

REACHING ACROSS SECTORS:

CHALLENGES AND OPPORTUNITIES FOR YOUTH EMPLOYMENT IN COLOMBIA



■ INTRODUCTION

Youth unemployment is a well-documented global problem without a clear or easy solution. Systemic problems such as skills gaps and slow job growth that had been worsening for decades were exacerbated by the financial crisis of the late 2000s. The global economy has since gained momentum, but progress has been slower than expected, and many problems persist for youth. Amidst talk of a lost generation of global citizens, innovative solutions are becoming harder to identify, as governments have already attempted to tax, incentivize, regulate, and motivate their way out of pervasive youth unemployment. Most countries have found that it is extremely challenging to balance the needs of the labor market with the desires of young adults worldwide.

In Latin America, high youth unemployment has been amplified by huge informal economies.¹ These informal economies span many industries from service provision and hospitality to agriculture. Governments cannot tax these economies yet still must provide services to them, and the private sector often cannot compete with the higher monetary wages that the informal economy can offer. Across Latin America, people are dropping out of the formal workforce to pursue other opportunities. This is evidenced in a recent United Nations report that found in 2013, urban Latin American unemployment fell to near-historic lows, and yet no new jobs were created.²

One nation that is very transparent about the contributing factors to youth unemployment (including the informal economy) is Colombia. Through numerous social service, training, education, and labor market reforms, Colombia has sought to apply its overall economic successes to its youth. However, as this study will demonstrate, there is much that can still be done by both the government and the private sector to further address these problems. Based on desk research, interviews³, and exploratory surveys, this study goes beyond the numbers to examine the drivers of youth unemployment and its related issues in Colombia. The findings tell a story of simultaneous successes and frustrations, as well as encouraging collaborations and disappointing missed opportunities. For Colombia to fully realize its potential as an emerging economy, it must bring together multiple sectors to rebalance its labor market while training, educating, and motivating its youth to compete in its rapidly globalizing economy.

■ BACKGROUND: EMPLOYMENT & EDUCATION STATISTICS

Over the last 15 years, Colombia has successfully reduced its overall unemployment rate to under 10 percent from as high 18 percent in 2002.⁴ Problematically, half of the remaining unemployed are youth, which translates to a 16 percent youth unemployment rate.⁵ Unemployment is even higher for women, at a troubling rate of 21 percent. The difference between the adult and youth unemployment rates indicates that while Colombian firms are hiring adults, they are still struggling to hire youth.

1 "Unemployment and informality beset Latin American youth," International Labour Organization, 13 February, 2014, http://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS_235661/lang--en/index.htm.

2 Patricia Rey Mallén, "United Nations reports falling unemployment in Latin America," International Business Times, 1 November, 2013, <http://www.ibtimes.com/united-nations-reports-falling-unemployment-latin-america-1450748>.

3 These interviews represent the opinions of these individuals only, not their companies nor the Colombian government.

4 "Colombia unemployment rate," Trading Economics, April 2014, <http://www.tradingeconomics.com/colombia/unemployment-rate>.

5 "Mercado laboral de la juventud," DANE., November 2013., http://www.dane.gov.co/files/investigaciones/boletines/ech/juventud/RE_trim_ago_oct13.pdf.

Colombia's education system differs based on region and is much stronger and better attended in urban areas than in rural ones. According to the World Bank, public spending on education is approximately 16 percent of total government spending. Approximately 74 percent of youth are enrolled in secondary school, and approximately 45 percent of youth are enrolled in tertiary education.⁶ These statistics are consistent with those of many South American and other developing countries. Colombia's higher education system is split into public and private institutions and consists of traditional universities, technical colleges, and other vocational programs. The most prestigious institutions are private universities, which are some of the best in the region, but these institutions are expensive and access to them is limited. In addition, the quality of other higher education institutions varies tremendously. Dropout rates are also worryingly high across institutions: only 55 percent of Colombians who start tertiary education actually graduate.⁷ Finally, while about 80 percent of university graduates are able to enter the formal job market within a year of graduation, that rate is only 65 percent for graduates of technical institutions, and 30 percent for graduates of other vocational programs.⁸

■ FACTORS AFFECTING YOUTH UNEMPLOYMENT

Desk research and interviews led us to identify four main factors that affect youth unemployment: the informal economy, education, entrepreneurship, and the difficulty that specific sectors such as agriculture pose.

