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EL SALVADOR WORKFORCE DEVELOPMENT ASSESSMENT

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EL SALVADOR WORKFORCE DEVELOPMENT ASSESSMENT

Best Practices for Promoting Trade-Led Equitable Growth in the LAC Region
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AECI	FEPADE	MINED MEGATEC
AEROMAN	FUNDE	MINED NEC
AGAPE	FUSADES	MINTRAB
AMSHAMSAL	GTZ	PNUD
ANEP	IDB	PROESA
ASI	INSAFORP / OML	PROESA National
CMARASAL	ITCA-FEPADE	English Center
COEXPORT	MAG	Swisscontact
CONAMYPE	Manpower	Universidad Don Bosco
DELL	MINEC	USAID Agricultural
FEDISAL	MINED	Diversification Project

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ACRONYMS

AECI	Agencia Española de Cooperación Internacional
AMCHAM	American Chamber of Commerce
AMPES	Asociación de Medianos y Pequeños Empresarios Salvadoreños
ANEP	Asociación Nacional de la Empresa Privada
ASI	Asociación Salvadoreña de Industriales
AUPRIDES	Asociación de Universidades Privadas de El Salvador
BCIE	Banco Centroamericano de Integración Económica
BCR	Banco Central de Reserva de El Salvador
BMI	Banco Multisectorial de Inversiones de El Salvador
CAMARASAL	Cámara de Comercio e Industria El Salvador
CASALCO	Cámara Salvadoreña de la Industria de la Construcción
CEC	Centro de Educación Continuo
CETT	Center for Excellence in Teacher Training
CIDA	Canadian International Development Agency
CIMO	Capacitación Integral y Modernización
COMURES	Corporación de Municipalidades de la República de El Salvador
CONAMYPE	Comisión Nacional de la Micro y Pequeña Empresa
CORSATUR	Corporación Salvadoreña de Turismo
CNR	Centro Nacional de Registros
DIGESTYC	Dirección General de Estadística y Censos
CAFTA-DR	Central America-Dominican Republic Free Trade Agreement
EDYTRA	Fundación Salvadoreña de Educación y Trabajo
EHPM	Encuesta de Hogares de Propósitos Múltiples
ENA	Escuela Nacional de Agricultura
ENADE	Encuentro Nacional de la Empresa Privada
EPZ	Export Processing Zone
ESEN	Escuela Superior de Economía y Negocios
EXPRO	Export Promotion for Micro, Small and Medium Enterprises
FANTEL	Fondo de Administración Nacional de Telecomunicaciones
FAT	Fondo de Asistencia Técnica
FDA	Food and Drug Administration
FDI	Foreign Direct Investment
FEB	Programa Fortalecimiento de la Educación Básica
FEDISAL	Fundación para la Educación Integral Salvadoreña
FEPADE	Fundación Empresarial para el Desarrollo Educativo
FISDL	Fondo de Inversión Social para el Desarrollo
FLASCO	Facultad Latinoamericana de Ciencias Sociales
FOIL	Formación Ocupacional e Inserción Laboral
FTA	Free Trade Agreement

FUNDES	Fundación para el Desarrollo Sostenible
FUSADES	Fundación Salvadoreña para el Desarrollo Económico y Social
FUSAL	Fundación Salvadoreña
GDP	Gross Domestic Product
GOES	Government of El Salvador
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit
HACCP	Hazard Analysis and Critical Control Point
ICT	Information and Communication Technology
IDB	Inter-American Development Bank
ISSS	Instituto Salvadoreño del Seguro Social
INSAFORP	Instituto Salvadoreño de Formación Profesional
ITCA	Instituto Tecnológico Centroamericano
JICA	Japan International Cooperation Agency
KfW	Kreditanstalt für Wiederaufbau
KOICA	Korean International Cooperation Agency
LACAP	Ley de Adquisiciones y Contrataciones de la Administración Pública
LASPAU	Academic and Professional Programs for the Americas
MAG	Ministerio de Agricultura
MCC	Millennium Challenge Corporation
MEGATEC	Modelo Educativo Gradual de Aprendizaje Tecnico
MIF	Multilateral Investment Fund
MINEC	Ministerio de Economía
MINTUR	Ministerio de Turismo
MINTRAB	Ministerio de Trabajo
MSME	Micro, Small, and Medium Enterprise
NEC	National English Center
NGO	Non-Governmental Organization
OECD	Organization for Economic Cooperation and Development
OJT	On the Job Training
OML	Observatorio del Mercado Laboral
PRODEMORO	Proyecto de Modernización y Desarrollo Rural de la Región Oriental
PROESA	Agencia Nacional de Promoción de Inversiones de El Salvador
RTI	Research Triangle Institute
SDC	Swiss Agency for Development and Cooperation
SIN	Sistema de Innovación Nacional
SME	Small and Medium Enterprise
SPS	Sanitary and Phytosanitary Standards
TOEFL	Test of English as a Foreign Language
TOEIC	Test of English for International Communication
TOT	Training of Trainers
TVET	Technical and Vocational Education and Training
UCA	Universidad Centroamericana “José Simeón Cañas”

UDB
UES
UJMD
UNDP
UNICEF
USAID

Universidad Don Bosco
Universidad de El Salvador
Universidad Dr. José Matías Delgado
United Nations Development Program
United Nations Children's Fund
United States Agency for International Development

EXECUTIVE SUMMARY: ISSUES AND RECOMMENDATIONS

El Salvador's Six Key Issues and Opportunities

The Government of El Salvador (GOES) has realized that, to advance, the country needs skilled work and workers. This need has created an opportunity for USAID to join foreign investors and other aid organizations to help the GOES to strengthen the economy and workforce through technology and skills training. Key sectors of opportunity include: tourism, agro-industry, call centers, mechanical-electrical industries, ICT and logistics and international services.

El Salvador's recent spate of earthquakes could serve as a metaphor for the major shifts in the country's labor market landscape over the past decade. The first issue that El Salvador's workforce faces is the dramatic change in the country's labor market structure in the past decade. The rapid decline of employment in agriculture, the continued strength of low-tech manufacturing (*maquilas* - apparel and basic textiles), and the expansion of service sector jobs have displaced workers who lack higher education and skills training. In 1997, agriculture was the largest employment sector. By 2006, agricultural employment fell by seven percentage points, with more than 35,000 jobs lost. Hotel and restaurant employment moved into first place, adding nearly 300,000 jobs during that period.¹

The second issue is that both domestic and international companies in El Salvador view its workers as cheap, unskilled labor, leading them to create more unskilled jobs to match this perspective. While El Salvador's relatively low average wages attract employers, and the liberalization of trade has opened the country to foreign investment, El Salvador's biggest export-trade industries (*maquilas*/apparel) create limited incentives for employers or workers to seek training. The country needs new initiatives in place to help break the cycle. Building workers' skills in key technical areas is likely to attract better jobs. Workforce development and training will complement these initiatives and result in higher skilled job creation and attraction.

