasal, and Unilever—but Kimberly-Clark is the biggest supporter, committing substantial resources and actively engaging in student selection. Their strategy is partly focused on building corporate loyalty: employees' children as well as youth who live near the manufacturing plant are sent to the ITCA program to learn their production processes. In 2011, it proposed 16 participants and the company has committed to sponsoring 26 students in 2012. Although a large increase, this is a small-scale effort in comparison to what is needed to be done for El Salvador's youth. These numbers clearly point to the need for greater scalability.

The returns are good for both the corporations and the students. The average corporate investment in the program is \$3,000 per student, and the average salary of graduates is \$150 greater than what is earned by those completing ITCA's general programs.

Still, the most notable continuing education example is *Empresa-centro*, a

program financed by private-sector associations and the *Instituto Salvadoreño de Formación Profesional* (INSAFORP)—a public institution that coordinates and regulates the National System for Professional Formation. The model is similar to the dual education program at ITCA, combining the process of classroom learning with on-the-job learning. Its participants are 18- to 25-year-old Salvadorans from underprivileged backgrounds who have completed high school but lack relevant work skills. INSAFORP subsidizes participant tuition and approves the institutions that teach the technical courses. During the practical training, companies pay students what is termed a “minimum exceptional salary”—50 percent of the legal minimum salary in the first year and 75 percent in the second year. The programs vary from six months to two years.

- **Creating a national action plan for youth employment.** In early 2011, the Ministry of Labor and Social Welfare established a technical roundtable to identify obstacles and opportunities to improve labor market access for young Salvadorans. The Ministry invited the German development agency GIZ, *Fundación para la Educación Integral Salvadoreña* (FEDISAL), ILO, and the United States Agency for International Development (USAID) Improving Access to Employment Program to join the discussions. Results will serve as the basis for development of the *Plan de Acción Nacional de empleo juvenil* (National Action Plan on Youth Employment), which is expected to be launched in late 2012.

LEGISLATION TO ELIMINATE BARRIERS FOR YOUTH LABOR MARKET ACCESS

Despite the government’s attention to youth labor market access, an important next step is the passage of legislation that would facilitate greater youth opportunities. This includes providing incentives to hire young workers.

El Salvador has not ratified the Ibero-American Youth Rights Convention, but regulations on youth rights are included in legislation such as the *Ley de Protección Integral de la Niñez y la Adolescencia* (Law of Integral Protection of Childhood and Adolescence—LEPINA), which went into effect in April 2009. The law establishes a youth-specific workweek (a maximum of 34 hours per week and six hours per day) and prohibits night and overtime work. LEPINA also created a social security regime, established access to basic education and professional and technical training as fundamental rights for adolescents, and created a youth register within the Ministry of Labor to keep

“ The *Instituto Tecnológico Centroamericano* offers a two-year technical training program that combines on-the-job training and coursework for career preparation.”

track of all adolescent workers with permits.

Another important step is the *Ley de Juventud* (General Youth Law), which went into effect in January 2012. It calls for all people between 15 and 29 years old to be considered young persons, regardless of their race, religion or any other particular characteristics. The principal objectives are to guarantee the fundamental rights of young people—life, identity, freedom of speech and religion, among others—and promote the participation of adolescents in political, social, cultural, and economic activities. It also mandates that public institutions implement participatory mechanisms to develop and implement policies that foster the full development of young people. Article 18 focuses on youth employment policy, calling for young people to have a right to a first job and for more attention to be paid to initiatives that foster youth training and employment so as to increase their employability by private firms. Further details will be finalized during implementation of the law.

Two other bills are currently pending in Congress: the *Farabundo Martí para la Liberación Nacional* (FMLN)-supported *Ley del Primer Empleo Digno para Jóvenes* (First Dignified Youth Job Law), and the opposition *Alianza Republicana Nacionalista* (ARENA)-supported *Ley de Fomento del Primer Empleo* (First Job Creation Bill).

Both initiatives aim to provide jobs to young people who are unable to get a first job. The key to these initiatives is the tax incentive, or rather tax exemptions, for private enterprises that hire youth workers. For example, the ARENA bill would provide companies with an income tax deduction if they hire 8 to 15 inexperienced Salvadorans who are 18 to 25 years old.