THE INFORMAL ECONOMY

Many Latin American countries struggle with large informal economies⁹, and Colombia is no exception. The informal economy is defined as any employment that is not for a registered, formalized company. Due to its very nature, the size of the informal economy is extremely difficult to estimate, but according to Diana Cárdenas, a Director in the Ministry of Labour, it may be as high as 50 percent of the total Colombian workforce. Katalina Ramirez, the manager of hiring for Grupo Éxito, a large retail chain, estimates the overall figure at 60 percent and says that in some sectors such as fruit and vegetable retail, the informal economy is as high as 90 percent of the market. The problem also varies by region, with numerous interviewees mentioning that the northern coastal areas have particularly high informality, as do some large cities such as Cartagena and Cúcuta. Jobs within the informal economy are not confined to specific sector. Rather, jobs in the informal economy range from drivers and housekeepers to positions in agriculture and oil production.

The greatest issue with the informal economy from the government's perspective is that it cannot tax either individuals or companies that are not formalized, yet must still provide services for them. This is neither sustainable nor equitable, as taxes then need to be correspondingly higher for the fewer individuals that are paying them. Cárdenas noted that the Ministry of Labour has offered companies tax breaks and other incentives to formalize

6 "Colombia," World Bank, http://data.worldbank.org/country/colombia#cp_wdi.

7 "Colombia's goal: More success in higher education, more opportunities for youth," World Bank, 24 January, 2013, <http://www.world-bank.org/en/news/feature/2013/01/24/colombia-more-success-in-higher-education-more-opportunities-for-youth>.

8 Statistics come from interview with Victor Venegas.

9 John Otis, "Informal economy swallows Latin American workers." Global Post. 3 July, 2012. <http://www.globalpost.com/dispatch/news/regions/americas/120702/informal-economy-swallows-latin-american-workers> and Enrique Ghersi, "The informal economy in Latin America," Cato Journal 17, no. 1 (1997), <http://object.cato.org/sites/cato.org/files/serials/files/cato-journal/1997/5/cj17n1-8.pdf>.

and thus to formally hire workers. While these efforts have had some successes, it is unsurprisingly very difficult to convince large and successful illegal corporations to begin paying taxes.

The informal economy also prevents the government from accurately tracking and understanding the needs of many individuals. For example, the graduate employment numbers mentioned in the preceding section do not take into account employment in the informal sector. At first glance, the statistic that 20 percent of university graduates are not employed one year after graduation (with even higher percentages of technical and vocational program graduates) is troubling. However, while some of these graduates do not have jobs, a much higher percentage has likely taken informal jobs. The government is unable to estimate how much money this population is earning, what type of work they are doing, or anything else about them post-graduation. Unable to understand the needs of individuals, the government is thus unable to adequately address those needs. Dario Montoya, the former director of the national training agency, SENA (The National Service of Learning), expressed tremendous frustration about training programs that failed to prepare workers in informal jobs because they misunderstood their needs.

From the private sector's perspective, the informal economy impedes businesses' ability to hire and retain workers. In general, worker turnover is considered part of the cost of doing business. However, the magnitude of worker turnover, and thus the magnitude of the associated costs, increases in the presence of the informal economy.

"You can make \$3,000 a year in a formal job, or you can make that in six months in an informal industry. There's just no competition."

