



Taking Youth to Market:

Expanding Formal Labor Market Access through Public-Private Collaboration

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Americas / SOCIETY



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Foreword

From 2000–2010, with a few exceptions, Latin America experienced sustained economic growth and a movement toward greater democratic consolidation. Some countries, including Peru, Colombia and Brazil even maintained GDP growth during the global economic downturn of 2008 and recovered quickly from the external economic shock. This growth has lifted millions out of poverty and fueled significant gains in basic quality of life indicators. Yet Latin America remains the most unequal region in the world. This endemic inequality constrains economic growth and presents the region's greatest challenge for socioeconomic development. This inequality is felt most acutely by disadvantaged youth, the urban and rural poor (33.1 percent of the regional population), indigenous communities, Afro-Latinos, and women. For many of them, access to quality health care, education and formal labor markets remains distant.

With this in mind, the Americas Society, with support from the Ford Foundation, and leveraging the relationship with its affiliate organization Council of the Americas (COA), is working to strengthen the voice of marginalized groups by presenting new research and promoting fresh debate on how the public and private sectors can address systemic problems of social inclusion. In addition to labor market access, our efforts also focus on access to education and health care. The Americas Society 2010–2011 Social Inclusion Program involved in-country research, three white papers, dedicated issues of *Americas Quarterly*, and private roundtable meetings and public conferences with high-level public- and private-sector leaders.

This white paper presents the initial findings of Americas Society's study on youth labor market access. Additional fieldwork in 2011 will build on this research and form part of a region-wide analysis of innovative new practices that seek to spur youth access to labor markets. The goal of this work is to encourage businesses, governments and nonprofit organizations to commit more resources and develop best practices to address the issue. We are not seeking to conduct comprehensive evaluations of individual programs, nor is this an exhaustive typology of cases. Our goal is to examine and discuss a variety of innovative initiatives to reduce youth unemployment and underemployment that are effective, sustainable and have the potential to be scaled-up or replicated elsewhere.

To begin the research process, Americas Society formed a peer-review committee that helped identify areas for research in this field. The next step was collecting information from corporations, NGOs and foundations about existing initiatives. Field researchers in Colombia and Peru then set out to identify examples of private programs or public policy initiatives that have expanded youth labor market access.

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Matthew Aho, America's Society manager of policy, led the first phase of the market access component of our Social Inclusion Program in collaboration with Richard André, policy associate. Our in-country counterparts include Isabela Echeverry, project coordinator, Innovations for Poverty Action; and Veronica Roca-Rey, an independent researcher and consultant in Peru. Christopher Sabatini, AS/COA senior director of policy, directs the Social Inclusion Program and Edward Remache provides project support.



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Introduction

Individuals between the ages of 16 and 24 are the next generation of employees, employers, entrepreneurs, and consumers in Latin America and the Caribbean. The onset of the global economic crisis in 2008, however, slowed the pace of five years of consistent regional growth that had helped provide jobs to many of the region's young people.

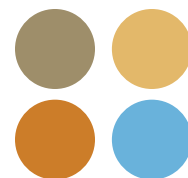
Latin America's 95 million young adults—who represent 17 percent of the region's total population—suffered the brunt of the global economic downturn. By the fourth quarter of 2009, there were an estimated 81 million unemployed young workers globally—almost 8 million more than in 2007—reflecting a sharper rise in youth unemployment than ever before. Between 2008 and 2009 unemployment for this group rose from 14.3 to 16.1 percent; young workers were three times more likely to be unemployed than older workers.¹

Latin America is also one of few regions where the proportion of adults age 30 and younger is projected to grow in coming years. Expanding opportunities and promoting greater market access for this group—particularly to labor markets—is crucial to ensuring future economic growth and political stability and represents a significant opportunity for policymakers in the region.

Young workers face unique employment challenges. Insufficient education and training, inflexible labor laws, little work experience, and even discriminatory practices make young people more vulnerable to layoffs than the adult population. Studies show employers are reluctant to lay off adult workers because the cost of doing so is higher than for younger workers.² Young employees also have less on-the-job training—meaning companies have invested less time and money in training them—and they possess fewer firm-specific skills. Young workers are more likely to be hired under temporary contracts, so legal safety nets that require minimum employment periods before coming into effect often don't apply. Moreover, prior research has shown that the experiences of young workers who attempt to enter labor markets during recessions can permanently hurt the generation of youth affected.³ Young adults who experience repeated failures to find work can completely detach themselves from formal labor markets, raising fears of a possible lost generation of workers.⁴

Countries across the hemisphere have developed targeted policies and programs to combat unemployment among specific groups, including youth.

Young adults who experience repeated failures to find work can completely detach themselves from formal labor markets, raising fears of a possible lost generation of workers.



They range from measures to prop up employment through subsidies for hiring young people and increases in funding for infrastructure and environmental employment programs, to targeted public works and community-service programs that employ young workers.⁵

Many of these programs, while effective, are also expensive, short-term fixes to a longer-term problem. Wage subsidies are effective in boosting employment numbers for the targeted group, but they are a drain on government revenue and create distortions in the labor market. Policymakers should consider these issues and instead work in collaboration with the private sector and NGOs to support effective youth employment remedies that minimize fiscal burdens and labor market distortions. Vocational training, youth entrepreneurship promotion and support for businesses models that benefit young workers have all proven effective and affordable. Innovative programs along these lines are surfacing throughout the region, proving that governments, NGOs and the private sector can work together to successfully mitigate the growth in youth exclusion from formal labor markets.

