A young job seeker in São Paulo, Brazil. Youth unemployment in the region has skyrocketed since 2008.

TAKING

YOUTH TO MARKET

BY MATTHEW AHO AND RICHARD ANDRÉ

Latin America's young adults are bearing the brunt of tight labor markets during the economic downturn. Their precarious employment is a ticking demographic time bomb if governments, businesses and civil society don't step up.

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Vanessa Muñoz, 24, and Hector Quiroga, 22, haven't met, but they have a lot in common. Both are from poor families; both have children; both live in the same district of Bogotá; and neither has completed secondary education. They are also both members of a 95-million-strong generation of Latin Americans aged 15 to 24 that is being hit hard by the global economic crisis.

The 2008 recession ended five years of growth in Latin America that created jobs and market access for many of the region's young adults. Around the globe, there were an estimated 81 million unemployed young workers in 2009—almost 8 million more than in 2007—reflecting a sharper rise in youth unemployment than ever before.[1] In Latin America and the Caribbean, where young workers are three times more likely to be unemployed than their elders, formal youth unemployment rose from 14.3 percent to 16.1 percent between 2008 and 2009.[2]

Take Muñoz, for example. She ekes out a living handing out flyers for a dentist in Bogotá. Every day, she travels to her assigned street corner wearing a yellow and purple jacket with an *OdontoFamilia* logo on it. She earns $5.20 per day and isn't sure how long the job will last. "My boss doesn't like me," she admitted. "He has total control and could fire me any time." She says most big companies require more practical experience than she has and that higher paying jobs have become scarcer in the last few years. For Vanessa, who dreams of a career in computer science, prospects are bleak. "I know the government talks about incentives for education," she says, but "most programs do not spill out to poor communities."

Until recently Quiroga was self-employed, running a small *cigarrería* that sold around $90 per day of basic items like cigarettes, milk, bread, beer, and spirits. But when his hard-pressed regular customers started shopping weekly at his tiny store instead of daily, he could no longer meet the rent payments, and his business collapsed. He has been looking for work ever since. With his limited education and rudimentary business skills, he finds it nearly impossible to get a loan to invest in something new.

Young workers like Muñoz and Quiroga face unique employment challenges. They lack sufficient education, training and work experience, meaning they are often the last candidates firms hire. They are also the first to be fired. Studies show employers are more willing to lay off young workers than their adult counterparts because it's cheaper.[3] Young employees have less on-the-job training—meaning companies have invested less time and money in training them—and they possess fewer firm-specific skills.

Promoting youth employment and market access is difficult, but it is a necessary investment. Young workers who look for jobs during recessions can be permanently scarred by repeated failures to find work. Some even detach themselves permanently from formal labor markets.[4] In one of the few regions where the proportion of adults aged 30 and younger is still growing, some believe that a failure to promote market access for this group—particularly to formal labor markets—could lead to a "lost generation" of workers, hindering growth and stability in the region.[5]

WHAT CAN BE DONE?

Measures like youth wage subsidies and conditional cash transfer programs are expensive. Even when successful, they represent a short-term fix to a long-term problem. Other innovative approaches have begun surfacing to help the millions of young Latin Americans like Muñoz and Quiroga fulfill their potential.

The programs focus on vocational training, youth entrepreneurship promotion and support for business models that benefit young workers. They are sustainable, scalable and adaptable; and they prove that strong action by governments, businesses and NGOs can help young people who have been sidelined by the recession. Most important, they offer ways to harness the energy and skills necessary to sustain the region's future growth.

MATCHING SKILLS TO JOBS

Governments throughout the Americas have made great strides in broadening access to primary and secondary education. Enrollment and literacy rates have climbed. Nevertheless, vast discrepancies remain between the skills employers demand and those students acquire in school. The mismatch hurts firms' productivity and diminishes employment opportunities for young workers. Vocational programs address this mismatch by combining classroom experience with workplace training that gives students skills to meet firms' real-time needs.

Chile's *Instituto Nacional de Capacitación Profesional* (INACAP), founded in 1966, is the region's best known vocational school and Chile's largest higher education institution. Over 54,000 students choose from 170 skills curricula that last two to four years. There are no admissions exams, class hours are flexible, and students can study part-time. For students who would otherwise have no access to higher education, INACAP offers a path to a productive career. The average annual cost per student is $2,100, but the Chilean Ministry of Education offers financial aid covering 85 percent of tuition for low-income applicants.[6] According to Andrea Bustos, director of marketing for INACAP's Valparaíso campus, "75 percent of graduates find full-time work in less than six months."