Still, additional reforms must be adopted, such as creating procedures within the Ministry of Labor and Social Welfare that ensure effective implementation of the newly formed youth register. In addition, introducing the possibility of part-time jobs or working more than 44 hours per week would create new ways to promote youth inclusion. If implemented, beneficiaries would range from students to stay-at-home mothers.



The Three Cases – Building Inclusiveness

The case studies presented here were chosen for being the most representative of private-sector led efforts to address youth unemployment, while also having the potential to deliver both social and economic returns that could help guarantee sustainability.

Each complies with the following criteria: the program promotes youth employment; actions are consistent with the company's business strategy; the initiative (in most cases) is working with low-income youth; upper management pays significant attention to the program and allocates substantial resources to its operation; and evidence exists that it generates economic and social value. The programs help a company to increase productivity, sales, brand recognition and/or property value, while at the same time giving back to local communities or to a disadvantaged group of society.

EDUCATION/TRAINING TO ADDRESS THE SKILLS MISMATCH – SYKES

Sykes, a call center with headquarters in Florida, started operations in El Salvador in 2004 and currently employs 2,200 people with a median age of 22. Their workforce includes 2,000 call center agents who specialize in customer service, sales and technical support services for Fortune 500 companies.

The challenge for Sykes, like the call center industry overall, is to find qualified people to fill positions in which English proficiency is the main requirement. Industry growth is limited by the lack of English proficiency among the Salvadoran population, resulting in fierce competition for qualified workers among companies. Bilingual staff, regardless of experience and other qualifications, are in high demand and command above-average salaries and other perks such as signing bonuses, trips and concerts. This makes call center service one of the most attractive industries for young workers, who are generally more likely to have English and computer proficiency, but low retention rates are nonetheless common. Still, youth account for approximately 80 percent of the total labor force. Building reliable databases with potential future candidates and then nurturing a pipeline for their eventual employment, known as sourcing people, is a top priority for upper management.

The company's corporate social responsibility program, *ComprometeRSE*, targets the skills mismatch among employees and potential future candidates in order to build reliable sourcing databases.

Our People, the first component of the program, includes the flagship Sykes Academy, a nonprofit training program oriented to fill the gap in English

proficiency among strong candidates. Sykes Academy was replicated from Costa Rica, the first site in Central America, and is a proven corporate success that also provides social value through labor market access for the community. Approximately 30 percent of agents (600 people) have been recruited from Sykes Academy; Sykes is the first job for 70 percent of them.

Here's how it works:

- **Recruitment:** The company shares job opportunities in traditional and non-traditional media, and the recruiting team visits high schools, conferences and other areas where youth are concentrated. The objective is to create databases and invite youth to participate in diagnostics that measure their English and computer proficiency. If a person fails to be recruited during the formal process, but the results show that training in Sykes Academy can fill the gap, the applicant is invited to enroll in the academy.
- **Fee:** The participant pays \$25 for the program, refundable if hired by Sykes.
- **Entry Requirement:** Intermediate-level English.
- **Training:** Four weeks (200 hours) of conversational English, with the possibility of a two-week extension if the graduation interview is not

SUPÉRATE

The *Programa Empresarial Supérate* was launched in 2004 by a leading Salvadoran company, Grupo Hilasal. Since then, other companies have replicated a model that includes three years of training in English and computer proficiency with an additional focus on social values. During training, participants spend more than three hours a day after school in the *Supérate* program—a commitment that means they cannot then work to support their families. By the end of 2011, seven leading Salvadoran companies (and one in Panama) had become part of a network that now includes more than 1,000 talented Salvadorans between 14 and 18 years old from underprivileged backgrounds. Graduates receive international certifications and are generally likely to secure well-paid jobs and international and local scholarships for higher education. *Supérate* programs create an important pipeline of potential employees while closing the skills gap.

satisfactorily completed.

- **Capacity:** More than 100 people per course session.
- **Success Ratio:** Sixty percent of people trained at Sykes Academy are hired.

According to a human resources manager from another call center, Sykes Academy gives the company the flexibility to develop its own people by recruiting candidates with lower English proficiency levels; other call centers are left to compete for qualified Salvadorans by offering high salaries. The program also allows management to promote and find strong candidates in schools and universities and to offer Sykes Academy as a complementary program that will help youth secure a first job.