The countries selected for this study, Colombia and Peru, have both achieved above average GDP growth for the region for nearly a decade. But despite this growth, neither country's government has managed to overcome chronically high youth unemployment. Recent labor legislation in Peru addresses worker rights and microenterprise, but it does not specifically target young workers. One bill introduced in February 2011 does target youth unemployment, but its future is unclear given the upcoming June presidential elections there. The Colombian government in December, 2010 passed legislation tailored to spur youth employment, but the impact of the new law remains to be seen. Beyond public sector actions, dozens of private initiatives have surfaced in both countries in recent years to help young workers overcome barriers to labor-market access. These efforts not only provide insight into the role private actors are playing to address youth unemployment in Colombia and Peru, they also highlight the potential for similar programs to be developed throughout the region.



Colombia:

STRATEGIC INVESTMENT AND TECHNICAL SKILLS TRAINING

Colombia experienced consistent growth between 2002 and 2007 due to improvements in domestic security, rising commodity prices and sound macroeconomic policies. Like much of Latin America, Colombia also recovered quickly from the global economic crisis and most projections forecast around 4.5 percent growth for 2011. Despite this, Colombia is plagued by profound social exclusion. In rural departments such as Cauca, the percentage of the population that lives below the poverty line is over 30 percent higher than the national average and formal unemployment rates top 40 percent. At the national level, unemployment among youth reached 24 percent in 2010—almost twice that of the general population—and it is expected to rise again in 2011.⁶

Despite gains in enrollment and retention in primary and secondary education, young Colombians—including those who graduate from high schools or universities—often lack the practical professional skills needed to meet labor market demands. On February 25, 2011, Americas Society convened a roundtable in Bogotá, Colombia, with private and public sector leaders to discuss youth unemployment and ways to foster public and private collaboration to better insert young job seekers into the labor market. The most common issue cited by representatives of major employers in Colombia is the technical mismatch in skills between young workers and entry-level labor market requirements.

The Colombian government's response to the youth employment crisis has been varied. Over the last decade the *Departamento Nacional de Planeación* (DNP), for instance, has undertaken the following steps:

- *Programa Nacional de Empleabilidad para los Jóvenes en Extrema Pobreza y Desplazados* provides vocational training that targets at-risk youth populations;
- *Programa Jóvenes Investigadores* promotes innovation among youth, especially in the fields of technology and engineering;
- Institutionally, DNP promotes public-private collaboration, works to hone entrepreneurial skills and promotes socially inclusive business.

The larger structural issue in Colombia—as well as in the rest of the

region—is the country’s rigid and expensive system for hiring, which creates significant labor market rigidity. According to the Colombian research institute *Fedesarrollo*, young people (of all backgrounds) face legal, bureaucratic and financial barriers to labor market entry. Payroll taxes and other expenses incurred by formal-sector employers in Colombia are above the regional average, constraining a firm’s ability to expand to meet market demand and discouraging the hiring of young workers.

In December 2010, Colombia passed employment stimulus Law 1429 or *La Ley De Formalización y Generación de Empleo* with the purpose of reducing the costs of formalizing businesses and generating formal-sector employment by creating new incentives for start-ups. One provision of Law 1429, also referred to as *La ley de primer empleo*, was written to encourage private-sector firms to hire employees under 28 years old by offering payroll tax breaks and subsidy-based incentives.

Numerous concerns have been raised about Law 1429, which can be broken down into the following categories: 1) targeted efforts to alleviate the burdens of business formalization in Colombia are insufficient—a broader overhaul of tax codes and government bureaucracy is necessary; 2) fears that targeted tax subsidies and other incentives could displace adult workers over the long-run; and 3) the legislation does not extend to foundations and NGOs, which are major employers of young workers. There is also the added concern that the law does little to address the systemic problem of labor rigidity in Colombia and in fact only provides a small fix to a much larger issue in need of serious attention.

To be sure, tackling the inefficiencies (and inequities) of the broader system of labor laws is politically and legally complex. In this context, we focus here on examples of how the private sector, government and NGOs are collaborating to promote social inclusion by expanding access to formal labor markets for disadvantaged youth in Colombia.

With the goal of examining public- and private-sector efforts to improve labor-market access for disadvantaged youth, we identified 12 programs in Colombia that focus on addressing mismatches between education and workplace skills; promoting youth entrepreneurship and helping aspiring business leaders; providing training for business or employment; or investing in young workers as part of companies’ long-term strategic planning. Two key parameters for case study selection were: 1) The initiative should be seeking business opportunities or making strategic investments with disadvantaged youth and 2) the initiative should be designed to generate both economic value

and social value and should be financially sustainable. Our aim was to select programs that engage public-sector actors, but receive little, if any, direct financial support from the government. We selected two initiatives in Colombia for closer analysis.

The first program, *Jóvenes Caficultores* (Young Coffee Growers) was launched by the Colombian Coffee Federation in 2007 to protect the long-term supply of coffee to the federation by investing in young rural farmers. For decades, the industry failed to attract young workers; as a result, today's average grower is over 50 years old. The *Jóvenes* program is the Colombian Coffee Federation's response to the demographic pressure threatening its supply: the lack of young farmers. *Jóvenes Caficultores* fits our case-study criteria because the premise of the program is not corporate social responsibility. Rather it is a strategic investment by Colombia's *Federación Nacional de Cafeteros* (FNC) in a highly vulnerable population of young rural farmers. The program is innovative because it strives to change an existing business model to explicitly focus on young growers with the goal of achieving long-term sustainability. Moreover, its recent success indicates a high likelihood that it will be expanded in Colombia over the next few years.