Carlos Mayorga, a successful entrepreneur and the head of Global Blue Hydros, explains that "You can make \$3,000 a year in a formal job, or you can make that in six months in an informal industry. There's just no competition." While some informal jobs are per-

sonal employment (such as housekeepers or drivers), many come from larger companies that can offer higher wages because they do not pay taxes and are not held to the same safety and working conditions that formal employers are. Some of these employers are illegal narco-traffickers, but others are in legal industries such as oil. In the northern coastal regions, for example, large oil companies offer local men the cash equivalent of a year's salary for six months of labor. These workers are unemployed the rest of the year, waiting for the company to return the following year.

The informal economy is not just comprised of large companies; it also includes many smaller neighborhood employers. Katalina Ramirez of Grupo Éxito reveals a telling example about hiring butchers for stores:

"This is a very specialized job, and we offer long-term contracts plus benefits, but we still can't retain anyone. And when we ask these butchers why they are leaving us, they say that the neighborhood butchers' shops pay higher salaries. There, they work more hours (than they are legally allowed to), so they can have more money per day, plus they can get tips. But conversely, they don't get social security and health benefits that are ultimately worth more money. As much as you explain to people that they are better off in the formal economy, they only see the short term money per day."

This shortsightedness is partly due to a lack of education and awareness about the informal versus formal sectors and the concept of 'prestaciones sociales' (social benefits). However, it also stems from faulty incentives and a lack of regulation. This is a problem that affects all formalized employers because it costs money to pay taxes and to comply with government regulation, which the informal economy does not do. Ramirez is convinced that "informality is the single greatest barrier to hiring qualified employees."

EDUCATION

In various areas of Colombia, access to and quality of the education system are significant barriers to employment. As has been voiced by employers around the world, the private sector in Colombia feels that the education system is not teaching Colombia's youth the skills needed for employment. This skills deficit is evidenced by Colombia's scores on the Organisation for Economic Co-operation and Development's (OECD) 2012 Programme for International Student Assessment (PISA). Focusing on reading, mathematics, science, and problem solving, PISA assesses 15-year-old students' knowledge and practical skills. In math, reading, and science, Colombian youth scored at the bottom of ranked countries, on par with Qatar, Indonesia, and Peru.¹⁰ More worrisome was that Colombia also scored poorly in terms of equity in education opportunities.¹¹ As in most countries, poorer, more rural areas of Colombia have far less access to quality education than more affluent, urban areas. In Colombia, inequity in educational access is exacerbated by inequitable distribution of experienced teachers. A 2014 report by Fundación Compartir found that 1) there is a positive correlation between teacher professional development and student achievement, and 2) teachers with fewer years of professional development are disproportionately located in Colombia's poor regions.¹²

Another explanation for the skills mismatch regards not access to or quality of education, but rather the type of education. In Colombia there is a stigma associated with technical education. This stigma is felt both on the demand and supply side of the workforce. Employers may offer jobs to university graduates rather than technical institution graduates even though technical graduates are better qualified. Youth may pursue university over technical education even though they are better suited for the latter. The government is working to reduce the stigma with an \$18 million loan from the Inter-American Development Bank (IDB) to open new and better technical institutions. According to Victor Venegas of the Ministry of Education, SENA estimates that last year it opened 100,000 spots for technical education nationwide. Another promising initiative is a joint effort between the Ministries of Labour and Education to create and change certification standards for technical degrees. These efforts will ensure that certifications are both clearer and more rigorous, so that companies will know exactly what they are getting with employees who hold various technical certifications. If this program is successful, then employers will hopefully hire more employees with technical degrees for appropriate jobs.

Companies in Colombia have adapted to the shortcomings of the education system by adjusting their hiring preferences. Alejandra Olivella, a former Colombian and Latin American regional hiring manager for Tyco, International Security Systems, says that now companies look for professional skills and work experience rather

10 "PISA 2012 Results in Focus: What 15-year-olds know and what they can do with what they know," Organisation for Economic Co-operation and Development, 2013, <http://www.oecd.org/pisa/keyfindings/pisa-2012-results-overview.pdf>

11 Ibid.

12 Juan Esteban Saavedra Calvo et al, "Tras la excelencia docente," Fundacion Compartir, 2014, <http://www.fundacioncompartir.org/pdf/Traslaexcelenciadocente18.02.2014.pdf>.

than educational attainment. Jobs held during or prior to university do not qualify as experience, which makes it very difficult for new college graduates to secure jobs.

