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# The transition of youth from school to work: Issues and policies

edited by David Atchoarena

with contributions from: Adrienne Bird,  
Marianne Durand-Drouhin and Richard Sweet,  
Ahmed K. Ferej, Kioh Jeong, Claudio de Moura Castro  
and Aimée Verdisco

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July 2000

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## Summary

This volume provides an international review of issues and programmes concerning the transition from school to work. It combines country-specific papers (Kenya, Korea, South Africa) and regional contributions (selected Latin American countries – Argentina, Brazil, Chile – and OECD countries). Preliminary versions of the papers presented here were prepared for a round table dedicated to the integration of youth into working life, organized within the Second International Congress on Technical and Vocational Education (Seoul, Korea, 26-30 April 1999).

The integration of youth into working life recently became an important policy issue in most countries. Worldwide, the transformation of work and employment has weakened the prospects of a steady, secure job, even for the most educated youngsters. A high level of youth unemployment is one of the manifestations of this phenomenon. The adjustment process to globalization requires young people to develop new skills and the ability to receive, on a lifelong basis, further training to cope with future, unpredictable, labour market changes. For many, it also means more vulnerability. The increasing difficulties met by young people to enter the labour market has led governments to pay particular attention to school-to-work transition.

While dealing with broader issues pertaining to the way young people enter the labour market, the various papers contained in this volume focus on how technical and vocational education can facilitate the transition from school to working life. In this context, technical and vocational education also includes vocational training.

The book looks at a diversity of programmes and clientele, including school-based strategies for regular students (Korea), non-formal targeted programmes for traditional apprentices (Kenya), youth training programmes for unemployed young adults (Latin America) and comprehensive strategies cutting across target groups and delivery systems (OECD, South Africa). This broad perspective also allows to highlight the complex but necessary interactions between education policies and other fields of government interventions, particularly labour market policies.

Starting with an introductory part providing the conceptual and contextual framework in which the transition from school to work takes place, the content of the publication consists of five papers, each documenting a specific dimension of the transition issue and analyzing the rationale and the effects of the policy implemented to address it. Altogether, this collection offers a wide view of the experiments currently conducted in a variety of development contexts to shape more effective transition pathways between school and work.

This publication does not include a detailed series of policy recommendations, but rather documents current country experiences, which express both doubts and progress. It suggests that youth transition from school to work requires a renewed approach integrating a diversity of interventions which can no longer be limited to schooling strategies. As such, transition issues reflect one aspect of the complex transformation affecting contemporary societies, both in developing and developed economies.



# Introduction

*David Atchoarena*

In a context of social and economic uncertainty, the transition from school to work represents a major concern for, notably, decision-makers but also parents and students. Today, nations as well as individuals tend to feel anxious about their future in the global economy. Increasingly, people who used to see education as a passport to employment can no longer take it for granted. Often, what worries them is not the lack of economic growth but rather the lack of job opportunities. Even in the emerging economies, which have enjoyed rapid growth and low rates of unemployment, the threat of joblessness and social exclusion has risen with the Asian and Brazilian crises of the late 1990s.

Are job opportunities simply evaporating for young people in many countries? It all depends how the term 'job' is defined. The usefulness of youth employment data is questionable considering the wide range of alternatives in between employment and unemployment. This is particularly the case in less developed economies, where the majority of the juvenile labour force does, in fact, find work in the informal economy.

During the past two decades most societies have been suffering from high levels of structural unemployment and underemployment. Although affecting the population at large, this situation often assumes a particular magnitude when it comes to young people. Typically they are particularly hit by unemployment. In many advanced economies, youth unemployment has risen sharply, both in absolute terms and in relation to adult unemployment.

Although not always reflected in open unemployment rates, the integration of youth into working life also represents a critical issue in developing countries and in countries in transition to a market economy. Sustained demographic pressure, social disintegration and economic stagnation are among the main factors making youth transition into the world of work a problematic process. For the most vulnerable young people, a failed transition from school to work often leads to social exclusion.

Facilitating youth transition from school to work is therefore seen as a major task of education systems. In particular, most governments believe that technical and vocational education (TVE), beyond keeping out-of-school and out-of-work youth off the streets, can improve their employability and lay the foundations for learning throughout life. It is frequently felt that promoting investment in TVE could be part of the answer to unemployment. Indeed, policy-makers often consider vocational education and training, both formal and non-formal, as a major vehicle for equipping young people with the skills they need to earn a living. In reality, a number of conditions must be met in order to confirm this view. On the demand side, insufficient economic growth is often at the heart of the problem. While, obviously, the need for technical and vocational skills is likely to be high in dynamic economies with expanding labour markets, maintaining a large TVE system is questionable in stagnant or regressive contexts, where the labour demand is falling. On the supply side, choosing the right mode of delivery is also clearly important. Good management practices are another prerequisite to making TVE work.

At the same time, it is now widely recognized that responsibilities for school-to-work transition must be shared with labour-market stakeholders, particularly employers. More than any other educational issue, this is an area of public policy that requires a strong commitment to partnership.

In many countries, the enrolment rates in post-basic education grew during the 1990s. This trend resulted in the lengthening of the transition phase

between education and employment. Furthermore, it is widely considered that the world of work requires more of young people than it did before, although this view is not always supported by strong empirical evidence. In some cases it would be wrong to explain high levels of youth unemployment and underemployment by low levels of education or insufficient vocational preparation. The lack of suitable jobs for the young people can be a result of general labour market trends, such as a decrease in the demand for entry-level qualifications or a rise in the surplus of experienced workers. Furthermore, the high proportion of poorly qualified people among the unemployed is partly attributed to the so-called ‘filtering down’ phenomenon, meaning that more skilled labour have to accept jobs lower down the occupational hierarchy, displacing less experienced and qualified workers in the process. Hence, in a labour-surplus economy, investing in youth training may not, at least in the short term, result in higher overall employment, but redistribute job opportunities among unemployed and underemployed people.

The cost of youth labour, relative to the cost of adult labour, is also a permanent source of debate when analyzing school-to-work transition. The determinants of salary scales for young people, and their (lack of) sensitivity to market forces, are often considered to be major causes of youth unemployment. Lowering the cost of the juvenile labour force then becomes high on the policy agenda.

Public interventions must be tailored to specific national demographic, social, economic and institutional conditions. Rather than promoting investment in technical and vocational education as a remedy against economic vulnerability of young people, the issue is to choose the right policy in order to create realistic and effective pathways for young people’s transition.

In this framework, the vocationalization of education or targeted training schemes only represents one type of policy option. Besides interventionist education and training policies, labour market regulation also constitutes an

important area of reform for improving youth employment levels. As such, the provision of subsidies for youth employment, improving information about available courses and individuals' qualifications, as well as reforming the certification system represent typical components of youth employment strategies.

### *Content of the volume*

The collection of readings presented here was prepared for a round table on 'The integration of youth into working life' taking place within the framework of the Second International Congress on Technical and Vocational Education (Seoul, Korea, 26-30 April 1999). These papers offer valuable explorations of various aspects of school-to-work transition. They include:

- a review of youth transition issues and policies in selected OECD countries (M. Durand-Drouhin and R. Sweet);
- a comparative analysis of training programmes for disadvantaged groups in Argentina, Brazil and Chile (C. de Moura Castro and Aimée Verdisco);
- an analysis of the implications of the financial and economic crisis on youth employment and education and training policies in Korea (Kioh Jeong);
- a contribution on the integration of young people into the informal sector in Kenya and on related education and training policies and programmes (A. Ferej);
- lastly, a review of the social and economic transformation in South Africa, with special reference to labour market policies, education policies and social partnership (A. Bird).

Drawing lessons from a very broad context of contrasted socio-economic environments, the authors attempt to address central questions in the debates about education, training and the future of work: To what extent, and under what conditions, can technical and vocational education be considered as an

adequate instrument for facilitating the integration of youth into the labour market? Which policies work best in a given context? What is the impact of selective measures targeted at youth at risk? What can be learned from experience in training for the informal sector? Last but not least, how can it be ensured that learning continues after the transition process?

### *Main issues*

While recognizing the complexity of youth unemployment, both on the conceptual and policy levels, the debates reflected in the various papers focus on five main issues and concerns:

#### *(i) Youth at risk in advanced economies*

In a context of mass unemployment, early school leavers face increasing difficulty in entering the labour market. In fact, the global trend towards increasing the level of education among the population at large makes finding employment for those groups that have been left out more difficult. A number of factors contribute to the risk of exclusion from wage employment. They include market, institutional and social failures. Targeted policies for youth at risk cover a wide range of measures, either of a preventive or a curative nature. While there is a strong case, on the grounds of equity and social justice, to focus on youth at risk, the long-term impact of past training initiatives to address the issue remains controversial. In this framework, the OECD paper focuses on the particular problems faced by early school leavers and young people who lack skills, and on vocational and technical education.

#### *(ii) Youth training schemes*

Among labour market policy instruments, particular attention is given to training schemes to alleviate unemployment, notably youth unemployment. Training programmes for youth mainly aim at improving participants' qualifications and employability. In advanced economies, where they have

been extensively used, such active labour market policies have produced mixed results. They are, however, increasingly being used in middle-income economies and in countries in transition. The round table will be an opportunity to take stock of those developments and possibly review preliminary evaluation findings of selected national schemes. With this in view, the paper on recent developments in Latin America considers the recent experience of Argentina, Brazil and Chile. Chile and Argentina have created two projects: Chile Joven and Proyecto Joven, which operate by subcontracting training on a competitive basis to private training institutions. Providers have to find an enterprise willing either to hire the trainee afterwards or accept him/her for an internship. This mechanism seems to be an effective means of targeting training to real demand. Brazil has recently created a similar programme, funded out of the FAT (a fund for unemployment insurance). But the Brazilian programme, while contracting out the training, does not put the providers of the training in charge of placing the trainees. Through comparing the projects, the paper provides interesting results.

*(iii) Training for the informal sector*

In developing economies, most school leavers find work in the informal sector and this pattern is likely to persist in the foreseeable future. It is often thought that training can play a key role in improving the ability of young people to create opportunities for themselves within the informal sector. In spite of sharp differences between informal economies, on-the-job training - including traditional apprenticeship - predominates as the major form of skill development. Recognizing the need to build upon existing practices, most training programmes targeted at the informal sector seek to support and complement this process. Significantly, many policy interventions, particularly in sub-Saharan Africa, have tried to strengthen traditional apprenticeship schemes, often with support from Non-Governmental Organizations (NGOs). Further internationally comparative investigation is probably required to assess the overall effects of such measures and to better understand the process by



which training can contribute to improving the income and employment prospects of disadvantaged youth, including through self-employment. The paper on the Kenyan experience provides a good illustration of the role played by the informal sector in absorbing youngsters into the labour market. It also offers a reflection on the policy options available to support and consolidate this process through appropriate education and training.

*(iv) Partnership frameworks*

Addressing the needs of the labour market also requires the establishment of adequate consultation frameworks between the key actors involved. In many countries, increasing youth unemployment has led governments to seek the involvement of employers in policies facilitating the transition process. Trade unions can also play an active role in introducing young people into the workplace. Although partnership arrangements are very much determined by lengthy historical processes, international experience suggests that TVE policies are more effective when there is a high level of co-ordination among the stakeholders. Dialogue and sharing of responsibilities are not only required at the macro-level. Co-operation between TVE institutions, enterprises and local authorities are a key factor in ensuring the responsiveness and relevance of training provision to the needs of local labour markets. For the State, stimulating co-operative frameworks and networks involves providing incentives to other stakeholders, particularly employers. Eventually, establishing a sustainable partnership for accompanying the transition process would require a training culture and a sense of solidarity. It is against that background that the paper on South Africa analyses the process of consultation, consensus-building and policy-making aimed at upgrading the overall skill profile of the nation through massive improvements to the education and training systems. The strategy adopted pays particular attention to specific groups at risk, including out-of-school youth, particularly black young people in general, but also women and rural people living in former 'homelands'.

*(v) Coping with crisis*

The economic crisis that struck the Korean economy in the late 1990s has greatly shaken the well-established practices and patterns of school to work transition. The country was forced to hurry long-delayed structural adjustments. As a result, between July 1997 and July 1998, the unemployment rate increased dramatically from 2.2% to 7.6%. Unemployment was highest in the 15 to 19 and 20 to 29 age groups, therefore the problem of increased youth unemployment became a sensitive policy issue. In particular, high school graduates, marked with the highest unemployment rate, appeared as an at-risk group. In this new context schools and higher education institutions have to play a greater role in facilitating the transition process. Notably, they need to establish close ties with companies. Developing an effective employment information system, covering all sectors of the segmented labour market also represents an important task. Eventually, the challenge for the Korean education reform will be to build pathways and provide incentives that encourage lifelong learning.

*(vi) Links to work*

Besides targeted measures, an important way to facilitate the integration of young people into working life is to build closer links between schooling and work. In fact, evaluation results of youth training schemes underline the need for intervening when young people are still at school. Two broad types of measures can be outlined. First, attempts are being made to better integrate the realities of the workplace into the learning process. School-work integration, by including work-experience programmes in the schooling process, constitutes a major step in that direction. Second, management reforms are advocated to drive the TVE system towards flexibility and responsiveness. With this in view, particular attention is given to decentralization policies. Devolution of management to provincial/regional and local authorities and increasing the autonomy of school managers are seen as effective ways of ensuring the



market relevance of training provision. However, in most countries, the appropriate degrees of decentralization and of school autonomy remain a topic open for debate. This issue of linking provision to the world of work is common to all papers but takes obviously different shapes in OECD countries, Latin America, South Africa, or Kenya, as reflected in the various contributions.

While focusing on TVE, the papers deal with youth transition issues in a broader perspective, including labour market policies and instruments. This is particularly the case for countries encountering rapid and deep transformations such as Korea and South Africa.

Particular attention is also paid to the institutional framework in which transition takes place. In this context, the current South African experience in re-engineering its institutional environment provided the basis to reflect on the involvement of social partners in key issues. The establishment of a national qualification framework as well as the designing of new financing mechanisms to raise and allocate resources, offer concrete examples of such trends.

Although catering for the needs of disadvantaged youth remains problematic everywhere, the analysis of the selected Latin American experiences signals a possible approach for better targeting young people at risk. These examples seem to suggest that, if properly regulated by the state, market mechanisms such as bidding can be a promising tool for supplying training to the most disadvantaged young people. The Kenyan experience in promoting access to training for informal-sector workers provided another illustration of the potential impact of appropriate financial tools such as Training Funds and vouchers.

### ***Evidence and perspectives: what works?***

Based on the experience of both developed and developing economies, it is increasingly recognized that an extended period of hybrid activity across

the boundaries of education, training and work is required to prepare young people for the labour market. In fact, the lengthening of the transition period, that used to be seen as problematic, tends now to be considered as a condition for successfully entering the contemporary labour markets which require flexibility, mobility and a capacity for lifelong learning. Although such perspectives are not dealt with in the papers, it is important to recall that extending the transition process produces far-reaching impacts on other aspects of young people's lives, including living independently or forming a family.

While governments are sometimes tempted to develop TVE in order to get youngsters off the street, the evidence suggests that this is not necessarily the best solution for fighting youth unemployment, and certainly not always a cost-effective option. The Kenyan experience in vocationalizing basic education, or even the recent expansion of TVE in Korea, provide evidence that other instruments and approaches must be used.

In this context, increasing attention is being paid to educational pathways as a productive way of approaching the transition issue as reflected in several OECD countries. Establishing clear, open and coherent pathways seems to be a condition for successful transition. They also contribute to both increasing access to post-secondary TVE and attracting more young people to vocational streams.

Extensive, real workplace learning increasingly constitutes another important factor, as reflected in current policies in OECD countries and emerging economies in Latin America. In some cases, providing internship seems more effective than providing training for integrating youngsters into the labour market. However, it seems important to ensure the quality of the training provided.

In addition to the provision of good labour market information, vocational guidance as well as job-search services can also play an important role. In

some cases, job-search advice can be as powerful as training to help youngsters to find a job.

Beyond training and related services, the smooth integration of the young labour force requires youth-friendly labour markets. Such interventions involve the provision of incentives to employers, including wage-related incentives, and the establishment of close links between TVE institutions and enterprises, as illustrated in several OECD countries. The Kenyan experience also indicates that adjusting public TVE institutions to the needs of the informal sector constitutes a major challenge for countries where it represents the major source of employment.

Structured partnership between key stakeholders is increasingly recognized as a prerequisite for building effective transition policies. This is also the case with informal-sector representatives in a context where informal-sector associations are growing in many developing economies (e.g. the Jua Kali associations in Kenya).

Looking at such contrasting socio-economic conditions, it is clear that there is no single answer for addressing the issue of transition from school to work. The transition of young people into working life is closely related to specific labour market and institutional conditions. Therefore, specific policies cannot be disassociated from the macroeconomic framework in which they take place. Similar instruments can work in different ways and in various combinations. In this respect, the transition from school to work represents a particularly dynamic area of public policies, where the increasing commitment to market forces needs to be tempered by state regulation and the involvement of the social partners. Everywhere, governments are still looking for what works best.

It is hoped that this collection of papers from the Seoul round table on school-to-work issues will stimulate further reflection on what is likely to remain a sensitive policy issue in the years to come.

# *Chapter I*

## From initial education to working life: making transition work

*Marianne Durand-Drouhin and Richard Sweet*

### Introduction

The following text presents a summary of results from a comparative policy review, the ‘Thematic Review of the transition from initial education to working life’. The review, conducted between 1996 and 1998 under the auspices of the OECD’s Education Committee, involved 14 OECD countries: Australia; Austria; Canada; the Czech Republic; Denmark; Finland; Hungary; Japan; Norway; Portugal; Sweden; Switzerland; the United Kingdom; and the United States.

#### 1. The purposes and outcomes of the OECD Thematic Review

The review had been stimulated by a wide range of concerns: about youth unemployment and those at risk in the transition; concern for what appears to be the growing length of the transition; a concern to understand how the transition phase can lay a better foundation for learning throughout life, as well as for initial labour market entry.

The Thematic Review has focused upon two broad questions:

- How has young people’s transition to working life been changing during the 1990s?

- What sorts of policies and programmes are effective in delivering successful transition outcomes for young people?

The Thematic Review has taken a broad approach to these questions. It has focused upon a wide range of young people, including school drop-outs as well as those entering the labour market with secondary and tertiary-level qualifications and those who combine work and study. The review looked at labour and social policies as well as education policies. And the countries reviewed differ widely in their transition frameworks, as well as in their economic context, population, geographical size, and forms of government.

The transition to working life is just one of the transitions that young people must make on the way to adulthood. For many, other transitions - to economic independence, establishing a household, personal development, family formation - will be more important to them at particular points in their lives. In a lifelong learning context the transition from initial education - whether upper-secondary education or tertiary education - is seen as simply the first of many transitions between work and learning that young people will experience throughout their lives. The substantive task of the Thematic Review has been to combine qualitative and quantitative insights in order to understand the ways in which national transition contexts and transition processes relate to transition outcomes<sup>1</sup>.

Within this framework some basic goals are suggested that all transition policies should aim for. These include:

- high proportions of young people completing a full upper-secondary education with a recognized qualification for either work, tertiary study or both;

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<sup>1</sup> The full report will be published under the title “From initial education to working life: making transitions work”, OECD, 2000.

- high levels of knowledge and skill among young people at the end of the transition phase;
- a low proportion of teenagers being at the one time not in education and unemployed;
- a high proportion of those young adults who have left education having a job;
- few young people remaining unemployed for lengthy periods after leaving education;
- stable and positive employment and educational histories in the years after leaving upper-secondary education; and
- an equitable distribution of outcomes by gender, social background and region.

In judging the extent to which these goals are met, multiple transition indicators have been used. The set of 14 key indicators of transition outcomes that has been adopted spans both education and labour market outcomes, both for teenagers and for young adults. *Table 1* shows for each of these indicators those OECD countries which have the best results and those with the least satisfactory outcomes.<sup>2</sup> Use of multiple rather than single indicators reveals the complexity of transition outcomes. Within any one country, for example, outcomes can be high for teenagers but not for young adults, and vice versa; or education outcomes can be high but not labour market outcomes, and vice versa.

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<sup>2</sup> Countries falling into the upper and lower quartiles respectively.

**Table 1. Indicators of transition outcomes by dominant pathway types in OECD countries**

Indicator	Dominant pathway type																								
	App.		Mixed pathways				School-based vocational								General education										
	CHE	DEU	AUT	DNK	NLD	NOR	BEL	CZE	FIN	FRA	HUN	ITA	POL	SWE	UKM	AUS	CAN	GRC	IRL	JPN	KOR	NZL	PRT	ESP	USA
i Unemployment to population ratio, 15-19 year-olds	✓	✓					✓		✗	✓					✗	✗	✗		✓	✓	✗		✗		
ii Non-student unemployed as a percentage of all 15-19 year-olds	✓	✓					✓		✓		✗			✗	✗									✗	
iii Long-term unemployment, 15-19 year-olds	✓				✗	✓			✓	✗	✗		✓					✗	✗		✓				✓
iv Unemployment to population ratio, 20-24 year-olds			✓	✓	✓	✓			✗	✗	✗	✗	✗					✗		✓				✗	
v Long-term unemployment, 20-24 year-olds			✓		✗	✓	✗		✓		✗							✗	✗		✓				✓
vi Employment to population ratio, 20-24 year-olds			✓	✓	✓	✓	✗			✗	✗	✗	✗			✓		✗						✗	✓
vii Percentage of non-students aged 20-24 employed	✓		✓					✓	✗		✗				✓			✗						✗	
viii Youth to adult unemployment ratio	✓	✓	✓	✓		✗					✗							✗	✓						✗
ix Percentage not in education one year after the end of compulsory schooling		✓					✓	✓			✗			✓	✗	✓	✗	✗	✓			✗		✗	
x Apparent upper-secondary graduation rates							✓		✓		✗	✓					✗	✗	✗	✓		✓		✗	✗
xi 16-25 year-olds at document literacy level 4/5	✓											✗	✓			✓			✗						✗
xii Percentage of 20-24 year olds with low qualifications				✗	✗	✓		✓			✗		✓	✓							✓	✗	✗	✗	✓
xiii Relative disadvantage of low-qualified 20-24 year-olds			✗		✓			✗		✗	✓			✗		✗	✓	✗		✓		✓	✓	✓	✗
xiv Percentage tertiary qualified at age 25-29		✗	✗				✓	✗		✗	✗					✓		✓		✓		✗	✓	✓	✓

Key: ✓ In the top (most favourable) quartile of OECD countries; ✗ In bottom (least favourable) quartile of OECD countries.

Source: OECD.

CHE	Switzerland	CZE	Czech Republic	SWE	Sweden	JPN	Japan
DEU	Germany	FIN	Finland	UKM	United Kingdom (mainland)	KOR	Korea
AUT	Austria	FRA	France	AUS	Australia	NZL	New Zealand
DNK	Denmark	HUN	Hungary	CAN	Canada	PRT	Portugal
NLD	Netherlands	ITA	Italy	GRC	Greece	ESP	Spain
NOR	Norway	POL	Poland	IRL	Ireland	USA	United States of America
BEL	Belgium						



## 2. Changes in young people's transition to work during the 1990s

During the 1990s young people's transition from initial education to working life appears to have improved in a number of ways. Participation in initial education has risen, although in some countries rates of under-qualification remain high among young adults. In absolute terms the proportion of teenagers who are unemployed is quite small in many OECD countries, particularly when only non-student job seekers are taken into account. On the other hand, in many countries young adults are significantly more likely to experience unemployment than are teenagers, and the problems of those young adults who have low qualifications are particularly high. Since the mid-1970s there has been a significant reduction in youth to adult unemployment ratios across OECD countries. This suggests an improved ability of young people to compete for work with adults, perhaps in large part due to the rising education levels of new labour market entrants. The rate of improvement, however, was much greater prior to the 1990s than during the 1990s. During the 1990s the overall disadvantage suffered by teenagers in the labour market increased slightly across countries participating in the Thematic Review, perhaps as a function of the growing concentration of early school leavers among those teenagers in the labour force. Among young adults, however, there has been no obvious trend for their labour market situation to worsen relative to that of adults. The incidence of long-term youth unemployment showed no overall tendency to rise during the 1990s, although there are some countries participating in the Thematic Review in which it has grown. On the other hand, in some of the Nordic countries long-term unemployment as a share of total youth unemployment fell during the 1990s.

By themselves falling youth employment rates, which have been common in OECD countries, are not a good indicator of young people's overall labour market situation, as they are associated with and often caused by rising educational participation. A more important measure is the proportion of young

people who are neither in education nor in work, and this showed improvement between the mid 1980s and the late 1990s.

In virtually all countries young workers experienced declines in earnings relative to older workers during the 1990s. In some countries there is evidence that this has been associated with an increasing concentration of young workers in low-skilled jobs and in low-paying industries. This is a particularly worrying development, as the age group is becoming increasingly well educated and well qualified.

### 3. The transitions are taking longer

The length of the transition from the end of compulsory education to working life varies widely between countries, but there was a general tendency for it to rise during the 1990s. Across 15 OECD countries the average duration of the transition rose by nearly two years between 1990 and 1996. The reasons are complex and varied. They lie both in the nature of pathways through education, and in what happens to young people after they leave initial education. In some countries there was a rise during the 1990s in the time that it took young people to settle into work after leaving initial education. In some of these countries the explanation lies in more difficult labour market circumstances. However it can also be related to young people's attitudes and values: to a desire to travel or otherwise postpone settling into work; and to a belief in the importance of satisfying work rather than work for its own sake.

Increasing proportions of young people are now completing a full upper-secondary education, rather than dropping out after compulsory schooling or part-way through their upper-secondary schooling. Closely related to this is an increase in the proportion of young people who continue on to tertiary study after the end of upper-secondary education, a tendency that is likely to increase as countries create more bridges between vocational education and

tertiary study and develop new non-university institutions and courses. In addition, some countries are extending the average duration of upper-secondary education; for example by prolonging vocational education from two years to three years, as in the Nordic countries; or by encouraging the completion of vocational qualifications in countries with modular systems, such as the United Kingdom. And part of the explanation lies in young people ‘double dipping’, completing more than one course at the same level. This may be the result of young people delaying the move from one educational level to the next in order to increase their chances of gaining a place in one of the more prestigious pathways. Or it may be due to bottlenecks caused by a shortage of places, especially at tertiary level. Furthermore, prolonged transitions are in some cases due to young people simply wanting to have time off, for work or travel, before embarking upon the next stage of their lives. Their ability to make such choices is strengthened by rising national wealth and strong currencies. Finally, an important if insufficiently understood factor appears to be interactions between tuition costs, student financing arrangements, access to and the conditions attached to part-time work and the taxation system, which in some countries act together to create incentives for tertiary students to delay course completion.

Longer transitions should not be seen as an altogether negative phenomenon. They have both benefits and costs. The short transitions that result from early school leaving certainly carry high and by now well-understood costs for both individuals and governments. A more highly educated population and labour force requires more extended periods of education. The combination of work and study, to the extent that it contributes to longer initial study can improve the conditions of labour market entry, and some of the activities in which young people engage in order to delay the transition, such as travel abroad, can contribute in a positive way to their personal development. On the other hand, long periods spent looking for work, in labour market programmes, or out of either education or work, are poor indicators of future labour market success, particularly if they occur in the immediate post-school

period. Similarly, longer transitions through initial education can be the result of pathways being too narrow or too inflexible, requiring young people to backtrack, sidetrack or wait for study places if they want to obtain the mix of skills, experience, knowledge and qualifications demanded in the labour market. Such negative reasons for prolonged transitions from initial education to working life should be the object of policy concern.

#### 4. Changing patterns of participation in education and training

Patterns of participation in the pathways that young people take between compulsory education and work were changing in many countries during the 1990s. Although there are a number of exceptions, a common trend has been for participation in upper-secondary vocational education pathways to fall, particularly those not linked to tertiary study. At the same time participation has risen in those pathways, whether vocational or general education, that provide access to tertiary study. These shifts are related to a number of factors, amongst which are: the changing labour market rewards that are associated with the different pathways; the changing patterns of demand for skill and qualifications that often underlie these changing rewards; changing attitudes on the part of young people and their parents and, in particular, young people 'working the system' in order to maximize their outcomes. These changes have focused policy attention increasingly upon the importance of creating more flexible and supple pathways that allow young people to gain solid combinations of general and vocational education, and of education and workplace experience, during the transition from initial education to working life. The arguments for such combinations apply as much within tertiary education as within upper-secondary education. These trends also focus attention upon difficult issues related to young people's apparent desire to delay specific preparation for working life in a rapidly changing labour market in which increasing emphasis is being placed upon generic workplace skills.

Compared to the mid-1980s, young people are now more likely to combine their studies with work during the transition phase. This is partly the result of participation in apprenticeship and the like, but it is in particular also the result of students having part-time and summer jobs. Education systems are increasingly encouraging this blurring between the classroom and the workplace through school-organized workplace experience programmes. This means that for many young people the transition from being a student to being a full-time worker is now less sharp and sudden than it once was.

