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Youth unemployment: can labour-market intermediaries help?

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Labour-market intermediaries can make a significant contribution to the reduction of youth unemployment. They recognise that the demand for labour is not fixed. By reshaping the attributes and broader workplace skills of the young jobseeker, labour market intermediaries can help overcome employers' reticence to employing first-time workers. Such interventions, although small in scale, may be more successful than larger public works schemes of government. The potential positive impact of such intermediaries is demonstrated with international examples.

Introduction

Youth unemployment remains one of the most vexing problems facing South Africa. Numerous ideas, proposals and policy initiatives have been proposed or tried out. Yet the problem persists. Most observers look to the government or alternatively to private-sector employers for solutions. The question arises as to whether we are looking widely or creatively enough for policies or institutions that can help address the situation.

This article examines the potential role of a different type of institution, i.e. labour market intermediaries, in enabling young job-seekers to gain access to jobs. What such an intermediary can do, if it adopts an appropriate focus, is to actively change the 'mismatch' or inefficiencies in the labour market between (a) the attributes and broader workplace skills of job-seekers and (b) the employers' (i.e. firms') demand for labour and in particular the reticence of employers to employ first-time entrants.

While prevalent internationally, such intermediaries have not really been used in South Africa. The purpose of this article is to highlight the potential of these labour market intermediaries and encourage experimentation with them in South Africa (see Kraak 2015).

Why is there a need for intermediaries? The demise of internal labour markets

The emergence of opportunities for labour-market intermediaries is linked to the demise of structured 'internal' and 'external' labour markets in the 1980s and 1990s. Internal labour markets are about 'insiders' being treated more advantageously than 'outsiders' within particular workplaces. Jobs above entry level are generally filled by internal promotion and skills are obtained on the job. Qualifications are of secondary or no importance. There are relatively secure, long-term employment conditions for such insiders.

On the other hand, in external labour markets one finds the 'outsiders', including all professionally trained highly skilled workers who are extremely mobile and employable in the (global) external labour market.¹ Together, these labour markets have operated in the past to provide structured pathways, either from one job to another (as with promotion in the internal labour market), or from education into work (as with the entrance into professional jobs via the external labour market).

A dramatic restructuring, or destruction, of both these types of labour markets was unleashed by the neo-liberal reforms that began in the early 1980s and reached across the globe. Most significant amongst these reforms was the dramatic restructuring of regulated labour markets. This triggered a decline of internal labour markets and the related secure long-term employment conditions that had been established practice perhaps from 1945 well into the 1970s.

Similar damage was done to professional external labour markets and the efficiency with which they operated. In particular, the production of engineers, engineering technicians and artisans and their placement in jobs was weakened by the decline of structured pathways. This included the decline in scholarships and internships that were a crucial part of the highly incentivised market for high-end technical labour.

The disruption of internal and external labour markets caused an intrinsic dysfunctionality in the labour market. The absence of these structured internal and external pathways from school into work implies a lack of effective mechanisms to link supply-side graduates of education programmes with available jobs on the demand side of the labour market. State-sponsored employment programmes have struggled to redress the absence of these pathways.

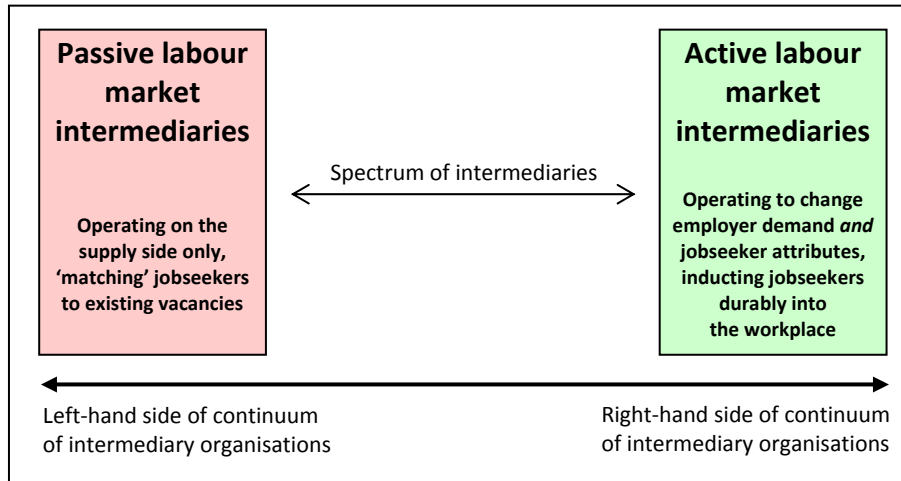
¹ Formally the external labour market also includes outsiders of another kind, i.e. all precarious workers, the unskilled and unemployed. This component never had any pathways to work in the past. But they, also, can benefit from the work of labour-market intermediaries as suggested in this article.