There also are not enough good quality jobs, so when a position opens up, Olivella says that “everyone applies, even if they’re completely not qualified: I’ve seen psychologists apply for engineer jobs...” Other companies

have taken a slightly different tack where they still do not prioritize educational attainment, but rather than putting a premium on experience, they have implemented a “system of values.” Katalina Ramirez explains that Grupo Éxito has struggled with being a ‘step company’, where employees receive training and a little experience before leaving at the first opportunity, either in the formal or informal sectors. In response, Éxito is now hiring people who did not even complete high school as long as they value the job and want to grow and learn. Ramirez says: “We want to create a bond between our employees and the company.”

“Everyone applies [for good positions], even if they’re completely not qualified: I’ve seen psychologists apply for engineer jobs.”

In response to the private sector’s complaints, the government argues that the private sector is not engaging enough with the public sector to find solutions. While stakeholders acknowledge that the private sector is increasingly interested in education and skills training, their involvement has yet to become substantial. Diana Cárdenas says that the Ministry of Labour has one to two high-level meetings with the private sector every year, but that this is not nearly enough, as “the private sector needs to be permanently involved in our work.” Victor Venegas at the Ministry of Education agrees that his department needs to work with the private sector to a greater extent so that the private sector can explain the skills needed by its workforce. By way of an example, Venegas noted that “there is always a seat for someone from the private sector on the boards of public universities, but their participation is often not active.” Both sectors clearly recognize the importance of collaboration, yet progress is frustratingly slow.

ENTREPRENEURSHIP

A report recently published by Endeavor¹³ revealed that a huge proportion of Colombia’s job creation is coming from ‘scaleup companies’ that are more than three years old, but still relatively small in size. These companies make up 8 percent of total companies yet were responsible for 45 percent of new job creation over the past three years. As these companies are all the results of recent entrepreneurship efforts, it is clear that entrepreneurship is vital for job creation.

Colombia’s government has made entrepreneurship a priority in recent years, passing a series of legislation culminating with Law 1014 (the entrepreneurship law) in 2006¹⁴. Law 1014 provides government support for entrepreneurs and paved the way for the creation of many new programs. The largest new program was “Jóvenes Rurales Emprendedores” (Young Rural Entrepreneurs), a SENA entrepreneurship training program for rural youth that had 280,000 people enrolled at its peak.¹⁵ Today the numbers are slightly lower, and not all of the enrollees receive comprehensive training, but there clearly is interest among rural Colombians to start

13 Mariana Checa et al, “The 8-45 Report: Why scaleup companies are critical for job creation in Colombia,” Endeavor Insight, July 2013, http://share.endeavor.org/pdf/The_8-45_Report.pdf.

14 “Entrepreneurship in Colombia,” Global Entrepreneurship Monitor, Last modified 2013, <http://m.gemconsortium.org/entrepreneurship/colombia-2/>.

15 Statistics come from interview with Dario Montoya.

“There are more than 600 rural municipalities in Colombia that just don't have any large businesses that can employ young people.”

people.” SENA also provides “Fondo Emprender” (Entrepreneurial Fund), which is a fund to provide seed money to entrepreneurs. There are also programs that the Ministry of Commerce is working on in conjunction with SENA and the Ministry of Labour. The issue is that none of these programs have been expanded as much as they could have been, and evaluating these programs is very difficult because they are all short-term (a maximum of two years).

their own businesses. That interest is crucial because as Dario Montoya (previously with SENA) says: “There are more than 600 rural municipalities in Colombia that just don't have any large businesses that can employ young

