

BRINGING YOUTH INTO LABOR MARKETS:

Public-Private Efforts
in El Salvador

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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. This return to growth has had a positive influence on employment, and most forecasts predict unemployment numbers to continue dipping slightly in 2012.

But 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. Low levels of education and vocational training, a lack of prior work experience and inflexible labor laws are all barriers to youth employment. The data is even worse for those at lower income levels or with fewer opportunities than their peers; unemployment or underemployment is the reality for 60 percent of youth with nine years or less of education.

This raises serious policy implications for business and government. The growing phenomenon of *ninis*—youth who neither study nor work (*ni trabajan, ni estudian*)—means that employers struggle to find qualified workers while governments grapple with the potential short- and long-term economic consequences of a lost group of workers. 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.”

The solution to greater youth labor market access requires innovative private-sector initiatives facilitated by forward-thinking public policy. To provide insight on how to structure such innovative partnerships and institutional arrangements, Americas Society, with support from the Ford Foundation, looked at models in Colombia, El Salvador, Mexico, and Peru. This country report focuses on the case of El Salvador and is part of our larger 2012 white paper, *Bringing Youth into Labor Markets: Public–Private Efforts amid Insecurity and Migration*.

The report on El Salvador, like the white paper, focuses on private-sector-led initiatives that address three of the key challenges for reducing youth unemployment and underemployment: narrowing the mismatch between the skills young workers possess and those that labor markets demand; fostering opportunities for entrepreneurship; and designing efforts to specifically

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support at-risk/disenfranchised youth. Although additional programs to foster youth employment exist, this report 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, we 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.

The contextual implications of narcotrafficking and gang violence in El Salvador as well as 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.

The challenges facing El Salvador’s youth are not specific to El Salvador alone. Skills training, entrepreneurship and the creation of opportunities for at-risk youth are concerns across the Americas. That is why the Americas Society recommends the following:

- Governments and the private sector must establish measures that prove the effectiveness of successful private-sector initiatives to facilitate their replication and scalability.
- The private and public sectors must provide incentives, such as guaranteed internships and apprenticeships or education scholarships, for youth to ensure they study the skills that employers most demand.
- Nationally recognized accreditation systems in technical and non-technical skills should be created so that young job-seekers and employers can verify employment preparedness.
- Employers must reverse the bias and discrimination that prevents the hiring of at-risk youth.



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,¹ the low inflows of foreign direct investment in 2010 (a 79-percent drop compared to 2009),² 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.³

Remittances, which accounted for 16 percent of GDP in 2010, can negatively influence youth job prospects as well.⁴ 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.⁵

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.⁶ 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).⁷ 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 satisfactorily completed.

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.

- **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)*.⁸ 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.⁹

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.



ENDNOTES

- 1 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.
- 2 The Metropolitan Area of San Salvador (AMSS) is formed by the capital city, San Salvador, and 13 surrounding municipalities, including Santa Tecla, Antiguo Cuscatlán and Soyapango. It includes 3 percent of the national territory and 27 percent of the population.
- 3 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.
- 4 Ureta, Manuelita & Cox Edwards, Alejandra (2003) "International migration, remittances, and schooling: evidence from El Salvador", *Journal of Development Economics* 72 (2003) 429– 461.
- 5 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.
- 6 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.
- 7 Mechatronics is the combination of precision mechanical engineering, electronic control and systems thinking in the design of products and manufacturing processes.
- 8 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).
- 9 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).