A third issue is the need for improved communication skills between businesses and most training institutions. Despite some recent efforts, a gap between business needs and the training programs offered continues. One reason is that labor market information, such as that provided by the *Instituto Salvadoreño de Formación Profesional's* (INSAFORP) labor market observatory, is not being disseminated or utilized effectively to influence major training institutions, companies, and workers/students. This is closely related to the fourth issue – that many of the training providers lack the resources to provide the type and quality of training desired. The cost of technical training equipment is one problem here, as are the skills of trainers and the lack of entrepreneurial experience to make rapid change in curriculum and delivery methods.

The concentration of training opportunities in the capital and among large employers is a fifth major workforce issue for the El Salvador. Because most training opportunities are

¹ Encuesta de Hogares de Propósitos Múltiples (EHPM) 2006.

located in the San Salvador metropolitan region, many workers in smaller cities face a choice of severely limiting opportunities for career advancement or moving to the capital. And despite the very large number of SMEs and small informal businesses supplying employment in El Salvador, interviewees frequently noted that most advanced training opportunities are focused on the needs of large employers. We recommend the expansion of technical training in smaller metropolitan areas and for small employers.

A sixth issue is that El Salvador has an average education level of 5.8 years, equivalent to completion of elementary school. Though basic education reform will require larger resources than envisioned in our recommendations, USAID's short- and medium-term strategies for skills investment should complement and influence a long-term approach for improving basic education, particularly in the areas of technical high school training and English language.

We recommend that USAID consider these six key issues in selecting among comprehensive initiatives for workforce development in El Salvador, and we address them as part the potential strategies outlined below. The six strategies here are separate from, but complemented by, the policy and legislative approaches recommended in Section 6.

Overall Goals and Strategies: Break the Cycle of Low Skill Supply and Demand

An overall strategy of USAID and GOES should be to slow, and eventually reverse, the cycle in which El Salvador's supply of low-skill labor encourages the growth and recruitment of companies with low-skilled worker demand, in turn discouraging workers from investing in skills and education. This challenge requires changing both the reality and perception among investors and workers that El Salvador's workforce does not offer specialized or advanced skills. It should begin by addressing the major economic shifts that have taken place over the past ten years.

Strategies and Priorities

Below, we outline a set of goals and strategies that El Salvador's government and the private sector should consider in order to rapidly develop the competitiveness of its workforce. Given that USAID is only one player in El Salvador and has limited budgetary resources, we also recommend which areas the USAID/El Salvador mission should prioritize, as indicated below.

1. Create immediate momentum for higher skills supply and demand

- Priority: Develop adult English language skills
- Two-pronged marketing of higher skills: supply and demand stakeholders

2. Improve communication between businesses and trainers

- Priority: Support relevance and broad use of skills demand assessments
- Support occupational skills standards – competency certification

3. Strengthen incentives to deliver on skills needs

- Priority: Develop “consumer reports” on training services
- Create accreditation system for priority industry training institutions
- Launch Inter-institutional coordination

4. Improve institutional abilities to deliver needed skills

- Priority: Partner with INSAFORP to develop proactive, future-oriented planning
- Priority: Develop technical instructor training and institutional capacity
- Create competency based curriculum and instructor development

5. Extend the reach of training to small businesses and small metropolitan areas

- Priority: Develop mechanisms to expand worker skills services to the SME sector.
- Develop training capacity in small metro areas beyond San Salvador

6. Support long-term strategies linking basic education with careers

- Priority: Develop youth English language instruction
- Fast-track high school to technological degrees, MEGATEC (Modelo Educativo Gradual de Aprendizaje Tecnico)
- Rationalize scholarships
- Support employment orientation of universities (scholarships and internships)
- Advocate for education and youth policies

These recommendations are detailed further in Section 5, along with potential policy considerations in Section 4 that should be discussed with Salvadoran leaders in the arenas of education, workforce, and economic development.

INTRODUCTION

Purpose of the Assessment

The purpose of this assessment is to identify strategic roles that USAID can play in building the capacity of El Salvador's workforce development institutions and outcomes. To this end, Chemonics and its local and international partners conducted a rapid workforce assessment that focused on identifying the workforce related needs and priorities of sectors that have the greatest potential for employment growth and impact from USAID mission workforce initiatives in El Salvador. The assessment report has five sections covering:

1. **Future demands:** Industries and sectors that have the potential to increase their competitiveness, increase employment opportunities, and improve the quality of employment as the result of CAFTA-DR and/or other factors;
2. **Key players' capacity:** Stakeholders' priorities, potential sources of leadership, and stakeholders' willingness to address job creation and skill development opportunities and challenges;
3. **Current programs:** Relevant skill development activities currently provided by the public and private sectors; activities of other donors involving labor market and skills development;
4. **Policy needs:** Policy changes the government could make to address priority workforce skill development needs;
5. **Possibilities for USAID to increase efficiency of labor markets:** Instead of supplying direct training, opportunities for best matching supply and demand, such as through improving national certification and accreditation programs for technological institutes and universities.

Approach

The primary assessment team was led by Robert Holm of the National Center on Education and the Economy, and included Annie Belt and Rocio Acevedo of Chemonics International, Inc. The team engaged two Salvadoran training experts, Roberto Urias and Maria Teresa Vasquez and an international workforce specialist, Jeffrey Tines, for background research and reviews. Prior to starting the field work, USAID provided this assessment team with a number of publications related to workforce status and development in El Salvador. The team also conducted an independent search for reports and analysis related to the five assessment sections outlined above, and gathered additional documents during its site interviews. Illustrative documents included: The MINEC *Multi-Purpose Household Survey 2006*, The INSAFORP Labor Market Observatory 2007, ANEP's ENADE 2006 Report: El Salvador 2024: Towards a New Economic Growth Strategy, INSAFORP's *Young People and Urban Labor Markets in El Salvador*, the *Economic Development and Labor Market in El Salvador 2004-2005*, *The Impact of CAFTA-DR on Poverty, Distribution, and Growth in El Salvador*, the World Bank's *El Salvador Investment Climate – Volume II: Detailed Finding and*

Recommendations, and the UNDP *Human Development Report El Salvador 2007-2008*, and others cited in footnotes.

Chemonics held three phone conferences with USAID/El Salvador to clarify assessment goals, resources, and plans. Then, during a two-week period from July 16 through August 1, 2008, the U.S. members of the project team held interviews with key contacts from: the private sector; employer associations; government ministries; departments of education, workforce, and economic development; training and technical education providers; and local and international NGOs supporting economic workforce development in El Salvador. The full list of organizations is in the acknowledgements earlier in this document.