INACAP has become a blueprint for other vocational programs in the region. Peru's *PROJoven*, founded in 1996, is a vocational school funded by Peru's Ministry of Labor and Employment Promotion (MTPE) that has provided training to over 40,000 young people in the past four years alone.

"The program draws from the strengths of other vocational schools in the region, but we adapted *PROJoven* to meet local labor market demands," says Dr. Maeg Arriola Escalante, the executive director. Using public funds, *PROJoven* doesn't charge tuition, but it has proven both scalable—through its sheer size—and sustainable: it is one of the Peruvian government's primary tools to address youth unemployment, which reached 16.8 percent in 2009.[7]

Like INACAP, *PROJoven* addresses the roots of youth exclusion from labor markets, namely, the gap between the skills offered in Peru's public schools and the skills demanded by employers. Its students, all between the

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Fixing a hole: Peru's *PROJoven* vocational school is a hemispheric leader in job training for young adults.

ages of 16 and 24 and from low-income families, can choose from career tracks ranging from auto mechanics and construction to computer maintenance—fields with high demand for young labor.

Flor María Aponte, 22, is one of *PROJoven*'s success stories.

Aponte grew up in Villa El Salvador, a poor community on the outskirts of Lima, where she dreamed of becoming a fashion designer and establishing her own studio. But a lack of education put her dream out of reach until she heard about *PROJoven* through a family member. She applied to the program when she turned 17, and was accepted through an admissions process that helps to ensure that women are fully represented—51 percent—in the student body.

She soon blossomed in the program, where she chose to pursue textile design in a three-month seminar offered by one of *PROJoven*'s accredited training centers. The government provided her with a three-month stipend for transportation, meals and health insurance. To complement classroom training, *PROJoven* also leverages a network of private businesses that offer students three-month internships during which participants receive entry-level wages. The model allows students to apply their new skills in real-world conditions and develop a rapport with host companies.

Aponte found an internship at the Lima-based clothing manufacturer Baronet, which led to a two-year, full-time contract. Aponte now works as a designer for Miguelito, a children's clothing firm in Lima, and has opened a small studio where she produces her own line of baby clothes. *PROJoven*, she says, helped her "grow personally and professionally."

Her experience is not uncommon. "Of the 40 percent of students who begin internships, 65 percent are hired full-time by the host company after the internship is over," says

DISCREPANCIES REMAIN BETWEEN THE SKILLS EMPLOYERS DEMAND AND THOSE STUDENTS ACQUIRE IN SCHOOL.

"NOW, WHEN WE NEED A LOAN, BANKERS NO LONGER LOOK AT US LIKE WE'RE NOT TO BE TRUSTED."

PROJoven's Arriola. Some companies are regular employers of *PROJoven* students. The Lima-based textile company TEXTIMAX-INTITEX, for instance, has employed 300 *PROJoven* students to date.

A 2004 assessment of *PROJoven* by the Inter-American Development Bank (IDB) found that graduates experienced a 52.1 percent increase in average monthly earnings within months of completing the program.[8] Another 2006 IDB study concluded that there were positive effects in terms of paid jobs and formal employment probabilities, and a high positive impact in terms of earnings.[9]

According to Arriola, youth employment is an institutional priority for the Peruvian government. He claims *PROJoven*'s success demonstrates that such programs can be effective. Peru's MTPE has already renewed funding for 2011 and introduced plans to train 100,000 more young people by 2013.

TRAINING TOMORROW'S ENTREPRENEURS

Helping young people harness their skills and innovative capacity doesn't just create new jobs for them. It can develop the kind of entrepreneurship that creates jobs for their peers. The *Programa de Calificación de Jóvenes Creadores de Microempresas* is a leading example of what can be done. Rather than just providing managerial training, it combined classroom training, counseling and follow-up services, internships, and access to credit.

First launched by the Peruvian NGO *Colectivo Integral de Desarrollo* in 1999, the program not only increased the likelihood that start-ups would stay in business after their first year but led to the creation of new jobs. According to one assessment, program graduates employed 17.3 percent more workers than a control group of independent entrepreneurs working outside the program.[10]

Newer programs like Peru's *Creer para Crear* (To Believe Is to Create), draw on the strengths of earlier initiatives by offering a full package of services to young entrepreneurs.[11] Founded in 2001 and administered by the *Asociación Pro Bienestar y Desarrollo* (PROBIDE), it works in collaboration with the government, domestic companies, transnational corporations, international NGOs, and multilateral development organizations.

