

Employment and Development

What Do We Know and What Can We Do?

International Conference convened by
Institute for the Study of Labor (IZA) and KfW Entwicklungsbank

15 - 16 March 2012 at KfW Berlin



Bank aus Verantwortung



Workshop 5 Summary

“Labour Supply, Education and Youth”

By Kristin Hausotter (GIZ)



The purpose of the workshop was to share knowledge and experiences from different backgrounds, to discuss best practices, identify knowledge-gaps, and to inspire innovative solutions.

Participants of Workshop 5 “Labour Supply, Education and Youth” specifically discussed the following key question: How can vocational training and skills development be targeted towards dynamic labour demand, structural change and demographic development? How should these measures be integrated with other employment measures? How can and should they address skills needed in particular in the informal sector? How should youth be targeted in particular? How can demand for vocational training be supported effectively?

Following a brief introduction of the participants, experts from academia, implementing agencies and international organisations presented key insights on the workshop topics.

Werner Eichhorst from IZA discussed three different kinds of vocational training and education measures and their applicability in the development context (informal, school-based, dual).

Michaela Baur from GIZ presented an integrated approach to employment promotion focusing on labour demand, labour supply and matching mechanisms, and suggested hypotheses regarding e.g. the intensity

of regulation of labour markets, feasibility of demand-oriented vocational training, differences regarding informal vs. formal employment, or the involvement of the private sector when designing and implementing training and education schemes.

Juan de Laiglesia from OECD Development Centre focused his presentation on two issues, drawing on recent work carried out at the Development Centre on youth employment in Africa. The first issue was that youth employment in Africa is largely demand constrained and the composition of youth employment today implies that future growth in youth employment will only become significant in scale if it occurs in the informal sector. This has two implications for education and training: first, the need to adapt vocational training to jobs in the informal sector and, second, the need for interventions in the supply-side of the economy to make a more entrepreneurial economy viable.

What do we know?

During the workshop, participants identified a range of key challenges with regard to labour supply, education and training, and the youth:

- **Quality, quantity and attractiveness of (technical) education and training:** It became clear that one of the key questions when talking about labour supply is how to provide the skills to the youth which the economy needs. In order to foster the employability of young people, solutions have to be found on how to overcome the huge mismatch in education – which is true for developing and transition countries as well as for some developed countries. The mismatch derives, first, from an incorrect focus and a lack of labour market orientation in the educational system and, second, from a widespread lack of attractiveness and the poor image of technical and vocational

education and training (TVET).

- **Segmentation of the labour market:** Participants highlighted the need for discussing how to increase the productivity of informal employees and informal entrepreneurs through training, and how to involve and not neglect the informal sector in the educational system. Effective interventions could still be hampered given the lack of valid data from the informal sector.
- **Demographic development as a driving force:** Population growth in most of the developing countries places immense pressure on the labour markets, since huge numbers of young people (“youth bulge”) enter the labour market every year. The key challenge is to benefit from the demographic development in those countries where fertility rates and faster rates of economic growth and human development are possible when combined with effective policies (“demographic dividend”).
- **Coherence, coordination and harmonisation of policies and stakeholders:** The key challenge is to improve coherence and effectiveness of donors as well as government ministries in affecting employment. Supporting partner countries in this regard could have a great impact.
- **Labour demand and quality of jobs:** It was clear that without stimulating (formal) job creation and implementing interventions in the supply-side of the economy and the labour market, challenges cannot be overcome. Nonetheless, when focussing on job creation, policy makers and practitioners must not forget about the quality of the jobs.

What can we do?

After identifying key challenges, the participants focused on developing concrete proposals addressing the issue of quality, quantity and attractiveness of technical education and training:

Prototype 1: “Making stakeholders engage in TVET”

To ensure employability of graduates, TVET has to be

demand-oriented by involving employers. The challenge is to find suitable models. The group intensively discussed incentives and disincentives for relevant stakeholders with regard to TVET systems which have been identified as: public and private training institutes, trainees and their peer groups, chambers of commerce and companies, social partners, donor agencies as well as national and local governments.

According to the participants, interventions should focus on the following issues:

- National and local governments need to engage in improving standards, developing national qualification frameworks, regulations and effective processes;
- Incentives for private training institutes to engage in high quality training services: “make TVET a market”;
- Encourage private sector companies and chambers of commerce to join efforts in training systems since on-the-job training can be a means of corporate social responsibility and might lead to a higher reputation. In addition TVET can be made a business case. Moreover, policy makers and practitioners should show private sector companies the advantage of sustainable human resource development measures (HRD), especially if the problem and pressure of finding well trained staff is high enough;
- Implement disincentives for companies such as levies and fees on training and education;
- Develop sustainable voucher systems in order to enable students to join the training system. Voucher systems might be complemented by financial contributions by the trainees.

Core principles and requirements for an effective and efficient TVET system have been identified as sustainable basic funding, preventing corruption, a good governance structure that is responsive to change, as well as a sound labour market monitoring system and labour market transparency.

Prototype 2: Voucher system for/in the informal sector (car repair)

In many developing countries the challenge of involving the informal employed and informal micro and small enterprises (MSME) in the training system is key. Hence, the second group focused on designing a TVET voucher system for the car repair and car maintenance branch where most of the MSMEs operate in the informal sector:

- A fund, administered by the local government, provides TVET students who are engaged in car repairing and maintenance with education vouchers. Students are committed to pay back the voucher after they have obtained their first employment opportunity;
- The vouchers enable students to participate in on-the-job training within informal enterprises;
- A public certification authority provides certification using a skills and competency based exam recognising the labour market orientation of the training;
- A competence centre provides additional in-classroom training; curricula should be developed

in close cooperation between the respective public entities and both formal and informal enterprises.

By involving formal as well as informal enterprises in the TVET system and adapting vocational training to jobs in the informal sector, both the employability of young people and the productivity of informal MSMEs can be strengthened.



Further Information:

Dr. Julia Kubny

Tel. +49 69 7431-8567

Fax. +49 69 7431-3363

E-Mail: julia.kubny@kfw.de