Microsoft Colombia's *Todo Empieza con una Oportunidad* program is a multi-tiered national initiative to not only customize Microsoft's global web-based technical training programs for young Colombians, but also to develop home-grown solutions to address the technical mismatch in skills that plague the entry-level labor market. Although the program is overseen by the corporate social responsibility division of Microsoft Colombia, it works to overcome the shortage of skilled young workers that Microsoft faces in working in Colombia. Moreover, it can also be considered a strategic investment in its business to familiarize a new generation of workers with Microsoft's product line and build a stronger future consumer base. Microsoft's large-scale involvement in the Colombian market means that the company has already built relationships with employers nationwide and, although some components of the program are new in Colombia, the demonstrated success of these programs elsewhere is a strong indication of their scalability.

Jóvenes Caficultores seeks to solve the problems of rural youth unemployment and an aging rural labor force by training and preparing young coffee farmers to replace older growers who are unable or unwilling to continue working their land.



● **FEDERACIÓN NACIONAL DE CAFETEROS—** ● **JÓVENES CAFICULTORES**

The *Federación Nacional de Cafeteros* (FNC) is a national organization representing 527,609 farmers, most of whom have less than 12.5 acres (5 hectares) of land dedicated to coffee production. In addition to managing coffee exports, the federation provides producers with services and technical assistance. Despite its size and national prominence, 55.8 percent of the federation's growers are age 50 or older and 22 percent are over 60 years old—a trend the federation considers a strategic threat to its long-term supplies.⁷

At the same time, the unemployment rate among youth in coffee growing areas is far greater than in other areas of Colombia. According to Banco de la República, the departments of Risaralda, Caldas and Quindío, in the heart of the coffee-producing zone, had among the worst employment rates at 20.5 percent, 15.9 percent and 26.8 percent, respectively.⁸ In the city of Pereira in the department of Risaralda, unemployment in 2010 rose to 35.2 percent.⁹ Lack of opportunity in rural economies translates to many youths migrating to urban centers to work in the informal sector as domestic employees, doormen, and other low-skilled jobs.

Jóvenes Caficultores seeks to solve the problems of rural youth unemployment, urbanization and an aging rural labor force by training and preparing young coffee farmers to replace older growers who are unable or unwilling to continue working their land. According to Catalina Álvarez, a program administrator, “*Jóvenes* provides selected young families with loan guarantees to buy land in their communities and the training they need to run financially viable, sustainable small-farm businesses.” The model operates as an inclusive business in which local land and infrastructure, a young labor force, and financing secured by the FNC are leveraged to supply global markets with coffee. This is accomplished by promoting youth access to land, credit

and technical training so they can become small coffee growers.

The program's primary objective is to protect the long-term supply of the federation's coffee exports and encourage young farmers to capture value-added segments of the production chain.¹⁰ However, there is another benefit to employing young farmers: the adoption of new technologies and innovation in a largely tradition-based industry.

HOW IT WORKS

The FNC launched the *Jóvenes* program in 2007 when it began acquiring farms in coffee-producing states throughout Colombia. The farms ranged from 50 acres (20 hectares) to 990 acres (400 hectares). The criteria for purchase of land included its suitability for coffee production; proximity to water sources; adequate access to public infrastructure; and proximity to conflict areas. Once the farms were acquired, the FNC began accepting applications from over 260 prospective young farmers who attended information sessions and submitted paperwork required by the program.

To support the launch of *Jóvenes*, the FNC sought and acquired a \$6 million loan from the Inter-American Development Bank (IDB) to develop the selection process, conduct baseline research and fund technical workshops for beneficiaries at each of the farms. In total, the federation invested approximately \$10 million to purchase land, pay salaries and invest in working capital.¹¹ Other key donors include the European Union, the worldwide certification program UTZ, the development NGO ACDI/VOCA, Fundación Manuel Mejía, *Servicio Nacional de Aprendizaje* (SENA), and the *Centro Nacional de Investigación de Café* (CENICAFE), which provided much of the on-the-ground technical training to young farmer participants.¹²

JOVENES' BENEFICIARIES

To be considered for the *Jóvenes* program, applicants must meet certain criteria: be between 18 and 35 years of age; have completed a minimum of ninth grade in secondary school; be willing to work in small groups; have a demonstrable interest in coffee farming; be originally from the area where the farm is located; and (for men) have fulfilled compulsory military obligations.

Out of the initial applicant pool in 2007 of over 200 young farmers, 63 matched these criteria and moved to a second-round screening process that included individual interviews with prospective farmers. Two farmers who were eventually selected for the program, Jury Granados, 24, and Ferney del Jesús Rojas, 38, grew up in the rural towns of La Celia and Balboa, in the

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department of Risaralda in the heart of Colombia's coffee producing zone. Despite their rural upbringing, neither had the land, resources or technological know-how to produce coffee for export. Married at 17, Granados had her first child at 19 and relegated all financial responsibilities to her husband. Rojas worked as a *jornalero* (day laborer) for coffee and dairy farms.

In 2009 Granados and Rojas were placed to work at a 52 acre (21 hectare) farm in La Capilla, Colombia—one of six farms participating in the program in Risaralda. La Capilla is part of a larger farm network totaling 287 acres (116 hectares) known as *La Celia & Balboa* (Celba). In a two-year period, the young farmers replaced 60,000 aging coffee trees, and the farm will soon reach full productivity, thanks in large part to the guidance, financial backing and training provided by the FNC. Today, the FNC projects that within two years Celba should be producing a combined 507,000 pounds (230,000 kilograms) of coffee annually—a nearly 65 percent increase over 2010 yields, which totaled 328,500 pounds (149,000 kilograms).