Currently, the government and the call center committee are designing a training model at the national level. INSAFORP, PROESA, the Call Center Committee at the *Cámara Americana de Comercio de El Salvador* (AmCham), and the USAID Access to Employment project are collaborating in the design of a subsidized training system that will identify Salvadorans with intermediate-low and intermediate-high proficiency in English and provide either 150 or 300 hours of training to become fluent, creating a pipeline that aims to fill the demand for bilingual Salvadorans.

A second component of *ComprometeRSE* is the Our Community program—an initiative that complements the efforts of *Supérate* and COMPITE and is sponsored by Plaza Mundo (a company of Grupo Agrisal). Here, the *Sembrando Esperanza* initiative—a school adoption program launched in 2007—addresses the mismatch of English skills with a medium- to long-term horizon. Sykes adopts schools in one of the poorest municipalities of El Salvador, Rosario de Mora, and then works to improve the learning experience by improving infrastructure and instructors' ability to teach English. By 2011, 16 schools and over 4,500 students of Rosario de Mora had benefited from the program. Due to the high levels of poverty in the municipality, it is unlikely that the company will build a reliable sourcing database in the short run, but it is a potential future niche to find talent. The initiative was incorporated as a foundation in the first quarter of 2011 and it now has more than 150 active volunteers.

In the medium term, Sykes management envisions most actions within the *ComprometeRSE* program being part of a critical process to find the right employees in an expanding industry.

DEVELOPING ENTREPRENEURIAL SKILLS IN VULNERABLE COMMUNITIES – ASOCIACIÓN LA ESCALÓN

Comunidades Sostenibles: Empresarialidad y Generación de Empleo is led by *Asociación La Escalón*, which works to sustainably develop the neighborhood of Colonia Escalón in San Salvador. Here, large-scale infrastructure investments are being made by companies like Grupo Agrisal, which already counts the area's World Trade Center and Torre Futura as part of its real estate portfolio. The group is formed by local companies, residents and schools; Grupo Agrisal is a champion among the businesses that lead the initiative.

The companies and residents envision a more inclusive neighborhood and believe that to ensure sustained property values and economic growth in the zone, the association should create linkages and support income generation opportunities for those residing in the neighborhood's nine disadvantaged communities.

The program began in early 2011 after *Asociación La Escalón* hired a consulting company to assess the conditions of eight communities in the area. The main findings were that residents felt left behind by progress elsewhere in the neighborhood, few entrepreneurial initiatives and recreational spaces existed, and youth were living in constant risk due to the active gang presence.

Further, it was estimated calculate that 4,000 people live in these communities, with a large percentage between 18 and 30 years old. Although most have completed high school, only 40 percent of residents are employed. Sixty

The association is paying special attention in helping young people that study at the public school *Concha Viuda de Escalón*, which the majority of local youth attend. Approximately 1,500 students are enrolled at the school and 150 complete high school each year. But there are concerns about safety: in April 2011, one student died and another was wounded in a gang-related shooting near the school. Further, most of the students that have completed high school are unemployed as they do not pass the background check process required in Salvadoran companies. For example, a group of graduates trained to work in hotel banquet services completed the program, but failed to get hired due to an inability to pass an interview and the background check. After this experience, the company decided to apply selective filters before asking potential participants to join the training program. Given these barriers, training to develop entrepreneurial skills is the most feasible short-term option for helping to provide students with the means to secure decent employment.

“ League recruiters did not exclude candidates with gang histories from the employee selection process, but did verify that such applicants were working with local organizations to change their behavior. ”

percent of the people live at risk as their houses are located in areas vulnerable to natural disasters; five of the nine communities are considered “code red” areas, indicating that they are among San Salvador’s worst areas for violence and gang activity.

To connect residents of La Escalón to potential economic opportunities, the association created *Comunidades Sostenibles: Empresarialidad y Generación de Empleo*; nine communities, each settled for almost 40 years, are the beneficiaries.