When young people leave initial education for work, a high proportion of their jobs are likely to be part-time and temporary, in many cases poorly paid. In some countries a clear pattern can be detected of young people ‘swirling’ through a sequence of such jobs, interspersed with periods of unemployment, participation in labour market programmes, or inactivity. This type of early career instability needs to be clearly distinguished from the type of ‘job shopping’ in the early period after leaving initial education that can improve the fit between young people’s skills and employer requirements. Many of those who are at risk in the transition are not included within formal definitions of unemployment and, as a result, are often not included in programmes of assistance. Broader definitions of those who are at risk, including those who are inactive or trapped in cycles of low-skilled and insecure work, are needed.

## 5. The key features of effective transition systems

Effective transition systems are characterized by a number of key ingredients. These are:

- a healthy economy;
- well-organized pathways that connect initial education with work and further study;

- effective combinations of education and workplace experience ;
- tightly-knit safety nets for those at risk;
- good information and guidance; and
- effective institutions and processes.

A well-functioning economy is perhaps the most fundamental factor to shape young people's transition from initial education to work. Sound transition outcomes are easier to achieve when national wealth is high and rising, and when overall unemployment is low. Where jobs are plentiful, they are more likely to be shared with the young. Economies in which national wealth is high or increasing can afford to invest more in the education of the young. Extended participation in schooling, in training-intensive employment or in tertiary education for entire cohorts of young people largely depends upon economies creating sufficient wealth to invest in longer periods of initial education. Good transition outcomes are also more likely to be achieved when labour markets are youth friendly: providing ample opportunities for young people to be trained within enterprises under wage arrangements and employment contracts that encourage their recruitment and training; providing ample opportunities for them to gain experience of paid work while they are students; and limiting the restrictions that are attached to hiring them.

Compared to the impact of overall economic conditions, the effects of the types of education and employment policies discussed here on young people's transition may appear to be of secondary importance. Nevertheless, education, employment and social policies can make a significant difference in laying effective foundations for lifelong learning, in dealing with the transition problems of those most at risk of being excluded, and in enhancing both economic effectiveness and social equity. This can be illustrated in several ways. In the first place, at any given level of GDP or of overall unemployment there are wide differences between national transition outcomes. Second, a healthy economy and low unemployment will not by themselves ensure that all types of transition outcomes will be effective. In the USA, for example,



solid employment growth during the 1990s and high GDP per capita are associated with high employment rates for young adults and a low incidence of long-term youth unemployment. Yet there, young people find it more difficult to compete for work with adults than in many other OECD countries, apparent upper-secondary graduation rates are relatively low, relatively few young people achieve high literacy standards, and those young people with low qualifications struggle harder to find work than in many other countries.

Third, while it is relatively easy to achieve good outcomes for young people when economic and labour market conditions are favourable, the absence of strong institutional arrangements to support the transition makes it more likely that poor outcomes will result when economic conditions worsen. A more difficult test for national transition frameworks is their ability to protect young people from the effects of worsening economic conditions. Despite more difficult economic and labour market conditions for much of the 1990s, compared to the previous decades, youth unemployment to population ratios in Japan remained low in the late 1990s, employment rates for young adults remained high, and school participation and graduation rates have remained high. In Sweden, an inclusive upper-secondary school system and well-organized locally managed safety nets for early leavers together helped to prevent unemployment among teenagers rising during the 1990s in step with overall unemployment, despite a very marked decline in overall employment levels.

Finally, it is important to stress that effective national institutions appear better able to support the transition of teenagers during times of economic difficulty than the transition of young adults, whose chances of being unemployed are more directly a function of overall labour market conditions than are those of teenagers.

## 6. Well-organized pathways that connect initial education with work, further study or both

No one type of pathway – whether apprenticeship, school-based vocational or general education – appears to hold the key to successful transition outcomes. Excellent transition outcomes for young people can be found in different countries, regardless of which pathway predominates. However, the chances of solid transition outcomes being achieved are higher where young people have available to them learning pathways and qualification frameworks that are clearly defined, well-organized and open, designed and developed in a lifelong-learning perspective, with effective connections to post-school destinations, whether work or further study. Countries in which the connections between pathways and their destinations are embedded in solid institutional frameworks seem more likely to demonstrate successful initial transition outcomes than do countries in which the connection is more loosely coupled. These features appear to be more important than the particular nature of the pathway itself.

Countries in which young people are evenly spread over all three of the principal pathways, rather than concentrated in one or two, appear to have advantages in achieving good transition outcomes. In these instances young people can be offered wider choices. There can be greater potential flexibility in movements between pathways to suit individual needs, although often this does not occur in practice. A mix of pathways makes it more likely that young people will have available to them a wide variety of general, technical and vocational education options, developing both work-related competences and personal and social skills. A broad mix helps to ensure that the developing vocational interests of adolescents are able to be met by the curriculum, and that a broad range of talents and achievements can be recognized by qualifications systems.



Well-organized connections between upper-secondary pathways and tertiary study, as well as between upper-secondary pathways and jobs, are important. In some countries, particularly those with occupationally organized labour markets, those graduates from upper-secondary general education pathways who have not qualified for tertiary study are thought to have particular difficulties in the labour market.

Pathways are becoming more flexible as policy-makers respond both to the wishes of young people and their parents, and to perceived changes in the nature of work. The following developments can be observed:

- More links are being created between vocational pathways and tertiary study;
- The vocational content of general education pathways is increasing;
- The entry points to vocational education pathways are becoming broader, with specialization being delayed;
- The general education content of vocational pathways is being increased;
- Modular curriculum structures are becoming more common, allowing young people greater choice in the ways in which they can combine different areas of study;
- In some cases the one pathway is being offered in more than one type of institutional setting; and
- Non-university tertiary programmes are being created or expanded.

A number of issues arise from attempts to increase the relevance and flexibility of pathways. These factors are often not taken into account sufficiently when reforms are being planned:

- Raising the amount and the level of the general education content of vocational pathways, or their level of abstraction, in order to improve links to tertiary study can cause motivation problems among lower achievers;

- In a related way, there can be problems in motivating the lowest achievers in countries in which general education pathways are large and dominant. Ways need to be found to make learning more applied, relevant and contextual, and to clearly link school performance to jobs;
- Attempts to broaden the vocational content of general education pathways can suffer from lack of clarity about the purpose of the changes: to provide full occupational qualifications; to provide credit towards such qualifications; to develop generic work skills; or to improve career awareness and decidedness. This confusion is not made easier by the fact that some segments of the labour market in the countries concerned are tightly coupled to occupational qualifications, whereas others are not;
- Attempts to broaden the entry points of vocational pathways, making their content more generic to a number of related occupations or industries, can be difficult to implement if teachers have only specialized expertise, and if schools' physical facilities have not been constructed to meet the needs of more broadly defined pathways;
- By themselves modular curriculum structures might result in little real change in young people's actual choices and flexibility without changes to organizational factors such as school facilities and the school timetable. And they can run the risk of encouraging young people to leave education with only partial skills and qualifications.

It is not easy to halt or reverse the falling status of upper-secondary vocational education. However the Thematic Review does point to some important lessons. These include:

- Avoid making it a residual and dead-end pathway, linked to poor-quality jobs and directed at the lowest achievers;
- Provide institutionalized bridges between vocational education and apprenticeship and tertiary education and ensure that significant proportions of students and apprentices do take this pathway;

- Design vocational education and training programmes for less successful young people as part of safety nets rather than as ordinary vocational programmes, and make sure that safety net programmes prepare young people for participation in mainstream vocational education and training; and
- Pay attention to the financial costs and benefits for individuals and firms, for instance by providing support to employers training young people in safety net programmes and by ensuring that participants in vocational education and training programmes are not disadvantaged in terms of income support and rights to welfare programmes.

## 7. Workplace experience combined with education

Workplace experience combined with education can be important for a number of reasons. It aids matching between employers and young people; it improves the quality of learning by making it more applied and relevant; it develops important work-related knowledge and skills; and it can have a positive impact upon the firm as a learning organization. Workplace experience and education can be combined in a number of ways. Apprenticeship is the best known of these. Other ways that the two can be combined include school-organized workplace experience, of which the best-known model is co-operative education, but also shorter periods within the workplace integrated into school programmes; and students' part-time and holiday jobs. Each of these ways of combining work and education can vary widely both within and between countries in their purposes, nature and organization. The dimensions along which they vary have a strong impact both upon the extent to which they are learning-intensive, and upon the demands that they make upon the enterprise. As a result their benefits to the parties can vary widely.

There are several reasons for growth in the proportion of young people who combine their education with workplace experience. In some cases it is

due to rising participation in apprenticeship, although this has not been the most common experience, particularly in countries that have for many years had fairly large apprenticeship systems. Many countries have invested substantial effort during the 1990s in attempting to increase the availability of school-organized workplace experience. And in a number of countries the incidence of part-time work by students has grown strongly.

The impact of workplace experience upon transition outcomes is not always easy to assess, as it is often combined with many other features that are associated with good national transition outcomes, with their effects being difficult to disentangle. It is also not easy to isolate the impact of the selection effects which lead to those of differing abilities taking different transition pathways that involve varying amounts of workplace experience, and that are associated with sectors of the labour market with varying employment opportunities. Nevertheless comparative data show a clear correlation between the opportunities for teenagers to combine their study with work, in whatever way, and employment rates among young adults. Careful studies of the impact of apprenticeship show that it is associated with good outcomes for many young people, even if the particular features of it that cause these outcomes are not always clear. Despite the positive message that emerges from such studies, considerable caution should be attached to too enthusiastic suggestions that apprenticeship is a model that can readily be transplanted. It is particularly difficult to transplant apprenticeship to countries that are unwilling or unable to make some of the necessary and difficult institutional changes that are part of the reason for its apparent success.

There is consistent evidence from several countries that students' part-time and holiday employment is associated with positive transition outcomes. More mixed messages emerge from evaluations of co-operative education and other forms of school-organized workplace experience. If school-organized alternatives to apprenticeship are to be more effective, more careful attention to their quality is needed. The Thematic Review has highlighted some lessons

about the conditions under which this quality can be raised. There are parallels between these and some of the features of successful apprenticeship programmes: careful attention to quality control, for example through screening of employers who train young people; shared ownership by the key parties rather than token consultation; and the existence of mutual benefits. Employer participation is a key to the quality of school-organized workplace-experience programmes, and this is easier when it is supported by appropriate institutional arrangements, both from employer organizations and from school systems, rather than left to the individual school or the individual firm. The organization of the school so that these programmes can form a normal part of their operation is important. Effective school organization to support workplace-experience programmes is made easier by well developed national policy frameworks.

## 8. Tightly-knit safety nets for those at risk

Countries with effective transition outcomes actively seek to achieve high rates of participation, completion and achievement in upper-secondary education. High rates of upper-secondary achievement and completion help to reduce the numbers who are most at risk in the transition because of low levels of skill and qualifications. High rates of upper-secondary completion are important in helping to reduce disparities in outcomes between social groups: achieving good outcomes for all is one way to ensure that they are more equitable across social groups. High rates of upper-secondary achievement and completion are also important in making safety nets for those who do drop out of school early more affordable. Such safety nets are another way in which societies can develop inclusive transition systems.

During the 1990s some of the Nordic countries have developed impressive safety net mechanisms designed to rapidly re-insert early leavers into the mainstream of education so that they can gain an upper-secondary qualification

for work or further study. Their success in part is because they have achieved a degree of policy coherence: through resolving a tension between immediate employment or education and training qualifications as the goal of intervention to assist those at risk; and through coherence between education, employment and income-support policies. The second key ingredient in their success has been the development of local delivery mechanisms that can co-ordinate practical assistance across several policy domains and several levels of government, and tailor this assistance to the needs of individual young people. Safety nets have been accompanied by explicit or implicit guarantees that give all young people an entitlement to an upper-secondary education. These rights have been balanced by obligations on the part of the young person to actively participate in order to receive income support. The implementation of these safety nets has been accompanied by evidence in support of their effectiveness in reducing the labour market difficulties of teenagers, although their success in achieving the same results for young adults has not been as evident, partly because young adults have less commonly or only more recently been targeted by them. Recent policy initiatives in a number of other countries have some of the features of the Nordic safety nets.

## 9. Good information and guidance

Good information and guidance become increasingly important as the education and employment choices that face young people change and become more complex. Change and complexity arise not only from changes in jobs and career patterns, but also from the growing flexibility of the pathways that link education to working life. This change and complexity constitute strong grounds for the information and guidance that assist young people in the transition shifting away from an approach that tries to ‘match’ their abilities and interests to particular jobs or courses, and towards an approach that places far more emphasis upon active career planning and personal development.



Information and guidance should not be expected to steer young people in particular directions to satisfy labour force planning requirements: for example to reverse trends away from vocational education and training at the upper-secondary level, or to convince significantly larger numbers of females to choose vocational education and training in traditional ‘male’ occupations. An emphasis upon the adjustment of supply and demand through improvements to working conditions and wages and through better signalling systems are more appropriate policy responses to shortages and surpluses of labour, although accurate information can play an important role in this process. Information and guidance, important as they are, cannot by themselves overcome a lack of equivalence between vocational and general education in current social and economic contexts, nor overturn deep-seated occupational hierarchies and gender differences in the labour market. A condition for effective information and guidance is continuing improvement to the ways in which education and employment systems are aligned, and to the linkages between initial and further education and training.

Countries differ in their characteristic approach to guidance, partly as a result of the nature of their dominant transition pathways. In many countries excellent examples can be found of innovation and good practice: for example in the use of computerized self-assessment and job and course information tools.

Despite excellent examples and impressive individual innovations, in most countries a systematic approach to information and guidance during the transition phase is lacking. Wide variation can be observed within countries in most of the basic dimensions of information and guidance: for example whether or not it is mandatory; who provides it and their qualifications and training; and the nature and level of resources that are provided. Too often information and guidance services are marginal within the priorities of schools. This suggests a lack of policy coherence.

A key challenge for policy-makers is how universal access to high-quality information and guidance services can be provided at an affordable cost. Traditional classroom-based and counsellor-based models both have weaknesses in meeting this objective. They both have difficulty in adapting rapidly enough to changing course and job requirements: and the counsellor-based model in particular is too expensive if access is to be universal and the full range of young people's information and guidance needs are to be met. A more open and comprehensive strategy for the provision of information and guidance services that is able to meet greatly expanded needs for high-quality information and guidance should be based around a number of key elements: the production of high-quality job and course information by specialist organizations; wide use by students of self-directed techniques of personal assessment and job and course information, including computerized and on-line techniques; mandatory career education within the school curriculum; opportunities for all students to undertake periods of experience in real work settings; and systematic involvement by community members such as employers, parents and alumni.

## 10. Effective institutions and processes

Countries that consistently achieve good transition outcomes are characterized by strong institutional frameworks to support the transition, normally developed over an extensive period. The nature of these institutions can vary widely: from Japan's tightly-woven links between schools and individual firms to lay down clear ground rules for school leaver recruitment; to the vocational education and training systems that have a strong industry involvement that characterize the apprenticeship and quasi-apprenticeship countries. Such institutional frameworks appear to be most effective when they are able to combine central regulation with local flexibility.



Effective policy processes are needed to support effective transition institutions. Effective policy implementation needs to be given as much attention as policy design. The involvement of key stakeholders in the ongoing management of transition frameworks, not simply in their design, is important. National and local, bottom-up and top-down approaches need to be balanced. Effective transition policy implementation requires learning to be built in as a key feature. Monitoring and evaluation, the deliberate use of pilot projects, and using successful local initiatives as a model for wider policies and programmes are ways in which this can be done. Coherent policy development also requires attention to be paid to the resources needed to bring new frameworks into effect. These include financial resources, human resources, and physical and capital resources. Comprehensive reforms are to be preferred to isolated and piecemeal reforms.

Sound transition outcomes also require effective personal relationships between the key parties, as well as good relationships between representative organizations. These help to improve the quality of information sharing, to build mutual obligations, and to promote trust and sharing. Better local tracking of the destinations of school leavers, and feedback of the results of such tracking to school systems and the local community, can be an important way of building local networking and information sharing in support of the transition.

Many countries are trying to encourage local partnerships between educational institutions, employers and communities as a way of strengthening these relationships and improving the transition. This can be observed particularly where the organized involvement of employers and trade unions in education and training has traditionally been weak. In many instances these partnerships have formed spontaneously at the local level in response to locally perceived needs. Such partnerships can be a way to marshal employer support for and involvement in career education programmes, and to extend opportunities for work placements and contextual and applied learning. Effective partnerships require adequate resourcing by educational institutions;

they work best when both employers and schools obtain benefits; and they require genuine shared ownership, not just token consultation. Building and maintaining local partnerships is easiest when they are supported by a strong institutional framework, on the part of both employer organizations and school systems.

A related trend has been for governments to stimulate the creation of intermediary bodies to act as brokers between educational institutions and employers in order to improve the transition. These can benefit young people by spreading training over a wider number of firms, thus both extending the breadth of training and experience and widening the network of firms providing training. They can assist firms through their recruitment expertise and young people through their specialized labour market knowledge. It is, however, important not to over-complicate such partnerships, and to ensure that they do not have competing and poorly co-ordinated roles. Governments have an important role to play in monitoring the impact of partnerships and intermediary bodies and in helping to ensure that quality outcomes are achieved by them.

## 11. No single model – what counts is giving priority to youth

These key ingredients of effective transition systems can work in different ways and in different circumstances to achieve success. National cultures, traditions and institutions will all influence the particular combinations that are effective.

Countries face quite different policy challenges in attempting to improve the transition from initial education to working life. For example, countries where problems are concentrated among teenagers and early school leavers face quite different policy issues to countries in which problems are concentrated among young adults. Countries with large apprenticeship systems face quite different challenges to countries with large general education systems.

In the former group of countries, issues such as the need for broader entry points to apprenticeship and the need for better links to tertiary study will be more pressing. In the latter countries, the problem of motivating lower-achieving students by building better bridges between general education pathways and work will be more important.

Some of the key features of effective transition systems are difficult to transplant across national borders without modifications to key labour market institutions: for example, regulating labour markets so that particular types of occupational qualifications are required for entry to particular types of jobs; or requiring all employers to belong to economic chambers. However, other key features do not appear to be closely dependent upon the nature of national labour market institutions. In particular, safety nets for those at risk in the transition and career information and guidance appear to be able to be introduced or improved in a wide variety of different national contexts.

Although institutional frameworks differ, all effective transition systems appear to have one thing in common: underlying them are societies that assume responsibility for young people's transition from education to work. In different ways these societies make focused efforts to ensure that national transition arrangements are inclusive, so that as few young people as possible fall through the cracks. It is the fact that supportive and effective arrangements - whether apprenticeships, safety nets, or efficient recruitment systems - are in place, rather than the specific nature of such arrangements, which appears to make a difference between more and less successful transition systems. This is one of the most important lessons to have emerged from the Thematic Review.



## *Chapter II*

# Training unemployed youth in Latin America: same old sad story?

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This paper explores training programmes targeted to disadvantaged youth in Latin America. Examples are drawn from Chile Joven, Proyecto Joven (Argentina) and PLANFOR, the National Plan of Professional Education in Brazil. The idea of these programmes is politically appealing and some have been successful. Relatively reliable data show that youth find jobs in those occupations sufficiently close to those for which they have been trained. Such success is particularly noteworthy in that the record for similar experiences implemented around the globe has been mediocre.

This paper compares the projects in terms of the quality of training provided and the targeting mechanisms used; a larger theoretical context within which these projects can be located is also presented. Thus compared and understood, some interesting results emerge: the two ‘Joven’ projects are strong on targeting but turn out to be weak on the quality of the training courses they provide. PLANFOR courses, by contrast, tend to be of good quality but poorly targeted. Thus, risking an exaggeration to illustrate the point, whereas Chile and Argentina offer well-targeted training of relatively poor quality, Brazil offers good training with weak targeting mechanisms. Each system could learn from the other.

## 1. On the elusive art of training

Training has long occupied a central position on the agendas of governments everywhere. Like most other public policies, it has undergone considerable shifts, responding to different economic conditions and serving different political constituencies. Traditionally, governments promoted and financed training as a means to increase productivity and to create a workforce capable of absorbing more complex and sophisticated technologies. This was the main justification for training during the post-Second World War economic boom, although economists often put forth the argument of economic returns to training in the form of higher incomes for those receiving training – which, although not the same thing, was compatible.

By the 1970s, circumstances had changed. As economic recession set in around the globe, training was asked to do something else - to create employment. The policy justification was eloquent and simple. The more training people had, the higher their employment level would be. Rather than responding to the supply of jobs, training was seen as a means for stimulating labour demand, particularly for marginal populations.

Regardless of approach or ethical considerations taken, training has proven to be a good investment only if those trained find a job utilizing their newly obtained skills or are already in a position where these skills can be used. Indeed, this is the bottom line of and for training. Training otherwise is a bad investment: it is more expensive than regular education and, if the skills learned are not utilized, there is no point in spending the money. It is better to provide more education. Therefore, obtaining a good match between the demand for and the supply of training thus becomes and remains the *sine qua non* justification for its provision.

### ***1.1 From training for jobs to training without jobs***

From the perspective of public policy, training essentially arrived on the coat-tails of the post-Second World War economic expansion. The explosive growth in training during this period coincided with fast economic growth and severe bottlenecks in skills; overcoming these shortages provided the obvious justification for national training policies. As the rapid expansion of industrial and manufacturing sectors outpaced the capacity of on-the-job training efforts – dominant at the time – to prepare skilled labour in a timely manner, nations around the globe responded by creating publicly operated and financed training institutes. Latin America was no exception. Indeed, the region's national training institutes – referred to here as the 'S & Is' (they are called, for example, SENAI, SENA, SENAC, SENAT, SENA, SENATI, and INA, INCE, INFOTEC, INACAP) – can trace their origins these past periods of economic expansion. All shared a common approach and vision. It was the supply of training that mattered; and the more, the better (see de Moura Castro, 1995).

Training followed a straightforward sequence: train instructors, translate; adapt and prepare training materials; build centres and purchase equipment at the fastest possible pace. In most cases, this model proved viable and self-sustaining. Structures for financing, delivery and political autonomy were built into the system. A payroll levy provided financial stability, comfortable budgets and a long-run perspective. The so-called 'methodical series' supplied a practical, fail-proof and effective means of delivery. The independence from academic schools and from the Ministry of Education (in most cases) liberated vocational training from the academic schools' middle-class ethos and prejudice against manual occupations. Furthermore, these institutions were often quite close to the enterprises, thus ensuring the general direction of training provided was in line with the needs of industry.

For several decades these systems enjoyed a good reputation and adequately trained several generations of highly skilled workers. They were,



overall, significantly better than the regular schools in their countries. Some were outstanding institutions. They trained workers who allowed the modern sectors to develop and fostered the process of import substitution. Despite the criticisms launched against them, most were respected islands of serious learning, in contrast to the overall mediocrity of the academic schools.

Yet, as economies across the region began to stagnate, the 'S & Is' – as most supply-siders – lost their dynamism. The oil crises, the economic disturbances that followed and the labour-saving nature of industrialization slowed growth in employment in the modern sector and led to the rise of the informal sector and self-employment. The 'S & Is' thus lost their edge, and began graduating students who did not find a clear and active labour market in the industrial sectors. Many experimented with training for the informal sector – experiments that were often broader-based than elsewhere in the world (Ducci, 1990) – but few (e.g., INA and its *Talleres Populares*) were actually able to make this transition. On the whole, most of these experiments remained as such, small initiatives that were never replicated on a larger scale.

As the market for modern industrial occupations lost its impetus, the 'S & Is' failed to adapt accordingly. Rather than catering to new markets with a more active demand, they remained stuck in their original supply-side priorities as if nothing had happened. As a result, both their prestige and reputation eroded and they became far more vulnerable to pressures from the outside. Budgets were poached, if not raided outright, and activities were redirected away from training per se and towards more socially productive or politically expedient activities. No institution was immune. Neither SENA (Colombia) nor INA (Costa Rica) – the most prestigious institutions in Spanish-speaking Latin America – escaped; SENA budgets were subjected to central controls and similar constraints were imposed on INA. The Peruvian SENATI, in much the same vein, lost half of its budget, which fell from 1.5 to 0.75 per cent of payroll.

## ***1.2 If training institutions do not change, buy training on the market***

The 'S & Is' provide an interesting case of solid training institutions failing to adapt to changing circumstances - in this case, to an environment in which jobs are few. Pressed by economists worried about rates of return and little interested in what goes on inside the black box where training takes place, trainers and governments alike have been forced to redefine the very notion of training. The result has been an about-face. In contrast to times past, to some decision-makers of the present, it is the demand for training that matters. This demand needs to be closely monitored and only that training which responds to a clearly identified demand should be offered. The general rule is simple: no demand, no training.

In Latin America, this about-face has been manifested in what can be termed a 'chequebook approach' to training (see de Moura Castro, 1998). The approach is an attempt to re-engineer the entire system of training, instead of reforming the training institutes (if this occurs, it is seen as a positive spillover effect). The chequebook approach is part and parcel of larger processes to 're-invent government' and to use economic incentives in areas that have traditionally been the domain of conventional hierarchical structures. It signals a clear shift in paradigm. Rather than being an operator of training or trying to govern the training systems by means of hierarchical or administrative controls, the state becomes a buyer of training services. In this capacity, the government becomes a financial agent who establishes clear rules for purchasing training, selects the best bids and controls the quality of the service offered. The state gives up the attempt to manage institutions, as it had done with the 'S & Is'. It adopts a different strategy.

In short, the chequebook approach epitomizes a tendency that is becoming widespread in Latin America and elsewhere: that is, to create surrogate markets for services which are normally produced by the public sector. In this process,

a multiplicity of suppliers – both public and private – compete for contracts. Vouchers may be used to give users full freedom to choose the services they want. Yet in all cases, funding is split from execution. The people who pay are not necessarily those who deliver the services and greater choice is given to users. ‘Voting with the feet’ becomes a way of controlling activities that were previously delivered under traditional public service.

### ***1.3 The logic of training without jobs***

The chequebook approach to training, although simple in conception, begs the question of how to justify training in the absence of demand. Most chequebook programmes – including those examined in this paper and those implemented in OECD countries – are created as responses to high youth unemployment (OECD, 1996; Johanson, 1994; Soffer and Zymelman, 1993). In these periods of economic downturn, too many are left without jobs, even those who have had vocational training. Yet there is an implicit assumption or hope that such programmes will alleviate the problem and create jobs.

In the assumption that training creates employment, the burden of the proof is with those who defend it. Evidence compiled to date suggests that training (except in cases of training for the self-employed or to micro-entrepreneurs) does not create employment. From much that is known, employment appears to be created when the macroeconomic variables are right and the economic climate is favourable, rather than when skilled labour is available (Lee, 1995). “The link between employment and economic growth has not become weaker ... For every percentage point increase in the growth rate of a country in the last ten years there has been an increase in the level of employment” (Boltho and Glyn, 1995).

Critics of training-for-employment-creation programmes base their assertions on a series of reasonable arguments. The first is the so-called substitution effect. Under this line of thought, training may very well increase

the odds of any particular person to obtain a job, yet the number of jobs at any moment is a given, determined by other variables – mostly at the macro level. Training, thus understood, substitutes one job candidate for another – and often does so at high costs to the state. Even if the employment levels of trainees increase, as compared to well-designed control groups, the substitution effect remains. Youth training programmes in the United Kingdom are a case in point. “By the mid-1980s the evidence of ‘deadweight’ or ‘substitution’ etc. told against any further use of direct youth employment or recruitment subsidies to lower the effective cost of youth labour and the government concentrated on developing the education and the training system” (Lindley, 1996:170).

The evidence required to demonstrate that training programmes create jobs is not easy to come by. Convincing evidence would have to be produced to show that either: (1) Graduates of training programmes get more jobs than they would in the absence of the programme. (2) Or, the jobs created add to the total number of jobs available, rather than merely changing the distribution of jobs in favour of those who have received training. These, of course, are two independent issues. The first concerns increasing the employability of the graduates and the second deals with the aggregate impact on employment levels of such programmes.

Both issues raise empirical questions. If (2) is satisfied but not (1), we return to the ‘golden age’ of the ‘S & Is’, that is, to a supply-driven approach to training reminiscent of the past that is neither viable nor defensible at the current juncture. If, on the other hand, (1) is satisfied but not (2), we face a substitution argument that not only is hard to dismiss but, for its advocates, is equally difficult to demonstrate in empirical terms. The empirical tools to measure the strength of substitution effects remain underdeveloped and underutilized.