Another barrier that the government faces is the societal stigma towards entrepreneurs. A decade ago, as Montoya puts it: “There was a general stigma that entrepreneurs lack ‘good luck’ because they were not able to get a job.” While this belief may have been justified in the past, in 2013, a study by Global Entrepreneurship Monitor found that only 18 percent of Colombian entrepreneurs start a business because they have no other option for work.¹⁶ The stigma towards entrepreneurship has been slowly eroded by entrepreneurial success stories and government interventions, but there is still a long way to go until it is eroded entirely. Until this stigma is completely erased, Colombia will continue to struggle with reducing unemployment through entrepreneurship.

MICRO CASE STUDY

One good example of an entrepreneurial success story is that of Carlos Mayorga, whose small businesses have created over 400 jobs in Colombia. But to get to where he is today was extremely difficult, as Mayorga needed loans from his family to secure additional loans from a bank and had no formal entrepreneurial education or mentorship. Even once he managed to start operations, attaining capital to scale up was also difficult because there has been very little investment in venture capital in Colombia. While Mayorga eventually succeeded in spite of these limitations, it took him longer than he feels it could have. Mayorga's struggles suggest that his success is difficult to replicate. Mayorga firmly believes that innovative ideas are abundant, and he has seen many of them from young adults who want to improve society in many different sectors. That said, he adds that “for youth, there is no way to explore those ideas.” Mayorga is personally trying to help this next generation of entrepreneurs through personal investment and mentorship, but it is a very slow process. Mayorga believes that it is insufficient to just change a system or two, but to truly make a difference, “we must change the entire ecosystem of how entrepreneurship works.” Increased formal training, mentorship, and investment programs would be great places to start.

THE AGRICULTURE SECTOR

The agriculture sector has the potential to be a large contributor to the Colombian economy, as 24 percent of Colombians lived in rural areas in 2012.¹⁷ That said, agricultural jobs only accounted for 17 percent of the formal

¹⁶ Ibid.

¹⁷ Colombia.

labor force in 2012¹⁸, (likely due to the informal economy), and even more troubling, agriculture only contributed 7 percent of Colombia's GDP in 2012.¹⁹ There are large inefficiencies in this sector, which is part of the reason why improving agriculture is one of the government's top priorities. Another reason is the push to replace drug-related agriculture with traditional agriculture, which in terms of transitioning skills would be straightforward.

While agriculture is a priority, government efforts to address these problems have not been successful to date. Youth have shied away from the agriculture sector, as evidenced by the fact that only two percent of total tertiary students are enrolled in agricultural programs.²⁰ Interviewees suggested three overarching reasons for this low percentage: 1) high rates of informality in the agriculture sectors, 2) low salaries, and 3) a cultural stigma against working the land. Last year, the Ministry of Education worked with the Ministry of Agriculture to develop a program offering grants to people interested in studying agriculture. Unfortunately, according to Victor Venegas of the Ministry of Education: "These grants were not taken. Formal salaries in the agriculture sector are very low, and convincing someone to study and enter this sector is very difficult without better incentives to do so." It is clear that there are many opportunities for improvements in agriculture, both in terms of profitability and sustainability, but that large-scale changes are needed to entice young people to work in that sector.

"Convincing someone to study and enter [the agriculture] sector is very difficult without better incentives to do so."

■ RECOMMENDATIONS FOR COLOMBIA

The issue of youth unemployment in Colombia is linked to a complex number of factors. This study examined some of the most influential of these factors, including the informal economy, biases against certain sectors and education institutions, and inconsistent access to quality education. There is no simple or quick answer, and addressing these problems will demand cooperation among the private, public, and nonprofit sectors. The below recommendations outline ways cross-sector collaboration can strategically tackle barriers to youth employment and promote economic wellbeing.