The program has three components: develop entrepreneurial skills for business creation; strengthen small businesses; and ease barriers to doing business to promote employment generation. The goal is to create at least 75 new companies by 2015. For that, it will target potential youth and female entrepreneurs, engaging them through the UN-established Empretec business training model, a program implemented in El Salvador by *Fundación Empresarial para la Acción Social (FUNDEMAS)*.¹⁵ A financially solvent fund implements the training and brings on board donors; almost 70 percent of all commercial establishments in the zone now support the initiative. The private sector is donating \$630,000 to the five-year program and USAID is providing \$500,000 in matching funds.¹⁶

The first phase of the program involved carrying out research to determine the actual labor demand in the zone and to identify opportunities to develop relevant skills. The second phase is currently being implemented and is focusing on teaching the relevant job skills demanded by companies located in La Escalón, and in particular, entrepreneurship training. Participants are recruited through community leaders and bulletins that post job fair and training notices. Training lasts for 30 hours over the course of 10 days, from 4:00 p.m. to 7:00 p.m., a convenient schedule so students can join after classes. In 2011 the program held five training events within the Empretec model and reached 150 beneficiaries.

The training component is complemented by activities such as a business

idea competition. In a recent competition 61 projects were presented from program beneficiaries, each a joint effort of three to five participants. The ideas presented must identify market potential, technical and economic feasibility, and community impact; winners receive \$500 to \$700 to help start their project. Over the next five years, the program plans to invest \$200,000 in seed capital and \$230,000 in entrepreneurship promotion.

The entrepreneurship program's success rate is quite high; at least 88 participants are developing the business idea they started in the training process. In 2012, the program will organize 11 training sessions. A medium-term goal is to systematize the program and create additional linkages with the area's business community.

TARGETING DISENFRANCHISED YOUTH (FORMER GANG MEMBERS) – LEAGUE COLLEGIATE WEAR

League Collegiate Wear manufactures college apparel and sells university-licensed sportswear in over 2,000 colleges and universities in the United States. League began operations in El Salvador in 2009 and owns a subsidiary apparel assembly company located in Ciudad Arce (about 40 minutes from San Salvador). Of the 200 employees in El Salvador, 25 are former gang members, representing 13 percent of the total payroll.

The company started its recruitment process with a focus on local churches, a common practice in El Salvador. Many of the candidates were former gang members, but in stark contrast to most Salvadoran companies that run security checks to make sure applicants have not been involved in delinquent activity or do not reside in areas afflicted by gangs, the company decided to consider their job applications. League recruiters did not exclude candidates with gang histories from the employee selection process, but they did verify that such applicants were working with local organizations to change their behavior.

League was aware that labor force insertion of former gang members is a complex task but trusted that a well-designed process of training and social support could prepare them to start over with League. Their gamble has paid off: the processes managed by the former gang members are the most productive in the factory (15 percent more so than the average), present near zero attrition rates, include better maintained machinery, and adapt more easily to new products.

Here's how it works:

- **Training:** One hour per week for six months.
- **Contents and Methodology:** The training develops life skills, especially critical thinking for decision making and violence management. The group discusses real-life cases every week and the takeaway is a reflection on how they could have solved the problem without using violence.
- **Evaluation:** Before joining the assembly plant, League, with the support of a local university, runs tests on those who completed the training process. The tests aim to define if they are ready to socialize in a business environment and start working in a factory.
- **Organizational Readiness:** The company has invested in preparing fellow employees (psychologically and socially) to welcome the former gang members and to work with them without affecting plant productivity. Further, League supervisors provide the former gang members with special treatment for two months, avoiding direct feedback and using spiritual leaders to foster productivity. At the same time, supervisors have learned how to manage the feedback process and other sensitive topics with employees that have had exposure to violence. The point of contact for the supervisors is the coordinator of the program who contacts the spiritual leader if a conversation is needed around improvement of workplace attitudes.
- **Transport and Startup Bonus:** Beneficiaries receive a monthly stipend of \$30 to cover transport expenses. When hired, the company receives the same amount as a “startup bonus” that serves as a guarantee that the new employee will not engage in delinquent activity—e.g. robbery or extortion—during the first month at League.
- **Follow up:** Once the program has placed the young worker in the factory, the employee continues to receive personal psychological assistance for one hour per week.