Granados and Rojas are on track in 2011 to acquire titles for their farm and plan to run it as a cooperative in collaboration with two other *Jóvenes Caficultores* participants. Not only have they replanted their fields, but they have also begun producing organic fertilizers with techniques they learned through FNC training programs. FNC technicians working for CENICAFE regularly visit the farm and help supervise production for the entire network. In addition to FNC visits, La Capilla farmers attend classes on business administration, management and health and family planning provided by collaborative partners, including the Fundación Manuel Mejía, SENA and other partners.¹³

● MICROSOFT COLOMBIA—TODO

● EMPIEZA CON UNA OPORTUNIDAD

The most common concern among the private-sector representatives at Americas Society's February roundtable was the general lack of technical skills of applicants to entry-level positions. Ultimately, large-scale programs to address this issue will require public-sector action and the likely modification of national secondary school curricula and public financing of technical training institutes. However, there are numerous steps companies can take—particularly firms from the technology sector—to address youth exclusion from formal labor markets now.

Microsoft Colombia's *Todo Empieza con una Oportunidad* is the most comprehensive private-sector sponsored computer and software training initiative in Colombia, reaching hundreds of individuals directly through online programs and thousands of students nationally through partnerships with schools, universities and technical institutes.

Todo Empieza con una Oportunidad helps students to understand and use technology in the workplace. A few of the program components include:

- **DreamSpark** provides students free, legal access to software products, such as Windows operating systems and the Microsoft Office suite for use in classrooms and in online courses through universities, technical institutes, secondary schools, and other affiliated educational institutions;
- **Students to Business** is an online employment website that helps link students with Microsoft retail vendors, product distributors and other affiliates for employment opportunities;
- The **Microsoft Technology Associate** (MTA) initiative is an education program to provide accreditation to students in software development and database training. Topic areas include networking, security fundamentals and Windows Server training. Students can pursue as many certifications as they choose through programs with universities and technical institutes;
- **Student technology clubs** promote youth interest and engagement in technology; and
- **BizSpark** provides entrepreneurs and startups with technology and platforms to help their businesses and has worked with 300 individuals across Colombia over the past three years.

One of the most successful of these programs thus far in Colombia is student

technology clubs. The student-run clubs—currently up-and-running at 78 universities in more than half of Colombia's 32 departments—provide tech-savvy students with free software, classes and hardware at participating institutions. At present, 1,800 students are formally registered members of the clubs and the total number of students with access to club facilities is over 65,000 nationally. The clubs have also produced 24 student facilitators, who have been recognized by Microsoft as ambassadors of the program and serve as a first point-of-contact for many students who later take advantage of other *Todo Empieza con una Oportunidad* resources.

Launched in Colombia in January 2011, Students to Business is a free online skills-matching website that connects student job-seekers to potential employers. On the labor demand side, Microsoft promotes the site to its business affiliates and partners as an effective employee recruitment tool. The company also leverages its student clubs and marketing capacity to publicize the site among young job-seekers. Although the platform was developed in Colombia in January 2011, in just three months over 800 resumes have been uploaded, 200 businesses have begun posting vacancies to the site and at least 24 students have been hired through the portal. Based on these figures, Sandra Marín, head of Microsoft's education programs in Colombia, estimates that Students to Business will include over 3,000 resumes and at least 300 employers in its online networking platform by the end of 2011.

Another program, Microsoft Technology Associate, addresses what the ILO has revealed to be one of the most significant barriers young people face in accessing formal labor: the lack of a unified system for the accreditation of skills. Outside traditional education systems, students are often unable to obtain credentials that demonstrate their skills to potential employers. Microsoft Technology Associate addresses this problem by working with local governments to develop relationships with both public and private educational institutions to incorporate curricula that earn students' an internationally recognized accreditation. Launched in Colombia in December 2010—in collaboration with local government—the program is currently being tested at 10 universities. If successful, it will be expanded nationally and provide students with practical, skills-based accreditation in addition to their traditional university degrees.



IMPACT AND SCALABILITY

The two programs covered here take different approaches to youth labor market access. *Jóvenes Caficultores* works to create sustainable and profitable employment opportunities in agriculture for rural youth. *Todo Empieza con una Oportunidad* equips a more urban population with in-demand technical skills and accreditation. Another difference is how long the programs have been active. *Jóvenes Caficultores* was launched in its entirety in 2007, and the FNC has since developed an advanced system for gauging results. *Todo Empieza con una Oportunidad* has been implemented in successive stages since 2008, and the most recent component, Students to Business, was launched in January 2011.

By 2011, 155 young farmers were working with the *Jóvenes* program across nine farms in the Antioquia, Caldas, Magdalena, Norte de Santander, Santander, Risaralda, Quindio, Tolima, and Valle del Cauca departments.¹⁴ Now in its fourth year, the FNC has begun transferring land titles to growers for farms of up to 12.5 acres (5 hectares) for individual beneficiaries or larger parcels to farmers who agree to form legal associations or cooperatives. Once the FNC transfers the titles and financial responsibilities, the farmers become landowners, many of whom formally join the FNC as members.

In addition to the individual land titles (or consolidated titles) that the FNC plans to deliver by the end of 2011—thereby gaining a new group of growers and increasing 2011 production volumes—*Jóvenes* has fostered a group of community leaders who participate in regional coffee committees and Colombia's annual national coffee congress. One of the program participants was recently elected to his regional committee, giving him the opportunity to vote on FNC policies and represent his area and the incoming generation of farmers.