## ***1.4 Why train if there are not enough jobs?***

Despite the empirical difficulties of substantiating their impact, the arguments for youth training still make sense. Key arguments are reviewed below. These arguments justify youth training on several grounds. Yet, as has been made clear from preceding discussions and those to follow, empirically demonstrating the grounds upon which each justification applies is no trivial matter.

### *1.4.1 Vacancies remain unfilled due to the lack of skilled workers*

When firms have openings or potential openings that remain unfilled due to lack of skills on the part of candidates, training can make a significant difference. In this case, there is no substitution but a net increase in employment. This is the usual justification for youth training programmes. Government officials claim their employment agencies report many positions that remain open for lack of job-seekers with the requisite skills. By preparing youth to become skilled in the areas where lingering vacancies exist, these programmes could increase aggregate employment.

This argument makes much logical sense. However, the quantification of these job openings is always elusive and the empirical grounds upon which to expect significant employment creation are shaky at best.

The rationale is clear enough and there is casual evidence of job openings that remain unfilled due to the lack of suitable candidates, even within contexts of high unemployment. But does the evidence stand behind these assertions of surplus jobs? Not quite. Most surveys done by labour services in Latin America and elsewhere ask employers about unfilled vacancies. As any introductory text in economics suggests, demand is a function of price. There may be vacancies that remain unfilled, but at what wage levels? If sufficiently higher wages are offered, someone will appear with the requisite qualifications.

Do the surveyed employers prefer to engage in wishful thinking rather than pay the prices that clear the market? Hence, most estimates of job offers, while not necessarily untrue, are not necessarily that meaningful either. The United Kingdom case provides a telling example: during “the mid-1980s especially it would seem wrong to attribute high youth unemployment or underemployment primarily to poor school preparation for the transition to work” (Lindley, 1996:159).

#### *1.4.2 It is better to give chances to poorer kids*

It is very difficult to rule out substitution effects in real-life training programmes for the unemployed. However, substitution is not necessarily a fatal argument against them. In fact, even if there is a substitution effect, training can still be justified if those who benefit from the substitution are the most vulnerable and dispossessed. The end result would be an increase in the equity of the system. Since such programmes are clearly targeted to the less educated and less affluent youth, they favour the employment exactly of those who are less well equipped to withstand the consequences of unemployment. The trainees may take away jobs from others but, at least, those who do get jobs are the most deprived candidates.

#### *1.4.3 Training is cheaper than incarceration*

Some observers advocate training on the basis of social integration and the provision of ‘soft skills’. In some instances – including those examined below – training may be linked to “the need to address dysfunctions or ‘pathologies’ in society” (Favennec-Héry, 1996:667). Such objectives are becoming increasingly important, as the literature widely suggests. Under- and unemployed youth are likely to have low self-esteem and a remote notion of what work actually entails (see Soffer and Zymelman, 1993; Jacinto, 1996); they also face a greater likelihood of becoming petty or serious criminal offenders. The impact of non-cognitive benefits of training – such as discipline,



learning to deal with authority and punctuality – thus cannot be easily dismissed. The bottom line is simple: training is cheaper, both in economic and social terms, than incarceration.

*1.4.4 Training increases productivity, which increases growth, which increases employment*

The most robust argument in favour of youth training programmes – or any training for that matter – is their strong impact on productivity and the consequent benefits of increased productivity on growth and employment creation. While this mechanism is more roundabout and takes much longer to show results, it is the most predictable.

There is ample evidence to indicate that better-prepared workers produce more. In other words, an overall environment favouring productivity growth is pitifully incomplete without the requisite skills of the labour force. Thus, even if training does not increase employment immediately and if the insertion rates of graduates are less than spectacular, training remains more than justified in the long run. This argument has strong implications for the content of training. If the benefits take some time to materialize, improvisation and stopgap policies are not justified. What matters is what lasts and not all training is equally durable or effective in the long run.

Indeed, the long-run impact may provide the strongest justification for training in a less than optimal economic context. It is in this regard that the content of training becomes critical. Durability of skills matters. If trainees are unable to find employment immediately upon completion of their programmes (as happens with some graduates of the three programmes examined here), then the real value of training may be in its provision of a more durable core of basic skills.



The exact definition of ‘basic skills’ remains elusive. For the sake of the present discussion, however, it suffices to say that ‘basic skills’ are those skills which are used in a multiplicity of situations, such as reading, writing, using numbers, analytical thinking, problem solving and team working. Thus defined, the durability of basic skills remains unquestioned. Basic skills provide a foundation upon which subsequent training and skills development can be absorbed and applied.

A solid basic education remains the best preparation for a wide range of jobs (see Dougherty, 1989). In fact, basic skills are what good education is about. Modern economies require a strong cognitive development as the foundation for vocational skills. Learning an occupation requires increasingly higher levels of understanding of scientific theories and the technological component of occupations. Part of this education should precede training, thus facilitating and shortening it. Workers with a good mix of practical skills and conceptual understanding of technology can adjust more easily to new and different occupations, grow in their careers, and adjust to technological changes. The real issue is not general versus super-specialized training but the solidity and depth of the basic skills taught with specialized training.

It should be clear that training cannot replace schools for all at the primary and secondary levels. Whereas training has done so in limited cases, such experiences cannot be generalized owing to the high cost of training. Yet training can include the theory and knowledge required for understanding the conceptual side of occupations. In this sense, good training can also impart good education. The practical orientation of training can support the development of contents that lie at the core of a good education. Reading comprehension, calculus and physical principles can be seamlessly integrated into technical and workshop subjects. The ‘methodical series’ delivered through the ‘S & Is’ provide good examples of how practice can be blended with basic conceptual skills; other interesting examples include the ‘basic skills movement’, ‘applied academics’ and the ‘contextualization of learning’.

One of the strongest justifications for adding basic skills to this category of training programmes is that they boost the shelf life and amplify the reach of the training offered. If employment does not come right away and if, when it comes, it has little to do with the content of the course taken, what then will be of value to the trainee are the basic skills that have wider applicability.

Therefore, it seems reasonable to assume that the development of basic skills should be one of the main objectives of most training courses rather than casually added on to some as a response to the complexity of the subject matter at hand (e.g. some mathematics, as required by machinists). In much the same vein, the development and/or reinforcement of basic skills would be a valuable use of class time in those courses on simpler occupations (e.g. supermarkets; or sales). Yet reinforcing basic skills does not happen automatically. Considerable planning and investment are required. It is not something that can be included in the guidelines of a programme, but rather is a task that requires fixed investments in time and in review of similar experiences elsewhere. Indeed, the best training programmes around the world have benefited from, and committed significant resources to, curricula that combine and integrate basic skills.

Such considerations further evidence the need to devote more resources to the preparation of training materials. The merging of basic skills with training cannot be expected to occur when courses are contracted on a one-by-one basis. Nor is it easy to explain to training providers what is required to include basic skills in courses. Merging basic skills with training content requires that some courses be designed from the bottom-up and used as models for subsequent repetitions. To make this happen, training providers should have access to the best training materials available (books, workbooks, tapes, methodological papers; materials for training trainers; computer programmes, etc.), and additional funds should be allocated – e.g. to create experimental courses in specific areas and get support from experts. As will be illustrated further ahead, PLANFOR operates in this direction: its courses build on the

accumulated experience of the 'S' system. The incentive structure found in both "Joven" projects, in contrast, appears to operate in the opposite direction: away from a focus on materials and towards the contracting of courses made from scratch.

### ***1.5 The limits of training***

Training alone does not create jobs. To be effective, it must be carefully targeted to skills already in demand in the workplace and to emerging occupational requirements. The failure to target training along these lines stands as the primary reason why most training programmes that seek social objectives without the proper economic context produce less than convincing results. The political appeal of mounting campaigns for unemployed youth is a hardy perennial. The circular reasoning for youth training programmes suggests that disadvantaged segments of the population lack the skills needed to get worthwhile jobs and thereby lift themselves out of poverty; skills training, accordingly, provides the key to a better future for these populations. Taking these notions a step further, governments often justify public subsidies for individuals who cannot afford to buy the services themselves but remain in need of skills to access jobs.

Such arguments support the targeting of training assistance. Yet they are not sufficient. Effective training is doubly targeted: objectives are targeted as carefully as the training clientele. The skills taught must be readily absorbed in employment since training itself cannot create the jobs. "An over-expanded, overly subsidized training system that is not accompanied by increased opportunities for employment or enhanced wages will not improve welfare and is a needless waste of scarce resources" (Middleton, 1993:114). The skills taught must also be appropriate and relevant to those being trained. For programmes targeted towards disadvantaged youth, a focus on basic skills remains indispensable. Regardless of what occupation training targets, in the end, what matters on the job is the ability to think through various systems

and processes, learn along the way and adapt to changes in technology or production as they arise.

## 2. Training to improve employability: experiences from Latin America

In an effort to tackle the magnitude of youth unemployment and underemployment, countries across the region have launched various programmes designed to integrate youth into the labour market (see ILO/Caribbean Office, 1996; ILO/CINTEFOR, 1998 for further discussion). These programmes provide a general mix of classroom instruction and practical work experience. Within this context, programmes undertaken in Chile, Argentina and Brazil draw special attention – if nothing else because they are big and expensive. Part and parcel of the paradigm shift described above, training is emphasized as a means through which, and with which, youth can be integrated into the labour market or brought back into the formal system of education. The Chilean and Argentinian programmes are demand-oriented in their approach to training and, operate within the framework of a simple rule of ‘no demand, no trainin’. The Brazilian programme, also demand-oriented in its philosophy, differs from its ‘Joven’ counterparts in that it builds on, yet runs parallel to, a well-established and solid training system. All three programmes have produced at least some positive results.

### *2.1 Shifting the paradigm: Chile Joven*

Of the three cases under study, Chile Joven is the oldest. Created in 1992 with support from the Inter-American Development Bank (IDB), the project – at the time – offered a novel and seemingly radical approach to youth training. Rather than modernizing, reforming or otherwise strengthening existing institutions, or supporting the establishment of new institutions, Chile Joven sought to recast the mechanisms through which training services were

delivered. In short, the idea was to create a market for training services targeted to low-income sectors of society, many of which remained outside the network of services provided either through the Ministry of Education or the National Training and Employment Office (SENCE), a dependency of the Ministry of Labour and Social Welfare (BID/EVO, 1998:6-8).

At the time of its conception, approximately 200,000 – or 13.0 per cent of - youth (15-24) were unemployed, underemployed or outside the formal education system (Ministerio de Trabajo y Previsión Social, 1997:9); the majority of these youth came from low-income sectors of society. Throughout the programme, this rate varied between 11.0 per cent (first trimester of 1994) and 17.0 per cent (second trimester of 1996). That youth unemployment had reached such proportions was paradoxical in that it coincided with a time of growth both in the Chilean economy and in the demand for labour (see Table 1).

**Table 1 Selected labour market and macroeconomic data**

	1991	1995
<b>Argentina</b>		
<b>Youth, 15-24</b>		
Activity rate	48.1	52.3
% Unemployed	—	24.6
<b>Total population</b>		
Activity rate	—	41.50
% Unemployed	5.8	18.8
<b>Macroeconomic indicators</b>		
GDP (in millions, 1990 prices)	76,156	92,428
GDP (% change over previous year)	10.5	-4.6
Consumer prices (1990=100)	272	404
Labour force growth	<b>1986-1993</b>	<b>1980-1996</b>
	1.3	1.6
<b>Brazil</b>		
<b>Youth, 15-24</b>		
Activity rate	67.2	65.2
% Unemployed	10.2	11.4
<b>Total population</b>		
Activity rate	47.9	48.7
% Unemployed	6.5	6.1
<b>Macroeconomic indicators</b>		
GDP (in millions, 1990 prices)	11,500	13,284
GDP (% change over previous year)	-0.9	3.9
Consumer ) prices (1990=1)	56	41,044
Labour force growth	<b>1986-1993</b>	<b>1980-1996</b>
	2.1	2.8
<b>Chile</b>		
<b>Youth, 15-24</b>		
Activity rate	41.6	37.5
% Unemployed	13.2	12.8
<b>Total population</b>		
Activity rate		38.6
% Unemployed	5.9	5.4
<b>Macroeconomic indicators</b>		
GDP (in billions, 1990 prices)	12,675.5	15,055.6
GDP (% change over previous year)	5.7	7.4
Consumer Prices (1990=100)	177	205

Sources: International Labour Organization, *International Labour Statistics Yearbook*, (Geneva: various years); International Monetary Fund, *International Financial Statistics, 1998*, (Washington, DC: International Monetary Fund, 1999).



Given this context, Chile Joven operated from the assumptions that the lack of marketable skills was the cause behind the masses of idle youth and, by extension, that skills could be improved through training. Marketable skills, provided through classroom study followed by practical, in-firm work experience<sup>3</sup>, in turn would improve opportunities for employment or further study. Through a social marketing campaign and incentives directed towards both youth and enterprises, Chile Joven initially targeted 100,00 low-income youth – a goal that, by the end of the programme, was exceeded by 28 per cent (there was a total of 128,106 participants)<sup>4</sup>.

### *2.1.1 The 'nuts and bolts' of Chile Joven*

From start to finish, Chile Joven was based on a demand-oriented approach to training. Consistent with the chequebook model outlined above, training services were contracted out through processes of public bidding. The state, using its technical competences and legal attributes, established the rules of operation, including selection criteria and financing formulae. All facets of service delivery – from the identification of the demand for labour, to the preparation of courses and materials, to the execution of courses – fell to the contractors (Organismos Técnicos de Ejecución, OTEs or training operators, authorized by SENCE); funding thus was split from execution.

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<sup>3</sup> The programme provided for approximately 200-250 hours of classroom instruction and three months of practical experience within a firm or enterprise. The programme covered all costs associated with these activities; participants were also given subsidies for travel and food, and accident insurance.

<sup>4</sup> This figure refers to the programme as a whole. The programme consisted of four subprogrammes: training and on-the-job experience; apprenticeship with classroom instruction; training for self-employment; and training and personal development for young people. It should be noted that the text focuses on the first subprogramme, training and on-the-job experience. This subprogramme accounted for 70 per cent of all programme beneficiaries: 90,839 youth, 48.6 per cent of whom were women, participated in the subprogramme. The apprenticeship with classroom instruction subprogramme accounted for 2 per cent of beneficiaries; the training for self-employment, 8 per cent; and the training and personal development subprogramme, 20 per cent.



This was a major departure and a great stride ahead. The new model gave responsibilities for programme evaluation to the funders. This avoided the chronic problems of civil service operation that plagued the old model where such responsibilities fell to the bureaucracy – programme executioner and evaluator. It also created a system of checks and balances between execution and funding decisions. Perhaps even more importantly, the new (chequebook) model decentralized decision-making to the training operators. In this way, the operators served as intermediaries between the demand for training and its supply. From the side of demand, they could deal directly with naturally segmented and variable labour markets and, given the decentralization of the system, could provide training for different occupations in different communities. From the supply side, these same operators were held responsible for finding employment opportunities for their trainees.

Eligible bidders for the contract included training organizations of all types, ranging from the private, non-governmental, and public. Those awarded training subsidies had to demonstrate the closest and most cost-effective match between the services offered and the demand for such services in the labour market. Actual payment, however, was based on student progress and programme completion; there were financial penalties for drop-outs.

Thus designed and implemented, Chile Joven was intended to respond to the productive sector's real demand for training in areas of specialization where demand actually arose. In doing so, it took a creative approach to matching training with the demand for labour, alluded to above. Rather than contracting on the basis of a demand study conducted prior to the implementation of the programme, all responsibilities for the identification of labour demand fell to the operators. This was consistent with the basic premises of the programme. Given that contracts were to be awarded on the basis of the closeness of the training-demand match, neither the level (e.g. micro- or macro-) at which demand existed, nor the industry (e.g. traditional or non-traditional) in which it was located, mattered. In fact, the programme

encouraged – if not compelled – the OTEs to become surveyors of demand in areas beyond the traditional trades and below the large enterprises. Syllabi were driven by demand and, as a result, courses could be and often were tailor-made to needs of enterprises.

In awarding training subsidies, the substantiated demand for labour constituted the overriding selection criterion, although other criteria (e.g. course content, institutional capacity for execution, the quality of the training proposed, cost per student) were also taken into consideration. To substantiate this demand, the OTEs were required to arrange internships for trainees in private enterprises; as proof of this arrangement, a letter of commitment from these enterprises was also required. These requirements served as proxy indicators for closeness of the training-demand match: the willingness of an enterprise to offer an internship to programme participants signalled an unmet demand in the specific skill area. Since training was outsourced to any provider fulfilling these conditions, the search for internships was conducted by thousands of prospective sellers of courses to the programme who scanned the country in search of demand for internships. The willingness to take a trainee as an intern implicitly defined market niches where there was a good potential of demand. Indeed, upon programme completion, an estimated 55 per cent of participants were employed in occupations using the skills they acquired during training; of these, 32 per cent were hired in the same firm where they had done their internships (Paredes et al., 1996:27).

### *2.1.2 Programme successes: good targeting and good results*

Chile Joven proved to be successful in many respects. It was well targeted. As noted above, in terms of coverage, the programme surpassed its original goal: more than 128,000 youth from across the country participated in the programme, 90,839 effectively took part in the training and on-the-job experience subprogramme. Of these, the overwhelming majority represented

the target population: 95.6 per cent came from low-income sectors of society<sup>5</sup>, 82 per cent started the middle level of schooling (media), but only 54.4 per cent finished, and 79.3 per cent were below the age of 24 (Ministerio de Trabajo y Previsión Social 1997:60-61). This was a fair targeting to needy youth.

Above and beyond producing good targeting mechanisms, the programme also produced good results. The programme was cost-effective, with an average expenditure of US\$2.91 per hour – just under half the amount spent in Argentina (discussed ahead). It was also ‘socially profitable’ (Paredes, et al., 1996:3). The majority of participants were either employed (55.5 per cent) or in school (3.9 per cent) after the programme. These figures compared favourably to those of the control group<sup>6</sup>: 41.3 per cent was employed and 5.5 per cent had returned to school. Employment differences were even greater for women (45.5 per cent versus 27.0 per cent, respectively; Ministerio de Trabajo y Previsión Social, 1997:63). To some extent, then, efforts to target women proved successful (overall, the employment rate was almost 20 per cent higher for men than for women). Wages of the programme participants compared favourably to those of the control group as well. This performance

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<sup>5</sup> This figure is distributed in the following manner: 43.4 per cent from below average income groups; 49.2 per cent from low income groups; and 3.3 per cent from very low-income groups. Participants from high, above average and average social economic groups comprised 3.8 per cent of the total. It should be noted that figures for the other programmes are similar: 98.2 per cent of beneficiaries in the training and personal development subprogramme came from low-income sectors, as did 92.1 per cent in the apprenticeship with classroom instruction subprogramme and 99.8 per cent in the training for self-employment subprogramme.

<sup>6</sup> The control group was made up of youth residing in the same neighborhood and possessing the same socio-economic characteristics as programme participants; see Ministerio de Trabajo y Previsión Social, 1997:62.

compared well to similar programmes in industrialized countries (see Lindley, 1996; Silverberg et al., 1998; Hollenbeck, 1997, 1996; OECD, 1996; O'Leary, 1995; Kopp et al., 1995; Stern et al., 1994)<sup>7</sup>.

The programme also appeared to have a positive impact on participating firms. On the firm side, the OTEs were successful in surveying demand from all angles, thus creating a broad-based market for training. Micro-, small and medium enterprises represented the bulk of this demand.

The programme sought and received participation from enterprises of all sizes. Notably, however, the participation of large enterprises (200+ people) paled in comparison to that of the micro- (1-9 people), small (10-49 people) and medium (50-200 people) firms: 81.5 per cent of all enterprises participating in the programme were micro- (26.7 per cent), small (32.0 per cent) or medium (22.8 per cent; Paredes et al., 1996:8). On the whole, the overwhelming majority of these participants were satisfied with and benefited from the programme: when surveyed 90.9 per cent indicated that they would be prepared to receive programme participants in the future (Ibid., 13).

Institutional changes occurred as well. INACAP (Instituto Profesional y Centro de Formación Técnica, ex-Instituto Nacional de Capacitación Profesional) successfully made the transition from a supply- to a demand-oriented approach to training. The Institute, stripped of its budget within the

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<sup>7</sup> Although much has been written about youth training programmes in industrialized countries (e.g. see those sources listed in the text), there are few impact data. In what generally can be deduced from the literature, such efforts appear as partial and incomplete responses, particularly in terms of targeting youth from lower income sectors of society. Some programmes (e.g. the School-to-Work Opportunities Act in the USA) are successful in attracting students to particular occupations or occupational clusters, but are considerably less successful in reaching employers and thus in securing work for programme participants. Other programmes (e.g. school-to-work transition programmes in the United Kingdom), although successful in terms of post-training job placement, have not been able to target low-income youth. Still other programmes (e.g. active labour market policies in OECD countries and Eastern Europe) prove more successful in targeting adults than youth.

first few years of the programme, sold its courses to enterprises that received government subsidies to buy training from any chosen provider. It (INACAP) has been operating without public subsidies for a number of years, operating within the framework of competition initiated by the programme (de Moura Castro, 1998:7). The nation's training system underwent a transition in much the same way as INACAP. Of the 312 training organizations associated with the programme, approximately 60 per cent (187) were created after the project (Ministerio de Trabajo y Previsión Social, Unidad Coordinadora del Programmea, n/d, 10).

These successes, in part, accounted for the government's decision to launch a second phase of the programme after the termination of the IDB loan, with its own resources. The approach used to deliver training services in the project has been replicated in subsequent projects (e.g., in Argentina, discussed below; but also in Peru and Venezuela). Yet doubts remain concerning the project's success on other fronts.

### *2.1.3 Good targeting but not-so-good training*

Given the underlying rationale of Chile Joven and its location within the context of the structural transformation of the nation's economy, the programme placed comparatively little emphasis on generating the quality inputs required to effectively deliver training – e.g. books, materials, institutional knowledge and experience<sup>8</sup>. Such inputs, part and parcel of the training delivered in the established training institutes (e.g. the 'S & Is'), were found

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<sup>8</sup> The programme includes provision for the expansion and improvement of teaching equipment. Notably, however, rationales underpinning such provision have more to do with market creation than with the quality of training, per se. The programme "encourages leasing companies to finance the teaching equipment by means of an advance payment to facilitate the [participating] training agencies' eligibility for credit."

to be lacking in Chile Joven. In creating a competitive market for training services, project administration and implementation remained overwhelmingly concentrated in the creation of a market for training services. Although SENCE approved each course prior to implementation, the project neither focused on the quality of training per se, nor provided any incentives for the OTEs to do so. As a result, the quality of inputs – particularly materials – suffered.

Other problems associated with the quality of training relate to the menu of courses actually offered. Chile Joven (like Proyecto Joven, discussed below) provided incentives for OTEs to survey the country in search of the demand for semi-skilled labour. In effect, hundreds of OTEs canvassed the country looking for thousands of internships in thousands of enterprises without limitations on either subject matter or content. In the end, however, the menu of courses offered remained quite standard and traditional: 37.1 per cent in industrial arts; 31.3 per cent in commerce; 27.3 per cent in technical areas; 8.5 per cent in agriculture and forestry; and 1.3 per cent in maritime (Paredes et al., 1996:6). In fact, there was little difference between occupations in which programme participants found jobs and those in which the control group were employed; and, in some of the traditional sectors (agriculture, forestry and hunting; industry and manufacturing; electricity, gas and water), a higher percentage of programme participants were employed.

## ***2.2 Proyecto Joven in Argentina***<sup>9</sup>

Proyecto Joven is an Argentinian variant of Chile Joven. Initiated in 1994 with support from the IDB and continuing through the present, the project replicates its Chilean counterpart in using training as a means to increase the employability of youth, particularly those from lower-income strata. By training these youth, the programme attempts to increase their productivity

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<sup>9</sup> This section draws heavily from de Moura Castro, 1997.



and to instil in them appropriate values and attitudes – skills and values which, in turn, are thought to improve their chances of getting and maintaining a job.

### *2.2.1 The ‘nuts and bolts’ of Proyecto Joven*

Proyecto Joven mirrors Chile Joven in most respects. Framed within the context of structural adjustment and gradual economic revitalization, the programme provides an intermediate-response structure to address the growing masses of unemployed youth, about 30 per cent – or as many as 600,000 people – of whom were neither in school nor working (de Moura Castro, 1997:1); see Table 1<sup>10</sup>. Targeting 170,000 of these youth, this programme, conceived and implemented along the lines of the ‘chequebook model’ (described above), provides funds to the Ministry of Labour to contract training with any credible institution, public or private. As in the Chilean project, bidders must present plans for classroom instruction as well as ironclad promises from enterprises that, upon completion of classroom work, internships will be provided for trainees<sup>11</sup>. The substantiated demand for labour – measured through the proxies of commitments to provide internships – thus remains the *sine qua non* criterion in awarding training funds to the training providers (the OTE equivalent).

It is worth reiterating the advantages of this system. It effectively vaccinates against the ‘supply-driven disease’. Rather than automatically granting public institutions with fixed budgets and open mandates to train – as is the case with conventional training – the system rewards only those institutions

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<sup>10</sup> This figure is based on provisional data gathered by the IDB. It refers to people under 30 who had not completed high school, came from low-income households, and were either under- or unemployed.

<sup>11</sup> Classroom instruction generally lasts from 150 to 250 hours; internships are of equal duration. As in Chile Joven, firms receive Proyecto Joven interns free of charge. During the period of classroom instruction, the programme provides a fellowship of US\$4/day; during the internship, this fellowship is increased to US\$8/day. Women receive a bonus if they have children.



that provide some type of guarantee (e.g. internships) of the market's real demand for training. The simple rule of 'no demand, no training' is strictly applied. Providers have a strong incentive to cultivate links with the productive sector and, thereby, prepare the ground for internships. A healthy system of checks and balances – and incentives – thus is generated.

It is these systems, not the public/private dichotomy, which lie at the heart of a good versus a bad response to the market. When prizes go to those able to find the market niches and the others remain out of the sources of funds, behaviour tends to be considerably different. As experiences in both Chile and Argentina illustrate, even public institutions, such as the technical schools and higher education institutions which otherwise have been lukewarm or deplorable in delivering regular, supply-side training programmes<sup>12</sup>, switch gears and respond to the market if the incentives are right.

Given the close resemblance between the two 'Jovens', successes seen in Chile have been largely replicated in Argentina. Proyecto Joven, like Chile Joven, is well targeted: 83 per cent of participants are unemployed and 6 per cent are out of the labour market. The overwhelming majority are poor (80 per cent belong to low-income families) and, whereas most have completed primary education (92 per cent), very few (7 per cent) have finished secondary education (Ibid. 3). The programme also has been socially profitable. Based on data compiled by the Argentinian Government from a sample of 1,600 graduates (men and women) from the second and third competitions, 51.5 per cent were employed 11 months post training; the proportion returning to schools increased from 7.9 per cent to 20.8 per cent during the same period (Ministerio de Trabajo y Seguridad Social, 1997)<sup>13</sup>.

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<sup>12</sup> The *Estado de Ejecución* indicates that the post-secondary programmes and the public universities are the technically weakest institutions.

<sup>13</sup> Notice that the control groups were sufficiently well constructed so as to be quite similar to the experimental groups. Other experiments with earlier groups of trainees yielded similar results, confirming the robust impact of the programme.

Within this context, however, the gender differences of Proyecto Joven have been more drastic than those of Chile Joven. Men participating in the programme (Proyecto Joven) increased their employment rates from 43.7 per cent to 61.3 per cent over the 11-month interval between the training and the survey; these figures compare favourably to rates of 51.0 per cent and 59.9 per cent, respectively, for the control group. Similar rates for women have been less than convincing: whereas employment in the experimental group goes up from 35.4 per cent to 38.6 per cent, the control group increases from 35.3 per cent to 41.5 per cent (Ibid.). Thus, not only is the increase in employment small in absolute terms for women participants, but this increase is smaller than for the control group – figures which clearly suggest the programme has been ineffective, or at best much less effective, in promoting employability for women.

The programme-employment relation implied by these data does not tell the whole story. Indeed, one could question the overall effectiveness - and cost-effectiveness – of the programme for all participants. Training costs more than general education. On the average, Proyecto Joven invests US\$1,400 per student. This amounts to US\$4.36-4.98 per student/hour<sup>14</sup>. If administrative costs in personnel and other expenditures are factored in, costs easily climb to US\$2,000. The costs of the 200-odd hours plus the two or

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<sup>14</sup> Regardless of how well justified, the high costs of Proyecto Joven can be questioned. The per-hour cost of the Programme is comparatively high, more than doubling the per-hour cost of PLANFOR (estimated at US\$2.13/hour, discussed ahead) and almost doubling that of Chile Joven (estimated at US\$2.91/hour, discussed above). De Moura Castro (1997) finds that, with the exception of the Greater Buenos Aires Metropolitan area, enrolments are far too small to benefit from economies of scale; courses average 20 students. He also suggests there may be lack of knowledge on the part of the project staff of the real costs of offering training under different circumstances. There seems to be a low variance in costs between occupations. The most expensive course (air conditioning) costs \$1,719 compared to \$1,126 for supermarket clerks. This homogeneity suggests that in addition to the lack of economies of scale, there are informal cost ‘norms’ that providers follow in presenting their proposals.

three months of internship for semi-skilled training thus are substantial, costing six times more than primary education or twice as much as one school year with over 600 hours of class at the Universidad Tecnológica Nacional. Based on these figures, why train? If rates of employment for the control group are comparable to those of an experimental group, then leaving untouched the prevailing forces of supply and demand and allowing them to ‘naturally’ ingrate youth into the labour market may constitute a sounder policy response.

