



# WORKFORCE INTERMEDIATION FOR VULNERABLE YOUTH

WORKFORCE INITIATIVES DISCUSSION PAPER #4

## Abstract

This paper's intention is to spur discussion about the roles of "workforce intermediation" as it relates to youth development and employability. It is certainly not meant to be an exhaustive discussion about either topic. It does, however, intend to further the dialogue on international workforce initiatives and the requisite workforce intermediation functions. It also seeks to build off concepts presented in the publication *International Workforce Initiatives: Definitions, Design Options, and Strategies*.

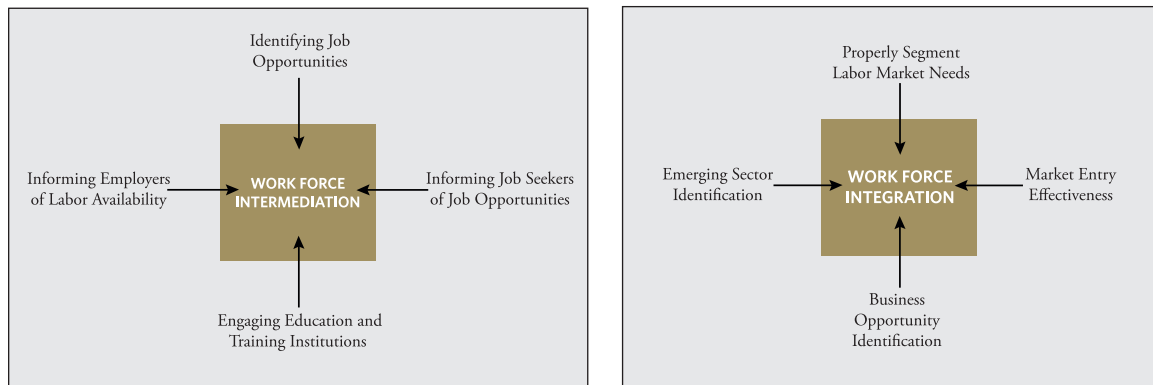
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## Definitions

The word “intermediation” is most commonly used in discussions about financial markets, where institutions such as banks, market makers, magicians and pension managers collect funds from savers and reallocate them into investments. As applied to workforce development, intermediation is the function/s that serves to gather information about job opportunities and skills needs, and then to connect the people with these skills to the agencies and businesses that are willing to pay people to do specified work. It is often the case that intermediaries also connect education and vocational training institutions into systems that link people who need training with sector-specific skills building courses.

Workforce integration takes place when new entrants move into the market, first, efficiently, and second, with minimal levels of conflict or negative competition; conflicts can arise when, as examples, new entrants create unemployment for mainstream workers or drive returns on labor down. In an international assistance context, this is particularly true when working with displaced peoples, who may migrate in large numbers and accept work at subsistence wages. It can also be true when women or youth enter labor markets in large numbers. A successful integration program usually involves assisting people to move into next generation jobs or emerging sectors. This makes institutions that provide intermediary services vital to workforce development.

The basic paradigms through which workforce integration and intermediation take place include:



The kinds of populations that can be targets for workforce integration programs include:

- ▶ Displaced persons who have been forced to settle in unfamiliar environments.
- ▶ Ethnic minorities or other segments of the population facing economic disparities.
- ▶ People with disabilities who wish to be engaged in labor markets.
- ▶ Women who wish to enter entrepreneurship or waged or salaried employment.
- ▶ Youth in countries where population growth rates exceed economic growth rates.

## Informal Sector Intermediation

These simplified descriptors are useful but belie the fact that few market systems in poor countries have proper intermediation services for most products and services, including finance, food and agriculture distribution, and most certainly in labor markets. Therefore, the process usually happens outside the formal sector, which makes it more prone to inefficiency, and often abuse.

For example, in many poor countries (not to mention 14th and P street in DC and Shirlington Ave. in VA) day labor markets are popular, if efficient, places where workforce intermediation takes place. Day labor markets are places where people go to exchange labor on extremely short term bases in jobs that are usually in the informal sector and almost always without any contracts or benefits beyond day wages; often, even the day wage is not guaranteed. Because there is no screening for qualifications, it is difficult for businesses to predict whether the candidates are adequately able, honest, or productive, which can raise overall costs of recruitment and serve to decrease productivity. At the same time, job seekers are not able to identify employers who need their skills and tend to undersell their labor. In addition, people who accept work through day labor markets have no access to contract enforcement mechanisms and have little recourse against workplace abuses. In extreme cases, informal sector intermediation can also lead to unsafe child labor exchanges, human trafficking, and even slave trading.