Throughout the first four years of the program, the FNC identified best practices and modified their approach as they learned from the issues and problems that arose during the early stages of implementation. For example, during the program's first year, beneficiaries were required to live on farms, often away from home. However, within a few months administrators realized that in the traditionally family-oriented business of coffee cultivation, family members often contributed to the work on the farms, increasing their productivity. As a result, administrators now accommodate extended families in the training and allocation of land.

A second lesson highlights the importance of working to turn rural coffee production into a profession in which incomes remain tied to productivity. Upon joining the federation, growers generally receive a variety of benefits such as electronic identity cards, price protection contracts, discounts on fertilizers, legal advisory services, online information systems, and technical assistance.¹⁴ In addition to these benefits, during initial stages of the *Jóvenes Caficultores* program, the FNC also attempts to provide financial support to young growers until their farms become fully productive. As a result of this assistance, some growers behaved less like independent small land holders than like federation employees. By providing salaries not tied to productivity, some growers became less productive. The FNC has since attempted to address this concern by making sure that young-farmer incomes remain tied to productivity, even during early stages of the program.

A third lesson addressed the importance of extending access to the Internet and other communications infrastructure. Extending this technology has reportedly not only reduced the number of young growers who drop out of the program and move to urban areas, it has also served as a means to communicate with growers and provide online learning material and real-time, accurate market information.

In this sense, providing young workers with technical skills is a goal shared by *Jóvenes Caficultores* and Microsoft Colombia—even though the FNC focuses on rural youth. Although *Todo Empieza con una Oportunidad* is newer to Colombia than *Jóvenes Caficultores* initial results are encouraging and Microsoft Colombia's commitment to expanding each component of the program in Colombia holds promise. The company's national presence in Colombia, its vast resources, and its relationships with local businesses, universities and the government, make it well-positioned to scale up existing efforts. Since its initial launch in Italy in 2006, Students to Business has since been implemented in nearly 70 countries and it has helped more than 15,000 students find jobs and internships. Combined, the Microsoft Technology Associate, Student Clubs and Students to Business initiatives have engaged hundreds of thousands of students worldwide over the past decade.





Peru:

YOUTH ENTREPRENEURSHIP AND INCLUSIVE BUSINESS

As one of the fastest growing economies in Latin America, Peru experienced an average growth rate of 8.8 percent between 2006 and 2008. Peru's poverty rate decreased from 44.5 percent in 2006 to 34.8 percent in 2009.¹⁵ However, like other countries in Latin America, social exclusion and lack of social mobility are among the most serious issues facing policymakers. Out of a total population of 29 million, 19 percent are between the ages of 15 and 24. This demographic is suffering from above-average unemployment rates—up to three times higher than their adult counterparts. According to International Labor Organization figures, youth unemployment Peru reached 16.8 percent in 2009 and youth underemployment topped 36 percent.¹⁶

Over the past eight years the Peruvian government has passed a number of laws aimed at spurring job growth and protecting worker rights. The first, *Ley de promoción y formalización de la micro y pequeña empresa* (2003), promotes employment through support for micro and small enterprises—defined as businesses that employ 1 to 50 individuals. The law grants companies preferred access to business development services and financing, while at the same time decreasing bureaucratic obstacles to hiring. A second law, *Ley General del Trabajo* (2006), provides protections for current employees, such as mandatory compensation if they are fired without reasonable cause. Legislation introduced in February 2011, *Proyecto de Ley de Promoción del Empleo Juvenil*, would address the issue through an approach similar to Colombia's *Ley de primer empleo*. However, the measure has not yet been signed into law, and Peru's upcoming presidential elections make the bill's future uncertain.

The Peruvian government, local and international NGOs and the private sector have begun working in collaboration to reduce youth exclusion from labor markets through education and employment programs. For example, the Ministry of Labor and Employment's *PROJoven* program has trained over 40,000 disadvantaged youth in practical, in-demand skills over the past four years and paired them with domestic private sector companies through internships. Initiatives like this one show that addressing youth unemployment is an institutional priority for the Peruvian government.

However, a handful of initiatives have focused on expanding youth access

to labor markets through profit-driven or demand-led initiatives. These methods respond to the issue of youth social exclusion by focusing on sustainable and scalable programs that take advantage of private enterprise models and youth entrepreneurial spirit in order to expand employment opportunities.

This is the case of Cooperazione e Sviluppo's (CESVI) *Proyecto JES Empleo*, which aims to address youth exclusion through sustainable and profitable social businesses as a stepping-stone for job placement. Another program, *Asociación Pro Bienestar y Desarrollo's* (PROBIDE) *Creer para Crear*, seeks to facilitate financing for youth startups, helping participants establish businesses based on viable ideas and sound mentoring.

● CESVI— ● PROYECTO JES EMPLEO

CESVI, an Italian development NGO, has been in Peru since 1989 working for the social integration of marginalized, at-risk youth. To engage this population, CESVI opened *La Casa de la Sonrisa*, a safe house for street children and young adults at risk of sexual exploitation or situations of neglect. *La Casa* offers social support to youth in low-income areas of Lima by conducting home visits and providing counseling and training workshops for young beneficiaries and their families. However, young adults who participated in the *La Casa de la Sonrisa* program often lacked skills and training necessary to enter formal job markets. In 2004, with funding from the Inter-American Development Bank's (IDB) Multilateral Investment Fund, CESVI developed *Proyecto JES Empleo*, a program that offers employment opportunities and skills training to young men and women between the ages of 16 and 30.