The assessment began with an initial on-site briefing with USAID officials immediately after the assessment team's arrival in country and included interim "check-in" conversations and a briefing with USAID at the conclusion of the initial period. Additional follow-up interviews were conducted by the Salvadoran members of the assessment team in August 2008.

SECTION 1. FUTURE DEMANDS

Sectors that have potential to increase employment opportunities and competitiveness, and improve the quality of employment

Recent Economic Context

Over the past ten years, El Salvador's labor market landscape has undergone major changes affecting workers and the structure of its economy. The rapid decline of agricultural employment, the continued strength of low technology manufacturing jobs (*maquilas* - apparel and basic textiles), and the rapid expansion of service sector jobs have created major dislocations for many workers, particularly those with little education and skills training. At the same time, these shifts have caused skills shortages for industries such as tourism, agro-industry, call centers, mechanical-electrical industries, ICT, and logistics and international services which compete in the global marketplace and use technology.

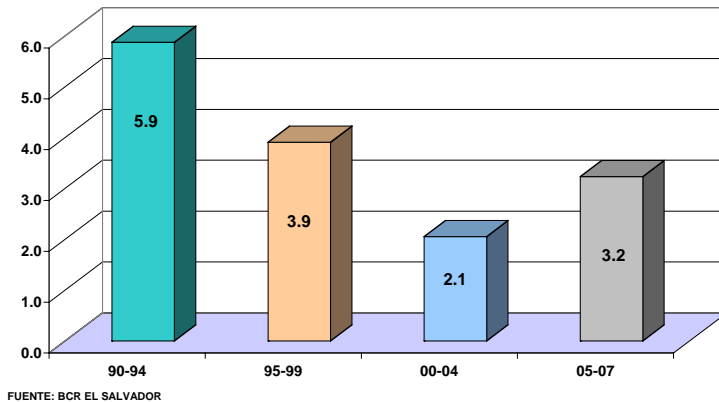
After El Salvador's 12-year civil war, the country's reconstruction in the early 1990s was a major achievement. Almost all industries shared in El Salvador's GDP growth, which averaged 5.9 percent annually from 1990-1995². At the same time, the country underwent a major free market shift, culminating with the privatization of the banking system, telecommunications, and electricity, reversing a broad nationalization push that began before the war. Unfortunately, this period of strong growth was short-lived, as the rest of the 1990s and early 2000s saw lower economic growth and growing debt. GDP growth slowed to an average of 3.2 percent in the late 1990s, then fell as low as 1.8 percent in 2004³. Worse, the catastrophic earthquake in 2001 had a substantial impact on the economy and employment, and the national debt (41.5 percent of GDP in 2005⁴) continued to rise into the mid 2000s.

² World Bank. (2005). *El Salvador Investment Climate – Volume II Detailed Finding and Recommendations*. Washington, D.C.: Author, p. 14.

³ Inter-America Development Bank. (2008). Indicators - El Salvador. Retrieved July 21, 2008 from http://www.iadb.org/countries/indicators.cfm?id_country=ES&language=English

⁴ World Bank. (2007). *El Salvador At a Glance*. Washington, D.C.: Author.

Figure 1. Rates of Economic Growth



El Salvador also embarked on an aggressive trade and foreign investment liberalization strategy in the 2000s, which included both numerous free trade agreements and changes to its own domestic policy. With earlier trade agreements providing, at best, only modest returns in job growth, and with CAFTA-DR still in its infancy, the scale and quality of job development is still unfolding. However, significant labor trends over the past ten years are already clear, as described below.

Overall Labor Demand

The largest and fastest growth in labor demand in El Salvador over the past decade has been in the service sector, specifically hotels and restaurants. Whereas agriculture was the largest activity group in 1997, its share of the country's employment fell by seven percentage points — from 25 percent to 18 percent — between 1997 and 2006. In its place, hotel and restaurant jobs have increased their share of employment to 30 percent, according to the *Encuesta de Hogares de Propósitos Múltiples (EHPM) 2006*. As the table below demonstrates, most other activity groups have remained relatively stable, changing less than a percentage point as a share of employment. The third-largest share of employment activity, industrial manufacturing, generally kept pace with the economy, and accounted for nearly 16 percent of employment in 2006, the same percentage as in 1997. While smaller as a share, community and social services activities and financial industry activities have increased slightly more than average, as the table below details.

Table 1. Share of Employment by Activity Group 1997-2006

Total	1997		2006		Change
	2,066,523	100%	2,685,862	100%	
Agriculture Forestry and Hunting	527,342	25.5%	491,648	18.3%	-7.2%
Fishing	16,664	0.8%	14,911	0.6%	-0.3%
Mining and Quarrying	1,682	0.1%	2,249	0.1%	0.0%
Industrial Manufacturing	332,890	16.1%	423,419	15.8%	-0.3%
Electricity, Gas and Water supply	15,070	0.7%	10,347	0.4%	-0.3%
Construction	137,531	6.7%	181,282	6.7%	0.1%
Hotels and Restaurants	508,179	24.6%	803,068	29.9%	5.3%
Shipping, storage and communication	95,897	4.6%	120,381	4.5%	-0.2%
Financial Industry	62,644	3.0%	114,937	4.3%	1.2%
Public Administration and Defense	91,700	4.4%	105,858	3.9%	-0.5%
Education	67,457	3.3%	93,842	3.5%	0.2%
Community and Social Services	117,549	5.7%	189,466	7.1%	1.4%
Domestic Service	90,221	4.4%	134,454	5.0%	0.6%
Other	1,697	0.1%	-	-	-

Source: Multi-Purpose Household Survey (EHPM) 2006. GOES Ministry of the Economy

Another major factor in labor demand is the large amount of underemployment (those working fewer than 35 hours per week and seeking more work) in El Salvador. In 2006, approximately 43 percent of the labor force was underemployed, with the highest concentration in rural areas. While the service sector represents 59.7 percent of GDP and constitutes 65.3 percent of the employment generation, it also represents more than 60 percent of underemployment in the country⁵. So, the wages and productivity for many of these jobs is low. Many of the jobs being created in this sector, therefore, have not been optimal for improved human development or economic growth.

It should be noted that output growth in a sector is often different than employment growth because of differences in productivity gains among industry sectors. Though the classifications are not strictly correlated, it is notable that industry has high production output compared to its share of employment, while agricultural production is much smaller than its share of employment. In terms of GDP output, El Salvador's economy is essentially made up of three main sectors: agriculture (10.9 percent), industry (29.4 percent), and the service sector (59.7 percent), which is primarily comprised of hotels, restaurants, and tourism⁶.