RECOMMENDATION 1: INTENSIFY REGULATION OF THE INFORMAL ECONOMY AND PROMOTION OF THE FORMAL ECONOMY

- Existing government 'carrots' such as easing the regulatory environment for formal businesses should continue to be offered and expanded, but they must also be paired with 'sticks' that include stricter enforcement of and penalties for illegal businesses. Such a double-pronged approach will increase the number of legitimate businesses, as well as expand their access to the talent pool. Tax revenues will rise because of 1) a greater number of contributors, and 2) higher revenues thanks to reduced competition from informal employers.
- The government should engage in conversations with businesses that rely primarily on informal, part-time, or seasonal employees. Conversations should focus on identifying barriers to formalization and government interventions that could ease the transition to the formal economy. If necessary, NGOs can serve as moderators for these discussions.

¹⁸ Ibid.

¹⁹ Ibid.

²⁰ Statistics come from interview with Victor Venegas.

RECOMMENDATION 2: USE PUBLIC EDUCATION / MEDIA CAMPAIGNS TO ADDRESS ISSUES OF THE INFORMAL ECONOMY AND STIGMA

- **Public education campaign to promote formal employment.** In the 1990s, Bogota implemented a successful initiative that promoted formal employment by convincing the public that it was in its best interest to be employed formally and pay taxes.²¹ The private sector has a vested interest in expanding the formal economy and thus would likely be amenable to helping fund outreach. Information regarding the benefits of formal employment (healthcare, social security, etc.) and the underlying costs of informal employment can be displayed in highly trafficked areas (e.g. transit stops), billboards, and newspapers.
- **Public education campaign to decrease bias against technical education.** The government should work with institutions of higher education to create a media campaign targeted towards youth to promote technical education. The campaign should highlight the salaries and benefits of jobs held by technical degree recipients. Youth-focused outreach should be complemented by outreach targeted towards businesses. These campaigns should highlight the hard and soft skills possessed by technical graduates.
- **Public education campaign to encourage youth participation in the agriculture sector.** The government should work with businesses in the agriculture sector and schools to develop and implement a campaign that encourages employment in the agriculture sector. Outreach should emphasize that there is a variety of skills needed in the agriculture sector. Schools are particularly well positioned to inform youth about agriculture-related employment and should strategically include agricultural content in career preparation curricula. Outreach should highlight Ministry of Agriculture grants that are available to youth interested in studying agriculture.

RECOMMENDATION 3: CULTIVATE AN ECOSYSTEM FOR ENTREPRENEURS

- In areas where youth unemployment is pervasive, regional/local governments should bring together key stakeholders in the public, private, nonprofit, and education sectors to create “ecosystems of innovation.” Governments could use Medellín’s [Ruta N](#) model of engaging private and nonprofit partners through the creation of a mixed-use development. Occupants/users of the development (private businesses, nonprofit/community organizations, education institutions, government agencies, etc.) would form an association whose activities are centered on improving the local economy. These activities should include an entrepreneurship program, such as [Startups Academy](#), that offers training, mentorship, incubation space, and financing opportunities. Embedded within the greater innovation environment, such entrepreneurship programs are more likely to be well-received, effective, and long-lived.
- Current entrepreneurship programs, such as [Jóvenes Rurales Emprendedores](#), should be continued, and efforts should be made to increase participation. These programs should be tied to rigorous evaluations to determine their effectiveness. Evaluations should take into consideration the time it takes to establish a business. Therefore, programs and their accompanying evaluations should last a minimum of five years.

²¹ Antanas Mocus, “Bogota to Live,” National Strategy Information Center’s Culture of Lawfulness Project (2008).

RECOMMENDATION 4: PROMOTE AND EXPAND ON THE “COLEGIOS EN CONCESIÓN” MODEL

- The Colombian equivalent of charters schools, colegios en concesión are managed by private institutions. The model so far has proven successful, with lower dropout rates and higher test scores than their public counterparts.²² Charter schools have the flexibility of tailoring teaching to specific populations, which allows them to take into consideration local contexts and barriers to learning. Private institutions and nonprofits typically have additional resources to attract qualified and experienced teachers, something low-income areas currently lack. Private provision of education is not in-and-of-itself a solution; the government should take lessons learned from colegios en concesión and craft a framework within which charters are operated (and monitored) effectively and efficiently.