Creer para Crear receives hundreds of applications from small teams of entrepreneurs across Peru every year. Applicants—all under 30 years old—can submit proposals for a wide range of businesses, provided start-up costs don't exceed $16,500. Mentors then help participants identify and quantify the need for financing and establish areas where assistance is needed. Training includes courses in accounting, financial management and sales.

Carlos Benavides, a young Cuzco-based entrepreneur, was an early beneficiary of the program. In 2003, he submitted an idea for a business that would market a line of organic instant soups made from Andean crops like *choclo* (a local strain of corn) and quinoa. He figured he could compete in local markets with soup products offered by big-name multinationals. But with no formal business experience, Carlos says, he couldn't get banks to back him with start-up capital, even at then-prevailing interest rates of 30 percent.

Creer para Crear approved his business model, which involved launching a single corn-based instant soup line in his hometown, and he began receiving management training from the program mentors. Then *Creer para Crear*, acting as guarantor, secured a low-interest loan from a partner bank in Cuzco, and Inka Perú was born.

Sales were slow at first, says Benavides—"only a few hundred dollars in the first year." But by 2009, the company expanded its offerings to include five distinct product lines including breakfast foods, snacks and soups—which it now also sells in Lima's Totus and Metro supermarket chains. With $175,000 in sales in 2009, Benavides says, "there is still a ways to go, but the company has 16 employees now and when I need a loan, bankers no longer look at us like we're not to be trusted."

Creer para Crear sponsors include major transnational companies like Nestlé, Nextel and Pizza Hut, and domestic businesses like Wong supermarkets. The organization works in collaboration with *Corporación Andina de Fo-*

mento (CAF) and *Universidad San Ignacio de Loyola*. Other examples of recent beneficiaries range from frozen fish companies, quinoa-based pizza shops and exotic flower exporters to children's clothing shops, health spas and Internet cafes. One that was selected to receive assistance in 2009 was launched to export Peru's national drink, *pisco*, to Canada.

Since its inception, *Creer para Crear* has approved 392 projects, which it claims have indirectly benefited more than 18,000 people.[12] *Creer para Crear* says the success of a single, new, young entrepreneur affects a large number of individuals over time. New businesses not only provide new sources of income for their owners, but new jobs in their communities. Just as important, program participants become mentors themselves and go on to encourage others to dream big.

SUSTAINING AGRICULTURAL PRODUCTION

Beyond vocational training and youth entrepreneurship, there has been a growing focus in recent years on profitable or self-sustaining business models that expand youth access to markets, while addressing the long-term strategic issues companies face.

Most efforts to promote youth access to formal job markets are government-run or part of international development efforts by foreign donors. But there are also examples of initiatives by profit-driven enterprises that tackle market access and employment issues through strategic investments in youth.

The *Jóvenes Cafecultores* (Young Coffee Growers) program was launched by the Colombian Coffee Federation in 2007 to protect the long-term supply of the federation's coffee exports by investing in young rural farmers. For decades, the industry's traditionally low wages have failed to attract young workers. The average age of growers is now 53—a trend that has begun to threaten the federation's business model. The *Jóvenes* program is the Colombian Coffee Federation's strategic response to the demographic pressure threatening its coffee supply: old age.

Jóvenes Caficultores targets rural Colombians aged 18 to 35 with family backgrounds in coffee production but who lack the land, capital and education to succeed as farmers. According to Catalina Alvarez, the program's administrator, "*Jóvenes* provides selected young families with loan guarantees to buy land in their communities and the training they need to repay their loans and run financially viable, environmentally sustainable small-farm businesses."

Public Employment Programs: Make-Work or Apprenticeships?

by Elana Hazghia

Poverty relief efforts in Latin America and the Caribbean have taken a variety of forms in recent decades, including cash transfers, microfinance initiatives and policy reform. Today, faced with stubbornly high unemployment rates and labor surpluses, countries are expressing an interest in public programs that provide short-term jobs.

The idea has its skeptics. Some argue that existing programs providing unconditional employment are simply giveaways prone to political favoritism that will do little to stimulate real change and are prone to political favoritism.

The model for many has been India's National Rural Employment Guarantee Scheme (NREGS), the first public employment program (PEP) to be enforced by national law. Through this scheme, the Indian Ministry of Rural Development guarantees 100 days of unskilled manual labor at a specific minimum wage to Indian citizens living in rural areas. The National Rural Employment Act of 2005, which created NREGS, describes the program as "a fall-back employment source" that can help develop a sustainable agricultural economy. It directs participants to work on the sources of chronic poverty, such as drought, deforestation and soil erosion, seeking to combine public employment with effectively addressing poverty.