Yet, as has been argued above, training can be justified even in the absence of employment: training increases productivity, which increases growth, which increases employment. This remains true even if training does not immediately lead to employment. Training imparts and/or strengthens a set of basic, durable skills. It is these skills that, in the long run, contribute to the value added of training, even in instances where employment rates are less than spectacular.

### *2.2.2 Improvised trainers and aggressive brokers*

Just as the successes of Chile Joven and Proyecto Joven are similar, so too are their weaknesses. Quality problems also plague Proyecto Joven. Issues of planning and development receive insufficient attention. Serious conventional training systems develop their courses progressively and, by trial and error, improve them. Most offerings in the classical trades have long histories of items added and subtracted from the curricula, and of teaching materials and techniques adapted and discarded as new and better ones are found. PLANFOR (mentioned ahead) is instructive in this manner. Yet Proyecto Joven (like Chile Joven, albeit to a lesser extent) deals with each course as if it had never been offered in the past. Each course starts from scratch, that is, from the identification of demand, to the description of the tasks required for the job and the writing of the syllabus. Conventional courses thus are prepared as niche courses: that is, as new or little developed occupations.

Only the niche courses justify being developed from scratch. Conventional courses are better recognized and treated as such: machinists are machinists anywhere in the world. Indeed, ‘tailor-made’ courses were supposed to be the *raison d’être* of Proyecto Joven, but ‘tailoring’ can and should be a simple process of adding or subtracting modules from a standard course. This would not dilute the demand-oriented approach of the programme, as the selling of INACAP courses under Chile Joven clearly illustrates. Needless to say, reinventing one century of training is not a good idea.

This situation breeds other disadvantages. Over the course of the programme, the market for training has been all but taken over by individual consultants. By the sixth round of bidding, these individuals accounted for 56 per cent of all contracts awarded; training firms reduced their presence from 26 per cent during the first round to a mere 8 per cent by the sixth (Jacinto, 1996:19-20). These individuals, most of whom worked under the auspices of a training firm in earlier bids, are competent brokers able to sell courses to enterprises, hire whomever they find to teach the courses and rent the space needed to carry out the training. Much wasted effort occurs in this massive effort of micro-identification of demand. It neither builds up anything permanent in terms of institutions nor represents a systematic – let alone comprehensive – approach to engage employers, as do the sectoral chambers of employers epitomized by the German experience. The nation’s training system thus is left without institutional bearings. Training becomes an initiative of (an often inexperienced but aggressive) few; quality suffers. Field visits by one of the authors revealed considerable weaknesses in the dozen or so programmes observed (unprepared instructors displaying poor craftsmanship, a lack of written materials and limited efforts to integrate basic skills into curricula).

### *2.2.3 Reinventing training under a collapsing training system*

As may be deduced from the above, Proyecto Joven is playing a role different than the one for which it was originally created. The programme

was created during a period in which the old technical school system (CONET) was in a state of deterioration – not in all schools, but in the vast majority. Such deterioration, difficult to describe statistically but easily observable to those familiar with the system, left many schools without the necessary inputs for offering serious vocational preparation: equipment had become outdated or non-functioning; instructors lost their edge or quit; and teaching materials and experience suffered. A new model for technical education (the *polimodales*, under which many occupations traditionally offered in secondary-level technical schools are pushed up to the tertiary level) was under execution at the time Proyecto Joven was conceived. Yet this new model shied away from preparation in the classic trades, particularly in the industrial arts, offering instead a small number of tracks that give the ‘flavor’ of industrial arts. Although in recent years the Ministry of Education has tried to counteract this tendency, the cumulative impact of decades of neglect is easy to notice.

Proyecto Joven, when implemented, thus became, and remains, a *de facto* substitute for the nation’s training system. This can be seen as a mutation or even a distortion of the original goals – which would be immaterial if the result was quality training. Yet, whereas Proyecto Joven is well suited to a light, *ad hoc* set of training courses, it cannot replace the fully-fledged training system that one would otherwise expect to find – and did at one time find - in Argentina.

For one, many occupations (e.g. the classical trades) have been forgotten in the new system of *polimodales*. Many such occupations require considerable dexterity, motor co-ordination and have relatively long training periods; many are too complex to be learned on the job. In addition, their conceptual and symbolic contents, while not trivial, do not require a post-secondary degree (e.g. welders, machinists, turners, cabinetmakers, and electricians). For these occupations, Argentina currently does not have much to offer. The country has not rebuilt a significant training system parallel to and independent from academic schools; the demise of the technical schools has yet to be followed

by the creation of a system to prepare workers for the skilled manual occupations.

For another, the programme provides training through small and ephemeral organizations. No organizational learning can take place in such organizations. The ICAPs have neither the time horizon nor the capital to invest in the training of trainers, production of high-quality training materials or innovative instructional methods. Given the decadence of the technical schools, the country remains without a real clearing house for this collective learning – it has no curator for what was and continues to be learned on the art and science of training. The quality of training thus is substandard because good training materials either are perfected throughout the years or require heavy financial outlays to be prepared. Since there is neither the expectation of continuity nor the funds or incentives to develop new materials, most courses – and instructors – are improvised; the equipment, by extension, is often inadequate for the task. As a result, the wrong practices may be taught and experience does not accumulate.

### **2.3 *PLANFOR in Brazil***

In contrast to Argentina, Brazil's experience with 'S' institutions runs long and deep. SENAI has been in operation since the early 1940s, catering to the industrial trades and working closely with industry (see de Moura Castro, n/d). Some of its courses have been polished or redesigned again and again for more than a half a century. SENAC, from the early 1950s, has been doing likewise for the service sector. Newer institutions (SENAR, SEBRAE and SENAT) have catered to the rural, small enterprise and transportation sectors, with similar orientations.

While there is occasional criticism levied against the 'S' institutions, by and large, they have done a credible job and are strongly defended by the employers' associations which 'own' them. Overall, they have responded to



the needs of those who pay the 1 per cent payroll levy: that is, to the firms in the formal and modern sector.

The real problem with these institutions is not in what they do wrong, but in how they target their services. The demand-driven orientation of the 'S' system emanates from their employer-managers who, in turn, target their services to their formal and modern-sector constituencies. This is understandable: he who pays the piper calls the tune. The system's financing structure provides few – if any – incentives for employer-managers to target workers outside their constituencies. The fact that the huge informal sector has been left out of the picture thus has not happened by chance, but rather emerges as a telling illustration of the strength of interests vested in the system which target the formal market and select the most suitable trainees.

Nor is this situation likely to change any time soon. Insofar as the 'S' institutions are run essentially as arms of private enterprises, there is little that the government can do to change clientele. Although boards and other mechanisms exist to coordinate the action of the 'S' institutions with government policies, the 'Ss' politely nod to the government and go their own ways. Indeed, in going their own ways, the 'S' system has produced notable results: their demand-driven approach has endured and ensured, decade after decade, a very respectable performance.

In creating PLANFOR in 1996, the Brazilian Ministry of Labour saw an opportunity to use the installed capacity and experience of the 'S' system, as well as its own experience with PIPMO<sup>15</sup>, to implement a Brazilian variant of a training programme targeted towards youth, the unemployed and the dispossessed. PLANFOR seeks to improve the employability of this target population, estimated at 40 million in 1996 (IDB, 1997) – a figure that, although

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<sup>15</sup> Under PIPMO, operated during the 1970s, the Ministry of Labour mainly contracted short courses for simple skills from SENAI.



in relative terms pales in comparison to masses found in either Chile or Argentina (see Table 1), illustrates the magnitude of the programme. In contrast to the targeted approach to available jobs in the formal sector found in the two 'Jovens', PLANFOR targets, first and foremost, the social imperative of training marginalized youth. The programme is predicated on a demand-driven philosophy but, as will be discussed ahead, gives comparatively less attention to finding and ensuring post-training employment for this clientele<sup>16</sup>.

### *2.3.1 The 'nuts and bolts' of PLANFOR*

PLANFOR is financed through earnings from a US\$20 billion unemployment fund (Fundo de Amparo ao Trabalhador, FAT). Of this amount, an estimated US\$300-330 million annually is allocated to training around 1.3 million workers (IDB, 1997) across the country. As an example of the massiveness of this effort, during its first year of operation the programme trained close to 1.2 million workers in 2,614 municipalities. Consistent with the basic premises of the chequebook approach to training, these funds are used exclusively for the purchase of services; they are not used for direct investment. PLANFOR thus adopts the basic principle of outsourcing training activities also used in the two 'Jovens' to a system which contracts from institutions with a long-standing and solid tradition in training. The states, in bidding for resources, present a programme to the (federal) Ministry of Labour detailing the training they intend to offer. Upon receipt of funds, state-sponsored competitions are held to select training providers.

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<sup>16</sup> Notice, however, that PLANFOR is a very large and broad programme, with several different subprogrammes working under different rules. For instance, some of these subprogrammes target new industries in need of a new generation of trained workers. Therefore, any generalization of the overall PLANFOR effort would be inappropriate and meaningless. This paper only examines the subprogrammes inside PLANFOR that operate on grounds similar to the two 'Jovens'.

Most similarity between PLANFOR and the ‘Jovens’ stops here. PLANFOR chooses to train unemployed youth from low-income sectors of society; it is less concerned with the concrete existence of jobs or with the robust mechanism of the Chilean and Argentinian projects to identify jobs. The demand-driven rule (‘no demand, no training’) of the “Jovens” thus is diluted. Empirical data illustrate these differences. About half (52per cent) of PLANFOR participants are not employed (unemployed or never have worked; see Ministerio do Trabalho, 1997). If the purpose of the programme was to offer a chance to the unemployed to get a job as a result of the training, the targeting would have been disappointing. Yet the stated goals of the programme are broader, focusing more generally on training and on marginalized youth.

One may disagree with this orientation of PLANFOR, but one cannot ignore what it is trying to do. The programme attempts to offer useful skills both for those with regular jobs in the modern sector and those who are working in the informal sector. The content of this training responds to these groups. In contrast to the Chilean and Argentinian programmes, basic skills and well-developed materials figure prominently in the Brazilian case, forming the core around which most training provided under PLANFOR is delivered (Rios-Netto and Camilo de Oliveira, 1998; Miranda-Ribeiro, 1997). As will be discussed ahead, it is through these and other differences that PLANFOR has been able to deliver training of a quality unmatched in either Chile Joven or Proyecto Joven. Yet, on the flip side, leakage under the PLANFOR system has been unavoidable; its targeting mechanisms are less sophisticated - and thus less reliable - than those of the “Jovens.’

PLANFOR runs parallel to a US\$2 billion set of training institutions (the ‘Ss’) which graduate around three million people each year. The programme is not an attempt to establish a new training infrastructure: the ‘S’ system, as detailed above, remains intact and continues to deliver quality training. Nor is it an attempt to steer the ‘Ss’ away from its traditional students and towards a new clientele or target population that lacks cohesion and voice. Rather,

PLANFOR builds on this infrastructure and adds to that training already provided through the 'Ss'. In doing so, it is able to keep training costs low: the average per hour cost is estimated at US\$2.13 – far less than the costs found in either of the 'Jovens'<sup>17</sup>. It is also able to target clientele left out of traditional (e.g. 'S') structures. In this respect, the programme has been quite successful.

Initial data compiled by the Ministerio do Trabalho (1997) confirm the participation of previously marginalized social groups and sectors. Whereas 21 per cent of the Brazilian population lives in rural areas, 25 per cent of programme participants come from these areas. The empirical data presented below further suggest that the programme, as implemented in the states, clearly targets rural settlements (a sore issue in the country). This is quite an achievement, considering the urban bias of most social programmes as well as of the 'Ss.' PLANFOR has also been successful in attracting women: 49 per cent of programme participants are women – a figure that exceeds their overall participation in the labour force (40 per cent). In some regions (e.g. the Southeast and Centrewest), more than 50 per cent of programme participants are women. When race is considered, the PLANFOR is virtually colorblind. Blacks are over-represented and 'non-whites' (mixed white, black and indigenous) are slightly under-represented. This is a curious yet positive result: blacks usually fall towards the lowest end of the scale.

Of special note is the relationship between PLANFOR and the informal sector. As alluded to above, slightly less than half of the participants (48 per cent) are employed. Of these, about half come from the informal sector. Yet, given the fact that survey data focus exclusively on employment in the formal sector – not only thus failing to capture informal-sector employment but (mis)representing such workers as unemployed – it is extremely likely that

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<sup>17</sup> This is the countrywide average; costs vary within the country. In Minas Gerais, for example, the per-hour cost is estimated at US\$1.68. See Rios-Neto and Camilo de Oliveira, 1998:2.

remaining PLANFOR participants (officially considered to be unemployed) are indeed employed in the informal sector. In this respect, PLANFOR takes some strides forward in addressing the needs of a sector largely left out of the 'S' system. As the data suggest, however, the programme neither discriminates against nor privileges the informal sector.

### *2.3.2 Good training*

While general evaluations of PLANFOR are not available, data collected from its implementation in the states of Minas Gerais and Pernambuco provide some indication of programme impact. These results should be interpreted cautiously. PLANFOR has a multiplicity of programmes covering a wide range of occupations. The decentralized nature of its execution makes it far more heterogeneous than, for example, Proyecto Joven, where the national Ministry of Labour directly contracts courses and, thereby, bypasses the local secretaries of labour. PLANFOR programmes are executed by institutions with different levels of technical and managerial competence and in states that are more or less equipped to deal with such programmes. Any generalization of results necessarily blurs - if not outright erases - these differences. Some programmes are known to be creative and well run, while others are helplessly flawed.

Consistent with the national programme, the PLANFOR programmes implemented by the states target low-income sectors of society with low levels of education, particularly youth and women. During its first year of implementation (1996), approximately 70,200 people were trained in Minas Gerais - a figure that, given changes in the implementation plan at the municipal level, fell far short of projections (140,646). In Pernambuco (1997) almost 100,000 participants in 123 municipalities - 3 per cent of the working population - were trained.

In both cases, the programme appears to be having some success, particularly in the Interior of the state. In an analysis of programme impact,

Rios-Neto and Camilo de Oliveira (1998) find a statistically significant and positive impact of the programme on the employment rates and wages of men in the Interior of Minas Gerais. The programme also appears to produce a similar impact on the rates of economic activity (men and women) outside the Greater Metropolitan Area of Belo Horizonte. Rios-Neto and Camilo de Oliveira further find a statistically significant, albeit positive, impact of the programme in Minas Gerais on unemployment for women in the Interior. Results from survey data compiled in Pernambuco (Barros et al., n/d) are similar<sup>18</sup>. Most of those interviewed indicated that their occupational situation had improved. Yet, in general, the impact was stronger for men; mid-aged participants benefited more than their younger (i.e. those aged 10-13) and older (e.g. those with significant work experience) counterparts.

These results are notable for several reasons. First, the programme appears to be producing a positive impact on men outside the Greater Metropolitan Area of Belo Horizonte. This is consistent with the comparatively high rate of participation from rural areas observed in the more general programme data (discussed above). Such findings suggest that PLANFOR is obtaining some success in attracting and integrating a new clientele – i.e. one that has been left out of traditional structures. Indeed, as noted above, a general criticism launched against the ‘Ss’, as other semi-public and public training institutions, has been that they tend to benefit urban males from comparatively high socio-economic strata. Second, despite the fact the programme has been successful in attracting women, the results from Minas Gerais and Pernambuco provide additional evidence of the type of gender biasing found in the Chilean and Argentinian cases. In general, men derive more benefits from these types of programmes than do women.

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<sup>18</sup> Of the 37 training providers in the state, participants were interviewed in 15. These 15 providers were chosen because they offer the most comprehensive programmes. Within each provider, the sample was based on a non-stratified random choice. These samples generated 820 interviews. They were added to 407 interviews from a control group paired by geographical proximity of the residence, with added criteria to match socio-demographic variables.

Other factors emerging from Minas Gerais and Pernambuco call attention to the quality of training. Of these, the duration of training and the institution through which it is provided merit close attention. It is generally assumed that the longer a training course is in duration, the greater the impact of training will be. The courses offered through PLANFOR, depending on the skills taught, vary in duration. Some are as short as 50 hours – and appropriately so. Training in some aspects of, for example, packing and packaging, sales clerks, and maintenance do not require long periods of instruction; shorter courses can adequately and effectively teach what skills need to be taught. Such courses can, and do, have a positive impact on wages. In the case of Minas Gerais, Rios-Neto and Camilo de Oliveira find that courses with only 50 hours of instruction – about a quarter of that delivered in either ‘Joven’ project - increase wages by approximately R\$64.

Data for Pernambuco paint a somewhat different, perhaps more realistic, picture. Data obtained from regression (probit and logit) analyses indicate that those who take the training courses do not increase their chances of getting a job (see Barros et al., n/d). In fact, their chances fall, although the difference is not statistically significant. Nor does training appear to bring any clear financial benefits to participants<sup>19</sup>. Financial gains, of course, are not the only benefits of training; nor are such gains a true proxy for long-run results<sup>20</sup>.

What the Pernambuco case does find is that, of those working after completing PLANFOR training, the vast majority indicate that they feel more secure of their skills after the course – a proportion that ranges between 98

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<sup>19</sup> The survey tool included data on income (of those who were in the labour market). Although Barros et al. found some positive impact of the programme on earnings, such data were manipulated under assumptions that the authors of this present paper find particularly far-fetched.

<sup>20</sup> Barros et al. also try to estimate the impact of the courses on municipal income. However, the authors are particularly sceptical of the methods used and do not think this is a worthwhile line of inquiry.



per cent for SENAI graduates and 66 per cent for graduates from other providers. This finding is significant for two reasons. For one, it calls further attention to the long-term payoffs of training. In the absence of immediate employment prospects, training, particularly training of good quality (see ahead), increases the durability of core basic skills – that is, of skills with shelf lives that extend far beyond the specific tasks learned. Secondly, this finding evidences the limitations of survey data alluded to above. The fact that more people report benefits from training than report being employed suggests that unemployment has been improperly measured: those who report being unemployed and benefiting from training, more than likely, are working in the informal sector.

The results outlined above are consistent with our expectations. The absence of financial gains is a perfectly natural outcome of such training courses. Indeed, it would be surprising to find significant increases in income as a result of courses, some of which are as short as 50 hours, that enrol on the basis of first-come-first-served and are poorly targeted to the demand for labour (discussed ahead).

In much the same vein, the strengths of PLANFOR are consistent with expectations. The impact of the programme stems, in part, from the fact that training is offered by institutions operating in a training-rich country. These institutions, among which the ‘Ss’ figure prominently<sup>21</sup>, have long-established traditions and infrastructure for providing quality training. The quality of the training provided through PLANFOR thus appears to be of good quality. Focus group data from Minas Gerais (see Miranda-Ribeiro, 1997) indicate

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<sup>21</sup> Data from Pernambuco indicate that SENAI had the highest proportion of graduates who benefited from the programme, compared to other providers (D. Bosco was also an outstanding performer, not surprising, considering its performance elsewhere in Latin America). Examples of ‘S’ institutions include: SENAI/Centro Automotivo in Belo Horizonte, SENAI/Cetel in Belo Horizonte, SENAR in São João Evangelista (see Miranda-Ribeiro, 1997).



that, in general, instructors are well prepared and well versed in the art and science of their occupation. Instructors routinely bring their experience to bear on their teaching, using concrete and personal examples to illustrate specific issues related to training. Quality materials and equipment support classroom and practical exercises. When asked, programme participants often mention the importance of supporting materials and equipment in their learning process: books, workbooks and reference materials tend to be ‘user friendly’ and of ‘great utility’; the equipment, in turn, is said to be ‘sophisticated’ and ‘fundamental’ to the training provided<sup>22</sup>. Basic skills (including reading, writing and arithmetic), as noted above, are fully integrated into training curricula, as are lectures on labour laws and worker responsibilities, workplace security, environmental considerations, salary scales and strategies for finding a job (see Miranda-Ribeiro, 1997:11-16). In the classroom, theory serves as a basis for practice, introduced and applied in reference to practical exercises. Given the short duration of the courses and (in some cases) space and resource limitations, however, more time is often dedicated to theory than to practice.

### *2.3.3 Good training but not-so-good targeting*

PLANFOR, like the two ‘Jovens’, targets the less affluent members of the labour force. In fact, this is its main *raison d’être*. Yet data comparing its clientele to a national sample of the population indicate that it is only partly achieving this goal. Perhaps most noteworthy in this regard is the fact that two-thirds of programme participants have completed primary education – a

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<sup>22</sup> It should be noted that some courses (e.g. in IDET/Belo Horizonte; IET/Neves) lack didactic materials and proper equipment. Yet such shortages do not appear to be as widespread as in Argentina and Chile.

level which only one-third of the Brazilian working population has achieved; 10 per cent have completed the secondary level or higher<sup>23</sup>.

PLANFOR participants obviously are not average Brazilian workers, nor are they a clientele in special need of social programmes. Although the programme has had considerable success in integrating previously excluded groups (e.g. women, informal-sector workers, non-whites), such integration appears to have come at the cost of considerable leakage: its participants, as individuals, do not appear to be the most socially or economically deprived. For reasons of access, information, screening or whatever else may influence enrolment, PLANFOR is biased against the less educated. Indeed, based on the data presented above, PLANFOR is a more elitist programme than SENAI programmes targeted to low-income participants. The education profile of its (PLANFOR) clientele is about the same as that of the São Paulo SENAI, one of the states where SENAI recruits youth with the highest levels of schooling; the SENAI clientele is considered a 'blue collar elite'<sup>24</sup>.

The upward bias of PLANFOR participants in terms of education provides a telling example of the classical trade-offs faced by such programmes. The Brazilian market discriminates against candidates with low levels of schooling. By targeting those with the levels of education demanded by the market,

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<sup>23</sup> This comparatively high level of education can be seen as a partial explanation for why participants in the PLANFOR programme in Pernambuco display a higher level of 'citizenship' than non-participants. Barros et al. (n/d) include an index of citizenship in their survey questionnaire. They apply this calculated index (based on participation in voluntary associations and unions, and political citizenship) to the experimental and control samples. The results thus obtained are clear cut and statistically significant. Those who participated in the training scored much higher than those who did not. Since citizenship constitutes an explicit goal of the programme, the index provides an eloquent demonstration of changes in attitudes resulting from training. (It is important to note, however, that this is an indicator of changes in attitudes, not of changes in behaviour.)

<sup>24</sup> By contrast, PLANFOR is a more elitist programme when compared to SENAI programmes targeted to low-income participants.

PLANFOR ensures a minimum level of employment of its graduates. However, in doing so, the programme discriminates against those most in need of training.

Targeting mechanisms applied in PLANFOR thus can be called into question. As alluded to above, training under PLANFOR operates in a decentralized manner. Responsibilities for service delivery fall to the State Secretaries of Labour (state-level institutions mirroring the Ministry of Labour). In principle, decentralization improves targeting: the states are “closer” to the target populations and thus are better positioned than the federal government to ensure that those courses receiving competitive resources respond to the local needs. Indeed, the administrative decentralization found in the two ‘Joven’ programmes has been justified on similar grounds and, as discussed above, the system of check-and-balances created through such decentralization has produced a tighter match between the demand for and supply of training.

This has not been the case in Brazil. Decentralization takes place only from the federal to the state level (Brazilian states are often several times larger than Chile - as illustrated by the sheer magnitude of PLANFOR’s target population). It does not appear as a delegation of the process of identifying demand to the training providers as in the two ‘Joven’ programmes. As a result, no system of checks-and-balances emerges and PLANFOR’s ability to fine-tune its training has been less than effective. Decentralizing training to the states still leaves the programmes in the hands of highly centralized bureaucracies, the majority of which tend to be poorly equipped and capacitated in technical terms and heavily contaminated by politics. Problems of identifying clienteles - the eternal curse of training systems – thus remain.

Data compiled from PLANFOR in Minas Gerais and Pernambuco provide evidence of poor targeting – the number one theme of this paper. In addition to the leakage in targeting its intended clientele, in some cases, training too appears to miss the mark. For example, courses in agricultural techniques are offered in Divinópolis (Minas Gerais), a non-agricultural area (Miranda-Ribeiro,

1997:4). In Pernambuco, although about half of all participants remained in the same job or activity after the programme, an estimated 33 per cent of interviewees said they could not use what they learned – a high and worrisome proportion. Twenty-five per cent indicated that they took courses in activities for which there was no demand in the labour market. In what targeting does exist, leakage is unavoidable. Insofar as SINE, the national employment service through its local representations, often maintains insufficient information about course offerings and content (Ibid., 24-25), any match between the training and demand is likely to be loose, at best.

These results confirm the hypothesis the authors had developed before such data became available. Brazil has a sound tradition of vocational training. Many institutions have accumulated decades of experience in an environment where training has thrived and continues to thrive. It thus is not surprising that students like the courses and find them useful. Nor is it surprising that PLANFOR improves the occupational performance of its participants and increases their self-confidence. The fact that the programme increases neither the income nor the employability of the participants is a disappointing result, but one that could – and should – have been expected due to the absence of a robust targeting mechanism.

### 3. Lessons

#### *3.1 What Argentina and Chile can learn from Brazil*

Most observers consider Chile Joven and Proyecto Joven as vastly successful training programmes. This paper concurs with this overall assessment of two programmes in an area where failures are much more common than successes. Yet the shortcomings of the two projects cannot be ignored.

Both programmes appear to offer training of substandard quality. In the case of Argentina, one of the authors visited a number of such programmes and confirms that they are not commensurate with the country's level of development. Worse, the format of the programmes is not conducive to the kind of accumulation of experience that would lead to social learning and the progressive improvement of training. Contracts have a short life and institutions are too small - more often than not, composed of a single individual who may hire a trainer or two - to be nodes of serious learning. There thus is little reason to expect improvements as time goes on. Learning simply cannot take place.

The two 'Joven' programmes have much to learn from the long and continued experience of the older members of the 'S' system, particularly SENAI and SENAC. Cumulative experience, made possible by the continuity and stability of these institutions, has led to the continuous improvement of courses of study. Based on surveys of former graduates and contacts with enterprises, these institutions fine-tune their offerings and update their training materials and syllabi as changes in the economy and business climate dictate. Since many of the training contracts offered by PLANFOR end up in the hands of 'S' institutions, PLANFOR courses benefit from a long-established tradition of preparing courses, developing materials and training instructors. Even when the training goes to other independent institutions, chances are that some trainers will be former SENAI or SENAC trainers who bring to the classrooms and workshops similar experience. This experience has also brought a focus on basic skills – the most durable of all skills provided through the type of training programmes considered here – to PLANFOR-sponsored training courses. These factors, individually and collectively, provide PLANFOR with an intrinsic quality that appears to be missing in the Chilean and Argentinean programmes.

### **3.2 *What Brazil can learn from Argentina and Chile***

PLANFOR is a newcomer, albeit one supported by a well-established tradition and infrastructure. Created in a country with considerable experience in providing training that responds sufficiently to demand, PLANFOR emerges as an idea whose time has come. The ‘S’ system established an exemplary set of vocational training programmes geared towards the needs of the modern sector. Yet, as discussed above, the system hardly touched the formidable need to train those in the informal sector, small or micro enterprises, or lost somewhere in activities where little formal training is offered. The time was ripe to fill this void, and the availability of funds from FAT made the programme possible.

For reasons that are not easy to fathom, PLANFOR delivers training through mechanisms that are definite steps backwards with respect to the two ‘Joven’ projects (and with respect to the ‘S’ system rules as well). PLANFOR allocates courses on the basis of centralized procedures, with little inquiry into the realities of market demand and scant participation or input from course providers. PLANFOR thus commits the most egregious of all training errors: its high-quality training is ineffectively and inappropriately targeted; the match between the demand for training – both from the market and needy clientele – and its supply remains loose at best.

One of the most obvious questions asked about the type of programmes examined here is whether they do indeed help trainees get and maintain jobs. As noted above, regression data (probit and logit) from the Pernambuco case indicate that those who take the training courses do not increase their chances of getting jobs (see Barros et al., n/d). In fact, their chances fall but the difference is not statistically significant. Insofar as results from the two ‘Joven’ projects are better, the question remains as to whether Brazil would be well advised to increase the duration of PLANFOR training. If courses are too short and their targeting is inadequate, training is not likely to be effective –



even if provided in a country like Brazil where there is a long-established tradition of quality training. Indeed, issues such as these should have been taken into consideration during the preparation of PLANFOR: the programme was implemented several years after results and evaluations of the two ‘Jovens’ had been made available. Clearly, in these regards, Brazil can learn a lesson or two from its next-door neighbours.