Throughout the process, League works with various local actors to provide specialized services. For example, it works with NGOs specialized in drug addiction including *Fundasalva*—which provides therapy and also helps to subsidize transport to the clinic. League also collaborates with NGOs that provide psychological assistance and life skills training and with local churches that find the spiritual leaders for each beneficiary. *Universidad*

Centroamericana José Simeón Cañas designed the training system, teaches the courses and runs the tests to evaluate workplace readiness.

The company is currently assisting 200 young people, with an average age of 25 years old. The main challenge is that League does not have positions available for all program participants and it has found little desire for collaboration among other companies.

Still, it has received attention from the government and other institutions that are trying to find solutions to promote employment for youth who want to quit gangs. The government, however, does not have the budget to contribute directly or replicate the same model.



The Three Cases – Assessing the Models

The cases show that socially responsible initiatives led by private companies are successful when implemented as a way to give back to the community but in a way that also strengthens corporate sustainability. Each initiative increases productivity, facilitates access to qualified labor force and enhances worker skills. The programs also promote income-generating activities that preserve the commercial value of an area, creating social and economic returns for the companies leading and investing resources in the programs.

The initiatives led by the public sector, like *Formación Dual* and *Empresa Centro*, are successful since the private sector is involved in training young workers. In these cases, while the government is funding an essential part of the resources, the private sector plays a key role as a counterpart working jointly with the institutions that host the programs; ITCA is a successful model of a public learning institution run by the private sector, and INSAFORP is funded by a special tax contribution made by companies that hire over 11 employees. The separation between academic programs and the private-sector companies is a structural problem affecting the quality of student training—though this is a problem observed in countries across the Americas. Replication of the public-private collaboration observed here has the potential to reduce youth unemployment and underemployment.

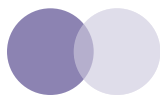
Further, leveraging donor funding, in cases like *Asociación La Escalón*, triggers and multiplies the impact of an initiative. The government also plays a vital role in dismantling barriers; policies that encourage youth employment, like tax incentives for hiring youth, would make a difference in reversing the current situation.

The cases presented and its models have the potential to be replicated

across El Salvador and in other countries with similar social contexts and legal frameworks, or adjusted easily to address context-specific social issues.

With few exceptions, Latin American countries have educational systems that are not responding to the needs of private companies, especially in technology, math and second-language skills. Nor is the legal framework in Latin America well equipped to promote entrepreneurship. According to the *Doing Business* ranking in 2011, starting a company in Latin America costs seven times the required percentage of income per capita than is estimated for a member country of the Organization for Economic Cooperation and Development.





CONCLUSIONS

Regionally, and specifically in the cases of Mexico and El Salvador, innovative private-led sector initiatives are finding new ways to incorporate youth into the labor force. These examples point to why training and employing young workers is not just good for social cohesion, but makes business sense as well. However, the initiatives discussed throughout this white paper, while important models, unfortunately tend to be isolated cases rather than a growing trend.

Here, the role of the public sector is critical. Successful efforts to foster youth labor market inclusion often involve collaboration with government in the training of young workers or changes in public policy or regulations to break down longstanding barriers that discourage the hiring of young workers. Still, substantial challenges remain, with youth unemployment and underemployment remaining high across the region.

The cases of Mexico and El Salvador—along with examples from our February 2011 white paper on youth labor market access in Colombia and Peru—lead us to the following conclusions:

- **First, a comprehensive, collaborative approach is what is needed to move beyond longstanding, systemic barriers to youth employment.** The public and private sectors are recognizing this in isolated contexts and are working together to address skills mismatches, develop entrepreneurship, and support at-risk disenfranchised youth. This is being done through legal/regulatory changes or through modifications to business strategy. For business and overall economies to compete on the world stage, job creation is part of the solution; but the larger challenge is how to fully maximize the unique skills of young workers to strengthen national competitiveness.
- **Second, educational institutions and training programs can increase their impact by partnering with the private sector to offer on-site work experience as part of their curriculum.** One of the foremost challenges for job-seeking youth is demonstrating that they have the necessary workplace skills to complement their educational background. In Mexico, ManpowerGroup's *Vinculación Académica* helps to provide that first entry point into the workforce; in El Salvador, the *Asociación de Municipios de Los Nonualcos* works hand-in-hand with airplane maintenance company Aeroman to offer a path for training and employment and the *Instituto*

Tecnológico Centroamericano offers a two-year technical training program that combines on-the-job training and coursework. These initiatives offer a win-win solution: youth have a path to employment and businesses gain a pipeline of well-trained young workers with workplace experience. But the opportunities for apprenticeships and internships still remain woefully inadequate.

