

“What can I and the global community do to create jobs for my generation”

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Introduction

Recent studies on solutions to the youth unemployment problem in developing countries have emphasized the need for policy measures and support from the private sector for supply side interventions such as skill development and demand side interventions in terms of creating jobs. Such measures have largely had incremental impact due to major portion of employment being informal / unorganized in nature, lack of awareness about the benefits of skilling and limited availability of support services and narrow relevance of the traditional apprenticeship model.

This essay develops a perspective on plugging the 900 million employment gap based on observation and analysis of two successful alternative training-cum-employment models in India. These cases demonstrate how opportunities for work can be enabled outside formal sectors. It is illustrated how the global community can catalyze resources to proven and already existing organizations to create commercial enterprises which can provide jobs additional to those offered by the organized private sector and Government.

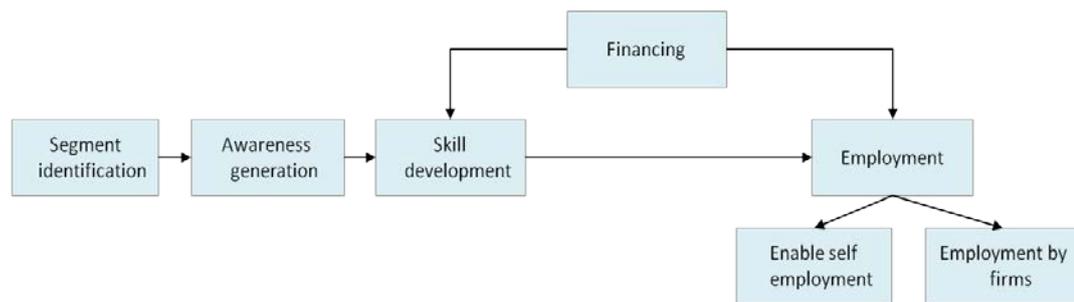
While the setting of this essay in terms of examples is India, the challenges faced in youth unemployment in India are similar to the rest of the developing world which forms the bulk of the 1.2 billion youth entering the workforce in the next decade (India itself will contribute 40% of the workforce) and hence the recommendations are applicable internationally in developing nations.

A value chain approach to employment

The value chain framework (VCF) is one of the most powerful analysis tools for strategic planning. A value chain is a sequence of activities to design, produce and provide a good or a

service. Firms can achieve above average performance by focusing on redeployment of resources towards strengthening the weakest links in the chain. While most value chain implications have been drawn for corporate strategy, they have also been employed in the developmental sector as a means of identifying poverty reduction strategies by upgrading along the value chain (Coles and Keane, 2009).

The livelihood value chain as shown in Figure 1 consists of the series of activities that are necessary for an organization to enable a young job seeker to obtain a job. It is assumed that the job seeker lacks the skills demanded by the labour market (as is true in reality for a majority of unemployed youth).



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|-----------------------|---|---|---|--|---|---|
| What | <ul style="list-style-type: none"> Identify youth segments likely to be unemployed to take action | <ul style="list-style-type: none"> Benefits of skilling Labor market realities / needs | <ul style="list-style-type: none"> Train in specific trades based on labor market needs and aptitude | <ul style="list-style-type: none"> Providing loans to fund skilling Providing debt for self employment | <ul style="list-style-type: none"> Provide support services: access to credit, markets and information | <ul style="list-style-type: none"> Connect potential employees and employers in a cost effective manner |
| How | <ul style="list-style-type: none"> Historical trends on the basis of geography, background etc | <ul style="list-style-type: none"> Targeted campaigns Success stories via word of mouth | <ul style="list-style-type: none"> Vocational training institutes - government and private sector | <ul style="list-style-type: none"> Lending via models focused on risk pooling (ex. Microfinance) | <ul style="list-style-type: none"> Cooperative model has been a pioneer in certain sectors | <ul style="list-style-type: none"> Employment Exchange (local) Online platform (national) |
| Current status | <ul style="list-style-type: none"> Driven primarily by NGOs & Govt Private sector is absent | <ul style="list-style-type: none"> Fragmented efforts by institutes Small initiatives by NSDC | <ul style="list-style-type: none"> Most trades are geared towards employment in the organized sector | <ul style="list-style-type: none"> Financing is difficult to obtain Microfinance model is nascent | <ul style="list-style-type: none"> Negligible to very limited in nature | <ul style="list-style-type: none"> Exchanges are defunct in nature Private institutes partner firms |

The above value chain has been elaborated in terms of “what” a particular link needs to achieve, the set of actions needed to progress towards the goals i.e. “how” and the current status of development of a particular link in India (which is similar to other developing countries internationally). The contents of the red box show areas of improvement where focused effort can result in reinforcing effects across the value chain resulting in enhancement in employment generation.

The informal sector

The informal or unorganized sector comprises all the unincorporated private enterprises owned by individuals or households engaged in sale and production of goods and services operating on a proprietary or partnership basis. This sector employs almost the entire workforce on an informal basis without any employment or social security benefits. The employment in the informal sector is estimated to contribute to 92% of the total workforce in India. The number is similar for Africa.