### ***3.3 Lingerin dilemmas: more equity or more jobs?***

The entire issue of whether programmes such as those examined here indeed favour the most deprived job candidates is no simple task. Although the programmes include built-in mechanisms to target disadvantaged youth, the doubtful reputation of this clientele is one of the main factors that make employers reticent about offering an internship. Indeed, field visits confirm that some students come to school with concealed weapons and trainers repeatedly face threats of antisocial behaviour from a small minority of trainees. Regardless of these considerations, the programmes examined here appear to have produced notable results, both in terms of targeting and in terms of employment. But gains in equity involve considerably more complex issues. By targeting unemployed youth, the programmes may be displacing older workers – e.g. those who find it more difficult to survive under unemployment and often have a family to maintain. In this respect, any gain in equity is questionable.

In addition, some evidence from Argentina and Chile questions the positive substitution effect promoted by the ‘Joven’ projects. In times of economic growth, large enterprises often see internships as a means to select the best new employees from a pool of candidates. Internships are a free trial run on possible future employees: someone else is doing the training and the initial selection. The left tail of the distribution thus is eliminated, and all the enterprises have to do is pick the best of the crop (see Jacinto, 1996; de Moura Castro, 1997). In contrast, when economic growth is stagnating,



internships are often seen as sources of cheap semi-skilled labour. In such cases, enterprises may offer internships in areas where there are no possibilities of paid labour in the future (see Jacinto, 1996; de Moura Castro, 1997).

Training thus reverts back to its most embarrassing problem: that of training to simultaneously respond to social and to economic needs. The greater the success of the programme in finding jobs for the graduates, the greater the sacrifices in targeting the poor. The more a programme targets those who truly are the most deprived, the less it achieves in terms of finding jobs for them. Any solution is a compromise.

#### 4. Conclusion: are youth training programmes still a good idea?

In the light of these results, why would countries like Chile, Argentina and Brazil want to continue youth training programmes in the future? Several industrialized and developing countries have conducted similar programmes and justified them on the basis that they show concern and action on the part of the government. But this is an expensive way to improve the public image of a government.

The results of the programmes examined throughout this study confirm that some trainees are getting more jobs than their counterparts who did not receive training. Not bad in an area fraught with outright failures. But, be that as it may, we still insist that the ultimate impact of training is on productivity. Thus, a reasonable justification for the continuation of such programmes is their impact on productivity: training increases productivity, which increases growth, which increases employment. Increases in productivity, as has been argued throughout this paper, often are not immediate – nor, by extension, are the payoffs of training. Rather, it is the longer-term impacts of training which justify the creation and continuation of training programmes such as those

examined here in the short term. Demand-driven training targeted to disadvantaged youth or other groups makes sense, even in the absence of immediate employment prospects. Training strengthens and extends the ‘durability’ of many core skills. It is this ‘durability’, in turn, that prepares and sustains the foundation for growth and employment in the future.

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# Chapter III

## Transition from school to work in Korea: reforms to establish a new pathway structure across education and the labour market

*Kioh Jeong*

### Introduction

Sociologists have developed the Theory of the segmented labour market (W.S. Jang, 1997). Their arguments can be summarised as follows; (i) labour markets are segmented by different opportunity structures; (ii) opportunity structures are based on educational credentials; (iii) different opportunity structures and the segmented market serve mainly the interests of ruling coalitions in a society. The theory of the segmented labour market still lends much to the studies of the relation between education and labour. In the meantime, policy-makers and experts in education and training came to use the term ‘pathways’ to describe different possible transitions from school to work. ‘Pathway’, however, has more analytical uses in discourse among experts in this field.

The two similar terms, that is, opportunity structure and pathways, seem to refer to almost the same objectives. Differences between the two come from the context of their theoretical perspectives. There have been two different approaches in viewing education’s role in society. One is the screening theory; the other is the human capital approach. Using the term ‘opportunity structure’, researchers tend to stand by the screening theory, perceiving the education

system as a screening and allocating device. The term ‘pathways’, however, is preferred by those considering education from the learners’ point of view, and frequently from the human capital approach.

Aristotle introduced the moral dimension in classifying political systems. Aristotle’s theory suggests that democracy should be differentiated into bad and good democracy. In discussion, particularly in terms of policy development regarding youth transition from school to work, one necessarily pays much attention to the structural aspects of the transition from school to work. This paper emphasizes the structural development from the bad and oppressive opportunity structures to the good and open pathway structures.

It might be said that the Korean labour market has kept the characteristics of the segmented labour market. However, the recent economic crisis that struck the Korean economy has greatly shaken the long practices and patterns of school-to-work transition. The system now stands at a crossroads. The choice is either to devolve into a system of oppressive and segregated opportunity structures or to evolve into a pathway structure leading to lifelong learning for all.

## 1. Economic adjustment and youth in Korea

### *1.1 Education and the labour market in Korea: general traits*

In several ways, the concept of the segmented labour market generally suits the Korean labour market situation very well. At the risk of oversimplification, the labour market in Korea has been divided into two distinct sectors. One, the primary sector, is that of large-scale employers, both private and public. The other sector consists of services and manufacturing jobs in small and medium-sized enterprises (SMEs). The former has been characterized by a very stable structure of lifelong employment and relatively



well-developed, on-the-job learning opportunities in the internal labour market. In the latter, the job turnover rate is usually high, and public labour market training serves only a small number of workers in this sector.

The secondary market covers two-thirds or more of total employment. Jobs in this sector, except for some established professions, show a very low degree of professionalization, as these markets do not usually draw on specialization. A National Scientific Office (NSO) survey in 1996 found that the mismatch between school majors and existing jobs is far higher with vocational high-school graduates than with university graduates. Junior college graduates statistics fit in between. The results of the survey imply that Korea still has a very big volume of poorly-skilled workers at the lower ladders of the national skill profile, where labour mobility inevitably tends to be high.

In the Korean education system, employment practices in both the public and private sectors have promoted a strong bias towards academic drift. During the seventies and eighties, the period of rapid economic growth, skilled workers were always in short supply. As a result, employers' main concern centred on maintaining an adequate supply of workers. They were ready to recruit workers despite their lack of initial qualifications, and then to train the workers only to the required minimum levels. In this context, schools and institutions usually tended to focus more on academic selection rather than skill formation. Preparation for work gradually became the responsibility of enterprises, individual students, and workers.

An important aspect of the employment practices of large employers is that they usually recruit young graduates who will serve the company faithfully until retirement. Due to closed organizational practices, work organizations do not usually recruit qualified candidates from outside for mid-level jobs within the hierarchy. Young people recruited by firms are expected, once working, to transfer from job to job; therefore, what matters is not the applicants' educational specialization, but rather the ability to do well whatever

is asked of them. In the employers' opinion, therefore, the best criterion to select employees is their academic performance.

The employment practice outlined above has deep impact on the education system because people attach great importance to seeking jobs in large organizations. This practice results in the ranking of high schools and universities on the basis of students' academic records. As university rankings are established, top-rankers emerge. Employers then select top-ranking university graduates, irrespective of their majors. This tendency becomes more accentuated until the competition for entering top-ranking universities becomes so severe that it destroys the normal curricular activities in schools and other educational institutions. The scenario above is a typical one in Korea, as well as in Japan and in parts of China. Restrictive employment practices, combined with on-the-job skill development schemes, have tended to destroy vocational preparation in schools and institutions. With the passing of time, schools and institutions' skill formation functions have been greatly diminished.

As may be imagined, this phenomenon is possible only when the economy expands for a long enough time to allow firms to retain lifelong employment practices. This is primarily true of large employers; in the case of small businesses, the situation is completely different. However, the influence of labour markets on education is determined by the large firms, which are able to invest heavily in human resource development. Thus, small and medium-sized enterprises (SMEs) have suffered from a shortage of a qualified workforce resulting from the educational practices attuned to large employers' needs.

The foregoing story explains why vocational high schools have such a low status in Korea. In the period of economic expansion and labour shortages, vocational education, despite quantitative expansion, lost both attraction and value. For students, vocational education programmes became merely a forced choice when they failed under fierce competition for academic selection.

## ***1.2 Economic contraction and the youth employment situation***

As described above, the economic crisis of 1997 and the successive recession has brought about overarching change in the labour market. The current economic crisis has forced the Korean economy to hurry long-delayed structural adjustments. An employment survey released in September 1998 by the National Statistics Office (NSO), revealed some important aspects of the changes in the labour market hit by unprecedented unemployment between July 1997 and July 1998. Following is a summary of the changes from August 1997 to August 1998 (Office of Statistics Korea, 1998):

- the total labour force participation rate decreased from 62.9 per cent to 61.4 per cent; from 76.3 per cent to 76.0 per cent for male workers, from 50.2 to 47.6 per cent for female workers;
- the unemployment rate increased dramatically from 2.2 per cent to 7.6 per cent;
- the percentage of self-employed workers remained stable, while employment decreased among salaried workers;
- the highest unemployment figures were recorded in the manufacturing and construction industries (three to six times higher than in other industries);
- unemployment was highest in the 15 to 19 and 20 to 29 age groups, three to six times higher than other age groups;
- the highest increase in unemployment was borne by craft-skilled workers, manual and operational job-seekers, and high-school graduate workers.

The above changes seem to reflect primarily the effects of the economic recession on the secondary labour market, for example, the construction sector, which suffered the greatest loss of jobs. At the time of the survey, employment adjustment in the public sector and big enterprises had not yet begun. As employment adjustment proceeds in the larger employer sector many workers are being made redundant again. Employment adjustment at this stage usually

takes place in the form of lay-off and cutting extra work-hours as well as replacing regular workers by part-time workers. As a result, the unemployment rate has already increased to over 8 per cent, while labour force participation rapidly decreased to 58.0 per cent by February 1999.

The economic recession has greatly influenced the general features of youth transition from school to work. For a long time, labour-force participation of youth has decreased concurrently with increasing entrance into higher education (*Tables 1, 2*). The economic crisis further promoted this trend (*Table 3*). At the same time, the number of university and college students temporarily leaving study also increased, due to decreasing family income.

**Table 1. Paths after vocational high-school graduation**

<b>Paths</b>	<b>1970</b>	<b>1980</b>	<b>1990</b>	<b>1995</b>	<b>1997</b>
Graduates	62,854	201,057	274,150	259,133	273,912
Entrance to higher education (%)	9.6	10.1	8.3	19.2	29.2
Employed upon graduation (%)	50.2	51.1	76.6	73.4	64.8

*Source:* Ministry of Education, Korea.

**Table 2. Paths after general high-school graduation**

<b>Paths</b>	<b>1970</b>	<b>1980</b>	<b>1990</b>	<b>1995</b>	<b>1997</b>
Graduates	82,208	266,331	487,772	390,520	397,702
Entrance to higher education (%)	40.2	39.2	47.2	72.8	81.4
Employed upon graduation (%)	10.2	9.5	9.8	7.1	4.1

*Source:* Ministry of Education, Korea.

**Table 3. Labour-force participation rate of youth 1997-1998**

Age	Total		Men		Women	
	July 1997	July 1998	July 1997	July 1998	July 1997	July 1998
15-19	11.7	10.0	9.1	8.2	13.7	11.9
20-29	67.6	65.1	75.9	75.1	60.3	59.4

*Source:* Office of Statistics, Korea.

In Korea, lower educational attainment has not naturally meant a higher risk of unemployment. In a sense, the higher one's educational attainment, the higher was one's risk of unemployment. The economic crisis between 1997 and 1998, however, erased this paradox and brought the Korean labour market closer to that of the other industrialized economies. *Table 4* summarizes the shift in the labour market. Also shown in *Table 4*, the economic recession primarily affected youth and, again, youth with low educational attainment. It is observed that university graduates are descending to the lower skill market, thereby increasing unemployment among high-school graduates. Therefore, the problem of increased youth unemployment became a very demanding policy task to address appropriately. In particular, high-school graduates, marked with the highest unemployment rate, should be given prime consideration as an at-risk group. They are largely composed of general high school graduates who did not enter university and those who lost jobs in manufacturing.

**Table 4. Unemployment rate change 1997-1998**

Age	Junior high school or under		High school		Higher education or over	
	1997	1998	1997	1998	1997	1998
15-19	8.3	23.3	8.1	25.1		
20-29	4.6	12.3	4.3	13.1	5.0	9.8
Whole age	1.4	5.7	3.1	8.1	3.3	6.3

*Source:* Office of Statistics, Korea.

On the other hand, the unemployment amongst university and college graduates is becoming an urgent problem. As shown in *Table 5*, in terms of the volume of graduates leaving the school system, junior colleges and universities are the major suppliers of workers entering the labour market. Another important point is that the enrolment figure for vocational high schools is 700,000 students; for junior colleges and universities the figure is 1,500 students. Those students are the legitimate interest group concerning employment prospects. Thus, the transition from higher education to work puts far stronger pressure upon policy-makers.

**Table 5. Students leaving the school system in 1998**

	<b>High school drop-outs</b>	<b>High school</b>	<b>Junior college</b>	<b>University</b>	<b>Total</b>
Number(10,000)	5	22 (4)	18	17	62
Proportion (%)	8.0	35.6 (6.5)	29.0	27.5	100

*Source:* Ministry of Education, Korea.  
( ) : academic high-school graduates.

One must note that considering the volume of leavers from the education system every year, contrasted with the notably high and increasing participation rate of aged workers in Korea, the Korean economy should have kept increasing by over 5,000 jobs a year. However, the Korean economy had already begun losing job-creation capacity from around 1990. *Table 6* shows the downward trend of jobs from 1989-93. Labour market observers diagnosed declining employment as a result of the loss of job creation and of weakening competitiveness in manufacturing industries. This decreasing trend might have continued between 1994-1997, if not for the government's unwise intervention and the use of expanded foreign loans to artificially boost the economy, which finally culminated in the foreign currency crisis. From 1998, in addition to job loss from economic recession, employment adjustment became the biggest



factor of job contraction. At present, the employment adjustment factor explains over half of the unemployment rate.

**Table 6. Trends in job loss, 1986-1998**

	1986	1989	1990	1991	1992	1993	1998
Increase of jobs (1,000)	535	641	525	540	345	282	-1,260
Increase rate	3.6	3.8	3.0	3.0	1.9	1.5	-5.9

*Source:* Ministry of Labour, Korea.

### ***1.3 Government action to combat unemployment***

The government has responded to overflowing unemployment through various budgetary programmes of active labour market policies, including public employment services and training programmes. The amount of expenditure for these purposes surpasses US\$10 billion a year. Unemployment allowances and subsidized work comprises the largest portion of expenditure now, the current emphasis of government action is being on short-term social protection and job security. Criticism against current policy measures is growing because of the questionable cost-effectiveness of the programmes. A dilemma is that the government spends vast amounts of money on subsidized work in industries, while strongly recommending simultaneous employment adjustment within enterprises, leading to increasing unemployment.

Public training programmes are now proliferating at a cost nearing US\$1 billion. In 1998, over 350,000 people enrolled in these training programmes, run by 999 institutions including 150 higher education institutions. However, these programmes are not considered effective enough to achieve their objectives. The weakness of the programmes was analyzed in several points:



quality of the programmes, limited consideration of learners, and lack of clear job-orientation. Disappointingly enough, observation is that less than 20 per cent of those enrolled become employed. The current training programmes might be viewed as quick-fix social protection, rather than skill formation leading to employment.

Youth unemployment gives cause for special concern among policy-makers and experts. Particular consideration is being given to those graduating from universities without a job. Even before the economic crisis, they were known to spend long periods in job-hunting; the situation is worsening very rapidly. The government prepared a targeted employment promotion package for this group. Under this package, 17,000 jobs were offered in the form of subsidized work or internship, and 10,000 people will be trained for jobs.

Despite the enormous amount of money to fund the programmes and the extensive efforts to implement them, unemployment continues to grow. Policy-makers gradually began to shift the policy direction from simple training provision to job creation and collaboration for school-to-work transition. For example, the government began to fund the expansion of jobs and a training information system linking employment service organizations. Business-creation activities across the university and industry are strongly supported by the government now. Fortunately, the rapidly growing infrastructures of the information network seem to be of great help for the development in these directions.

## 2. Roles of institutions in school-to-work transition

### *2.1 The missing function of channelling students to work*

A study by the Korea Research Institute for Vocational Education and Training (KRIVET), after extensive research on unemployment training programmes, concluded with the following five remarks (KRIVET, 1998):

- high level of mismatch between the study at school and the job opportunity is the main cause of unemployment of those with high educational attainment;
- youth and unskilled workers with low educational attainment became exposed to the high risk of long-term unemployment;
- significant loss of learning is taking place due to the downward job-seeking by the university and college graduates, mainly among those who majored in managerial and social sciences.

The three points above indicate the roles and limits of educational institutions in Korea. Schools and institutions in Korea do not usually care about the future career of the students on graduation. To make matters worse, career guidance activities are not organised within the system. Such a weakness is well revealed in the survey by KRIVET mentioned above. The survey reported that among the government-funded re-employment training programmes, those run by the higher education institutions were found to make the least effort to find jobs for the trainees. It is not a strange discovery at all.

Many experts in vocational education and training used to suggest that career guidance should be encouraged and systematically embedded in the school system to address the rising unemployment. Considering the importance of the right career choice, such an argument makes a sense. However, in this critical situation, what is of primary importance is not so much the quality of

students' individual career decisions and job search behaviour but rather the structural problem of unchanging programmes and curricular contents. Since the end of the 1980s, businesses and enterprises have strongly accused the educational institutions of their irresponsiveness to changing industrial demands. This was, in fact, a signal of changing employment practices from the selection of top-ranking university graduates irrespective of their majors.

Many policy-makers and observers consider the rigid and outmoded curricula as conditioned by the highly stable and ageing teaching force in the system. In Korea, all the teachers substantially have tenure, and the education sector has the least mobility. For the vocational high schools, the closed and unchanging teaching force has been, over a decade, the major obstacle to the desirable curricular change accommodating industrial demands. As a result, the drop-out rate in the vocational high schools continues to increase (*Table 7*). To a considerable extent, the same is true in higher education. Recently, it was observed that business services and communication offer rapidly growing jobs (C.W.Jang, 1999:45-56). For these expanding jobs, university students tend to enrol in training programmes off campus. Some universities are trying to bring these programmes for on-campus delivery. However most institutions are still inactive and very slow in curricular change.

**Table 7. Drop-outs in high schools (per cent)**

<b>Drop-outs</b>	<b>1980</b>	<b>1990</b>	<b>1995</b>	<b>1997</b>
Total	2.5	2.4	2.5	2.5
General high schools	2.1	1.9	1.4	1.2
Vocational high schools	3.1	3.2	4.0	4.2

*Source:* Ministry of Education, Korea.

Amid the rising higher educational aspirations of the people, the government, in 1990, legislated a law obligating local authorities to increase

enrolment of vocational high schools equal to that of academically oriented institutions. This legislative measure halted the slow decline of enrolment figures in vocational high schools. Strong emphasis was placed upon this policy, supplying a workforce from vocational high schools to manufacturing industries, which had already begun to lose competitiveness. As a result, during the first half of the 1990s, vocational high school enrolment figures increased from 35.5 per cent in 1990 to 42.2 per cent in 1995.

The government policy, underpinning the declining enrolment in vocational high schools, has been sharply criticized by educators in general and some industrial policy experts. They argued that the government subsidized the marginalizing industries indirectly by supplying cheap labour via the vocational high schools, and through this, the government has only delayed necessary industrial adjustment, thus suppressing individual development. In the midst of an economic crisis, the government paid heed to their argument, and began to reconsider the role of vocational high schools.

The prestige of vocational education at the upper-secondary level until the 1970s has rapidly declined because upper-secondary education itself has now become universal. As a pillar of upper-secondary education, during the initial stage of industrialization, it effectively served the rapidly developing economy, while later becoming a sector of typical educational stigma, just a manpower vessel impinging the developing economy. We should redefine vocational education's role within the education system by re-articulating interdependencies with academic high schools and post-secondary higher education institutions.

## ***2.2 Roles played by non-formal education and training institutions***

Considering the limited role of formal education institutions and the qualification system in school-to-work transition, one must find the pathway

to work other than the formal educational pathways. In that respect, the role of non-formal education and training institutions should be revisited. In 1998, there were more than 110,000 institutions, of which most were run on a proprietary basis. Students of formal institutions, before or after graduation, used to attend programmes on those institutions for the purpose of preparation for jobs.

Due to the lack of extensive studies, there is little knowledge of this sector. The non-formal education and training sector features far more dynamics than the formal education sector. However, the quality and performance of the programmes are not assured due to the poor financial condition and managerial instability.

Currently, institutions participating in the run of government-funded training for the unemployed are coming mostly from this sector. *Table 8* outlines the participant institutions by their institutional nature. Considering the enormous budgetary amount, improving the performance of this sector is an important policy task.

**Table 8. Education and training institutions participating in employment training**

Total (non-formal)	Training centre (public)	Training centre (recognised)	Independent public training centres	Private education businesses	Corporate education centres	Higher education institutions
1,315	270	204	200	599	42	493

*Source* : Ministry of Education, Korea.

### ***2.3 Diplomas and degrees: qualification for work or credential of esteem?***

Generally speaking, the signalling effect of the certifications and degrees issued by schools and institutions play a great role in the school-to-work transition. However, it is hardly true of Korean education. The educational credentials have shown little relation to jobs and vocational qualification. The curricular constraint mentioned above is closely related with this limitation of diplomas and degrees. They have served more as credentials of the institutions' general prestige in the education system than as market signals of labour supply. The curricular constraints and lack of qualification information have incurred much expenditure for on-the-job training and transaction cost in workforce management. From businesses' point of view, a great loss of employment capacity originates from the above problems of education and qualification.

The qualifications in Korea have long been under overwhelming statutory control. The state qualification system worked relatively well in the time of nation building and government-driven development. However, as the Korean economy progresses and occupational complexity increases, the state control on qualifications began losing its effectiveness due to the lack of flexibility to respond to occupational changes.

Both academic qualifications and technical qualifications are main parts of the statutory system in Korea. The former has been so since the establishment of the modern education system and the latter since 1976 when the government enacted the National Technical Qualification Act. When Korean society and the economy were manageably simple, such a statutory control was a source of transparency and reliability to encourage human capital formation and transactions. The statutory nature of the system, however, has now become restrictive, rather than promoting all the progressive initiatives in

the society. This is because the statutory rules cannot quickly be adapted to the occupational and technical changes.

#### ***2.4 Schools and universities' role for lifelong investment in learning***

Korean education has achieved outstandingly rapid expansion in secondary and higher education during a short period. The school attendance rate at the respective schooling age group marks one of the highest. Such rapid educational expansion can improve the accommodation of the school-age youth, but improving the skill profile of the total population is, however, a different matter. There exists a striking imbalance between the rapidly expanded size of schooling and the skill profile of the total population, that has improved very slowly.

The Manpower Outlook (1998) made by the Korea Research Institute for Vocational Education and Training (KRIVET) summarized the national skill profile as “overflow of low skills, and a shortage of high skills”. The report explains the Korean economic crisis in the light of the manpower limit that hinders structural adjustment in the economy. The outlook observed the clear demands for refined skills, that is, the intermediate skills once listed by the OECD, particularly in services and managerial occupations, which can be met only by education and training at the tertiary level.

Korea's labour force does not meet with the skill-level demands required by industry or the skills necessary to further economic progress. Many Koreans recently began feeling themselves short of the necessary skills to survive the technological and industrial changes. The skill base of the Korean economy was, from the beginning of the 1990s, already lagging far behind the level to secure sustainable development into a fully industrialized economy. Now, of the economically active population aged 25 to 64, workers with school attainment below junior high school comprise 39 per cent and high-school



graduates account for 41 per cent. The above-mentioned picture of unemployment in the NSO survey is the proof of the extent to which the Korean economy falls short of the needed skill base to develop further.

The imbalance between the school-age population and the total working population is another expression of the serious shortcomings of the Korean education system, that is, the segmentation of the labour market into the primary market and the secondary market. Few opportunities for adult learning and the lack of lifelong learning perspectives and practices are substantial indicators of segmentation. As is shown in *Table 9*, learning opportunities for Korean workers are very restricted.

**Table 9. Participation-rate in adult learning**

Country	USA	Canada	UK	Germany	France	Australia	Sweden	Korea
Year	1996	1993	1995	1994	1994	1995	1996	1996
Rate	34	28	12	33	40	38	42	17.4

*Source* : OECD, "Education at a glance", 1997; Korea Education Development Institute.

Limited adult learning opportunities in Korea have been caused by many factors. An important weakness of the Korean education system is that once one leaves school, if not employed in a big enterprise, one can get little or no opportunity to come back to acquire new skills. For adult learners, various impediments exist in Korea: rigid school enrolment policy, long working hours, insufficient provision of adult learning programmes, lack of government concern for adult learning, and so on.

The lack of a lifelong learning perspective within the education system has much influence upon the transition from school to work. For Korean youth, education is a tournament-based pathway where, if one loses a game, one drops out and never returns. *Table 10* summarizes the picture very well.

In Korea, opportunities for higher education are not dispersed among youth as in OECD countries. Once losing the opportunity of higher education, it is unlikely that it will be granted again. In a way, Korean universities play the role of gatekeeper of the segmented labour market and, to that extent, form the biggest obstacle to skill development of the whole workforce.

**Table 10. Rate of participation in higher education by age**

	Age 18-21 Age 18-21	Age 22-25	Age 26-29
Korea	34.1	16.3	3.4
OECD average	21.1	15.5	6.6

Source: OECD, "Education at a glance", 1997.

It was not until 1993, when the government enacted the Employment Insurance Act, that the government came to recognize that skill development of the adult workforce should be part of the national agenda. The Employment Insurance Act, emphasizing vocational skill development, stipulates that employment insurance funds should finance vocational competence development activities: promotion of in-plant training, job training for the unemployed, and training for employment adjustment. The training levy system that has been working since 1976 is now absorbed into the vocational ability development programmes under the employment insurance system.

### ***2.5. Deregulation and regulatory reform***

Schools and institutions offering vocational education cannot initiate an active response to youth unemployment without extensive deregulation. Typical examples were seen in the contract-based high school-junior college alliances. As higher education institutions, junior colleges can negotiate freely with vocational high schools. Vocational high schools, however, do not have enough

discretion to negotiate with junior colleges. The National curriculum and other rules imposed by national and local education authorities disallow vocational schools the discretion needed. This imbalance of discretionary power between partners of the contract frequently hampers the progress of joint initiatives. Deregulation in vocational education has been an imminent reform issue.

The situation is rather worse in the training sector than in vocational high schools. In the course of the intra-government regulatory reform drive, deregulation bears fruit very slowly. To speed up deregulation, transforming vocational institutions into independent agencies has been called for by reformists, but so far in vain. The National curricula for vocational high schools have also been under review with regard to their possible removal.

Vocational education and training seems particularly susceptible to fall to the trap of government failure. In this field, people tend to imprudently accept government intervention and large-scale public programmes, particularly when the economy contracts. That is exactly what happened during the vocational high school expansion in the 1990s. The very same is happening now in the training sector, with the economic crisis and high unemployment. The current economic crisis is greatly hampering the deregulatory progress of vocational education reform.

### 3. From school to work: business and industry involvement

#### *3.1 Employer factors in school-to-work transition*

The dichotomy of school-led transition and employer-led transition is a useful approach to review school-to-work transition in industrialized countries (OECD, 1996:6-7). Anglo-American countries were said to be of the former while the German system the latter. In the previous chapter the role of the school system in Korea was outlined. The Korean system is not developed

enough and is still too amorphous to be categorized following the dichotomy. However, whatever form of transition holds in this country, the role of employers is extremely important in that their recruitment policies are the most influencing factor.

In Korea, the path from school to work has not been sufficiently studied to draw fully supported generalizations. There are no systematically developed practices, except that the one-shot competitive recruitment examination, leading to lifelong employment, is the main route to the primary labour market.

**Table 11. Percentages of the path used to obtain current jobs, 1992**

	Recruitment examination	Job vacancy notice	Public employment service	Recommended by school	Friends or family	Self-employed	Non-classified
High school or under	5.6	8.0	1.7	4.1	52.8	26.4	1.4
Higher education	27.1	5.3	0.1	12.4	31.3	20.8	2.6

*Source:* W.S. Jang, 1997: 189.

**Table 12. Path from school to work on graduation, 1995**

	Recruitment Exam	Field practice work	Recommended by school	Friends or family	Self-employed	Non-classified
High school (academic)	6.2	24.9	29.3	23.1	6.2	10.2
High school (vocational)	7.3	18.9	57.1	11.9	2.1	2.7
2-year college	20.3		53.8			20.6
University and colleges	47.2		31.6		6.0	15.1

*Source:* Ministry of Education, Korea.