RECOMMENDATION 5: STRENGTHEN EDUCATION INSTITUTIONS OF ALL LEVELS THROUGH PRIVATE SECTOR PHILANTHROPY

- As Corporate Social Responsibility becomes a more important factor in a company's image (and thus its marketability), the government should encourage corporate philanthropy that is directed towards education. Businesses can target their philanthropy towards local schools, particularly those with fewer resources. Philanthropy can take the form of resource provision, but also can include professional development of teachers and curricula assistance. Businesses must be careful, however, to avoid a top-down, overbearing relationship, and should instead emphasize partnership and knowledge-sharing. Philanthropic support will improve access to quality education for disadvantaged youth, thus improving their employment prospects and reducing inequality.

RECOMMENDATION 6: CREATE FEEDBACK PROGRAMS BETWEEN INDUSTRY AND EDUCATION INSTITUTIONS

- The government should promote programs that partner secondary schools, technical institutions, and universities with local and regional businesses. Through such collaboration, educational institutions can better understand employers' needs and how they can adjust curricula and instruction to better meet those needs. These partnerships have the potential to develop into symbiotic relationships - the private sector contributes its resources and business acumen and in return institutions provide graduates with skills matched to employers' needs.

RECOMMENDATION 7: PROMOTE APPRENTICESHIP AND INTERNSHIP PROGRAMS

- Apprenticeships and internships help students develop the practical skills required by employers, which in turn helps close the skills gap. Furthermore, these programs create a more direct pathway to employment, as companies are more willing to hire graduates with whom they have already worked. Apprenticeships through technical institutions will help the private sector realize the skills associated with such a degree, thus reducing stigma. The stigma associated with technical degrees will be further eroded as more businesses hire technical graduates, and youth realize the employment opportunities associated with the degree.

²² Ver. F. Barrera-Osorio. "The Impact of Private Provision of Public Education: Empirical Evidence from Bogota's Concession Schools," World Bank Policy Research Working Paper No. 4121. 1.2.2007.

RECOMMENDATION 8: INCORPORATE THE VALUES OF FORMAL EMPLOYMENT INTO EDUCATIONAL CURRICULA AT THE SECONDARY LEVEL

- The private sector should be engaged to assist schools with career preparation curricula and arrange for high-level representatives to make “guest appearances” and serve as mentors. Content should emphasize that while informal jobs may superficially pay better than formal jobs, informal workers actually receive less compensation because of the lack of benefits like healthcare and social security.

Stakeholders throughout Colombia have expressed interest in reaching across sectors to address the issue of youth unemployment. However, in order for Colombia to reach its potential, this interest must translate into reality. Public, private, and nonprofit stakeholders must collaborate in greater and smarter ways to support Colombia's youth, and thus, its future.

LESSONS FOR OTHER COUNTRIES

As the world continues to search for ways to successfully employ its youth, there are some relevant takeaways from Colombia's efforts:

#1 OPENNESS MATTERS

Colombia's independent statistical agency, the National Administrative Department of Statistics (DANE), produces all of its employment statistics and is much less subject to political meddling than agencies in some other countries. In addition, Colombia's government is not avoiding or downplaying its economic problems and is actively trying to address them. Identifying and acknowledging issues are critical steps in tackling them.

#2 ENTREPRENEURSHIP IS WORTH INVESTING IN

While success metrics are difficult to come by to prove effectiveness, it is clear that entrepreneurship is crucial for job creation. Especially in places where there are limited or no formal employment options (as in rural Colombia), investing in entrepreneurship is extremely worthwhile.