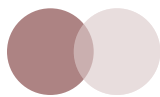
At the same time, cooperation between government and business helps youth to be prepared with the workplace skills demanded by the labor market. Public education institutions that dialogue with local businesses can adjust their course offerings so that students are learning the skills that will improve their employability prospects upon graduation.

- **Third, the private sector cannot improve youth employment on its own. Public policy can proactively create conditions that help youth to overcome the hurdle of finding a first job.** Here, it is important to note that government programs and legislation that seek to facilitate youth labor market access generally face some criticism. Still, it is critical that governments play some type of role—whether through legislation or job programs—to facilitate the hiring or the training of young workers. Our research reveals that some of these efforts include: Colombia’s passage of *La Ley de Primer Empleo* in 2010; Peru’s proposal in 2011 of a *Proyecto de Ley de Promoción del Empleo Juvenil*; Mexico’s launch of *Jóvenes con Oportunidades* in 2003; and El Salvador’s *Ley de Juventud*, which went into effect in January 2012. These laws and programs are only a snapshot of efforts from around the region but are instructive in highlighting the many ways in which the public sector can create the framework and/or incentives for the hiring of young workers.
- **Fourth, at-risk/disenfranchized youth possess unique skills sets and traits that can help to boost their workplace productivity and entrepreneurial success.** In El Salvador, a country battling a growing gang problem, the business community generally refuses to hire former gang members, which means that youth who want to start a new life have few options in the formal labor market. But, League Collegiate Wear accepted the risk and implemented a well-designed process of training and social support that not only has opened doors for young former gang members but has also paid off for the company. The production processes managed by the former gang members are the most efficient in the factory and report near zero attrition rates.

Similarly, programs such as *Asociación La Escalón* focus on small-business generation in some of San Salvador's most disadvantaged communities, creating a win-win solution for the multinational enterprises in these areas: the neighborhood becomes safer as residents develop new opportunities to become more economically prosperous. Danone has also witnessed a return on its investment in empowering local distributors of its yogurt and dairy products in underserved communities.

- **Fifth, young workers are good for business.** In a fast-changing globalized world, competitiveness partly hinges on employing the latest technology tools and understanding the newest trends to produce and sell goods and services. The next generation of workers should be cultivated so that they can contribute to the companies that will need their skills and develop new businesses that will form the basis for future economic growth.





RECOMMENDATIONS

- **First, governments and the private sector must establish mechanisms that prove the effectiveness of successful private-sector initiatives in order to facilitate their replication and scalability.** While there has been progress on evaluating government employment promotion programs to ensure that positive outputs are attributable to the initiative, evidence-based evaluations of private-sector led programs are scarce. One critical metric for evaluating success is whether net labor market gains for young workers are being achieved in a cost-effective manner. The use of tested evaluation methods on private-sector programs can help determine if they exhibit positive cost-benefit ratios—a key determinant of scalability and possible benefits of reproducing such programs elsewhere. Although, many of the programs detailed here depend on partnerships between the private sector, government and civil society organizations, companies have reported difficulties maintaining government support following electoral transitions. Rigorous evaluations of these programs’ positive benefits can increase the likelihood of scaling them up and help ensure ongoing support from public sector and NGO stakeholders.
- **Second, the private and public sectors must provide incentives, such as guaranteed internships/apprenticeships or education scholarships, for youth to ensure they study the skills that employers demand most.** Governments should actively encourage and partially subsidize youth who study English as well as science, technology, engineering, and mathematics (STEM)—the skills where business generally face challenges in recruiting qualified young workers. At the same time, national-level public-private employment trend committees should regularly meet to identify the short- to medium-term projection for skills that will be most needed across the economy. The private sector—such as ManpowerGroup and Sykes in this paper, or Microsoft Colombia in the 2011 Americas Society youth report—can further support these efforts by promoting interest in these high-demand labor skills among youth living in the communities where their operations are based.