Since the creation of NREGS, interest in PEPs and employment guarantee schemes has grown in other parts of the world. A May 2010 workshop led by the International Labour Organization (ILO) attracted policymakers and planners from Argentina, El Salvador and Mexico, among other countries, to explore how PEPs can be strengthened without—as Mito Tsukamoto, senior specialist of employment and investment policies at the ILO, put it—"having to go as far as creating a legal guarantee for work."

PEPs, though, cannot stand alone as a solution to poverty relief and should instead form "part of a longer-term employment and social protection policy that can shrink and expand as economic conditions change," says Tsukamoto. In this way, they will more likely be able to absorb shocks.

PEPs require a basic level of institutional capacity and transparency. Governments must be able and willing to support local infrastructure, basic education and health care. Since PEPs risk being converted into patronage programs, they should also be independently managed and monitored.

Most important, these programs should optimally be implemented in countries with good long-term job growth potential—and that requires consistent, pro-market macroeconomic policies.

To sustain the program, the federation identifies farms with high productive capacities that are run by older growers who are either unwilling or unable to keep up the business. Then they make an offer: instead of selling their farms on the open market, the veteran coffee producers are invited to sign up for the *Jóvenes* program and sell their land to a new generation of farming families. Once the farmers have signed on, the federation puts out a yearly call for young farmers.

There is a careful review of candidates' applications, says Alvarez, in which "a committee selects candidates it feels are most likely to succeed in the business in localities where farm land is available." Access Coffee Ltd., an autonomous organization founded by the federation to administer the *Jóvenes* program, works with candidates, guaranteeing loans from local banks to purchase the land as well as any additional equipment. Access Coffee also contracts with a local agronomist and social worker to provide ongoing support.

In 2006, the federation received $6 million from the IDB to help cover administrative costs, including logistical support and the costs of evaluation. Alvarez says the federation also "developed a special marketing program to leverage international recognition of Colombia's Juan Valdez brand to sell more than 78 tons of coffee under a new *Jóvenes Cafecultores* label" at preferential prices.

THE ANSWER WILL INVOLVE A RETOOLING OF SCHOOL AND UNIVERSITY CURRICULA TO MATCH LABOR MARKET NEEDS.

To date, the pilot program has worked with over 270 families who live and work on nearly 4,000 acres of land and secured over $500,000 in loans for farmers' operational expenses.[13] Within 10 years, the *Jóvenes Cafecultores* program aims to expand to 50,000 families throughout the coffee producing regions of Colombia.

By providing incentives and support to a new generation of farmers, the Colombian Coffee Federation is addressing its own long-term strategic concerns by making coffee farming possible for a new generation of rural entrepreneurs. If the program proves sustainable and scalable, it may be a way for other rural agricultural sectors to maximize the energy of the youth labor force and reduce the pressures of urban migration.

EXPANDING THE REACH

Formal youth unemployment rates in Latin America are over 16 percent—and in some countries it is significantly higher. Even these numbers, though, do not reflect the underemployed, the number of young people who have given up looking for jobs, those pushed into the informal sector, or those still in school who may graduate without many job prospects. And while the region's economic growth—for at least the majority of countries—looks strong for the near future, even at expected rates labor markets will continue to struggle to absorb new entrants into the labor force.

Employment programs show that governments and businesses do not have to be passive in the face of high youth unemployment. Such programs are helping to bring millions of young Latin Americans into the labor market. But these programs don't reach everyone. As Vanessa Muñoz reflected, reaching the poorest, most marginalized communities is no easy task: "Some people are so poor they can't quit even low-wage jobs to make time for school." Nor do they cover all of the job possibilities for new workers.

Vocational schooling works well in urban centers, but adapting these programs to rural contexts where there are few employment options remains the challenge. The *Jóvenes Cafecultores* model works well in rural Colombia, where there is a scarcity of young farmers, but in urban centers flush with young workers, businesses will need to develop alternative ways to invest in youth. Finding ways to fill these gaps and ensure that these programs reach the poor is the major task confronting governments, NGOs and businesses. Part of the answer will involve a dramatic retooling of school and university curricula to match labor market needs. Ultimately, training and guiding a new generation to productive, market-oriented jobs is more than a political or social concern. It is central to the region's economic competitiveness.