⁵ United National Development Program (2008). *Human Development Report El Salvador 2007-2008*. San Salvador: Author, p. 55-56.

⁶ World Bank. (2007). *El Salvador At a Glance*. Washington, D.C.: Author.

Trade-Affected Labor Demand

Trade has had a significant role in the transformation of El Salvador's labor market, even prior to CAFTA-DR. Between 1990 and 2002, *maquila* exports, primarily apparel to the United States, increased from 12 percent to 59 percent of total exports, while traditional exports (e.g., coffee, sugar, and shrimp) fell from 45 percent to 5 percent of exports⁷. In 2007, the *maquila* industry generated an estimated \$1.445 billion in revenue and employed approximately 90,000 people in 250 firms⁸. The country's top five exports that year included under-garments (19 percent), jerseys (12 percent), synthetic garments (7 percent), coffee (5 percent), and other garments (5 percent)⁹.

While CAFTA-DR itself has garnered recent attention, its impacts are yet to be clear, in part because El Salvador had already entered into other major free trade agreements before CAFTA-DR, including Dominican Republic (1998), Mexico (2001), Mexico/Northern Triangle and Panama/Central America (2002), Chile (2002), and Panama (2003),^{10 11} This resulted in El Salvador having second lowest tariffs in Central America. Given this context, CAFTA-DR will likely have modest positive macroeconomic effects, with negative effects (e.g., job losses) on the employment of rural low-income farmers. Export growth slowed from 6 percent to 3.3 percent from 2005 to 2006, and El Salvador's share of world export growth decreased by 3.5 percent in 2006 despite the introduction of CAFTA-DR¹².

Prior to CAFTA-DR, trade liberalization in El Salvador caused a boom in the *maquila* sector, creating a large number of jobs. Most skills for these jobs were taught on the job, however, except for management positions that required some prior training. Currently, it does not appear that development of high technology manufacturing and services, and the correlated high skills demand, have resulted from CAFTA-DR. A notable exception is in the need for bilingual Spanish and English speaking workers, particularly in the call center services industry and among companies using international manufacturing standards and equipment, the manuals and training for which are most often available in English.

Recent estimates of the long-term effects of CAFTA-DR on El Salvador predict that GDP will increase an average of 4.5 percent through 2020, with the *maquila* industry generating the largest growth. Since *maquila* industry employment is dominated by women who have not completed high school, job creation is expected to be largest for this group. Overall, CAFTA-DR is expected to have a modest, but positive impact for both urban and rural unskilled workers but increase the income disparity between skilled and unskilled workers if the unskilled labor supply continues to increase faster than that

⁷ World Bank. (2005). *El Salvador Investment Climate – Volume II Detailed Finding and Recommendations*. Washington, D.C.: Author, p. 22.

⁸ Jansen, H., Morley, S. & Torero, M. (2007). *The Impact of CAFTA on Agriculture and the Rural Sector in five Central American Countries* Presentation at the World Bank. Washington, DC: International Food Policy Research Institute.

⁹ World Bank. (2008). *El Salvador- Trade at a Glance*. Washington, D.C.: Author.

¹⁰ info.worldbank.org/etools/wti2008/docs/tradeagreements.doc

¹¹ SICE Foreign trade Information System, http://www.sice.oas.org/agreements_e.asp, http://www.sice.oas.org/ctyindex/SLV/SLVagreements_e.asp

¹² World Bank. (2008). *El Salvador- Trade at a Glance*. Washington, D.C.: Author.

of skilled workers.¹³ ¹⁴ Another predicted impact is further job losses for rural unskilled workers. The key agricultural staples of rural Salvadorans — beans, corn, pork, and rice — were placed on the slowest track for tariff reduction (10-15 years), but will eventually be fully open to large U.S. exporters. Other agricultural products, such as sorghum, became uncompetitive for small farmers almost instantly under CAFTA-DR.

Wages and Unionization

Low wages, particularly in manufacturing, is a labor market concern in El Salvador. Some business strategy and competitiveness analyses for El Salvador have highlighted the fact that employers will need to increase wages to improve the competitiveness of Salvadoran industry by keeping and motivating higher skilled people. Low *maquila* wages may reflect cultural wage biases since women with brief education form the largest demographic in the *maquila* industry. In 2004, less than 5 percent of the labor force was unionized. The general perception was that the government and major employers had strong anti-union feelings¹⁵. Efforts to keep unions out of factories and keep wages low for factory workers appear likely to persist, although the results of upcoming elections could change this situation.

Key Labor Demand Opportunities

The assessment team's interviews with employer associations and key ministries revealed several recurring themes and opportunities to enhance economic and job growth through workforce development. Interviews with the largest employer groups support statistical data which points to several sectors USAID should use as guideposts for potential initiatives. As the table below suggests, the four sectors most recommended as high labor demand and high growth included tourism, agro-industry, call centers, and information and communication technology (ICT). Skills supply-side stakeholders such as education and training institutions also cited mechanical and electrical industries and logistics and international services as potential sectors for job and economic growth.

¹³ Morley, S., Nakasone, E. & Pineiro, V. (2007). *The Impact of CAFTA on Poverty, Distribution, and Growth in El Salvador*. Washington, DC: International Food Policy Research Institute, Development Strategy and Governance Division.

¹⁴ Unequal distribution of income is already a major problem, with the Gini coefficient rising to .524 in 2002, compared with .507 in 1995.

¹⁵ Lopez, Edgar L. & Tolentino, Jose A. (2005). *Economic Development and Labor Market in El Salvador 2004-2005*. San Salvador: National Foundation for Development Macro Economy and Development Area.

Table 2. Growth Opportunities Identified by Stakeholders

PROESA	ANEP	CAMARA SAL	Manpower	AMCHAM	MINEC	MINTRAB
Tourism	Tourism	Tourism	Tourism		Tourism	Tourism
Ag-industry	Ag-industry for Export				Ag-industry for Export	Ag-industry for Export
Call Centers					Call Centers	Call Centers
			ICT	ICT	ICT	
Medical equipment	Industry for Export		Mechanics	Mechanics		
	Logistics & International Services	Logistics				
Electronics				Electronics		
					Aquaculture	
					Pharma	

These top sectors match broader demand survey work done by *Encuentro Nacional de la Empresa Privada (ENADE)*'s Survey of Business 2005. Asked to identify the strategic economic sectors to boost initially, survey participants most frequently identified tourism, agro-industry, exports, and logistics and regional distribution services.¹⁶ Using multiplier effects as an additional criterion for selecting targets, some of these same industries show up. Recent input-output studies produced by the Central Reserve Bank identify the productive sectors with the greatest multiplier effects in El Salvador to be: restaurants and hotels (also high employment and part of tourism), transport and storage (logistics), and machinery, equipment, and supplies (mechanical and electrical industry). High multiplier effects were also found in construction, chemicals, rubber and plastic products, and basic processed metal products.¹⁷

Unemployment rates as an indication of labor demand reinforce some of these same industries. Between 2001 and 2004, for example, the unemployment rates of workers in agriculture, livestock, hunting and forestry increased nearly five percent, while those in commerce, hotels and restaurants, as well as industrial manufacturing dropped nearly three percent and four percent, respectively.¹⁸

Based on the statistical and interview data above, we recommend that USAID/El Salvador highlight tourism, agro-industry, call centers, mechanical-electrical industries, ICT, and logistics and international services as demand industries when analyzing potential high-impact workforce development initiatives.