Proyecto JES Empleo is premised on the belief that finding formal employment is the most effective way for youth to overcome social and economic exclusion. What makes *Proyecto JES Empleo* unique is its focus on socially inclusive business, which it defines as an economic enterprise that competes in the local market and provides training opportunities and/or employment as a means to integrate marginalized populations. CESVI offers employment opportunities in its own socially inclusive small businesses that offer the immediate benefit of formal-sector jobs and income generation. In addition to crucial workplace skills, the program also provides business training to help participants find and maintain future employment, as well as entrepreneurial skills to create new ventures. By working with a network of

local businesses that share a similar concern for social inclusion and development, CESVI offers a menu of targeted, effective employment opportunities to its beneficiaries.

CESVI reaches out to marginalized youth by partnering with local community organizations, known as *organizaciones de base*, such as parishes and youth groups. Currently CESVI works with *organizaciones de base* in low-income areas of Lima including Villa del Salvador, San Juan de Miraflores, Pachacamac, Callao, Ventanilla, and Chosica. While CESVI makes a commitment to provide training and job placement counseling, much of the business training is conducted at the *organizaciones de base* due to their presence in targeted communities. To participate in the program, youth participants must be recommended by an *organizacion de base* and are chosen based on their age, vulnerability or risk of social exclusion, personal motivation, and number of dependent family members. CESVI has also set guidelines that indicate participants must be drug free, have the support of at least one family member and have completed elementary school, but not advanced technical or university training.

Proyecto JES Empleo is divided into three components: the creation and strengthening of socially inclusive businesses, business skills training and job placement.

To date CESVI has created four social businesses: Artytex, an apparel and textile company for young women; Yoper, a bakery and pastry shop; Mistyca, a beauty salon; and Biowash, a car washing business. In the case of Artytex, its first business, CESVI is the sole proprietor, as it made the initial investment and paid operating and maintenance costs. CESVI created Yoper, Mistyca and Biowash by collaborating with existing private enterprises and entrepreneurs. In these cases a contract was signed between CESVI and the start-up, whereby CESVI provided the initial investment capital while its partner covers operating and maintenance costs. All four companies have an explicit commitment to hire and train *Proyecto JES Empleo* participants.

The second component of the *Proyecto JES Empleo* focuses on developing the skills necessary to find and maintain formal employment or to create new business ventures. The training component is divided into three stages.

- Students begin with Workplace Basic Skills Training—55 hours of workshops that span a month and a half and focus on personal development by strengthening social and entrepreneurial skills. This first phase also teaches job-seeking techniques to prepare participants for the labor market once they complete the *Proyecto JES Empleo* program.

- Participants receive basic business skills training that focuses on workplace procedure and communication. This phase emphasizes reading, writing, math, and oral communication skills. Another focus is how to develop business plans to start new businesses or strengthen existing ones. Teachers serve as mentors, guiding and recommending employment options according to student interests, skills and abilities. Classes are developed based on the “Competency Based Economies through Formation of Enterprise” methodology, which focuses on the acquisition of skills through experimentation and action. These workshops cover 96 hours over a three-month period.
- The final phase of training, known as specialization, helps students attend vocational schools in the areas of textile manufacturing, baking, cosmetology, sales, and customer service. Scholarships are valid for three months of classes at partner technical schools.

The third and final component of the *Proyecto JES Empleo* is job placement. Individual skills are matched with those required by CESVI’s start-ups or other private companies in CESVI’s professional network. Personalized employment counseling—involving skills assessment and interview training—allows participants to identify their needs and interests and explore the available opportunities. Mentors then conduct follow-up visits and communicate through email and telephone with participants to accompany them in the job-seeking process and provide ongoing advice. Those placed in one of the social businesses who demonstrate superior performance are given opportunities to further their studies through additional scholarships.

PROBIDE— **CREER PARA CREAR**

The *Asociación Pro Bienestar y Desarrollo* (PROBIDE) is a Peruvian organization founded in 1998 by the *Universidad San Ignacio de Loyola* whose mission is to address high unemployment among youth by promoting creativity and a culture of entrepreneurship through technical training, workshops and seminars on business development.

To advance its mission PROBIDE in 1998 launched a nationwide business plan contest called *Creer para Crear* in which applicants—who must be between the ages of 18 and 30 and be enrolled at a university or technical institute—submit business plans for review by a panel of PROBIDE staff and

executives from partner companies. The business plans are evaluated based on their creativity, likelihood of sustainability, and profitability. Three hundred and ninety two projects have been approved to date.

One of the biggest obstacles young entrepreneurs face is securing loans for start-up capital. PROBIDE addresses this challenge by helping aspiring entrepreneurs secure low-interest loans from partner banks through a private loan guarantee program that it has developed with contributions from companies including Banco Wiese, Banco de Crédito, Alicorp, Coca-Cola, Microsoft, IBM, Wong, Kentucky Fried Chicken, and Pizza Hut. Under the program, these companies and others contribute to a collateral fund that guarantees private loans awarded to *Creer para Crear* entrepreneurs. In the event of default, the fund pays off any outstanding balance. Interest generated from the fund is used to finance training, monitoring and oversight.

Creer para Crear faced significant challenges in the first few years. These included low-quality business plan submissions, low levels of support from partner universities and companies, difficulties promoting the competition outside Lima, and difficulties launching the loan guarantee program. In 2000, however, PROBIDE signed an agreement with the Inter-American Development Bank, which helped it dramatically expand its private guarantee fund, which is now made up of one-third IDB funds and two-thirds private-sponsor funds. Credits do not cover 100 percent of the financing. Rather, startups are expected to contribute an average of 5 percent of the total investment, depending on their financial means.

To help ensure the success of approved business plans, PROBIDE tracks the performance of contest winners and attempts to identify issues threatening businesses' viability. Winners are required to submit bimonthly reports during their first year of operations, which are reviewed by a monitoring and oversight committee at PROBIDE. When necessary, the committee can recommend corrective measures and put entrepreneurs in contact with advisors from partner companies.