#3 REDUCING REGULATION IS NOT ALWAYS THE ANSWER

It is very common to hear the private sector complain about tight government regulations stifling productivity. While over-regulation is sometimes an issue, in Colombia there is a bigger issue with under-regulation of the informal economy. Understanding country-specific contexts is important.

#4 THE PRIVATE SECTOR MUST BE INVOLVED IN LARGE-SCALE EDUCATION REFORM

The private sector has very high stakes in countries' education systems because today's students are tomorrow's prospective employees. If the public and private sectors do not engage with each other, then meaningful and lasting reforms are much less likely to be successful.

#5 YOUTH NEED TO BE MOTIVATED, POSSIBLY THROUGH PROCESS INCLUSION.

It is notable that everyone interviewed for this case study discussed various youth motivations, but nobody discussed how to actually engage youth directly. It is possible that unemployed or underemployed young adults will feel more motivated to take formal-sector jobs if they feel that their governments and employers are engaging with them instead of paternalistically acting for them.

■ APPENDIX A: INTERVIEWEES' BIOGRAPHIES

Working with Frontier Data Corporation, Concordia conducted 100 surveys of youth and institutions that serve/study youth in Colombia. Based on survey responses, Concordia decided to conduct in-depth interviews with the following people:

- From 2002-2010 **Dario Montoya** was the Director of SENA as it underwent a vast expansion to all areas of the country. Montoya developed the “Jóvenes Rurales Emprendedores” and “Fondo Emprender” programs, while also growing SENA's formal apprenticeship contracts with the private sector from 15,000 to 240,000 in the eight years that Montoya was Director. Perhaps most importantly, Montoya created SENA's virtual education program which serves 12,000 people each day. Currently, SENA hosts Latin America's largest network of virtual education. Prior to joining SENA, in 1994, Montoya established a group of technology businesses in Medellín, which is today called CREAME. He was in charge of this group up until he became SENA Director in 2002.
- **Diana Isabel Cárdenas** is the Director of Mobility and Job Training and Director of Employment Generation at the Ministry of Labour. Cárdenas' main responsibilities are constructing, implementing, and evaluating policies to promote job creation, labor formalization, and unemployment subsidies. Prior to joining the Ministry of Labour, Cárdenas worked as a specialist in social protection and health in the Colombian offices of the World Bank.
- For the past two years, **Victor Alejandro Venegas** has been the Sub-Director of Sectorial Development at the Ministry of National Education. Venegas is responsible for generating instruments and research for higher education policy construction; his expertise is in analyzing dropout rates in innovative ways. Two significant reforms that Venegas is working on are 1) improving efficiency through government finance schemes, and 2) “Todos a Aprender” (Everyone to Learn), which strengthens teachers' skills and closes math and language gaps in education. Prior to joining the Ministry, Venegas worked with the University of Rosario and with the Chamber of Commerce of Bogotá.
- For the past six years, **Katalina Ramirez** has served as Head of Selection and Development at Grupo Éxito, the Medellín-based retail company that is the largest in South America. Ramirez is in charge of all hiring and development procedures for Grupo Éxito's Colombian operations, which employs over 37,000 people. Ramirez's first job at Éxito was many years ago as a cashier to help pay for her education. After graduating, she worked for two different companies in their HR departments before returning to Éxito in her current role.
- **Alejandra Olivella** has been the Human Resources (HR) Coordinator for adMarketplace (an online search advertiser with 100 employees) for the last eight months. Prior to moving to New York to obtain her Masters in HR Management, she was the Colombian and then the Latin American regional hiring manager for Tyco, International Security Systems.
- **Carlos Mayorga** has been a Colombian entrepreneur for 14 years. Mayorga has started two businesses: Global Blue, a car wash franchise chain with over 85 branches in 32 cities (in addition to a large machinery distribution company), and Astex Colombia, a language education company that provide intensive programs in 25 countries and linguistic services online for children, youth, and adults. Before starting his own companies, Mayorga worked for a large company as a project manager and machine inventor.

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