### **Formal Sector Intermediation**

Formal sector workforce intermediation can take place at various levels and at various kinds of institutions. In public sectors, there are many kinds of agencies/institutions, ranging from employment/unemployment agencies to career counseling centers at public schools that can play intermediary roles.

In the private sector, firms can make significant returns by providing workforce services, such as private sector vocational institutes that directly link training to specified employer's needs, human resources management firms, and recruitment and placement agencies. These kinds of service providers build necessary skills, while also functioning as intermediaries between potential employers and potential employees, and, for investing entrepreneurs they are services that can be sold at high marginal returns.

The kinds of agencies and businesses that can provide formal sector intermediation services include:

- ▶ Ministries such as commerce, economy, education, health and labor.
- ▶ Specialized agencies, such as unemployment and welfare offices.
- ▶ Public schools, employment centers, and civil service institutes.
- ▶ Private training centers, universities, placement and recruiting firms, and HRM offices.
- ▶ Sector-specific associations, arbitration boards, labor unions, and workers cooperatives.

Unfortunately, these kinds of private services are usually not considered to be profitable product lines in developing countries, so people don't invest in them. In addition, these public sector functions can be either so grossly skewed by patronage systems, or so broken that day labor markets are more efficient.

### **Activities that Facilitate Workforce Intermediation for Youth**

Access to formal intermediation is usually lowest among vulnerable populations that have been displaced and are forced to move into a new job market in large numbers, or when a large "youth bulge" and inadequate workforce planning has created significant unemployment. In such cases, it is not only necessary to create new and next generation jobs (defined as a new job function that is introduced into a market and that expands the pool of job opportunities), it is also necessary to establish of some sort of intermediation function that links young people into in-demand skills building activities, and, then link those youth with employers.

It is worth noting that many donor-funded projects serve intermediary roles without recognizing it, and, unfortunately, without institutionalizing the process. ICT training programs, for example, often link students to a particular firm that needs computer operators, or call-in center operators, etc. In the process, they perform a type of intermediation. These are the kinds of processes that need to be institutionalized.

Five illustrative kinds of activities projects can fund to help institutionalize intermediation include:

*Assist Educational Institutions to Develop Employment Services:* Youth in schools can be well served by an array of mentoring, career counseling, internships, and jobs placement programs. At the same time, employment services offices within schools provide reach to agencies and industry to let employers know how many people they have entering the market and what skills they have. Based on this contact, they can also provide feedback on the relevance of schools' curricula. Assisting educational institutions at all levels to develop student employability and placement services can have very positive impacts.

*Assist Vocational Training Institutions to Develop Industry-Specific Placement Programs:* Developing the kinds of services just described may be most important in a vocational education setting. These kinds of institutions—public and privately funded—need to aggressively align themselves with growth sectors and the employers that are investing in them. Very often the growth sectors are in 'next generation' fields, such as data entry and management, other kinds of ITC applications, health care services, education, etc., in which youth tend to perform particularly well. However, youth are the least likely to know what these opportunities are, what skills they need to enter the market, and what agencies and businesses are hiring. It is therefore important for vocational training centers to fill intermediary gaps.

*Assist Employers to Develop Youth Employment Services:* Skills deficits are often high in growth areas and businesses understand that this constrains their own growth. For many, they simply want to know there is a pipeline of skilled labor that is progressing through the system, and because of this, are willing to invest resources in it. For example, hospitals across Africa have a significant dearth of qualified staff, ranging from sanitation workers, to distributors, to data entry and medical records operators, to nurses, to pharmacists and doctors. Assisting employers to develop programs wherein they introduce youth into skills building programs and career paths can be extremely beneficial to employers as well.

*Assist Communities to Develop Employee Services Centers (ESCs):* Out-of-school youth can be the most difficult to reach and the least mindful of the kinds of services they need. Therefore, working with community centers and teaching them how to serve intermediary functions can have very positive results. The goal is to assist community groups to gather information from local investors, project local labor needs, and inform youth wanting to learn about immediate job opportunities. In the process, community centers can begin to formalize day labor and other markets and track information about good employers, good employees, salary levels, and relative rates of jobs growth.

*Build Capacity in Youth Ministries and in Youth Support Agencies:* A broad range of services should be provided by public agencies with a mandate to support youth. Unfortunately few of them focus on employment, labor, and livelihood sorts of issues. It can be very beneficial to help them to establish youth employment services, and in the process create intermediation within the public sector that compliment private sector functions.

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