- **Third, Nationally recognized accreditation systems in technical and non-technical skills should be created so that young job-seekers and employers can verify employment preparedness.**

Surveys in Mexico and El Salvador consistently show that employers have difficulty finding qualified job candidates. The creation of government-sponsored accreditation systems with universally acknowledged standards can reduce information asymmetries between well-qualified candidates and employers—particularly in sectors that report high skills scarcity. International accreditation, such as Cisco Systems, Inc.’s networking certification, *Programa Empresarial Supérate*’s English-language and computer training, or the Microsoft Technology Associate initiative (see 2011 white paper) are a partial solution. Governments can build on such efforts by creating new forms of accreditation based on local labor market conditions and education curricula.

- **Fourth, employers must reverse the bias and discrimination that prevents the hiring of at-risk youth.** Given the prevalence of gang activity in Mexico, El Salvador and beyond, the automatic elimination of youth with a history of delinquent activity as part of corporate recruitment policies, while understandable, is a major source of discrimination in the labor market and instability in countries as a whole. Business, government and foreign aid agencies must work together to scale-up initiatives such as the one being led by League Collegiate Wear. Not only will this allow for greater employability among at-risk youth but it will also contribute to the prevention of violence, gang activity and narcotrafficking.

In the end, youth labor market access is fundamental for individual socio-economic prosperity as well as for the growth and competitiveness of society overall. Government, business and the nonprofit community can each play unique and collaborative roles in preparing and creating opportunities for the next generation of workers.



ENDNOTES

- 1 Mexico's national age classification for youth is different than that of most countries in the region. See *Panorama Laboral*, International Labour Organization, 2011.
- 2 *Encuesta Nacional de Juventud*, Instituto Mexicano de la Juventud, Secretaría de Educación Pública.
- 3 "Extiende Calderón programa del Primer Empleo," *El Milenio*, November 11, 2011.
- 4 *Manpower Employment Outlook Survey: Mexico*, 2010.
- 5 Phone Interview with Rebeca De La Vega, Cisco Systems, Inc., February 2, 2012.
- 6 Phone Interview, Carlos Cruce, *Cauce Ciudadano*, February 1, 2012.
- 7 Declining Return Migration from the United States to Mexico in the Late-2000s Recession: A Research Note, Michael S. Rendall, RAND, February 2010.
- 8 El Salvador received the lowest FDI inflow in Latin America in 2010, only \$72 million, as reported by the UN Economic Commission for Latin America and the Caribbean. All countries in Latin America registered growth except for El Salvador, which saw a decrease of 79 percent compared to 2009.
- 9 The Metropolitan Area of San Salvador (AMSS) is formed by the capital city, San Salvador, and 13 surrounding municipalities, including Santa Tecla, Antigua Cuscatlán and Soyapango. It includes 3 percent of the national territory and 27 percent of the population.
- 10 Remittances in 2010 were \$3.65 billion and GDP at current prices reached \$21.21 billion, according to the Banco Central de Reserva de El Salvador. As of January 2012, this was the last year with GDP data available.
- 11 Ureta, Manuelita & Cox Edwards, Alejandra (2003) "International migration, remittances, and schooling: evidence from El Salvador", *Journal of Development Economics* 72 (2003) 429– 461.
- 12 This is according to a 2011 survey commissioned by USAID and GIZ for the National Action Plan for Youth Employment, "Sondeo del Sector Privado sobre Empleo Juvenil: Retos, oportunidades y recomendaciones", July 2011.
- 13 This program copies the German system known as Dual Education Model. The dual character of professional formation in Germany consists of a practical and a theoretical part.
- 14 Mechatronics is the combination of precision mechanical engineering, electronic control and systems thinking in the design of products and manufacturing processes.
- 15 Empretec is a United Nations program established by UNCTAD's Division of Investment and Enterprise to promote the creation of sustainable small- and medium-sized enterprises (SMEs).
- 16 The donations were as follows: Grupo Agrisal (\$125,000), Fundación Rafael Meza Ayau, part of Grupo Agrisal (\$125,000), Fondo de Iniciativas de Educación (\$250,000), USAID (\$500,000) and a special in-kind donation by FUNDEMAS (\$100,000).