¹⁶ Sixth National Meeting of Private Enterprise, ENADE 2006. "El Salvador 2024: Towards a New Economic Growth Strategy."

¹⁷ Oscar Cabrera, Julieta Fuentes, y Desirée de Morales. "Hechos estilizados en el crecimiento de El Salvador 1978-2004: una propuesta de acciones de política económica en el corto y el mediano plazo. Banco Central de Reserva de El Salvador, Departamento de Investigación Económica. San Salvador. 2005.

¹⁸ Labor market Observatory, 2007, INSAFORP.

SECTION 2. KEY PLAYERS' CAPACITY

Stakeholders, priorities, potential sources of leadership, willingness to address the job, and skills development opportunities and challenges

Since the civil war, the GOES has sought opportunities to revitalize the economy and labor market. Employment growth has emerged in manufacturing (*maquila* or garments and textiles) and the service sector (mainly hotels and restaurants), requiring little in the way of higher education and skills training. Recently, however, GOES, investors and aid groups have sought to develop a job market around improved technology and skills. From this new focus, a number of key institutional players in and outside the government have emerged. Below are highlights of the key public, private and non-profit stakeholders, followed by more detailed descriptions of the most active institutions in this arena. For still further detail, Section 3 lists the major training programs provided by these institutions.

Government

The *Instituto Salvadoreño de Formación Profesional* (INSAFORP) is the agency most directly responsible for coordinating the National Vocational Training System. While INSAFORP is in charge of vocational training and skills qualification, it does not provide training directly. The agency is an intermediary that links businesses and individuals seeking training to independent training providers and provides funding for that training. Some of the larger and more well-known training providers are ITCA, Don Bosco University, Faith and Joy El Salvador, and FEPADE. INSAFORP is funded through the country's social security system, with businesses of over ten employees contributing.

Beyond INSAFORP, a number of other government agencies and ministries play a large role in the employment and training field. The Ministry of the Economy (MINEC) works to improve the employment situation, while developing the production capacities and competitiveness of the nation's businesses. MINEC oversees trade policies and the small business agency, CONAMYPE, and views vocational training and skill development as critical areas of concern for both industrial trade and small business development. A new government agency, the National Secretary on Youth Activities, looks to extend training and job opportunities for the often marginalized youth segment. Additionally, the Ministry of Agriculture, the Ministry of Public Works, and the Ministry of Tourism support training to advance their respective sectors.

Private Sector

Improving the economic development of the country through superior skills and better quality exports is of serious concern to Salvadoran businesses. The *Asociación Nacional de la Empresa Privada* (ANEP), the El Salvador Chamber of Commerce, and the American Chamber of Commerce of El Salvador (AMCHAM) are three of the largest business associations in El Salvador. All seek to improve economic well being of the

country through domestic policy advocacy and increasing foreign investment¹⁹ and have advocated improving the skill level of workers to accelerate economic growth. The Salvadoran Chamber of Commerce also directly conducts and organizes leadership and business seminars to help business owners improve their competitiveness.

Two other important private employer stakeholders are the *Asociación Salvadoreña de Industriales* (ASI) and the *Cámara Salvadoreña de la Industria de la Construcción* (CASALCO). ASI strengthens, promotes, and protects industrial outputs, often through programs and collaborations helping domestic industrial firms (large and small) grow. CASALCO advocates for the long struggling construction industry through entrepreneurial promotion and advancing the economic development of the construction sector.

NGO and International Aid Organizations

Many local NGOs and international aid organizations work to improve the labor and economic situation of the country. Domestically, the National Foundation for Development (FUNDE), *Fundación para la Educación Integral Salvadoreña* (FEDISAL), and the *Fundación Salvadoreña para el Desarrollo Económico y Social* (FUSADES) are advocating for improvements in the social and economic situation for the Salvadoran people through training. FUSADES is helping to develop small and micro businesses for the poor and under/unemployed, many of whom are in rural areas producing products such as coffee and sorghum that have become less competitive in world markets due to cheaper imports from abroad that are expected under CAFTA-DR. FUNDE focuses on the most disadvantaged sectors of the country (including youth), assisting with both advocacy and economic development.

Figure 2 and Table 3 provide context for the myriad government actors promoting economic development, job growth, and labor development in El Salvador. While most of these actors do not focus solely on training and education, their coordination is increasingly important to making training investments efficient and responsive to labor market demands and a future-oriented vision of the country's development.

¹⁹ Vazquez, Maria T. (2008). *Key Players in the Area of Manpower*. San Salvador: USAID.