This sector is characterized by low productivity with most workers being unskilled and working for extremely meagre wages. The workers do not feel the need for skills training. The challenge of working in an informal sector is compounded by limited access to scarce capital, bureaucratic bottlenecks and quality equipment. While there are a few institutions trying to provide training geared towards the needs of the informal sector, these efforts are miniscule, not well coordinated and are not abreast with the changing skill-set needs in the informal labour market.

This is in contrast to the formal sector which is characterized by medium to large enterprises which source employees from government institutions and also have their own internal training centres where employees are trained in skills that their job demands. The benefits from skilling outweigh the costs with increase in the size of the firm.

Here, two cases are presented, which highlight how these hurdles and challenges in the informal sector can be overcome. The cases are of two private sector enterprises – B-ABLE (Basix Academy for Building Lifelong Employability) and Empower Pragati, which specialize in livelihood skill development for under-educated and disadvantaged youth.

B-ABLE (Case 1) illustrates a model focused on the informal sector by identifying local product and service needs and providing skills to enable self-employment while Empower Pragati (Case 2) represents a model, existing separately, which while focusing on skilling, is organizing certain segments of the informal sector, and creating sustainable livelihoods.

Focusing on self-employment for unemployed youth: B-ABLE

BASICS Limited, a microfinance organization working with 2.5 million stakeholders in India, realized that microfinance lending in itself is not a complete solution to enable self-employment since most unemployed youth were under-educated and under-skilled and hence lacked the capabilities needed to run a small enterprise.

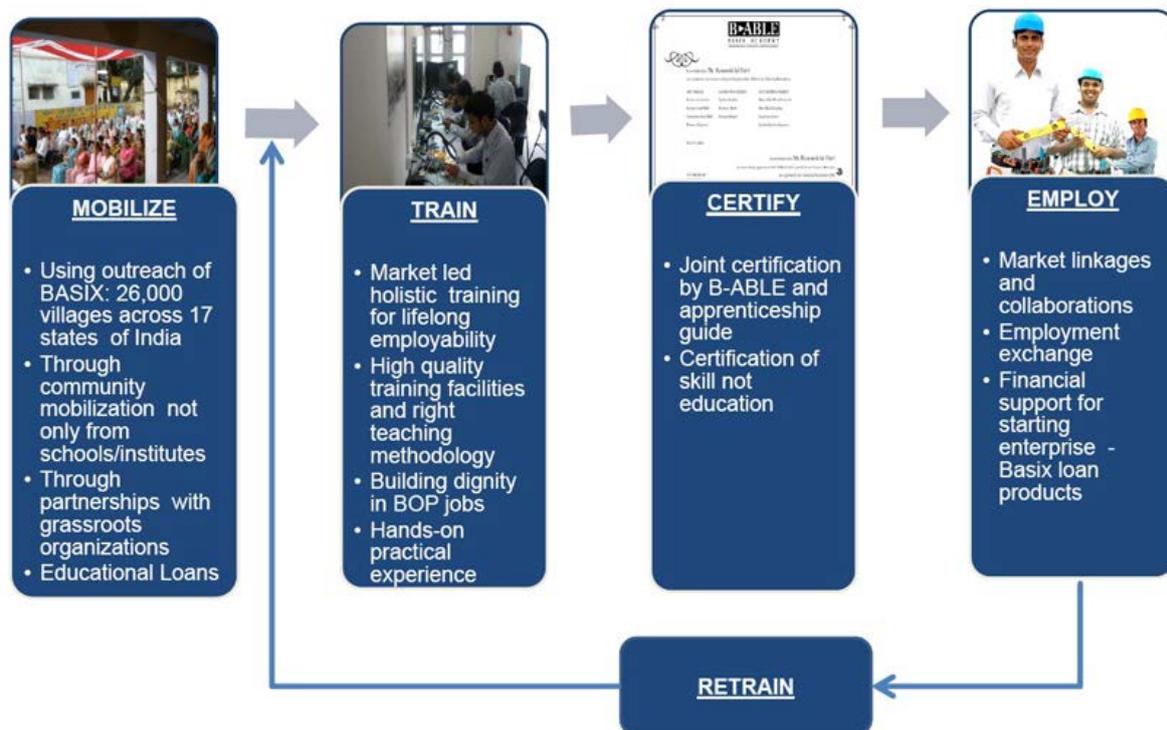
B-ABLE was setup by BASICS Limited in 2010 to enhance the ability of the under-skilled to become self-employed Trades would be identified based on local market demand. A particular trade would be mapped to a youth based on his aptitude and interest.

An example of a trade in the informal sector that B-ABLE focused on was repair of mobile phones. The telecom revolution in India has resulted in more than 700 million mobile phones spread across the country, driving a need for repair of mobile phones across the nation. This need was especially felt in rural and semi-urban areas which had no stores for repair with electricians frequently doubling up as mobile repair persons.