PROBIDE also provides training and materials to non-*Creer para Crear* participants. The organization has trained approximately 500 professionals from 100 universities nationwide and has signed agreements with Peruvian universities to conduct entrepreneurship workshops. To ensure the participation of young entrepreneurs throughout the country, *Creer para Crear* has hired 48 regional coordinators from 24 provinces to conduct outreach and marketing in rural areas.

The success of even a single entrepreneur provides formal employment and new sources of income for their future employees and the surrounding community.



● ● **IMPACT AND SCALABILITY**

CESVI's *Proyecto JES Empleo* (employment and workplace training through socially inclusive businesses) and PROBIDE's *Creer para Crear* (entrepreneurship, mentoring and access to credit) focus on different youth populations and take different approaches to expanding market access. However, they also illustrate the diversity of available solutions to the complex issue of youth unemployment in the region.

By partnering with *organizaciones de base*, the *Proyecto JES Empleo* program is able to reach highly marginalized populations and provide a secure space in the community to conduct its skills training programs. By also maintaining four businesses, it provides a place to put students' training to use and acquire on-the-job experience. In 2010, 408 participants completed Workplace Skills Training, 343 completed Business Skills Training and 65 were placed in a social inclusive business or other enterprise.

In contrast to CESVI, PROBIDE's extensive network of major private companies—which help finance *Creer para Crear*'s start-ups and offer mentoring to its young entrepreneurs—is a cornerstone of the program. *Creer para Crear* has completed five entrepreneurship competitions and is currently accepting applications for the sixth. According to PROBIDE the program has directly benefited over 400 young people over a period of seven years through the financing of more than 110 startups—60 percent of which are in provinces outside Lima. PROBIDE believes the success of even a single entrepreneur provides formal employment and new sources of income for their future employees and the surrounding community.

PROBIDE estimates that business development training and workshops have helped 12,000 young people nationwide. This number also includes the training of over 900 professors from national universities, who continue to teach courses in business plan development and entrepreneurship.

While both programs collaborate with the private sector, though to varying degrees, neither CESVI nor PROBIDE has extensively engaged the Peruvian government in their initiatives. As mentioned earlier, the Ministry of Labor has adopted youth employment as an institutional priority, and in addition to possible funding, the public sector could serve as an indispensable network for program beneficiaries and administrators, alike.





Conclusions

The public and private sectors in Colombia and Peru are developing new programs to equip youth to enter formal labor markets. The case studies profiled in this white paper show the challenges that stakeholders face—specifically with regard to funding, scalability and cooperation across sectors—when addressing high unemployment rates and the significant mismatch in skills. Based on these programs and others, we found:

First, the specific skills that private companies demand of young job candidates must be better communicated to universities and vocational schools. Conversations with the private sector and with job seekers revealed a gap between supply and demand when it comes to labor markets. One example, Students to Business, provides a platform to better match candidates to potential employers, but that solves only part of the problem. Addressing this over the long term requires better communication and collaboration between businesses, the public sector and schools at all levels, including vocational schools. Given that discussions and policy on education tend to be politically fraught in the region, private sector and NGO stakeholders should focus on encouraging public-sector leaders to make practical, jobs-focused education reform a high priority.

Second, the public sector can play an important and even catalytic role in improving labor markets for youth. This can and must include addressing the legal disincentives to hiring and labor rigidity. In addition, there are a host of examples currently being implemented of possible government-run programs in training and placement.

Third, labor market needs are diverse when it comes to young employees. They vary by geography, levels of education, socioeconomic status, economic sector, experience, community ties, and gender. There is no easy solution for promoting youth insertion into labor markets. Programs—both public and private—need to be tailored to specific groups and sub-groups and sectors of the economy, including those in the agricultural sector, returning migrants and individuals displaced or affected by violence or crime.

Fourth, private- and public-sector efforts in this area are scalable but they often require outside support—grants or loans by foundations—to expand their reach and impact. In the cases presented here, individual programs required the financial and legitimizing push of an outside source to survive and work toward achieving scale. In the case of PROBIDE, IDB funding helped *Creer para Crear* expand its private guarantee fund, scaling the program up to service more young entrepreneurs.

Fifth, publicly supported programs that train, integrate and support job-seeking youth into the market also provide a powerful catalyst for inclusion. Governments have increasingly committed state resources to initiatives that address youth unemployment—including private sector-led programs. The Colombian government, for example, has expanded its work through *Servicio Nacional de Aprendizaje* (SENA) and *Departamento Nacional de Planeación* (DNP), and is committing greater policy and financial attention on the topic through the state agency *Acción Social*. Peru's *PROJoven* program, funded by the Ministry of Labor and Employment, trains low-income youth in in-demand labor skills. The government program also partners with domestic private companies to place beneficiaries in internships and create opportunities for insertion into the labor market.



Early Recommendations

Americas Society will continue to conduct research and promote policy discussion on labor market access for youth. In 2011 and 2012, Americas Society will conduct two more country case studies—tentatively in Mexico and El Salvador—and continue to convene roundtables and discussion forums with policymakers, donors and businesses similar to the February roundtable in Colombia. To help shape our further activities on this topic, we offer our early recommendations based on the case studies in Colombia and Peru.