The above *Tables 11* and *12* respectively reflect the aspects of the paths to work in Korea:

- Vocational high schools and junior colleges are more active in assisting their graduates to find jobs compared to universities.
- University graduates' major path to employment is the recruitment examination held by large companies.
- Work experience before graduation (fieldwork practice) is an important factor in finding jobs when departing from school. It is more effective in the case of academic high-school graduates. (However, the field practice does not appear as an important path in *Table 12*, which means that high-school graduates stay very shortly in the first job they got through field practice).
- Informal recommendation by friends or family is still the most frequent path to employment in the current job market (*Table 11*). The lower the worker's school attainment, the greater his/her dependency on this informal path.
- The public employment service plays an almost negligible role in assisting students to find employment.

In Korea, generally, the schools' role is very limited in assisting students to find jobs after graduation, and those with lower school attainment typically do not remain employed longer in their first job compared with the students completing higher education. High-school graduates are not usually happy with the first job they got through field practice or school recommendation. An inference is that marginal industries seeking low-cost employees tend to depend on high schools. The discontent with paid work used to lead the high school graduates to self-employment more than the college graduates, as is shown in *Table 12*. The employers' role can be reviewed in both macro and micro perspectives. In Korea, there has been growing concern to boost school-industry co-operation to aid school-to-work transition. Policy-makers have long been interested in the American models such as tech-preps and school-

based enterprises based on the School-to-Work Opportunity Act 1994. However, the articulation at the micro level can hardly be developed without extensive reform at the macro level of the institutionalized relations across education and industry.

To begin with, in the case of the primary market described above, employers have little motivation to help and invest in education and training outside of enterprise. They do not expect schools to prepare students for jobs (KRIVET, 1997:45). They already invest too much in the internal labour market. Employers have had a tendency to over-employ and to keep unnecessary workers for future demands. Hence, the selection process, usually composed of an open application and an entrance examination, incurs a high transaction cost. In addition, because of the on-the-job vocational training, the organizational cost of human resource management tends to be high. In this system, the high human resource management costs, transaction and organizational costs hurt the competitiveness of the organization. The cost-push intensifies if wages increase as a result of union activity. So far, these factors have discouraged large employers from taking an interest in education-industry co-operation.

With regard to the co-operation, prevailing recruitment practices used by the large employers have influenced the curricula in colleges and universities, since the recruitment examination became the major pathway to the prestigious primary labour market, regardless of the academic specialization of the applicants. Thus, the nature of the transition into the primary labour market is employer-led: more aptly, led by the large employers. However, the schools and institutions have become completely de-coupled with the labour market. Only students have been influenced by the recruitment policies of large employers, regardless of the educational programmes they opted for.

However, practices are gradually changing (W.S.Jang, 1997:196-202). The three components that kept the segmented primary labour market possible,

that is, universities and on-the-job training, recruitment examinations, and lifelong employment, began to change. A survey found that the weight of the recruitment examination has been on a steady downward trend, as shown in *Table 13*. Large companies are trying to diversify their recruitment practices by introducing internship programmes leading to employment, recruitment throughout the whole year freed from the one-shot basis, and so on. At the same time, the economic crisis and employment adjustment have made the companies less dependent on the lifelong employment practice. Inevitably, companies have begun increasingly outsourcing the training that had been developed in the form of in-company training. Universities are trying to adapt themselves to these changes, but very slowly.

**Table 13. Trends in the pathway to work in the case of university graduates**

	1983	1986	1989	1992
Recruitment examination	47.6	52.5	40.7	32.4
Friends and family	17.7	15.8	32.2	25.5

*Source:* W.S. Jang, 1997: 190.

In the secondary labour market, the National Technical Qualification System played a great role of skill development, promoting youth transition into the manufacturing and construction industries. However, the inflexible statutory qualification system gradually became outmoded in the light of technological progress and occupational changes. From the beginning of the nineties, the system lost its effectiveness.

Having a common cultural base, Korea and Japan share many similar characteristics in education and labour. However, the job turnover in the two countries shows contrasting differences. Japan enjoys stable employment with a very low level of job turnover. In Korea, the rate was above 6 per cent even



before the current economic crisis. In that, Korea bears similar traits to Anglo-American labour markets. However, the high job turnover in Korea is not so much an innate characteristic of the Korean labour market, but rather evidence of an underdeveloped workforce and weak industrial bases.

Despite continued economic growth from the second half of the 1980s to the mid-1990s, experts and policy-makers were seriously concerned about the shrinkage of the major economic components and agents which had supported the growth of the developing economy. Aside from the big firms and conglomerates, there have always been a lot of small and medium businesses (SMEs) struggling for survival. As well as the marginal manufacturers suffering from the wage hike, the strikingly underdeveloped services and merchandise sectors have also suffered.

As was mentioned earlier, the employment capacity in the secondary labour market gradually shrank and technical qualifications rapidly lost their validity. As a result, some junior colleges introduced employer-ordered instructional design in response to the industrial changes, while most of the commercial vocational high schools reshuffled the programme in order to prepare their students for information-processing jobs in the computerized work environment. In this way, informal networks to the world of work started to develop but were not widely diffused.

The government also initiated a school-to-industry transition path. The government introduced the one-year work experience programme in the third year of vocational high school, leading to high-school diploma. Led mainly by industries, the initiative was called the 2+1 programme. The programme is run on an experimental basis but, enrolments are diminishing. In 1998, 9,110 students from 45 vocational high schools worked at 1,928 manufacturing sites. The five-year experiment is not deemed successful. Participating businesses were too small and did not have the capacity to provide on-the-job training. The programme simply served the demand for cheap labour.

So far, schools and institutions have utilized the informal network to link graduates and the employers. Students too, in their job search, were dependent on these informal networks and the employment service did not contribute much towards students finding jobs. However, significant changes are now taking place. A sample performance survey on the public employment service revealed, as seen in *Table 14*, that youth too are increasingly rushing to the public employment service offices. The Public Employment Service Authority has expanded the job information network. Despite the progress in this area, however, institutions and schools are not substantially integrated into the job information system, which is weakening the effectiveness of the information system.

**Table 14. Performance sample of employment service offices, 1997-1998**

	Number of job offers			Number of job searchers		
	August 97	August 98	Increase (%)	August 97	August 98	Increase (%)
Whole age	18,399	39,403	114.2	17,721	141,466	698.3
20-29	10,192	18,535	81.9	8,325	53,606	543.9

*Source:* Ministry of Labour, Korea.

In summary, one might say there are few substantial and stable pathways for youth in the secondary labour market. There are very opportunistic and irregular pathways from school to work. Nevertheless, increasing expectation upon the role of the public employment service is a desirable move towards improving pathways to the labour market.

Although, until very recently before the economic crisis, vocational high-school graduates could still easily find jobs on leaving school, it was due to over-employment in the labour market in general. In the secondary labour

market, they do not stay at the same workplace for any length of time. They have become exposed to the risk of long-term unemployment after the employment adjustment incurred by the economic crisis. Employers in this sector do not have the capacity to contribute to school-to-work transition through active participation.

As explained earlier, although the Korean labour market has been characterised by the typical segmentation between the primary and the secondary labour markets, changes in the labour market and the economy have blurred the line between the two. As employment practices begin to change in the labour market, a ‘knock on’ effect in the education and training system is inevitable. However, education and training has been controlled by highly institutionalized regulations for far too long. Education reform is an initiative requiring time and effort to promote the necessary changes corresponding to those changes in the labour market.

## 4. Ongoing education reform and implications for youth

### *4.1 Education reform for structural adjustment*

Structural adjustment in the Korean economy is nothing other than a shift from a large firm-oriented, socio-economic order, to a system to support SMEs. The same is true for the recent education reform initiative in Korea. The Education Reform Commission 1994-1997 (ERC) worked out a series of proposals which was endorsed by the administration at that time. The proposals still serve as the basic framework upon which consecutive policies have been developed. Among them, the Second Education Reform Proposal (ERP 1996) is closely related with labour market issues. The ERP was actually a package proposal combined with the Labour Reform Proposal (LRP 1996) which was released in the second half of the same year by the Labour Reform Commission, a presidential advisory body.

The two proposals aimed at promoting structural adjustment in the economy. The objectives of structural adjustment are to achieve a flexible labour market and enhanced skill bases that can accommodate technological development and support further economic progress. The ERP and LRP were intended as mutually complementary reforms in education and labour. Both the ERP and the LRP targeted education and labour systems. Education and training then were said to contribute little to strengthening the human resource base of the economy. In addition, the reformers criticized the transition and selection practices in education and the labour market being as inequitable as well as inefficient.

The ERP 1996 includes many policy suggestions to shift vocational education from a highly regulated institutional system to an interdependent complex of autonomous initiatives and practices. At first, the ERP 1996 encouraged initiatives from individual institutions in developing interdependencies and the division of roles in the system. Vocational education has been, so far, a large cluster of similarly regulated institutions and schools that have little relation with each other. The ERP proposed that all institutions forge interdependencies, not only among educational and training institutions, but also between industries and educational institutions. Vocational education institutions are expected to establish interrelations with other members in the system so that these joint initiatives by individuals would replace authoritative co-ordination. Under this scheme, contractual relations are developing between vocational high schools and higher education institutions. Participating schools and institutions negotiate curricula, facilities, staff and so on. By the same token, some junior colleges are developing individual networks with industries. Individual initiative is a relatively new concept for the institutions as well as for the education authorities. Being so used to the regulation by highly institutionalized rules, it is a difficult and painstaking endeavour to create a feasible behavioural model.

Secondly, the ERP suggested that the education and training system should promote non-governmental initiatives in assessment and recognition of vocational competence. In 1996, the newly enacted Foundation Act of Qualifications (FAQ) introduced assessment recognition and certification undertaken by private businesses. The FAQ also required the government to promote the development of private sectors in this area. It is still at the initial stages. Substantial progress will be made only to the extent allowed by cumulated experience and knowledge. It is expected that private qualifications would compete with statutory qualifications to create a complete system of individual initiatives and flexibility.

Thirdly, the ERP placed much emphasis on building central and local constituency networks to align co-ordinated efforts for skill development. The Vocational Education and Training Promotion Act (VETPA), passed in 1996, stipulates that the government is responsible for the building of networking bodies at the central and regional level; however, no such bodies exist at the regional level yet. With so little experience of multilateral joint co-operation, this will be a very demanding task. In Korean history, conflicts between the newer imported culture and the old popular culture are well known. The conflicting cultures have continued to exist in parallel. In building a network of social consensus, newer practices and culture used to contribute little, while the older popular tradition of negotiated consensus and association might be of great help. The latter has not been utilized sufficiently because it has existed mostly as a counter-culture against the newer ruling practices. As far as the development of vocational education and training is concerned, social cohesion and trust seem to be indispensable conditions. With the continuing progress of overall democratization in society, various types of participatory movements now prevail in Korea. Development of these participatory movements would help reconcile the ruling practices with the Korean people's older culture of association and, thus, social partnership for vocational education and training would develop.

As summarized above, the ERP 1996 intended to create new ways of steering the system of vocational education and training, which had formerly been organized and governed in a highly centralized and bureaucratic manner. During the long period of educational expansion, school-based vocational education has developed to become a large institutionalized system of more than 1,000 institutions. It is a matter of urgency to update school-based vocational education, as well as the similarly bureaucratized system of the public training and national technical qualification system. The ERP's suggestions were based on the judgement that both vocational education and training should overcome the over-institutionalised establishments to yield a flexible and integrated skill development sector based on private initiatives and competition. Debates still continue in the process of implementing and legitimizing the suggestions of the ERP. At present, further related issues are arising successively and have come under close review to be developed into policies. Among them, structural reform in upper-secondary and university education is of particular importance.

#### ***4.2 High school reform and youth***

The Korean economy was still rapidly expanding from 1986 to 1995. The Average GDP growth rate during that period neared 9 per cent a year. The period was also characterized by an unprecedented expansion of higher education. Enrolment in junior colleges was at least doubled during the same period. Such expansion in higher education was, curiously, accompanied by increasing enrolment in vocational high schools. It was government policy, a misleading intervention in 1990, which expanded upper-secondary vocational education against natural trends to higher education. *Table 15* summarizes what happened. Until 1990, enrolment in vocational high schools decreased rapidly, reflecting changing economic and social demands. The government intervention in 1990 reversed the direction of the curve above the previous peak level within four years. The result of the intervention is now that, hit by the economic contraction, the vocational high school expansion policy based



on the manufacture-oriented industrialization framework has just increased the number of youth at risk of unemployment, while greatly damaging public esteem of vocational high schools.

**Table 15. Economic growth and educational expansion, 1986-1995**

	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	Average
GDP growth rate (%)	11.6	11.5	11.3	6.4	9.5	9.1	5.1	5.8	8.6	8.9	8.78
% of vocational enrolment/ HS** students	40.5	37.6	36.6	35.9	35.5	36.4	38.2	40.2	41.3	42.2	-
% of HE* entrance/ HS** graduates	36.4	36.7	35.0	35.2	33.2	30.4	31.1	38.4	45.3	51.4	-
Junior college students (in thousands) (1,000)	250	259	266	291	323	359	404	456	506	569	-

*Source:* Korea Education Development Institute, the Bank of Korea.

\* HE: Higher education

\*\* HS: High school

As explained above, vocational high schools, up to 1990, became a failing half of upper-secondary education. This result has undermined the foundation of government policy since 1990 to expand vocational high schools in their current form. The policy was led by a set of premises: first, the manufacturing industry was suffering a labour shortage. Second, university and college graduates were in oversupply. Third, the workforce was over-educated. However, recent unemployment survey data suggested that the government's policy premises were very dubious. In the course of the economic crisis, according to the 1998 employment survey, the over-employment in



manufacturing industries had to be released through squeezing out young vocational high-school graduates. They were the group most strongly hit by the employment contraction. Therefore, the fact is rather that vocational high school expansion policy since 1990 has worsened, not alleviated unemployment. Korea should have reduced the size of secondary vocational education to put emphasis on vocational preparation in higher education.

As a result, the context and content of vocational education in the whole education system is a critical policy issue now. After reform began in 1996, not only businesses' recruitment practices, but also the student selection behaviours by the universities and colleges have been diversified. It is time, policy-makers began to think, for the government to introduce the consolidation of the upper-secondary institutions and programmes, which was not touched upon by the ERC four years before. An effective consensus on this issue has not yet been reached, but there are strong and reasonable objections against shifting students into academic programmes or comprehensive schools. The most viable option is to redefine upper-secondary vocational education as a pathway to both higher education and jobs, free from the severe competition of college entrance examinations that have plagued academic high schools. To do this, the development of totally new curricula is an unavoidable precondition. The 7th national curriculum revision, made after the ERC 1996 suggestion, attempted it, but failed to achieve an effective programme.

### ***4.3 Structural adjustment in higher education and youth***

The purpose of structural adjustments in higher education is to raise the competitiveness of institutions and programmes as well as individuals attending institutions. Despite the continuously expanding size of higher education, the quality of higher education in Korea has failed to meet industrial demands. Most labour market analysts consider the rapidly increasing unemployment of young university graduates as a result more of their unpreparedness than just from economic contraction. In other words, current youth unemployment

is of a structural nature. Therefore, it is well recognized among experts that economic recovery alone will not bring jobs to university graduates.

As mentioned previously, the employability of university and college graduates has become an urgent policy task. In this context, top priority has been placed on improving university and college programmes so that they would meet the industrial demand. The ERPs of 1995 and 1996 deliberately pursued this objective. However, they did not deal with the necessary structural changes and governance problems of higher education institutions. It became clear that institutional autonomy itself was not adequate to bring about curricular changes. Programme improvement is impossible without change in governance and structural factors. Structural adjustment in higher education is absolutely necessary under these conditions.

Under close review is the incentive system sanctioning the institutional behaviours and activities in universities. University accounting, cost-allocation practices and quality assurance measures are examples whereby the incentives system greatly influences the behaviour of individual institutions and programmes, as well as the co-operative behaviour of businesses and industry. The purpose of the possible government action will be encouraging the university-industry as well as inter-university partnership.

## 5. Conclusions: developing pathways

The Korean labour market has long been divided into two sectors. Larger employers, such as public employers, and leading universities were major players in the primary sector. They established the practice of recruitment examination, lifelong employment, and human capital formation by on-the-job training. Combined with the other components of the practices, the recruitment examination was the almost exclusive and definite path into the prestigious jobs of the primary sector. It effectively served the organizational

needs of large employers in the period of economic expansion. The practices in the primary market, however, have had deteriorating effects on the education system. Schools and students were dependent on the examinations and normal school curricula tended to be replaced by preparation for these examinations at the expense of more critical educational needs. The human capital formation function has been sacrificed by the credentialling function of school diplomas.

The practices in the primary sector could be maintained by expensive organizational costs borne by large organizations. As the Korean economy became fully exposed to the global competition market, however, such a cost cannot be borne any longer by the work organizations. The recent Korean economic crisis has greatly shaken the long-standing practices and patterns of school-to-work transition in the primary labour market. Thus, schools, universities, and enterprises have to newly adjust their interrelation and old practices. Schools and higher education institutions are, however, still gripped by old practices and institutionalized regulations, which forms the rationale for education reform in Korea.

The secondary labour market, it might be said, has long been abandoned as an underdeveloped and amorphous system where such informal networks as friends and family played an important role as work paths. Under the overwhelming influence of the primary sector, this sector has been long overlooked as a deliberate policy concern. Such indifference was possible only during the past 30 years of economic expansion and almost full employment. At present, higher education in Korea, being at the mass higher education stage, has taken over the stand of upper-secondary education of the 1960s. The problem is that the expanded higher education, exceeding the capacity of the traditional primary market, is not accompanied with relevant labour market development for the distribution of upgraded manpower. With the overflowing youth unemployment caused by the industrial adjustment, the rationalization of this huge sector of the labour market has become a pressing policy development task. The focus is on how to implant an effective

labour market signalling system and a pathway structure towards work that encourages lifelong learning.

In the process of education and labour reform, the development of networks between educational institutions and industry has become a top priority, which is also the way to transform the segregated opportunity structures into a system of flexible pathway structures leading to lifelong learning. This depends on the success of the ongoing reform. The economic crisis brought a chance to implement the necessary reform as fundamental changes took place in business and labour practices. Many ideas and innovations are being adopted in the area of education. However, not only institutional autonomy, but also careful re-designs of incentives should be assured to make these trials succeed. There are many obstacles, including lack of accumulated knowledge and experience, to overcome in achieving these conditions.

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# Chapter IV

## The integration of youth into the informal sector: the Kenyan experience

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### Introduction

This paper discusses the transition of young people to work, particularly into the informal sector of the economy in Kenya. The informal sector in Kenya is now responsible for absorbing the larger proportion of new entrants into the job market in comparison to the modern formal sector that combines the public and private sectors. To understand this process, this paper examines the development of the informal sector in Kenya and recent trends in its evolution; entry into the informal sector and the characteristics of young people entering the sector; the training process in the sector; and implication for education and training. First, it is necessary to give a brief background of the country in order to understand how the informal sector fits into the larger picture of Kenya.

### 1. Background

#### *1.1 Physical characteristics*

Kenya obtained her political independence from the British in December 1963, after 65 years of colonial rule. Kenya is a multiethnic and multiracial

country with an elected government. Kenya straddles the equator and is located on the East Coast of Africa. Only about 20 per cent of its land area has the climatic condition to support agriculture. The rest of the land area is semi-arid with little rainfall to support food crop production. This area is sparsely populated by mostly nomadic communities. Its location on the Indian Ocean and the provision of a deep-water harbour with adequate facilities to handle large sea vessels has made it the gateway to many African countries such as Uganda, Southern Sudan, Democratic Republic of Congo, Rwanda, and Burundi.

### ***1.2 Economic characteristics***

Economic performance has been inconsistent over the past three decades since independence. The first decade after independence provided the best sustained performance, averaging a Gross Domestic Product (GDP) growth of 6.7 per cent registered for the period 1964-1973. The next two decades resulted in average net declines of 5.3 per cent and 3.6 per cent. The 1990s has registered the most inconsistent performance, with the lowest performance ever coming in 1993 at 0.2 per cent (GOK, 1996). After a minor temporary recovery in the middle of the decade, the economy is once again on a downward trend and was expected to reach only 1.5 per cent for 1999. It is therefore now clear that the government target of 5.6 percent annual growth rate for the period between 1984 and the year 2000, as stipulated in Sessional Paper No. 1 of 1986 (GOK, 1986), will not be achieved.

### ***1.3 Demographic characteristics***

The population of Kenya was projected at 27.5 million in 1995 at an annual growth rate of 2.7 per cent (GOK, 1996). This is an improvement from earlier rates that peaked at 4.1 per cent in the mid -1980s. About 80 per cent of the population of Kenya live in the rural areas. This reflects the economic activity of the country, which is mostly based in agricultural activities.

It is estimated that about 60 per cent of the population of Kenya are under the age of 20. Providing education and training therefore takes nearly 30 per cent of the government's annual budget.

#### ***1.4 Labour force characteristics***

In 1997, 4.7 million persons were employed outside of small-scale agriculture and pastoral activities (GOK, 1998). This was an increase of 8.7 per cent over 1996. The public sector has stagnated due to donor pressures to reduce spending by the government. There has been virtually no change in the number of public employees for the past five years, that now stands at about 700,000 persons. The public sector's share in total wage employment reduced from 49.6 per cent in 1991 to 42.5 per cent in 1997 (GOK, 1998). In the modern formal sector of the economy, growth has been fairly small. The total number of employees in the modern formal sector grew by only 3.1 per cent to 1,646,000 only in 1997, while the informal sector expanded by 18 per cent in 1996 and 13 per cent in 1997 to stand at 2,986,900 persons. Thus more and more school leavers now join the informal sector that is rapidly growing and accounts for over 63.6 per cent of the labour force (GOK, 1998)

## **2. The growth of the informal sector in Kenya**

Due to lack of employment opportunities in a shrinking formal economic sector, more people have had to seek an alternative livelihood in the informal sector. The informal sector was first officially identified by a 1972 landmark ILO study in Kenya that confirmed the existence of a parallel economy dominated by small businesses that absorbed a large number of persons that would otherwise be recorded as unemployed by economic surveys (ILO, 1972). The informal sector is described as consisting of «... all small-scale activities that are normally semi-organized and unregulated, and use simple labour-intensive technology ... undertaken by artisans, traders and operators

in work-sites such as open yards, market stalls, undeveloped plots, residential houses and street pavements ... not registered with the Register of Companies, they may or may not have licenses from local authorities for carrying out a variety of businesses.» (GOK, 1997: p 72). The informal sector has been efficient at utilizing waste materials such as old tyres, scrap metal, etc. to produce goods that have found a ready market in the low-income sector of the society and, increasingly, the middle classes. The innovativeness and ingenuity of the craftsmen in the informal sector have been responsible for services being provided to the society that would have been imported or otherwise too expensive (Darrow and Saxenian, 1986). Numerous studies have shown that these small businesses have often been started with little capital by individuals and with virtually no support from government or non-governmental organizations (King, 1977; House et al., 1990; McCormick, 1988).

Their founders often start small businesses in the informal sector as self-employment ventures. Self-employment at best provides individuals with the autonomy and flexibility to realize their fullest potential, while at worst may represent survival activities for the marginal members of society. Enterprises in the informal sector are not homogeneous in size, in capital base or infrastructure. At the lower end of the sector, single or a minimal number of employees with a very small investment base characterize enterprises, while at the higher end they are often as well structured as any similar-sized formal-sector business. In Kenya, there has been a concerted effort by the government to encourage individuals to enter into self-employment as an alternative to wage employment, and to also create employment for others. Several non-governmental organizations have also been formed that focus on specific areas of the small business sector.

## **2.1 The Jua Kali Movement**

‘Jua Kali’ is a Kiswahili phrase meaning hot sun. Although the term was originally used to describe informal-sector activities that took place in the open, it is now universally used to refer to all informal-sector activities. In Kenya, governmental attention on any issue can often be influenced by the amount of attention it receives from the President. When President Daniel Arap Moi, therefore, made some surprise visits to Jua Kali sites in 1988 to see first hand their operations, the informal sector received unprecedented publicity. The President directed that shades be constructed for the Jua Kali artisans, to protect them from the elements, and to provide basic infrastructure such as electricity and water (King, 1996). As the Jua Kali movement caught on, all urban centres in the country were being asked to set aside land for the construction of Jua Kali shades. A new government Ministry of Technical Training and Applied Technology was established in 1988, with one of its major objectives being the harnessing and developing of entrepreneurial efforts within the Jua Kali sector in the country.

In Kenya the terms informal sector, the micro and small-business sector and the Jua can be used interchangeably. Sessional Paper No. 2 of 1992 defines the category of an enterprise by the number of its employees. Thus micro enterprises are those that employ between zero and five employees; small-scale enterprises employ between 6 and 10; and small-scale industry 11 to 49 persons. An enterprise may fall within any of these categories but be considered to be formal because it is formally registered, has permanent structures, pays taxes, is licensed, etc. A similar-sized enterprise may be described as informal or Jua Kali, because it operates on temporary premises, even though it may actually be licensed. Sometimes whether to be categorized as formal or informal may be the choice of the operator in the advantages that may be gained, for example to escape paying taxes (King, 1996).

## ***2.2 Recent trends in the informal sector***

As the informal sector has continued to be the main source of employment for the largest proportion of employed Kenya citizens outside of rural small-scale agriculture, so has more attention been focused towards its organization, development, and training. The government has produced several documents to articulate official policy, for example a major policy document entitled 'Creation of employment opportunities for a growing population', which was expected to guide the development of small enterprises from 1989 and Sessional Paper No. 2 of 1992 on 'Small enterprise and Jua Kali development in Kenya'. In this paper, the government articulated its policy as one of providing a conducive environment for the development of the informal sector.

The development of training capacity in entrepreneurship within the country was also felt to be crucial for encouraging people to go into self-employment. The enhancement of an enterprise culture in the country through provision of pre-service orientation courses to students of post-primary training and post-secondary institutions, and provision of in-service courses for individuals already in business was initiated in all technical training institutions in the country.

Recently there has been a major World Bank initiative to inject some funding into training and technological acquisition within the informal sector. In 1994 the World Bank signed an agreement with the Kenya Government to fund the Micro and Small Enterprise Training and Technology Project (MSETTP). The World Bank is providing a credit of US\$24 million for the project. The objectives of the project included: providing skill upgrading for about 60,000 enterprises, increasing access of small-scale entrepreneurs to technology and marketing information, and attendant infrastructure, and improving the policy and institutional environment.



### ***2.3 The future of the informal sector***

While government and the NGOs have been encouraged by the ability of the informal sector to absorb excess labour force in the country, there has been concern at the lack of growth of enterprises in the informal sector. Most of the enterprises stagnate at the bottom and do not show signs of growing into medium and large-scale enterprises. Sessional Paper No. 2 (1992: p. 4), states, «Compared to other developing countries, the number of Kenyan manufacturing firms employing 10-50 persons is relatively small. In the interest of balanced industrial development, there is need therefore to increase the enterprises in the category which represents the ‘Missing Middle’ in Kenya’s manufacturing and industrial sector.» Growth of enterprises into the ‘Missing Middle’ is expected to accelerate growth of employment opportunities and also provide more room for others in the crowded bottom.

The informal sector in Kenya can be said to have developed with little or no assistance from the outside. In attempting to intervene to help it ‘grow’ there has been concern that its dynamism, ruggedness and innovativeness may be affected (King, 1996). The Sessional Paper No. 2 (1996) on ‘Industrial transformation to the year 2020’, noted that the role of the government was to “... provide all necessary assistance to the sector while keeping in mind that overly interventionist policy can threaten the very strengths that create prosperity» (p. 54). Thus much of the intervention has been in providing training, credit, and reducing the harassment of the entrepreneurs operating on public land or sites.

### ***2.4 Entry into the informal sector***

Although ease of entry into self-employment has been one of its most attractive features (Fields, 1990), House (1984) however, from his exploration of small-scale enterprises, concluded that the ease of entry was mostly confined to self-employment at the lower end of the informal system of the economy.



Those in the upper end of the informal system would restrict entry by barriers formed by higher skill and capital requirements. Those who enter self-employment at the upper-tier level are closely associated with the formal sector through their business operations or from their previous training and experience (Fields, 1990). The capital with which the business was started may also have been accumulated while working in the formal sector. Many of those who enter at this level include retired workers (retirement age in Kenya is 55 years) and retrenched workers. Others are those who may be straddling between self-employment and wage employment. The formal sector provides them with a safety net to break their fall should their businesses fail, or should they be forced into early retirement.