B-ABLE created a holistic training module in consultation with industry experts to provide technical skills in nuances of mobile phone repair, commercial skills to run an enterprise and life and language skills for lifelong employability. Faculty were drawn from local industry who were first trained and certified in terms of theory, practical experience and teaching skills. B-ABLE ensured that the faculty were from the same economic and social background as the targeted unemployed youth which resulted in the trainees looking at the faculty as role

models for self employment. Faculty also mentored trainees in areas beyond vocational skills to enable youth to overcome mental barriers and any personal hurdles to self employment. The microfinance lending model of BASICS was leveraged to extend loans to successful graduates to set up their own mobile repair shops.

The below figure (Figure 2) summarizes the B-ABLE training model focused on employment in the informal sector (<http://www.b-able.in/approach.php>).



While B-ABLE is a young organization, it has been successful in training and enabling employment for over 1,000 youth in its first year of operation. Its target is to train and enable self-employment among 1 million youth over the next decade.

Creating sustainable livelihoods by organizing the informal sector: Empower Pragati

Empower Pragati (EP) was set up in 2010 as a social sector enterprise focusing on livelihood skill development to empower India’s disadvantaged youth.

Its focus was to understand the needs of non-institutional participants in the labour market in India which currently get translated into job opportunities in the informal sector. An example is the need for home managers to do household work in urban middle class families of India. This need is currently filled by young women from disadvantaged backgrounds who typically work for one hour a day at a household for \$20 a month with no employment benefits. Their work profile is typically domestic chores such as cooking and cleaning.

After market and field surveys, EP realized that urban families were willing to pay more for higher quality of work. These were beyond the capabilities of the women because they lacked requisite skills. While the current scope of work was cooking and cleaning, the need was much more which included baby-sitting, tutoring etc. – all of which required a mix of vocational, commercial and life skills including English language skills. This implied that women could get trained and climb up the value chain thus commanding higher compensation for better quality work.

A common grievance was that if the home manager is ill or unable to come to work, it is difficult to obtain a replacement. Taking the above challenge into cognizance, EP started training disadvantaged young women and simultaneously opened a staffing firm which would be the interface between the women and the employers (families). The staffing firm would ensure fair compensation for the employees, while the employers were assured of skilled and certified employees with seamless replacement in case of absenteeism. The firm was able to double compensation for its employees as well as provide employment benefits typical of the organized sector.

EP has trained more than 10,000 youth for various positions across urban families to global firms. It targets to train and enable employment for more than 2 million youth in the next

decade with the goal of improving the standard of living, generating sustainable employment and creating financial security for them and their families.

How the global community can intervene

The two cases presented above indicate an opportunity for the global community to assemble existing institutions and other stakeholders into relevant business models – self employment and organizing the informal sector – that can help create employment for the current generation. The global community should channel resources to strengthen the weak links of the value chain shown in Figure 1 whose implementation is carried out by partnering existing organizations. This can be done in three ways:

Enable exchange of knowledge and information among organizations

Organizations such as vocational training providers, NGOs, microfinance institutions and other stakeholders can be connected globally via an online platform which can be used for information dissemination and knowledge sharing among stakeholders. This will enable organizations on field to jointly work on solving problems rather than working individually and independently on common issues. For example, awareness generation among youth about skill development is a challenge faced by almost all organizations. Pooling of resources by establishing strategic alliances enabled by the global platform will enable every organization to reap higher awareness benefits while reducing individual resource pulls.

Establish common standards for employability in the informal sector

Currently every training organization is focused on creating its own curriculum, developing its own training modules and certification. This is confusing both for the trainee who has to compare different organizations to choose his training institute and for the employer (urban

family to firm) which needs to compare job-ready potential employees from different organizations trained differently since there is no commonly accepted standard.

The global community can enable establishment of common standards for employability for various trades. This will result in acceleration of acceptability of skilled youth for employment as well as in terms of getting access to support services for self employment, which in turn will increase awareness about the benefits of skilling among unemployed youth.

Create a Youth Employment Fund which can be tapped by organizations

The global community can create a Youth Employment Fund which would focus on providing short term loans for skilling or finance part of the costs of setting up an enterprise by skilled youth. Both types of loans would be contingent on the skilling being carried out by approved training organizations which would be part of the global network. This fund can be allocated at a central level with administration being done locally via private organizations with adequate checks and balances in the system. Risk pooling is used to safeguard against capital loss. While initially, the funds would need to be the first source of financing, once proof of concept is established in terms of financial returns, microfinance lenders and other financial institutions can be used as a first source of funding with the fund being used for insuring against capital loss.

Conclusions

The global community needs to understand the various links of the livelihood value chain to identify what levers need to be pulled for plugging the employment gap of 900 million that is expected to result in the next decade. Self employment and creation of commercial enterprises which can organize the informal sector are two powerful ideas which have been

examined in this essay, which can make a substantial impact on job creation. Intervention from the global community needs to happen at a strategic level by playing the role of enablers to the organizations existing on the ground.

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