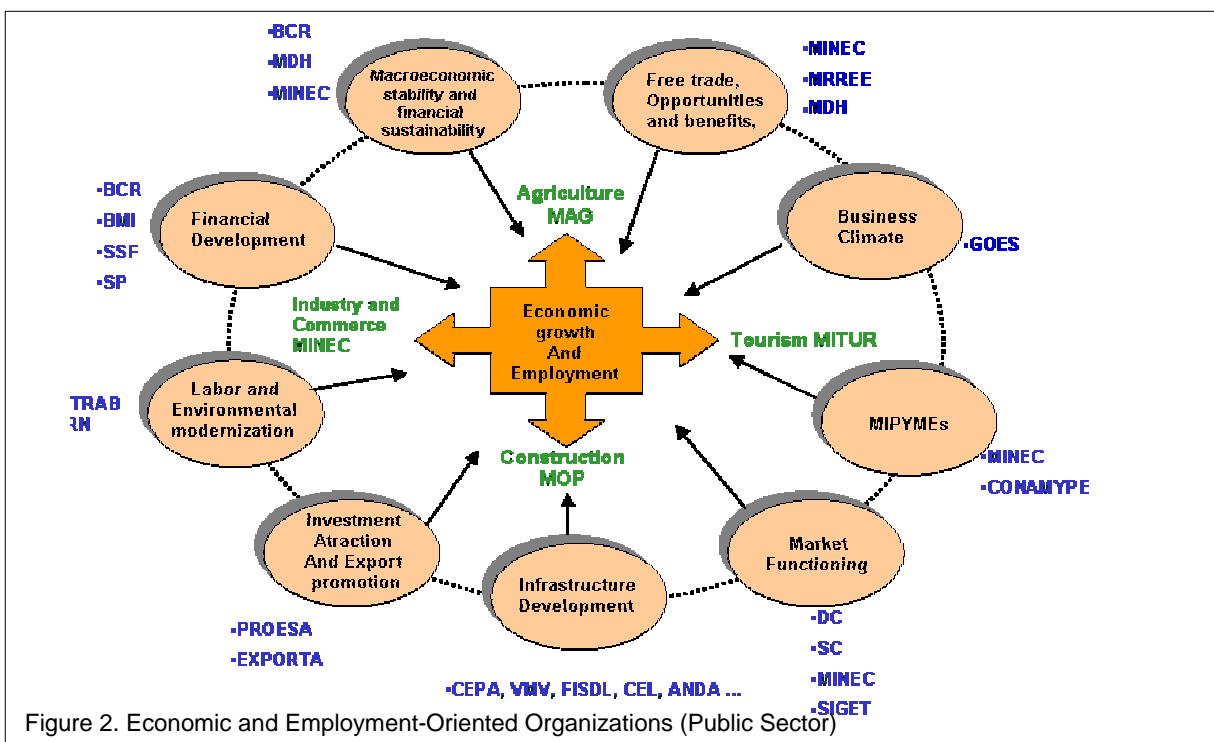


Table 3. Economic and Employment Oriented Organizations

ACRONYMS	NAME IN SPANISH	ISSUE
ANDA	<i>Administración Nacional de Acueductos y Alcantarillados</i>	Water and sewer
BCR	<i>Banco Central de Reserva</i>	Central Bank
BMI	<i>Banco Multisectorial de Inversiones</i>	Economic development with emphasis on micro-small enterprises
CEL	<i>Comisión Ejecutiva Hidroeléctrica del río Lempa</i>	Energy (Electricity) Generation
CEPA	<i>Comisión Ejecutiva Portuaria Autónoma</i>	Develop the infrastructure of ports, airports and railroads
CONAMYPE	<i>Comisión Nacional de la Micro y Pequeña Empresa</i>	Strengthen small and micro business
DC	<i>Defensoría del consumidor</i>	Promote consumer rights, improve operation of the market
EXPORTA		Promote Salvadoran exports
FISDL	<i>Fondo de Inversión Social para el Desarrollo Local</i>	Local development
GOES	<i>Gobierno de El Salvador</i>	Government of El Salvador
SSF	<i>Superintendencia del Sistema Financiero</i>	To supervise the financial system
SP	<i>Superintendencia de Pensiones</i>	To supervise the system of pensions
MAG	<i>Ministerio de Agricultura y Ganadería</i>	Ministry of Agriculture and Livestock
MARN	<i>Ministerio de Medio Ambiente y Recursos Naturales</i>	Environmental management and sustainable development
MDH	<i>Ministerio de Hacienda</i>	Treasury Department
MINTRAB	<i>Ministerio de Trabajo y Previsión Social</i>	To guarantee the fulfillment of the labor laws
MINEC	<i>Ministerio de Economía</i>	Ministry of Economy

ACRONYMS	NAME IN SPANISH	ISSUE
MITUR	<i>Ministerio de Turismo</i>	Ministry of Tourism
MOP	<i>Ministerio de Obras Publicas</i>	Ministry of Public Works
MRREE	<i>Ministerio de Relaciones Exteriores</i>	Foreign Affairs Ministry
PROESA	<i>Promotora de Inversiones para El Salvador</i>	Promote foreign investment
SC	<i>Superintendencia de Competencia</i>	Promote competition for economic efficiency and consumer well-being
SIGET	<i>Superintendencia General de Electricidad y Comunicación</i>	Supervise the Communications and energy market
VMV	<i>Viceministerio de Vivienda</i>	Manage housing development

Government Stakeholders

Ministry of Labor and Social Welfare (MINTRAB)

The Ministry of Labor is responsible for promoting employment, training the workforce, assisting and monitoring labor migration flows, and designing employment policies. Its functions also include promoting employment of groups with special difficulties, such as the disabled, elderly, long-term unemployed, and youth. While most of their workforce training functions are administered by an autonomous body, INSAFORP, the Ministry administers another important labor market function through its “National Network for Career Opportunities,” which provides an exchange between job candidates and companies seeking staff. During 2007, this network reported placing 18,065 people in the labor market. Of these, 13,779 were through participation in job fairs, 4,194 were through the national network for career opportunities, and 92 were through a temporary workers abroad project.

Because of its significance of El Salvador’s direct technical education delivery system, we discuss the details of INSAFORP below in the sub-section on major technical institutions.

Ministry of Economy

The Ministry of Economy (MINEC) aims to generate more and better jobs by maintaining a climate conducive to investment and strengthening the productive capacities and competitiveness of the country and its enterprises. Its goals are to strengthen trade and investment flows between El Salvador and the rest of world by strengthening SMEs (the largest share of the productive sector); improving the functioning of markets; reducing bureaucracy; and supporting macroeconomic and financial stability.

CONAMYPE is the MINEC institution responsible for developing micro and small enterprises. It has built a support system to meet entrepreneurs’ needs with wide participation of partner NGOs, foundations, business associations, support programs, international organizations, and private employers. There is currently little cooperation between CONAMYPE and INSAFORP, though CONAMYPE does provide training for SME staff to generate products with added value, reaching a level of expertise that effectively exploits the comparative and competitive advantages in the country.

Ministry of Education (MINED) – Technical Education and MEGATEC

The Ministry of Education's central role is to broaden the reach of basic education. It has also developed a pilot plan for improving the technical education system through 22 National Institutes in the 14 departments of the country, and has begun the process of creating its own Centers of Educational Innovation.

In 2005, the Ministry of Education launched GOES' *Plan Nacional 2021*, which incorporates the MEGATEC project for high-level technical training into regions of the country. It aims to capitalize on the experiences of all the institutions of superior education that provide technological education and improve access to students moving from secondary technical education to higher education in technical careers. The initiative partners with international organizations through major investments in new facilities and a process of curricular reform of technical education oriented to quality, continuity, and the curricular flexibility needed to meet labor market needs.

National Secretary for Youth

This newly established agency addresses issues of youth and the lack of vocational training and employment available to them. It is currently leading interagency efforts to develop coordinated youth programs and seeks to integrate those with the youth programs of the municipalities. Its national plan for youth has three major objectives:

- Improving the quality of life for young people
- Promoting youth development at all levels, through access to work
- Targeting vulnerable and excluded youth groups.