First, to address the gap between labor market supply and demand governments and the private sector need to develop formal means and platforms to communicate needs, help shape curricula and establish programs. As mentioned above, businesses consistently express concern about the lack of skilled job candidates in the labor pool. These concerns can be addressed—and young job seekers better fitted to needs—if the public and private sectors establish formal platforms for collaboration and information sharing around educational programs. Obviously, curriculum reform that integrates practical needs into schools and training programs is the ultimate, long-term goal. In the meantime, informal training programs and collaboration and communication can help address short-term gaps and lay the groundwork for broader reform.

Second, governments need to play a stronger role in addressing labor market inefficiencies as they affect youth. The World Bank's report, *Doing Business 2011 Latin America: Making a Difference for Entrepreneurs*, identifies the region as having the highest levels of labor inflexibility in the world.¹⁷ However, addressing this issue is complicated and fraught with political risk. For this reason, governments should meanwhile also explore shorter-term solutions such as *Ley 1429* in Colombia, which provides incentives for businesses to hire young workers for its new hires.

Third, Attention should be paid to the needs of particularly high-risk young adults from ethnic minorities and other marginalized groups. One step would be to include representatives of these groups in discussions with public- and private-sector leaders and engage them during the drafting of future legislation. Governments and the private sector must devote special attention to groups who, for reasons of displacement, insecurity, geography, or historical discrimination, face

additional barriers to formal labor market access. One group that participated in Americas Society's February 2011 roundtable, *Fedesarrollo Afro*, engages policymakers on behalf of Afro-Colombians, 78.5 percent of whom live in poverty. The group works to raise awareness about the unique employment challenges this population faces. Equally important are the needs of rural populations. *Jóvenes Caficultores* has tailored its business model to address social exclusion among rural youth in agricultural regions. Another example, Peru's *PROJoven*, now focuses on disadvantaged youth in Lima and other urban centers, but it is working to expand its beneficiary base with the development of rural programs.

Fourth, companies should develop business models that leverage the unique skills and traits of young workers in ways that add social value and improve the bottom line. Companies often approach young workers for short-term, low-level employment. However, companies can make strategic investments in youth that pay off in the long term. *Jóvenes Caficultores* illustrates how investments in young farmers now are securing long-term supply and bringing innovation to an industry long dominated by traditional practices. Companies should develop business models that leverage young workers' strengths.

Fifth, programs that address youth market access should be catalogued to encourage collaboration between stakeholders and promote new initiatives. Such a database should include programs within and across national borders. The ILO has led the effort to map the universe of youth labor market access programs in Latin America and the Caribbean by dedicating a section of its website to country-specific resources, found here: <http://prejal.oit.org.pe/index.php>.¹⁸ The ILO has also published two key reports on the topic, "2009 Labour Overview: Latin America and the Caribbean" and "Global Employment Trends for Youth" in 2010."

Sixth, the donor community must remain involved and informed. In many of the cases we explored, bilateral and multilateral assistance and/or private foundation involvement provided crucial support for launching and scaling up initiatives. Similar efforts are needed to replicate existing programs and expand others. As the policy and business communities become increasingly aware of this topic, this will become easier. Part of that effort should involve actively seeking the participation of foundations in the discussions outlined above.



ENDNOTES

- 1 International Labor Organization, *2009 Labor Overview: Latin America and the Caribbean* (Lima: ILO, 2009).
- 2 Ibid.
- 3 Ibid.
- 4 Ibid.
- 5 International Labor Organization, *Global Employment Trends for Youth: August 2010* (Geneva: ILO, 2010).
- 6 Departamento Administrativo Nacional de Estadística, *Boletín de prensa: Mercado Laboral de la Juventud 14 a 26 años – Gran Encuesta Integrada de Hogares* (2011).
- 7 According to the Colombia Loan Proposal by the IDB in 2005, the over-60 age group tends to adopt new coffee varieties at a rate 15 percent to 30 percent lower than the 18 to 24-year-old-age group.
- 8 Banco de la República, *Boletín Económico Regional Eje Cafetero: Caldas, Quindío y Risaralda* (2010).
- 9 Ibid.
- 10 Inter-American Development Bank, *CO-L1009: Innovative Intervention Models for the Coffee Sector* (2005).
- 11 Which include loans from Banco de Bogotá and Banco Davienda to purchase five farms.
- 12 CENICAFE is the Centro Nacional de Investigaciones de Café, which is the scientific research branch of the Federation and focuses on developing new, sustainable and competitive technologies for coffee growers in Colombia. The Extension Service was created by the Federation and Regional Committees to develop and execute all technical, social, economic, and environmental and guild programs with all coffee growers throughout the country.
- 13 The Fundación Manuel Mejía specializes in rural and agribusiness education and training. The SENA is the Servicio Nacional de Aprendizaje, a governmental education entity dedicated to developing technical skills and capacities in the country.
- 14 The electronic card is a magnetic identity card. The coffee grower gets his/her coffee payments transferred to the card, he/she receives discounts, can withdraw money, and can vote at the regional and national coffee elections. The price protection contract allows the coffee grower to protect his/her harvest against future drops in prices. He can choose to pay \$10,000 Colombian Pesos (\$5.50) for each sack which gets guaranteed at the minimum price set by the NYC Stock Exchange. The online information systems is launching rural connectivity projects so that farmers can have better access to lessons and communicate directly with both CENICAFE and the Extension Service.
- 15 Economist Intelligence Unit, *Commerce Report: Peru* (London: EIU, 2010).
- 16 ILO, *2009 Labor Overview: Latin America and the Caribbean*.
- 17 The World Bank, *Doing Business 2011 Latin America: Making a Difference for Entrepreneurs* (Washington DC: The World Bank, 2011).
- 18 "Promoción del empleo juvenil en América Latina," PREJAL, 2011, <prejal.oit.org.pe/index.php> (accessed December 2, 2010).