In this ineffectual matching environment, new labour-market institutions have emerged to rebuild bridges between jobseekers and employers and take the place of the internal and external professional labour markets of yesteryear.

Types of labour market intermediary

Internationally a variety of labour market intermediaries have emerged since the early 1990s. Because there is large variation in the types of intermediary, one can describe a spectrum of intermediaries. They can be represented conceptually as in figure 1: from those who perform 'passive' labour market tasks on the left-hand side of the continuum to more active institutions on the right-hand side.

Figure 1: A spectrum of intermediary organisations



On the extreme left of the diagram one finds conventional employment agencies who fulfil the passive labour-market tasks of matching existing unemployed workers to existing jobs (which often are very precarious). This is mainly supply-side work and such institutions do not really qualify as intermediaries. These organisations do nothing to change the conditions of employment or employers' attitudes in terms of who gets to be employed and who is excluded, or to change the workplace skills and attributes of applicants.

In contrast, on the right-hand side of the continuum, there are intermediaries who pursue the more active labour-market strategies of *changing and managing* demand-side conditions; in so doing, they create better and more durable link-ups between jobseekers and the available jobs (*and* the employers). Thus, moving to the right in the diagram, one encounters institutions that start to fulfil a proper intermediary role – to an increasing degree:

- ‘After-care’ employment agencies, who put more emphasis on ‘after-care’ than simply matching; thereby they assist in overcoming employers’ hesitancy regarding young and inexperienced employees.
- ‘Social compact’ intermediation projects (often led by a prominent community NGO) essentially are collective stakeholder agreements between city or regional government agencies, employers’ associations, trade unions and other civic groups, who try to do something active in their neighbourhoods about youth unemployment and the precariousness of low-skilled work.
- Intermediaries that develop expertise in ‘brokerage’ activity in relation to increased employment. These agencies focus on getting key players in key sectors around a table to ‘talk’ and broker deals which entail investments of time and capital in new economic activities that act to generate new jobs for first-time entrants and low-skilled workers.
- Regional intermediary agencies: Since employment is most often created in local labour-market conditions and regional economic contexts, many regional economic development agencies have integrated the skills function into their line of work. It is at this level that skills requirements need to be determined and socially negotiated, so they focus on stimulating economic growth together with skills upgrading and increased employment.
- Finally, at the far right-hand side of the continuum, one finds intermediaries who fully incorporate and focus on the demand side by working explicitly (though not exclusively) on the need to reshape employers’ demand for skills and their attitude to first-time jobseekers.

The last type of intermediary, which operates at the demand-focused side of the continuum, constitutes the more promising concept. These intermediaries do not accept as a given the ‘fixedness’ of the status quo that defines access to jobs in the current labour market. They believe that an employer’s demand for labour and his or her attitude to first-time jobseekers can be changed. In their work, they introduce a number of social processes that are used to overcome employers’ reticence to employ first-time workers. They do this by reshaping the attributes and broader workplace skills of the young jobseeker.

The intermediaries provide training to young people in the soft skills of socialisation at work and build their confidence to apply for jobs. This strengthens the social capital of the unemployed young – and their social networks are extended to include awareness of agencies that help young people find employment and career information. But they also support the young jobseekers’ adjustment to the workplace and ‘durability’ in the workplace – providing after-care support to new entrants. In this way the intermediary ensures that they make it

through the difficult induction period and overcome the obstacles thrown up during this transitional phase into decent work. This also helps greatly to change the attitudes of employers to such newcomers in the workplace.