ILO estimates that only one out of ten of those who complete school can find employment in the modern sector (ILO, 1988), with the other nine seeking employment in the informal sector, initiating some type of self-employment, or remaining with the family to assist in small-scale peasant agriculture. Due to lack of capital and experience the type of self-employment the youth could get into is mostly petty trading (ILO, 1988). Many of the youth fresh from school enter at this level. Another avenue of entry for a large sector of the youth population is through apprenticing with a skilled craftsman or entrepreneur.

### 3. Vocationalization of the formal education system

Since the majority of the youth exiting from nearly all levels of the education system can only hope to find a source of livelihood in the informal sector, at the present, many programme could be described as possible routes for youth to enter the sector. The vocationalization of the formal educational programme was undertaken with this objective in mind. Tertiary programmes have incorporated the teaching of entrepreneurship in part to prepare the youth for the time they might start their own businesses.

The introduction of the 8-4-4 education system in Kenya in 1985 was a major effort to impart vocational skills to all students passing through the school system. The objective of the programme was to ensure that the youth that dropped out, or did not proceed to the next level of the educational ladder, would be self-reliant. In other words, the students would be able to consider self-employment as a viable alternative for earning a living (King, 1996). To meet this objective several subjects were introduced at the primary level and secondary level. At the primary level these subjects included: arts and crafts; home science; and business education. At the secondary level the subjects were placed in clusters, thus industrial education included: woodwork, metalwork, electricity, power mechanics, drawing and design, and aviation technology. Business education included: commerce, secretarial accounting and economics. Others were home science, agriculture (GOK 1984). More recently, computer education has been included in the secondary school curriculum as an option.

The original intention of the curriculum planners was to have these 'new' subjects offered as examinable in the same manner as the other traditional core subjects, for example mathematics, English, and sciences (King, 1966). After implementation of the curriculum, it became apparent that all schools were not going to be uniform in their ability to offer these options to their students. Each school community was required to provide the facilities to implement the new curricula, with the result that affluent communities were in a better position to raise funds to provide the new workshops, laboratories and the facilities to effectively teach the new curricula. Many rural schools chose to offer the cheaper options in each cluster. For example, in the industrial education cluster, most rural schools could only offer drawing and design and in the business education cluster, most schools offered commerce as these were the cheapest to implement in terms of basic infrastructure, and learning materials.

As a consequence of the disparities between schools, that affected their performance in critical national examinations, as well as their ability to finance the cost of offering the vocational subjects, pressure mounted on the government to reduce the number of examinable subjects. The Ministry relented and relaxed its stand on the vocational subjects schools were required to offer. This stand effectively diluted the number of options and the quality of the vocational education that could be offered and weakened the effort of communities to provide for the new curriculum. Thus students left school with little or no vocational skills at all. During a recent presentation to the Commission of Inquiry into the education system of Kenya, the Ministry of Education made a strong presentation recommending the reduction of examinable subjects in the formal school system. The Ministry proposed the reduction of examinable subjects to four, namely, mathematics, English, Kiswahili, and General Paper. This was clearly a reversal of the original vocationalization of the curriculum goal. For the secondary-school level, the Ministry recommended that «The secondary school curriculum should be flexible enough to allow the students to select at least six subjects in which they are interested and have ability to learn» (MOEHRD, 1999: p. 16). No direct mention is made of ‘vocational’, self-employment, as in previous government papers.

### ***3.1 The impact of general education on youth entering the informal sector***

Judging the impact of a curriculum is difficult and may require a long period of time to attribute success or failure to it. In the Kenyan experiment, it might be argued that the vocationalized curriculum was never implemented universally as planned, due to the difficulties previously stated. Unfortunately for most students, however, as they ascend the educational ladder it is inevitable that at the end of each cycle many enter the job market as fewer places for further education are available. Thus, the objective of providing young persons exiting at each level with sufficient knowledge and skills to enter the world of

work or self-employment was quite noble. However, this has been difficult to achieve. At the primary level the government has admitted that, «Some of the subject contents have been found to be unsuitable for primary-school level ... Graduates of primary school are not physically and mentally prepared and are not skilled enough to meet the challenges of the world of work» (MOEHRD, 1999: p. 15).

According to government figures, about 400,000 students took the primary school examinations in 1997. Out of these, about 186,000 (46.5 per cent) were admitted into secondary schools (GOK,1998). Thus, more than half were thrust into the job market. Some may have entered the youth polytechnics, informal-sector apprenticeship system and working as assistants in family businesses or subsistence farming. At the same time, nearly 600,000 (60 per cent) students dropped out of the school system before reaching the end stage, as about one million were originally enrolled at the beginning of the primary school cycle.

It is worth noting that the majority of informal-sector apprentices are those with eight years of primary school education or less. This fact contradicts the Ministry of Education argument that pupils at this stage are not old enough to prepare for the world of work.

At the secondary cycle the attrition rate is less, with over 80 per cent going on to the next stage. In 1994, for example, about 168,000 students were admitted into the first year of secondary education, while in 1997 about 149,000 (88.7 per cent) students began their fourth-year secondary education. The loss of about 11 per cent can be attributed to any number of factors, including repetition of the previous class. Following the secondary school final examinations, only about 9,000 students, or about 6 per cent of those who complete secondary school, were admitted to public universities. A very small number will access university education through local private or overseas universities. About another 10,000 students join other tertiary institutions such

as Polytechnics, Colleges of Technology, Teacher-training Colleges, Paramedical Training Colleges, and the Youth Service. Thus the majority of secondary-school graduates will end up in the informal sector, or in family businesses or subsistence farming.

The foregoing shows that the largest number of youth from each level of the education system will not find a place in the next higher level and will not find a job in the formal sector. The informal sector becomes the forced destination for the majority. Others that do not show clearly in statistics, work within family businesses or family subsistence farming.

### **3.2 *Tertiary education***

Institutions that provide Education and Training at this level include the Youth Polytechnics, Institutes of Technology (includes Technical Training Institutes and the National Polytechnics) and the Universities, Medical Training Centres, and Agricultural Training Colleges. Youth Polytechnics (YPs) number about 600 in the country and cater mostly to primary-school graduates. Lately, however, some secondary-school graduates have found their way into these institutions. YPs are mostly rural based and provide training that is practical-oriented and that prepares the youth for rural or urban employment or self-employment. A large number of the YP graduates form the bedrock of rural skilled labour, while many also enter into the informal sector in the urban areas.

The Institutes of Technology admit secondary-school graduates for a variety of programmes that mostly prepare the youth for positions in the formal sector. There has been a change in focus, however, as jobs have continued to be scarce in the formal sector. Now there is evident interest in encouraging the learners to think of careers in the informal sector or self-employment. Towards this end the parent Ministry now mandates the

offering of entrepreneurship education to all the students in these institutions. The subject is compulsory and examinable (GOK, 1988).

### ***3.3 Criticism of formal vocational education and training***

A common criticism of the formal vocational education and training system, particularly the component covered in technical institutions, is the relevance of the content matter. Content is often not matched to local needs and conditions. Graduates of the systems therefore tend to be versed in operations and processes that are non-existent in many small enterprises, less so the informal or self-employment sectors (ILO, 1988).

Another criticism of the formal training system is the method of delivery. There is little effort to take training outside of the confines of institutions and bring it near to where the people live and work. This becomes even clearer when it is observed that the majority of skill training takes place in the informal system, but there is no recognized connection between the two systems (ILO, 1988).

Lack of continued contact between institutional instructors and the workplace tend to make the instructors' teaching less and less relevant to the changing workplace. The ILO (1988) report suggests that a system of continued interaction between workplace and technical institutions must be maintained to preserve relevance of teaching content.

Due to their large number and dispersal throughout the country, Youth Polytechnics (YPs) could have been the most accessible training facilities for the majority of the youth in Kenya. Sadly this is not the case. Community-supported YPs are the training institutions of last resort for most of the youth. These institutions are plagued with a host of problems. They lack teaching equipment and facilities; materials for practical training; textbooks; and quality teachers. Enrolment in most is too low for economic running of the community



YPs. In contrast, YP institutions managed and funded by NGOs are often well equipped and attract more students than can be admitted, with many applicants being turned down. These NGO YPs produce graduates that easily find paid employment or successfully enter into self-employment. In some cases the latter institutions assist the trainees to procure tool-boxes that make it easier to enter into self-employment.

#### 4. Accessibility to skill training in the informal sector

##### *4.1 The informal apprenticeship*

The informal (traditional) apprenticeship system in Kenya has its roots in the Indian craftsmen imported into the country at the turn of the century to help the British Colonial Government construct a railway line linking the seaport of Mombasa with the interior of the country (King, 1977). With the completion of the railway line, the Indian craftsmen stayed and formed the basis of skilled technical manpower in the country. Their skills were needed to maintain the railway system, operate and maintain factories that were being started to provide goods and services, and construct buildings for the settler community (King, 1977). People from the local communities were initially engaged as labourers on the railway construction project but gradually, by working alongside the Indians, acquired enough trade skills to work as semi-skilled and, later, as skilled workers.

A key characteristic of informal skill training in Kenya has been its relative ease of entry. According to King (1977), people in the East African region had not developed long traditions of craftsmanship and the inherent need to protect the skills from others in order to ensure continued patronage, had not been ingrained in them. Entry then, as now, was based on kinship, friendship, and philanthropy (Ferej, 1994). Informal apprenticeship in Kenya had no rigid rules or time constraints about the duration an apprentice would take to



learn the trade. Once a learner entered into an apprenticeship his acquisition of skills would depend entirely on his aptitude, and the quantity and variety of work the owner/trainer was undertaking. A trainee could exit and seek employment elsewhere or start his or her own business, at any point he or she felt ready. In some cases the owner/trainer re-negotiated with the apprentice new terms, as the apprentice became more skilled. The fee structure too is quite flexible as the fees may range from nothing to amounts sometimes equivalent to high school annual fees (King, 1977; Ferej, 1994).

Another characteristic of the Kenyan apprenticeship system is the low regard for formal certification, unlike in some West African countries. The worth of the craftsman is measured in the quality of work he does (King, 1977).

With this flexible, non-protectionist mentality, trade skills have spread very rapidly in Kenya. The public has been the beneficiary of the abundance of skills as technical services are fairly cheap to obtain within the informal sector. The abundance of skilled craftsmen has helped to provide some essential skills in the rural regions of the country as well. Some of the skilled workers return to their rural village homes and set themselves up to offer services that were either unavailable or too expensive to obtain. Another important contribution of the informal apprenticeship system is the opportunity for large numbers of youth to obtain skill training with little cost to both the learner and employer, and at no cost to the taxpayer. It would be impossible for the current training capacity to absorb all the youth that are now obtaining training from the informal apprenticeship system.

#### ***4.2 The formal apprenticeship training system***

An alternative route into apprenticeship training is through a government-sanctioned programme. In 1973, the government enacted legislation to formalize the apprenticeship training system through a comprehensive National

Industrial Training Scheme for the training of craft apprentices. The scheme was based on the Industrial Training Act of 1973 (GOK, 1973), whose main objectives were to organize and ensure quality training of apprentices. Prospective trainees must meet minimum entry qualifications, currently pegged to secondary school certification, and must have a sponsoring company that would provide the work experience component of the training.

To encourage industries to train their workers in accordance with the new training scheme, a levy was introduced whereby all medium and large companies would be required to contribute. Those who provided training for their workers would be entitled to a reimbursement at the end of the year from the fund. The government presently encourages contributing firms to take on apprentices without any obligation to retain them at the end of the four years of apprenticeship. Presently a very small number of youth obtain training through this system. Between 1990 and 1996 a total of 4,468 craft apprentices were trained through the system (Ferej, 1997). This is an average of 750 persons per year. Many of the youth accessing training through the formal apprenticeship system nevertheless find themselves in the informal sector because the industries that sponsored them during their training period are not obligated to keep them at the end of training.

During the apprenticeship period the learners are required to take trade tests at appropriate levels of the programme. The lowest competency level awarded is at Grade 3 and Grade 1 is the highest level. The system of trade testing was started after the Second World War to provide a means of assessing skills and providing a hierarchical grading system to distinguish competency levels of skilled workers.

Some corporations, like the railways, started their own schools to train workers in skills pertinent to them. Nevertheless these apprentices still take trade tests as a means of defining their standards. It should also be pointed out that since the trade test is mostly a practical examination, individuals who

acquire skills through the informal apprenticeship system can take the test and legitimize their status, and secure pay commensurate with their skills in the modern sector.

### ***4.3 The learning process in apprenticeship training***

Most of the learning in apprenticeship training takes place on the job. In the case of formal apprenticeship training, the Industrial Training Act in Kenya mandates vocational college attendance for about six months in each year. The learning process for the apprentice involves observing, or actually working on tasks. Within the informal sector no time limits are imposed. Apprentices progress at their own pace and can exit whenever they feel they have acquired sufficient skills. A unique feature of apprenticeship training is that learning is inextricably linked to productive work or economic activity, that is in sharp contrast with learning in school laboratories, where the learner's activities are focused on educational outcomes (Wertsch, et al., 1984). Further, the work environment of the apprentice has an important bearing on the type, depth, and the speed by which knowledge and skills are acquired by the apprentice.

The breadth and depth of the Craft Master's knowledge and skills as well as those of the other journeymen will, to a large extent, determine the knowledge and skills the apprentices acquire. Additionally the social interaction between the apprentice and the journeymen (skill superiors) and other apprentices is also crucial to the overall development of the apprentice. Overall the contextual factor will determine the quality of technical and enterprise skills of the apprentices as well as their entrepreneurial interests. This factor is even more critical in the training of apprentices in the informal sector, where the learners do not have another frame of reference. Each apprentice works and learns in an environment that is unique to the specific business. Ultimately this is the experiences the apprentice will take with them in starting their own business.

#### ***4.4 Influence of the work environment on enterprise skill acquisition***

For most apprentices, learning how to run a business is usually outside the immediate requirement of their training. The standard practice is to be involved in learning those tasks that are relevant to the technical processes, for example learning to manufacture a component or a piece of furniture or learning to repair a broken piece of equipment. However each apprentice, depending on his or her keenness of observation or interest, will learn other business activities by simply being immersed in the environment for prolonged periods of time. In addition to an individual sense of observation, the type of the environment and the size of the enterprise will also impact on the quality and quantity of general entrepreneurial knowledge acquired.

In a small enterprise the close proximity of the owner/master to the workers provides the apprentice with an opportunity to observe many business activities. Customers in small enterprise environments tend to wander into the working area either to be shown products that would guide them in what to order, or to observe work being done. Important discussions are often held between the owner and the customer regarding costs, quality, deadlines, etc. Inadvertently the apprentices pick up critical information that would come in handy in the future when in their own businesses. Journeymen and senior apprentices also conduct work negotiations on behalf of the owners and thus directly acquire valuable business experience (McLaughlin, in OECD, 1990). This situation may not occur in a large enterprise. The workers seldom see the owners of the products they are working on. In such establishments signs are prominently displayed at the door to the work floor warning customers not to enter the area due to the risk of injuries. The shop workers are also often not aware of billing procedures and the actual fee customers pay for services. An apprentice learning in such an environment is, therefore, at a distinct disadvantage to his counterparts from small and informal enterprises

who have plenty of opportunities to observe and participate in other activities related to the enterprise other than production work alone.

#### ***4.5 Quality of apprenticeship training***

As explained earlier, apprentices in a formal setting often lack the variety of enterprise experiences that small informal-sector enterprises offer. Consequently apprentices trained in the formal sector or through the formal apprenticeship programme might lack critical skills needed in setting up their own enterprises. While the informal sector apprenticeship training offers its trainees more advantages than other formal apprenticeship in preparation for work, it too has some disadvantages. How much a learner acquires is critically dependent on the work environment, the breadth and depth of the sum total of the experiences of those in the unit, and the variety of the work involved. Clearly, therefore, the apprentice mirrors his work environment and if it is rich, then he will come out better trained than apprentices who were involved in a lesser environment. There is indeed a role for intervention programmes to enrich the knowledge and skills of the apprentices whose learning is only based on the job. The intervention could take the form of filling the gaps in business knowledge for owner entrepreneurs and work skills for apprentices or journeymen. Such interventions will have a multiplier effect as the next generation of apprentices will receive a higher level of knowledge and skills from entrepreneurs and craftsmen who would have had the benefit of outside training. This is precisely the gap which the MSETTP, sponsored by the World Bank, expects to fill by catalyzing the market in the informal sector to develop training providers that respond to the need of the sector.

#### ***4.6 The Micro and Small Enterprise Training and Technology Project (MSETTP)***

Unlike the programmes discussed previously, the MSETTP is a one-off intervention project that is being implemented with the assistance of the World

Bank. Its main objective is to establish a market for training and promote business development. Hereto, public and private sector trainers avoided the sector because of the perception that it was incapable of using, as well as paying, for such services. The MSETTP project has shown that serving the informal sector can be an attractive business. Sustainability is expected to develop through the micro and small enterprises appreciating the value of training and having the information to seek training to fill identified gaps in their operations. The MSETTP project expects to impart this culture by reducing their subsidy for repeat applicants for assistance.

The MSETTP Voucher Training Programme (VTP) was initiated in 1997. The project involved the cataloguing of all interested qualified training providers and the type of training that they could provide. Participants in the micro and small enterprise sector who were interested in specific training programmes were then invited to apply for desired training by completing appropriate forms. Successful applicants are required to pay 10 per cent of the cost of training to the administrators of the programme. The applicant identifies the training and the provider of his choice from the official catalogue of training providers. Once training has been provided, the training provider redeems the forms for reimbursement from funds provided by the World Bank. By mid-1998, about 4,000 vouchers had been issued indicating that the same number of persons had received various types of training that ranged from technical skills to managerial skills acquisition (MRTT&T, 1998). The first phase of the programme indicated that 85 per cent of the training was provided by master craftworkers. This is encouraging because it indicates the respect these hereto ignored informal-sector operators command. A danger exists, however, if the craftsmen find that training is so lucrative that they spend more time on training than actual work. This would effectively kill the whole concept of working on actual customer work while learning. The long-term impact of the programme cannot be assessed yet. The idea, however, is to encourage the operators of the informal sector to value training for specific needs, know



where to obtain training and be willing to pay for such training. This can only be effectively judged when the MSETTP stimulus is removed.

The programme also includes a technology component that envisages a system where locally developed tools and systems of work can be encouraged to solve specific problems. This phase is just starting and the component has been sub-contracted to the Kenya Industrial Research and Development Institute (KIRDI) for implementation (MRTT&T, 1998).

## 5. Implications for education and training

Formal education provides good preparation for the youth going to the informal sector. This is because, with some level of literacy and numeracy, the trainees can learn more easily on the job or take courses more easily. Perhaps a vocationalized curriculum as originally conceived might have played a more significant role in youth preparation. But since this was not effectively implemented due lack of adequate resources, it might be argued that a good general education could be a better preparation than a poorly implemented vocational preparation. Post-school education and training and apprenticeship programmes play a more significant role in youth preparation for work. The implication of these will be discussed.

### *5.1 Improving education and training in the vocational and technical institutions*

As mentioned elsewhere in this paper, VTIs need to re-focus their programmes to the needs of the market place. At the moment that means the needs of the informal sector, as this is where most jobs are to be found. The greatest change therefore must come in the culture of these institutions. At present they are examination oriented with little emphasis on practical skill development, innovation and problem solving. The education level of graduates

from this level is high as the average programmes take about three years. These trainees must be prepared to learn the realities of work in the informal sector. Once they come to terms with what the sector can offer, they are probably best placed to improve and do well due to the level of technology and scientific knowledge they have. At the same time, the VTIs need to play a more positive role in the training of apprentices by offering short-term courses that better meet their needs. The first phase of the MSETTP project showed that there was little interest in what they could offer. This is at variance with the facts because they offer improved prospects of institutionalizing the concepts created by the MSETTP project.

### ***5.2 Improving the informal apprenticeship training process for the youth***

The quality of training an apprentice receives is directly related to the work environment in which the training is conducted. To improve the quality of training in the informal sector, appropriate interventions are needed by the Ministry of Research, Technical Training and Applied Technology (MRTT&AT). The areas of intervention include flexible training programming for apprentices and trainers. MRTT&AT is responsible for the development of the informal sector, as well as technical training in general in Kenya. By providing flexible training programmes in its VTIs, MRTT&AT can have a multiplying training effect on the quality of training in the informal sector. Flexible scheduling requires the introduction of classes at times that are convenient to the operators in the informal sector. This largely means night classes. Another issue is the high academic entry point required to enrol into classes. Most studies have shown that at the present time informal-sector operators have primary education or less. Using the results of a good needs assessment, classes can be designed to meet the needs of these operators.

Training programmes can also be designed to meet the needs of the apprentices. The focus of such programmes would be to supplement informal

apprenticeship training rather than to substitute it. Master craftsmen who are the principal trainers can learn methods of improving productivity, basic record keeping, and how to find information related to problems encountered in the workplace. Flexibility in scheduling, course offerings, credit accumulations and testing is needed to make the programme attractive to the trainees.

In the final analysis, however, the craftsmen or apprentices from the informal sector must be able to see gain for themselves in order to make the effort and time to participate in the VTI programmes. One incentive that can be explored, for example (see World Bank documents), is making it easier for informal-sector operators who have participated in training to obtain development loans. A craftsman, for example, who has participated in some specific training programme and shows transfer of acquired skills to his work, could be recommended for concessionary loans. Similarly, apprentices who participate in VTI training could also build up valuable training credits that may also be a useful requirement for start-up loans upon completion of apprenticeship training. The apprentices could also be given guidance in the taking of the trade test examinations. Acquiring the certificate would give the individual trainee confidence as well as contribute towards improving standards in the informal sector.

### **5.3 Collaboration with VTIs**

To date little contact exists between the VTIs and the informal sector in Kenya, even though both are actively involved in the training of future technical operators and entrepreneurs (Ferej, 1996). Great opportunity exists for mutual gain for the two training sectors. In addition to the VTIs' theoretical and technical know-how that could supplement informal sector apprenticeship training, and improve efficiency and productivity of the artisan entrepreneurs, there are opportunities for the informal sector to complement VTI training for its current formal trainees. Students from the VTIs can seek internships with the informal sector during their regular industrial attachment phase, as well as

during vacations that amount to about three months a year. Such internships should provide the VTI trainees with a live and active business environment to acquire both technical and entrepreneurial skills that exist in abundance in the informal sector (Ferej, 1994). In the short term the opportunity to take VTI trainees would provide the informal sector with a new source of income as well as recognition. In the long term the sector stands to gain from interaction with minds trained to a higher academic level.

## Conclusion

Kenya will continue to rely on the informal sector for many years for employment creation for the youth coming out of the school system, retrenched employees and retirees, due to the depressed economic factors. It is also true that the majority of new entrants into the informal sector will continue to be the youth, as they form the largest number of job-seekers. For the youth, therefore, education and training to prepare them for work in the informal sector is extremely important. Adult entrants would normally have some work experience already.

The World Bank project is expected to attempt to bridge the gap between informal sector training and formal training systems. Already, a large number of youth in the informal sector have obtained training through the Bank-financed voucher system. It should be noted that most of the technical training that has been conducted to date has been by Master Craftsmen or private training providers, rather than the VTIs. This is indeed a healthy sign because market forces would seem to be at work in determining the choice of providers by the voucher holders. But if institutionalization is to be established, the VTIs need to be more active participants as resources expended through them may go into developing long-term training programmes. At the same time, because of the cash incentives provided by the World Bank project, the VTIs and the

informal sector could be brought together and help to reduce mutual distrust between the groups.

As more youth with an ever-increasing level of formal education enter the informal sector, so will it be easier to integrate training within the sector and the formal training providers such as the VTIs. VTIs however will have to do more to inject the necessary flexibility into their programmes to attract more trainees from the informal sector. In spite of reducing job prospects in the modern formal sector, VTI training is still pegged to the needs of the formal sector, the introduction of entrepreneurship education notwithstanding.

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# Chapter V

## Youth and work in South Africa: issues, experiences and ideas from a young democracy

*Adrienne Bird*

### Introduction

South Africa held its first democratic election in April 1994. From this vantage point it is possible to look both back and forward. Looking back does not just mean looking at the apartheid heritage, but at shifts which have occurred since 1994. It is therefore possible to begin to evaluate the short-term impact of the new government's interventions. Looking forward reveals the imperative to prioritize and plan optimum-impact implementation measures against a daunting range of challenges is all too clear.

This paper starts by providing an overview of the labour market and the position of young people within it. The analysis does not provide a highly textured understanding of the social position of young people, but even an overview is not complete without some consideration of the effects of HIV/AIDS and poverty. The paper then describes the education and training system and outlines the ways it is being moulded to support economic and employment growth and social development in the country.

Against this backdrop, the conclusion provides some reflection on policy implementation challenges which lie ahead and some of the ideas under discussion.

## 1. Unemployment and recession

South Africa faces a massive unemployment crisis, arguably one of the worst in the world “perhaps *the* highest in the world if compared with rates in countries of similar or larger population size”<sup>25</sup>. It is a country of some 40 million people, of which 13,785,493 are economically active. Using the strict definition<sup>26</sup>, 22.9 per cent were unemployed, and using the expanded definition<sup>27</sup>, 37.6 per cent were unemployed in 1997. Of those in employment under 50 per cent are employed in the formal sector – formal-sector employment has declined from 5,697,559 in 1990 to 4,904,027 in 1997 – and the trend shows little respite. Of the unemployed, 35 per cent are below 25 and 72 per cent are below 35. These figures are national averages, the level of unemployment is much worse for the African population – for example, 61 per cent of young Africans between the ages of 16 and 25 are unemployed! Across all groups unemployment for women in the same age cohort is 54 per cent and for rural people, 56 per cent.

Poor economic growth is at the heart of this problem. Economic stagflation contributed to the decline of apartheid and since its demise, economic growth had not risen much above 3 per cent in the mid-90s and is hovering just above 0 per cent at present. Although there has been a net increase in foreign

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<sup>25</sup> Fallon, Peter and Lucas, Robert: South Africa labour markets adjustment and inequality, The World Bank Southern Africa Department, Discussion Paper 12, 1998.

<sup>26</sup> Strict definition: those people who are willing to accept a ‘suitable’ job if offered and have actively sought employment in the previous month (definition in Census).

<sup>27</sup> Expanded definition: those who did not work at the time of the census but were looking for work.

direct investment since 1994, these increases have not been able to offset the net foreign direct investment outflows. The Asian crisis has certainly exacerbated the problem.

Mr Elliot Riordan, an economist in the Development Economics Vice-Presidency at the World Bank, recently noted that “The outlook remains somewhat gloomy for developing economies, with most of the slowdown in world economic growth in 1998-2000 being felt in developing countries. Those countries that have weak export markets or rely heavily on primary commodities for export will be particularly negatively affected by the financial crisis”<sup>28</sup>. This is bad news for South Africa, with its exports still dominantly gold and coal.

The poor labour absorption of the economy is aggravated by the abundant labour supply. Bhorat and Hodge have attributed this to a complex interaction of four key factors – (lack of) economic growth, multi-factor productivity growth, production method changes and, finally, structural (intersectoral) change linked to rapid trade liberalization. The net effect of these factors has been a lower demand for workers at the bottom end of the occupational ladder and increase in the demand for more skilled workers in the formal economy. The racial manifestation of this is that the group that has benefited the least from these shifts in labour demand has been African workers who, because of past discrimination in education and labour market policies, are concentrated in elementary occupations. These factors have behaved in this way due to historic bias of government incentives towards capital-intensive investments and a strongly monopolistic pattern of productive assets ownership – monopolistic practices overlaid with racist barriers to competition.

Since 1990, and more markedly from 1994, trade liberalization has had an increasing effect. The ILO South Africa Country Report on the ‘Social

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<sup>28</sup> Quoted in Trade and Industry Monitor, March 1999, Volume 9, South Africa, page 21.

Impact of Globalization'<sup>29</sup> found that traditionally strong sectors - such as the commodity exporting sectors – have been able to take advantage of the new trading environment. However, productivity increases have been achieved by labour shedding more than technological innovation. In mining, for instance, there has been the loss of 57,600 jobs (9.5 per cent) since 1994 and manufacturing has lost 94,900 (6 per cent). More labour-intensive sectors have tended to face increased competition on the domestic market and have also shed labour, although less markedly than the commodity exporting sectors. Only the trade and services sectors have seen any employment increase, but these have not been large enough to offset the losses in the primary and secondary sectors. Overall, South Africa has experienced a massive decline in agricultural (3.9 per cent) and mining (2.8 per cent) sector employment and an increase in financial (6.1 per cent) and other services (3.8 per cent)<sup>30</sup>. These shifts have taken place in a context where absolute employment levels have increased by a meagre 13.8 per cent in 25 years.