The emphasis on youth is a priority challenge for GOES, since youth unemployment rates are at least double the general unemployment rates in many areas. Most working young people are employed in the informal sector, working long hours at low wages²⁰.

Ministry of Public Works

The Ministry of Public Works has three vice ministries: Transportation, responsible for regulating air, land, and sea traffic; Housing and Urban Development; and Public Works, responsible for directing the planning, construction, rehabilitation, reconstruction, expansion, and maintenance of road infrastructure. The latter is one of the largest job-generating branches, though its operation is often constrained by the processes governed by the *Ley de Adquisiciones y Contrataciones de la Administración Pública* (LACAP).

Ministry of Tourism

20 UNDP (2008). Informe sobre Desarrollo Humano El Salvador 2007-2008. El Empleo en uno de los Pueblos más Trabajadores del Mundo. San Salvador.

In recent years, tourism in El Salvador has grown steadily. The confidence that domestic and foreign investors show, plus strong support coming from many communities, are making the sector one of the fastest growing and key to national development. The *Corporación Salvadoreña de Turismo* (CORSATUR) is the institution managing tourism development. Its actions are aimed at coordinating efforts to help the sector become a major source of employment and family-sustaining income generation.

Ministry of Agriculture

This Ministry of Agriculture supports and promotes sustainable development of agriculture; forestry and fisheries; and rural development. The four-year-old agribusiness office focuses on food processing, the development of high-value products (e.g. organics and specialty items), for both the domestic and international markets.

The Ministry of Agriculture has primarily worked with the *Escuela Nacional de Agricultura* (ENA) in the area of workforce development. ENA has developed a technical degree in agriculture and agricultural management in partnership with the *Universidad Centroamericana “José Simeón Cañas”* (UCA). The emphasis of this program is on providing students with business skills. Students that complete the ENA program can continue their studies at UCA to pursue a university degree.

International Stakeholders

The IDB (Inter-American Development Bank) has focused primarily on support to SMEs, micro-enterprises, and rural development. From 1996-2002, it funded training in rural areas in masonry, mechanics, and other trades in collaboration with several local organizations: FEDISAL, *Fe y Alegría*, and FEPADE. The businesses had vouchers to cover 80 percent of the fee to attend their choice of session.

Another workforce development initiative funded by the IDB was the development of software for the national network for career opportunities (*Red de Empleo*), a public job matching system to be managed by the Ministry of Labor (MINTRAB). This project was funded by the MIF and in partnership with INSAFORP and FEDISAL. The software was developed and turned over to MINTRAB, but is underutilized.

The Government of Korea, through the Korean International Cooperation Agency (KOICA), implemented eight projects in El Salvador from 1991 to 2007, totalling \$7 million. The projects have focused on modernizing the *Instituto Tecnológico Centroamericano* (ITCA), providing support for the establishment of the Consumer Defense office, strengthening of the Laboratory of Diagnosis and Monitoring of Transmissible Diseases, improving the School Center Republic of Korea, and supporting ICT in the education system, among others. In 2008, KOICA began construction of the MEGATEC of Zacatecoluca.

The United Nations Development Program (UNDP) is involved in projects aimed at strengthening local institutions to confront social ills, including: rule of law; environment; local health services provision; gender programs; and civil society without

violence. However, they recently released the 2007-08 UNDP Human Development Report focused heavily on employment issues. The report stresses that the main problem is not unemployment but “record high levels of under-employment,” and the fact that Salvadorans seem resigned to the situation. Precarious employment that does not offer a minimum wage, let alone access to social security, abounds. The report estimates that only 19 percent of the economically active population has a “decent job” and recommends that full employment and the steady improvement of productivity and wages become central objectives of the state’s human development strategies. The authors add that it “is not only up to the government; it is the business of all of the actors in the world of work; it is the responsibility of workers, employers and the rest of society, and requires a cultural change.”²¹

The Japan International Cooperation Agency (JICA) is facilitating technical cooperation in El Salvador in four strategic areas: Reactivation of the economy; Social development; Conservation of environment for sustainable development and Consolidation of democracy. They are both supporting port development in La Unión, and providing major funding for the MEGATEC center to develop skilled port and logistics workers. They are also piloting primary education projects in four to five schools, but GOES is seeking a larger expansion of that program.

Swisscontact, an NGO funded by private Swiss businesses, promotes private economic and social development through advisory services, training, and continuing education. It operates in El Salvador with financing from the Swiss Agency for Development and Cooperation on activities related to urban ecology, the promotion of SMEs, and professional training. Swisscontact works with INSAFORP to provide vocational training modules in areas such as bricklaying, refrigeration and air conditioning, welding, cooking, etc. that target the unemployed and socially disadvantaged groups particularly in rural areas. They have also developed competency models for training of technical education trainers.

Agencia Española de Cooperación Internacional (AECI) is implementing the *Formación Ocupacional e Inserción Laboral (FOIL)* project which supports INSAFORP’s Labor Market Observatory and works with the Ministry of Labor on their job bank. FOIL is part of a regional program to strengthen occupational training and employment in Central America and the Dominican Republic. The project began in 2006 and includes training and education, support to public institutions, and democracy strengthening.

Private Sector Stakeholders

Asociación Nacional de la Empresa Privada (ANEP) is a national association of private enterprises comprised of 43 professional groups, which represent 55 sectors of the economy and more than 10,000 companies. ANEP promotes free enterprise, and its members represent various interests. Its last two annual reports (2006 and 2007) have emphasized the importance of education and the formation of a qualified workforce. The

²¹ UNDP. (2008). Informe sobre Desarrollo Humano El Salvador 2007-2008. El empleo en uno de los pueblos más trabajadores del mundo. San Salvador. And Labor-El Salvador: Near Universal Poverty Wages, Raúl Gutiérrez. Web: <http://ipsnews.net/news.asp?idnews=43355>

2006 report focused on English skills and recommended that English be made a universal second language in schools. The 2007 report identified export industries and agro-industry, logistics and international services, tourism, and housing as the primary growth areas. In order to grow these industries, ANEP suggests that El Salvador needs to build the infrastructure and provide education to support growth. In terms of education, ANEP recommends funding and support in the areas of engineering, science, math, English, and ICT.

Cámara de Comercio e Industria El Salvador (CAMARASAL) has 2,000 members, 90 percent of which represent MSMEs. Its activities related to labor force development focus on two primary areas: 1) traditional training, which are short-courses typically lasting for one to three days (topics such as team work and client services) and 2) *Empresa Centro*, which provides comprehensive technical training that links classroom training with practical experience. According to CAMARASAL, 92 percent of the program graduates find employment upon successful completion.