Intermediaries can be private, NGO, semi-government or government institutions. Three intermediaries are highlighted below to illustrate this variety. One is a governmental education institution, the second is a multi-employer agency registered as a non-governmental organisation, and the third arose out of a community organisation at grass roots' level.

Intermediaries globally: some examples

But just how do these intermediaries function in practice? Research on intermediaries has only been published in the USA, the UK, Australia and in other OECD countries. There is little if any research of intermediaries in developing countries.

Community colleges in the USA

The bulk of the literature on intermediaries comes from the USA, and the American community college has played a central role in many intermediation contexts. Over the past 15 years, especially since the passing of the US Workforce Investment Act in 1998, community colleges have been aggressive and entrepreneurial in working with firms to provide customized training for incumbent workers and new entrants. Many colleges have created separate administrative divisions that offer non-credit courses to adults seeking to improve their skills. In addition these units engage in a wide range of entrepreneurial activities with firms such as business support and product improvement.

The colleges assist low-paid adults and unemployed or dislocated workers in their job search and training activities. The colleges work with the employment and training agencies. They provide an array of career information and hiring opportunities, offering short-term workshops on workplace skills and the preparation of their CVs or more formal instruction into pathways leading to technical credentials.

Apprenticeship training in the United Kingdom

Group Training Organizations (GTOs) in the UK are another strong example of best practice intermediaries globally. They have operated quietly in the background of the vocational education and training system since the 1940s. Currently, about 10% of all youth

apprenticeships in the UK are undertaken by GTOs, which are multi-employer groupings that provide collective goods to the firms which use their services. They are brokers of training through inter-firm networks of often small and medium-sized firms, but (unlike private training providers) they do this on a non-profit basis and use surpluses to further develop the collective provision of services. Employers prefer to use GTOs rather than do the training themselves mainly because the GTO shares costs, increases flexibility and provides higher quality training. They are seen by their members to provide a better service than other private and public providers – they train specifically according to the needs of the employers.

Support for the unemployed

A third example highlights the contribution of non-governmental organisations to intermediation. QUEST was initially created in Texas when a local Levi Strauss factory closed and displaced 1 000 workers (mostly Hispanic women). The institution emerged from an initiative taken by an existing group of community-based organisations, in conjunction with other partners from both the private and public sectors. QUEST was particularly effective in giving participants skills that were in demand and then placing them in jobs. A key ingredient in their success has been the grass roots, democratic political pressure and leadership that these organisations were able to inject into the process.

Conclusion: why we need intermediaries in South Africa

In the three examples cited above, intermediaries help employers cooperate in ‘social compacts’ along their value chains and in their local labour markets, to access the training facilities of local colleges, technical training institutes and universities – and, more generally, to share information about their sector. But their work extends beyond mere ‘training’. These intermediaries recognise that the ‘demand for labour’ is neither fixed nor is it necessarily a rational outcome of the ‘hidden hand of free-market capitalism’. The manner in which firms deploy labour and technology is the *choice* of the firm – it concerns production and competitive strategies that will position it in the value chain. These managerial decisions can be changed, intermediaries believe, if firms work together – in a local labour market, cluster or region – to engage with education and training institutions, government development agencies and intermediaries to increase job opportunities, e.g. for the youth. Intermediaries can help to implement strategies to improve value added and competitiveness through changes to the organisation of work and the deployment of skills.

Institutions with such an active stance vis-à-vis the labour-market are a feature of many labour markets globally but they are relatively absent from South Africa. In an ironic twist, it is the USA, the bastion of free market capitalism, which leads in this form of localised firm-level cooperation and intermediation – a trend that began in the 1990s and that is well established now.

Given the high levels of youth unemployment in South Africa, and the precarious experiences of low-skilled workers who face long periods of unemployment between periods of short-term casual work, it is surprising that only a few organisations – primarily NGOs operating on their own outside of USA-style social compacts – have experimented with such active interventions in the labour market (see Dieltens 2015). It is the right moment for such intermediaries to be taken more seriously and greater support given to such NGO-led initiatives. It could also provide an important opportunity for NGOs to play an active role in addressing youth unemployment.

References

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