Counter-intuitively, wages have risen for those in employment in line with productivity improvements. More traditional analysts argue that the rise in incomes for those in the formal sector has contributed to the low labour absorption rate of the South African labour market. These analysts blame labour legislation, which they believe introduces inefficiencies in the labour market. Others, notably the trade union movement, argue that macroeconomic policies and rapid trade liberalization together with productive asset concentration and monopolistic practices, are stronger determinants<sup>31</sup>. World Bank analysts have argued that extreme income inequalities in the labour market, caused by apartheid policies, are working their way out of the system

<sup>29</sup> South Africa: Studies on the social dimensions of globalisation, Task Force on Country Studies on Globalization, ILO, Geneva. 1999.

<sup>30</sup> Borat, H. and Hodge, J. Decomposing shifts in labour demand in South Africa, 'People and Work' paper for Human Sciences Research Council, 1998.

<sup>31</sup> Heintz, James: Labour demand and job creation in South Africa, National Labour and Economic Development Institute, June 1998.



and rising African wages are correcting artificially low wages for Africans brought about by apartheid influx control.

Whatever the causes, all agree that there is an employment crisis in South Africa. Unless economic growth associated with high levels of labour absorption can be achieved, the prospect of significant numbers of young people finding employment in the formal sector is extremely limited – irrespective of the active labour market or skill development strategies adopted.

What of the informal sector? South Africa has fewer people active in the informal sector than unemployed people – a profile which is unlike that of any other developing countries<sup>32</sup>, largely due to apartheid policies which suppressed entrepreneurial activity of the African majority for nearly 50 years. The ILO South Africa Country Study reported that for African men, white men and white women the rate of self-employment is approximately 10 per cent, and for African women is 18.4 per cent. The majority of some 2,664,554 ‘survivalist’ and ‘informal’ activities occur in agriculture (781,193 or 29 per cent), construction (112,124 or 4 per cent), trade, catering and accommodation (455,554 or 17 per cent) and community and social services (925,859 or 34.7 per cent)<sup>33</sup>. Of all informal-sector activity, only 23 per cent of black people worked in production or trading activities. Subsistence agriculture is underdeveloped because of past land policies. Perhaps the fastest growing sector has been the taxi industry – where some 300,000 have become taxi drivers or owners.

So how do the poor survive, beyond dependence on limited social pensions? In general, poor families depend on income from the wage of a family member. Where there is no such income earner extreme poverty results.

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<sup>32</sup> Fallon, Peter and Lucas, Robert: South Africa labour markets adjustment and inequality, The World Bank Southern Africa Department, Discussion Paper 12, 1998.

<sup>33</sup> Adelzadeh, A.; Alvillar, C.; Mather, C. “Poverty elimination, employment creation and sustainable livelihoods in South Africa”, A NIEP Report for UNDP, 1998, *Table 13*, p. 39.

In a recent study of one of South Africa's four main urban centres, Durban, it was found that three types of economic activity had increased since 1994 following the lifting of influx control:

- Firstly, new hunter-gatherer-type societies among the urban poor have emerged that are based on new networks and accumulate anything that can be accumulated from waste products like metal, copper wire, gas tanks, cardboard, synthetic materials, fuel, to whatever gadgets they can lay their hands on, steal, beg or borrow; these they sell for their survival. These micro-communities, many of whom are homeless, are expanding; the report provides the following example: the paper and pulp industry has outsourced to agencies the collection of waste-paper - labour in these, mostly black-owned agencies, is temporary and casual and concentrates on areas where bulk collection occurs. They themselves have women recyclers on the streets who collect paper and cardboard and get paid by the kilogram. None of these processes have expanded formal employment; the only expansion is in terms of the survivalist side of the trade as poor women and their children scour the streets for scrap.
- Also, new forms of servitude, of *dependent* labour are growing. If casual labour refers to occasional labour activity to execute formal jobs, these activities are *subcasual* and are at the beck and call of individuals who demand chores, duties, sexual favours and services. It appears that some of the most exploitative relationships are within extended family networks.
- The most visible form of work relates to the growth of street traders and hawkers, selling basic needs-related commodities to the black poor, trinkets and memorabilia to tourists, and food below formal shop-prices to urban workers<sup>34</sup>.

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<sup>34</sup> Sitas, A. "From people's skills to people's jobs- job creation and training in the Greater Durban area", research done for the Metro's Economic Development Department and the Job Creation Network, 1999, p. 13, emphasis added.

The same report makes the sobering assertion that incomes from these various activities range between R50 to R200 per month. It further asserts that raising these income levels cannot be achieved through internal resources alone. Indeed “the only occupations available that could radically boost income are illegal (high-jacking and drugs for the young men, prostitution and sex work for the women)”<sup>35</sup>.

These incomes are substantially lower than those earned in the formal sector, as can be deduced from *Table 1* showing the distribution of income levels<sup>36</sup> (in %).

**Table 1. Distribution of income level by group of population**

	Men				Women				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Above R3,501	6.0	11.6	29.7	64.7	5.2	7.1	16.7	35.4	16.2
R1,501 - R3,500	20.1	27.6	38.4	22.5	13.3	21.5	32.4	40.4	21.7
R1,001 - R1,500	23.8	21.0	18.3	5.7	12.5	21.9	26.0	10.4	17.4
R501 - R1,000	24.4	20.4	8.8	3.2	21.4	19.5	16.0	6.2	18.6
R0 to R500	25.7	19.4	4.8	3.9	47.6	30.0	8.9	7.6	26.1
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

<sup>35</sup> Ibid, p. 45.

<sup>36</sup> 1996 October Household Survey, Statistics South Africa. Exchange rate approximately R6 to 1 US dollar. So 26 per cent earn below \$83 a month, and 62 per cent earn below \$250 a month.

The report concludes: “Nevertheless what is happening despite us, is a shift away from a system of high and stable wages to one with unregulated flexibility and subcontracting, despite trade union protests. At the same time, project-based development projects, pioneered by NGOs for absorbing and training young, black people, are beginning to compete and take over the jobs of the formal sector with incomes far below union rates. The difference between them and employers is their altruistic and community-conscious intention. Whichever way, by omission or commission, the city cannot afford any further deterioration of stable incomes, or the effects on the poor will be devastating”<sup>37</sup>. It concludes that there is a need for all levels of government to link to community-level productive networks and to promote the production of new things, new commodities and services, of moving towards new specializations based on new technologies; it suggests that the search for alternatives, no matter whom it involves, has to be facilitated at local government level and has to include the contribution of productive networks that produce “a people’s plan” that turns unemployment into employment and vulnerability into security.

How widespread is outsourcing and subcontracting? In the Labour Market Flexibility Survey conducted in 1995 and 1996 it was found that some 85.5 per cent of firms reported that they had made use of temporary/casual workers and 43.5 per cent had used contract labour. For those that argue that the South African labour market is over-regulated, it should be noted that these arrangements have taken place within the framework of the existing labour legislation – and the accusation of too much ‘rigidity’ seems exaggerated.

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<sup>37</sup> Ibid, p. 49.

## 2. Social dimensions of unemployment

The ILO Country Study reports poverty rates amongst Africans of 54 per cent<sup>38</sup>, 25 per cent amongst Coloureds, 8 per cent amongst Indians and 0.5 per cent amongst whites. And a recent UNDP Study finds that the strongest contributor to poverty is unemployment. The study also finds that “South Africa’s income inequality is considered to be one of the highest in the world. A recent CSS survey shows that more than 65 per cent of all household income is at the disposal of the richest 20 per cent of households, while only 3 per cent goes to the poorest 20 per cent. African, female-headed households represent the poorest group in the country, followed by African, male headed households. At the opposite end, white, male headed households are the most affluent”<sup>39</sup>.

The HIV/AIDS virus has reached epidemic proportions. The national infection rate, as measured by the number of women testing positive in anti-natal clinics, has risen from 10.4 per cent in 1995, to 22.8 per cent in 1998<sup>40</sup>. Within this figure, the highest infection rate has been measured amongst those between 15 and 24 years old, where the rate is about one in four.

It is hardly surprising that these manifold problems are a nightmare for young people in South Africa. Some of these are:

- ‘No hope for the future’. Fatalism is widespread. It is associated with passivity and dependency.
- ‘Poor social interaction’. Unemployed youngsters, especially in communities where unemployment is high, have few positive role models.

<sup>38</sup> The poverty rate is based on an absolute poverty line according to per capita income. ILO South Africa Country Study, Table 4, p. 79.

<sup>39</sup> Adelzadeh, A.; Alvillar, C.; Mather, C. “Poverty elimination, employment creation and sustainable livelihoods in South Africa”, A NIEP Report for UNDP, 1998, p. 44.

<sup>40</sup> Department of Health, Annual Anti-Natal Survey, 1998.

An increasing number live in homes where their parent/s or guardians have never worked. Many feel deserted by the society and government. There is an increasing alienation between the 'have's' and the 'have-nots'. This class divide is experienced from both sides.

- 'No source of income'. This is a consequence of unemployment. Self-employment is not generally perceived to be a viable alternative, and there are still too few successful entrepreneurial role models in African communities. Apartheid prevented access of African entrepreneurs to the market and small business people who were successful became identified as 'collaborators with apartheid'.

In this context, sexual and substance abuse are widespread and the incidence of crime constitutes a national crisis.

There is a reciprocal perception by employers. The ILO Country Review conducted in tandem with the Presidential Labour Market Commission<sup>41</sup> in 1996, found that when employers were asked to indicate the preferred age of new recruits, "42.8 per cent had no preference and 17.9 per cent said 'any age under 45'. In an interesting contrast with the experience of other countries, the most likely age group was 26-35, considerably older than was typical in the Philippines and Malaysia, for example." The authors of this report asked the question: "Why do manufacturing firms tend to prefer to recruit production workers at an older age than in other countries?" Many believe that the reason is linked to poor schooling and social problems linked to disrupted family life under apartheid and in the struggle to effect its overthrow. Employers prefer to wait for poverty to domesticate young people! This is evidenced by *Table 2* showing the distribution of unemployment across age groups.

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<sup>41</sup> Standing, G.; Sender, J.; Weeks, J. "Restructuring the labour market: the South African challenge", An ILO Country Review, Geneva, 1996, p. 340.



**Table 2. Distribution of unemployment across age groups**

	<b>16-25</b>	<b>26-35</b>	<b>36-45</b>	<b>46-55</b>	<b>56-65</b>	<b>Total</b>
Number	1 361 591	1 436 665	687 363	322 323	6 476	3 872 707
Percentage	35.16	37.10	17.75	8.32	1.67	100.00

### 3. Government responses to unemployment

Over and above its legislative programme, in October 1998 the government, together with organized business, labour and community interests, convened the country's first-ever Jobs Summit. This event was preceded by months of negotiations under the National Economic Development and Labour Council (NEDLAC)<sup>42</sup>. These negotiations could not resolve differences on macroeconomic or labour market policy, but parties agreed to disagree and went on to focus on a wide range of specific interventions to address job loss and job creation. In many instances the programmes discussed were not new, but were integrated into a more coherent framework supported by social agreements. Some of the measures included:

- Focus on a number of integrated provincial projects – impoverished areas with the potential for industrial or service-sector growth in which co-ordinated efforts would be taken to promote private-sector investment.
- A major initiative to promote mentorship of SME's by established business.
- Job creation schemes to be funded by government. These are to link to the preservation, reclamation or production of community assets – schemes such as 'Clean and Green Cities Campaign', 'Working for Water' (rooting out exotic trees which are using scarce water) and 'Community-

<sup>42</sup> NEDLAC is a quadripartite national body established by the new government to promote national stakeholder participation in governance. NEDLAC reviews labour legislation before it is tabled to parliament.

Based Public Works Programmes' (such as labour-intensive construction of tertiary roads, clinics and schools).

Youth were specifically targeted in the Jobs Summit. The social partners agreed to the introduction of a Youth Brigade Scheme that is to give special access to young people to the job creation schemes of government, and to incorporate *life* as well as *vocational* skills. Young people also sought special access to new jobs created in the construction of new infrastructure in integrated provincial projects. Initial projects have begun.

Significantly, both organized employers and organized trade unions rose to the challenge put by government to contribute to job creation. The employers announced a new Business Trust to be funded by a voluntary turnover contribution by their members. The Trust is to focus on the promotion of the South African tourism industry and includes a major education (primary education literacy and numeracy upgrading) and training component. The trade unions announced a new job creation fund to be resourced by a voluntary contribution of one day's pay by all their membership; 3 March, 1999 was the day on which the contributions were collected.

However, the greater challenge is to find agreement on underlying macroeconomic, industry and labour market policies. Particularly urgent for young people will be agreement on issues such as youth wages, probation periods and organized work experience within the collective bargaining realm.

#### 4. School and skill issues for young people

Educational level contributes to employment and income inequality. Statistics South Africa noted in 1998 that the relationship between education and unemployment was 'curvilinear', i.e. unemployment was highest (25 per

cent) for those with an intermediate amount of education, and lower for those with none (19 per cent) or with 12 years of schooling or more (18 per cent)<sup>43</sup>. The level falls dramatically at higher levels of education. Lucas and Fallon found that the probability of an African with 14 years of education being unemployed was around 1 per cent, as compared to about 30 per cent for those with 10 years of education<sup>44</sup>. For a person aged 25, the wage differentials accruing per year of education for those with 14 years of education compared with those with no education were 17.1, 15.7 and 18.8 per cent for Africans, whites and other groups respectively – high returns by international standards.

It is difficult to prove that skill shortages inhibit high economic growth. But the dramatic fall-off of unemployment for those with high-level skills, and the wage premium that is earned at these levels relative to intermediate levels, appears to support this contention.

The fact that apartheid denied black South Africans a good quality general education has been widely documented. This was one of the first areas of intervention of the new democratic government. One measure of the change is the different age profile of school leavers. In 1993, only 18 per cent of African students writing their school leaving examinations were under 18 and 82 per cent were 19 or older, signally high repeater rates. In 1995 the figure of those under 18 had risen to 43 per cent and consequentially 56 per cent for those over 19<sup>45</sup>. The reason for the continued, although improved, level of learner repetition rates is to be found in poor-quality learning and teaching opportunities, which persist in many schools. (Government is incrementally

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<sup>43</sup> 1998 Statistics South Africa, Unemployment and Employment in South Africa, Table 9, page 60.

<sup>44</sup> Fallon and Lucas, Figure 4, p. 14 and p. 29.

<sup>45</sup> 1997 South African Science and Technology Data Overview, Foundation for Research Development, Figure 1.1.

tackling problems but, given the scale, they could not be resolved overnight). But the poor prospects of finding work after school also contribute – young people remain at school in an attempt to attain the tertiary-level entry qualification as a hedge against unemployment. In the age cohort 20-24, some 16 per cent enrolled for tertiary education in recent years. There is pressure for these institutions to accept more learners, but financial constraints are limiting access – and student-support schemes are unable to afford to meet the demand.

Those students who leave school without a ‘matriculation exemption’ entitling them to proceed to tertiary-level learning have few other options – and have a high chance of remaining unemployed. There has been an 80 per cent decline in the number of apprenticeships from the mid-1970s, with an absolute level of about 5,000 new contracts signed in 1995. There is an intermediate college sector which provides occupationally oriented courses to students, but these students are often less likely to be employed than people with work experience<sup>46</sup>.

The trend of different occupational groups (see *Table 3*) is indicative of where such people are finding employment.

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<sup>46</sup> Standing, G. et al., p. 340. The Report indicates that when recruiting production workers, 51.4 per cent of employers stated work experience was the most important characteristic, followed by 11.1 per cent who sought training and 9.6 per cent cited schooling. For employees, 58.4 per cent stated work experience was most important, followed by 14.4 per cent training and 7.3 per cent schooling.

**Table 3. Employment of occupational groups, 1970-1995<sup>47</sup>**

	Professional	Manager	Clerical	Service	Farming	Production	Labour	Transport	Unspecified.	Total
<b>Employment</b>										
1970	356402	115058	732635	1243348	2522471	1679794	587884	286389	18137	7542118
1995	1300700	425400	1690200	1165800	1155800	1556100	610400	644100	36700	8585200
% change	+265.0	+269.7	+130.7	-6.2	-54.2	-7.4	+3.8	+124.9	+102.3	+13.8
<b>Share</b>										
1970	4.7	1.5	9.7	16.5	33.4	22.3	7.8	3.8	0.2	100.0
1995	15.2	5.0	19.7	13.6	13.4	18.1	7.1	7.5	0.4	100.0
Change	+10.4	+3.4	+10.0	-2.9	-20.0	-4.1	-0.7	+3.7	+0.2	0.0

The low educational levels of the unemployed are circumscribing the type of informal-sector activity, and the value added of that activity.

## 5. Government responses – education and training

The new South African government has made a number of important interventions in the education and training arena. The most important of these are the following:

### 5.1 *Quality and access*

The quality of learning opportunities across the country is low for the majority of South Africans. To address this problem, the Ministers of Education and Labour joined forces to introduce a National Qualification Framework through the South African Qualifications Authority Act (SAQA Act) in 1995. This Act provides for an outcomes-based system where there is an explicit focus on what has been learned, as measured against socially agreed standards.

<sup>47</sup> Bhorat and Hodge, Table 5, p. 8.

The National Qualification Framework (NQF) provides for the registration of general education as well as occupationally oriented education and training standards at general, further and higher levels of learning. It is made up of eight agreed national levels and a range of learning progression routes. Agreement on standards to be registered is recommended by 12 National Standards bodies made up of employers, trades unionists, government officials, professional bodies and education and training providers. This wide social partnership will enhance labour market as well as formal currency of qualifications.

Once standards and qualifications are registered, the quality assurance of the standards is ensured by a second set of established and new institutions. They register assessors and keep a record of learner achievements. They also formally accredit providers as competent to train. Quality assurance bodies will be established across the general preparatory learning system (schools and universities) as well as to oversee industry-based learning. The Sector Education and Training Authorities, to be described later, perform this function for firms in their sector, in partnership with professional bodies who carry out quality assurance at the tertiary levels.

The model was proposed to enable both young and older learners to have their current learning recognized through a process of Recognition of Prior Learning, and then have the opportunity to progress further in learning, be it in full-time or part-time contexts. The Authority has been accepted by tertiary institutions as well as industry and is slowly moving to a situation where standards can be registered and quality of learning providers and programmes can be assured nationally across the board.

## **5.2 *Schooling***

Within the limitations of this presentation it is not appropriate to describe the wide range of initiatives taken by the government to improve access to



schooling and the quality of that schooling. It must be noted that a Schools Act has been passed by the Minister of Education, which aims to effect a holistic transformation of schools. It introduced more autonomous school governing councils, a culture of learning and teaching, improvements in the quality of all educational inputs including curriculum (based on SAQA-type outcomes-based learning models), teacher upgrading and improved teacher/pupil ratios in the country.

The most radical transformation effected by the government is the elimination of all racial restrictions on access. All children are now required to attend school and schools are not permitted to turn away a child on the grounds of race. There has been a massive movement of black students into previously white schools in urban areas as these are perceived by many to offer a better-quality education. Schooling is now compulsory for all children for ten years, including a preparatory year.

### **5.3 *School-to-work initiatives***

The Ministers of Education and Labour have launched complementary initiatives to improve the range of learning opportunities available to learners in the post-compulsory learning phase and to enhance the responsiveness of the learning to the labour market.

The Minister of Education has passed the Further Education and Training Act. This legislation is focused on years 10, 11 and 12 in the schooling system and equivalent learning opportunities available in technical and community colleges. The Act puts in place a system of funding that guarantees 80 per cent of funds from the state to state-funded institutions. However, colleges are given 5 per cent incentives to focus on learning outcomes (NQF) as well as support to the most vulnerable students. But it does require colleges and other institutions of further education to find 10 per cent of their own funding. This is intended to improve responsiveness to community and industry

needs for social development and economic growth. Innovation has already begun – colleges are introducing hives for those moving towards self-employment, and are beginning to seek to meet the needs of industry and find income-earning opportunities.

The Minister has also passed the Higher Education Act. This Act seeks to improve the access of previously disadvantaged groups to higher education, on the one hand, and to improve the responsiveness of learning to the needs of the society. The Further Education and Training Act as well as the Higher Education Act envisage that learning institutions should prepare three-year rolling plans, composed of a new focus on learning programmes. State funds will increasingly be weighted towards those programmes which are perceived as vital to underpin reconstruction and development of the society - mathematics, science and technology and the like. Both Acts introduce advisory bodies to the Minister of Education regarding policy and allocation of resources.

#### ***5.4 Learning for work, learning at work***

The Minister of Labour has introduced two pieces of legislation: the Skills Development Act and the Skills Development Levies Act. These seek to improve the quantity and quality of learning for those already in work (be it self-employment or formal-sector activity) and those seeking to enter the labour market. The Skills Development Act establishes the National Skills Authority – NSA – that will advise the Minister on a national skills development strategy and means for its implementation.

A central vehicle for implementation will be about 30 Sector Education and Training Authorities (SETAs) to be established across the economy, e.g. Transport, Tourism, Banking, Construction and the like. These are employer-trade union-government bodies, charged with the responsibility of promoting skills development in their sector. SETAs have been designed to improve the quality of demand-side information on skill needs and priorities. SETAs will

be required to prepare Skills Plans on an annual basis – and these plans will have to identify skill targets and priorities for productivity and employment growth. Each SETA will be required to attend to the skill needs of both large and small employers in the sector. SETAs also provide an opportunity to diffuse the work of research agencies into industry.

The Skills Development Act also introduces a new framework for combining structured learning and work experience. Learnerships are being introduced to promote ‘apprenticeship-like’ qualifications, but at any level of the National Qualification Framework and in any field of occupational learning. SETAs will be responsible for their development and implementation. It is intended that they will identify areas of employment opportunity or constraint and then design learnerships to meet the need. These opportunities may be in the formal or informal segments of industry. Already 217 learners have completed the first four pilot learnerships in construction and tourism. Learnerships provide an ideal vehicle for a new and dynamic partnership between initiatives of the Department of Education and Labour – responsive institutions will provide the structured learning and SETAs will assist in finding placements for learners. Learning institutions will be able to secure additional funds from SETAs for this work.

SETAs are required to serve both large, small and emerging firms in the sector – for example, the Transport SETA will assist taxi drivers to upgrade as well as large railway companies. It is, however, recognized that SETAs will tend to be dominated by large firms. Hence the NSA has agreed to establish a standing sub-committee on SME promotion, on which all SETAs will be represented. This is what is envisaged. However, the NSA will need to link with multiple initiatives driven from outside its current area of responsibility. Some of these include initiatives launched by the National Youth Commission, an agency set up by legislation<sup>48</sup>. These programmes include such initiatives

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<sup>48</sup> National Youth Commission Act, 19 of 1996.

as: the Youth Employment Clearing House, that provides specialized employment information; Youth Employment Strategy that seeks to generate synergies across government departments at national and provincial level; Youth Enterprise Strategy for self-employment; and Research on Youth Economic Participation and Awareness.

The Skills Development Levies Act is designed to put in place ‘user charge-type’ incentives and thereby to complement the Skills Development Act. It introduces a 1 per cent private-sector payroll levy. All firms will pay the levy, but will be able to claim grants for training done from their SETA, provided the training meets basic quality criteria. The training will increasingly need to align with the National Qualification Framework, to ensure quality. Enterprise-wide training plans will leverage block grants back to firms – but these plans and their implementation will also be quality assured. Firms will either deliver their own programmes or purchase training from training providers.

SETAs are expected to grow into a major resource for firms. SETAs may use a prescribed percentage of their levy revenue to assist with the development of sector skill plans, the design of learnerships, assistance to firms to develop enterprise skill plans and quality assurance of training. The standards on the National Qualification Framework will be used for all training plans. Funds may also be used to support research into trends and shifts locally and abroad in the sector.

The public sector is also included in all of these initiatives. Government departments will join the SETA most relevant to their area of work so, for example, the Department of Transport will join the Transport SETA. Government departments will also have to develop training plans. However, they will not pay a levy in the same way – and instead will have to budget 1 per cent of personnel costs. The public service will also have to conform to training standards registered on the National Qualification Framework. Only

two public-sector-only SETAs will be established – one for Local Government, and one for the Public Service.

Implementation of these policies will commence in earnest during the second term of office of the new democratic government. Already extensive plans have been laid.

### ***5.5. Learning in the context of job creation projects***

Various government departments have launched job creation schemes - and these were confirmed and extended at the Job Summit. For young people the key concern has been securing access to these schemes and ensuring that some learning takes place within these programmes – including life skills.

The Department of Labour's Employment Services local offices are increasingly positioning themselves to act as a selection and referral agency for these schemes. What proportion of which group – young/female/local/person with disability – is a matter for a local community accord.

In general, programmes such as Youth Brigades or Youth Service schemes are more geared towards reintegrating young people back into productive society, and are less focused on the delivery of hard skills. By contrast, learnerships are strongly focused on occupational skills and aim to gain a reputation for high-quality training.

## **6. What does this all mean from the perspective of a young person?**

A young person will have a number of increasingly clear options when contemplating entry into the labour market once South Africa's policies are fully implemented:

- (a) Improved information and guidance about the labour market when making

career choices – both from the learning institution as well as the employment services local office. SETAs will play an important part in preparing up-to-date information on trends.

- (b) Placement in a formal-sector job, if one is available and the young person is qualified.
- (c) Return to full-time learning with a view to acquiring occupational skills that appear to be needed.
- (d) Entry to a learnership – with structured learning and work experience in an occupational area – with work experience facilitated by a SETA or college.
- (e) Placement on a job creation scheme if the young person needs to be ‘oriented to the labour market’. Youth brigades and Youth Service Schemes are envisaged.
- (f) Preparation to commence their own business, either alone or in partnership with others, with support available from various agencies.
- (g) Work experience, linked to probation periods and life skills could fill the gap between youth brigades and learnerships.
- (h) Young people already in work, either in the formal sector or in self-employment, should be able to access upgrading opportunities. Employment equity legislation should assist those who have previously suffered from discrimination.
- (i) Support for those with substance abuse problems, victims from sexual abuse or violence and psychological problems will require special support.

Improved government co-ordination will be needed at the local level to make these choices real for young people across a broad scale. A commitment in this regard has been secured already and collaborative work has begun. The National Youth Commission is making an important contribution to this work.



## Conclusion

In conclusion, some reflections are provided on the five themes of this round-table discussion from a South African perspective:

- i. Youth at risk* in developing middle-income countries. Targeted policies for youth at risk, whether preventative or curative, will remain marginal in a wider sea of critical unemployment. Difficult choices have to be made about the allocation of scarce resources, although these choices have to be situated in the context of the social cost of not prioritizing this group.
- ii. Youth training schemes* are being introduced in the South African context as a way of dealing with the extremely high incidence of unemployment amongst school leavers. Evidence, even at this early stage, suggests that post-qualification placement in formal or self-employment will remain the greatest challenge. And placement is at its most severely difficult where there is no practical work experience.
- iii. Training for the informal sector* is a relatively new area for South Africans and there is a great need to further explore it. However, even at this early stage, the current experience seems to be in line with lessons elsewhere, that this training:
  - Needs to be rooted into the social context and productive networks of the learners and their communities;
  - Needs to be linked to other interventions such as credit assistance and marketing and technology advice. The most successful examples have been linked to ‘hives’ where integrated support has been provided.

Even at the survivalist end of the spectrum, success has been achieved when additional services, such as bulk-buying arrangements, are in place.

However, failure rates across the board remain high and reasons need to be analyzed more carefully. It is, furthermore, a concern that there is evidence of displacement of formal for informal-sector activity.

- iv. *Links to work:* the South African formal apprenticeship system has failed to rise to the challenge of providing a bridge for young people to enter the labour market.

The newly proposed 'learnership' system is an attempt to remedy this problem. It provides for structured learning and work experience and culminates in an occupational qualification. Recent experience suggests that this framework is promising, but extensive support is still needed to bridge from the learnership to placement and self-employment. In addition, firms require real financial incentives to participate in the scheme. It is hoped that the levy-grant scheme will help to provide these incentives and encourage firms to both provide opportunities for work experience and then facilitate post-training placement.

There is, at present, a problem on the side of training providers, and it is expected that the programmes of the Department of Education will enhance the capacity of providers to support learnerships in a more flexible way.

- v. *Partnership frameworks.* South Africa certainly enjoys a very dense institutional environment. It is also a new environment - so it is too early for evaluation. However, the South African Government, led by the Ministers of Labour and Education and the Office of the Deputy President, is taking measures to ensure that the various interventions add up to a coherent people-development strategy at the end of the day.

But a coherent people-development strategy only makes sense if it can complement and strengthen a broader growth and development strategy. Building a skill base responsive to existing demand is one challenge, but laying the basis for new demand is even more vital in a society like South Africa, where there is simply inadequate demand at the moment. And if the South African economy is to rise above the status of a commodity-exporting nation, it needs to aim at greater value adding across the spectrum of survival, micro-enterprises, import-competing and exporting firms. These niches are, after all, interconnected components of the economy, not islands, as the women and children scouring for paper on the streets of Durban understand only too well.



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