Asociación Salvadoreña de Industriales (ASI) has 500 members in various sectors including textiles, plastics, manufacturing, and agriculture. Its focus is on increasing productivity and creating an enabling environment for industries in El Salvador. Their members usually provide their own worker trainings because the type of training ITCA and other institutions offer is typically broader. Exceptions to this include the plastics and aeronautics programs at Don Bosco University. ASI has a solid relationship with INSAFORP, but the greatest results from its perspective have been from the Don Bosco programs.

Cámara Salvadoreña de la Industria de la Construcción (CASALCO) promotes the strengthening of the construction industry, including working with and creating mechanisms to facilitate entrepreneurship and boost the construction industry as an engine of economic and social development of the country. CASALCO relies on its training department to respond to the needs of the sector and to develop action plans based on those needs in the area of professional development.

The American Chamber of Commerce of El Salvador (AMCHAM) represents, promotes, and develops U.S. business interests in El Salvador and supports the business community, in general, through promoting trade and investment between the United States and El Salvador and disseminating the principles of free enterprise. AMCHAM, through the *Asociación de Universidades Privadas de El Salvador (AUPRIDES)*, recommended that universities have stronger prerequisites to help improve the quality of technical degree programs. They also recommended that the curriculum in different technical areas be updated and improved. AMCHAM sees its role in terms of workforce development as an organization that can create a link between government institutions and its members.

Salvadoran NGO Stakeholders

Fundación para la Educación Integral Salvadoreña (FEDISAL) is an umbrella NGO created in 1992 with the support of Salesian organizations in El Salvador that primarily manages projects and conducts studies related to workforce development. FEDISAL

started with three main projects: 1) providing training to demobilized soldiers following the war; 2) scholarships for former FMLN and army leaders; and 3) training for former combatants wounded in war. It was contracted by the IDB to create a training network, train trainers, create vocational software, and design curricula. They also worked with the IDB to design software to help the Ministry of Labor manage their job center.

FEDISAL worked with CONAMYPE (funded by IDB) to train micro-enterprises. The first phase was to give vouchers to micro-enterprises for management training. The program was successful and INSAFORP took it over in the second phase and invested \$3 million.

National Foundation for Development (FUNDE) is a research, advocacy and development promotion organization that is involved in issues related to civil society and local government, economic growth for small producers, and macroeconomic issues including development financing and forming workers' associations. It is recognized as one of the main actors concerning the national debate related to youth employment.

Fundación Salvadoreña para el Desarrollo Económico y Social (FUSADES) is a private, not-for-profit organization created in 1983. It functions as a study and research center, and as a facilitator of economic and social development. The foundation's activities are financed by contributions from its founding members and sponsors, through agreements with national and international organizations, and through its own endowments. The foundation is considered a center of economic and social thought of the private sector and has pushed for private sector participation in solving the social and economic problems, particularly of rural communities. It seeks to demonstrate that the benefits of economic, social, and environmental development can accelerate growth in a manner that more effectively and efficiently reduces poverty.

FUNDES El Salvador (previously known as FUNDAPYME) is a non-profit institution created in 2000, with the support of two strategic partners: ANEP and FUNDES International, a Swiss foundation and leader in the development of methodologies and initiatives that support micro, small, and medium enterprises in Latin America. FUNDES offers more than 40 courses, including distance courses, on various topics related to business management. In addition, they offer longer certificate programs and workshops and speakers on specific topics of interest.

Salesian organizations also play a role in the Salvadoran education system, particularly in the area of technical and vocational training. The *Colegio Santa Cecilia* and the Technical Institute Ricaldone, in particular, have been pioneers in this field. More recently, *el Colegio Salesiano Don Bosco*, the Don Bosco University, the Technical Institute of Trades Entrepreneurs at Poligono Industrial Don Bosco (a complex that now houses 11 cooperative factories that generate \$900,000 in revenue annually), and the Factories of City of the Children have worked with underserved communities in El Salvador by training their students in the skills needed to enter the workforce.

Major Technical Institutions

INSAFORP

INSAFORP (Salvadoran Institute for Professional Training) is responsible for directing and coordinating the national professional training system. While under the organizational structure of MINTRAB, it is autonomously funded and is directed by an independent tripartite board of directors comprised of four representatives from employers, three labor sector representatives, and three government representatives. Its goal is to link and coordinate businesses' needs with well-developed vocational training programs. The organization does not provide direct training; it recruits a system of training service providers to meet the demands of employers and special projects for the unemployed or self-employed. Providers, who must apply to INSAFORP for qualification, may be contracted as individual trainers, schools, institutes, or NGOs, among others (e.g. FEPADE, Fe y Alegria, Don Bosco, FUSAL, ITCA). They have traditionally been devoted to short-term technical or vocational training and, once contracted, are under the strict supervision of INSAFORP. The major programs of INSAFORP are described in more detail in Section 3. .

INSAFORP's demand for training can come from two sources: businesses or under/unemployed people. Each can apply directly to the training institution or through intermediate agencies that coordinate and manage the requested training. The intermediate agencies include guild chambers, associations, technical committees, advisory committees, task forces or committees of business training units.

It is funded by a one percent share of social security payroll taxes paid by domestic firms that employ 10 or more workers. This percentage is mandated by Article 41 of the Law on Vocational Training and is collected by the Salvadoran Social Security Institute (ISSS). Despite this mandatory payment to the vocational training system, only 50 percent of contributing companies actually utilize the services offered.

INSAFORP is also charged with conducting economic labor market research and identifying current and future needs to support decision-making for training strategies which meet labor market demand²². Its *Observatorio del Mercado Laboral* (OML) investigates the economic and social environment of the labor market through the collection and analysis of labor market information. It has been supported by international cooperation projects including Germany's GTZ and Spain's AECI.

Strengths

- Large, sustainable funding source
- Improving process of course development toward market demand
- Strong leadership
- Best for "non-formal" education and supporting innovation in companies

Weaknesses

- Oriented to large companies in urban areas because of structure
- Hindered by LACAP

²² Instituto Salvadoreño de Formación Profesional. (2006). *INSAFORP – Salvadoran Institute for Training*.

- Usually provides overview, short-term training vs. long term skills building
- Labor Market Observatory is not widely distributed for use
- Needs proactive vision
- Weak relationships with GOES institutions (MINED, MINEC)

Opportunities for Improvement (Includes ANEP recommendations²³)

- Improve dialogue among stakeholders (Ministries, CONOMYPE, private sector)
- Strengthen Labor Market Observatory and assist use by other institutions
- Reduce procedural bureaucracy
- Expand services to MSMEs and companies based outside San Salvador
- Increase the coverage of the “*Empresa Centro*” model based on apprenticeships
- Explore delivery methods that adapt to the needs of local businesses
- Create a program focused on training to develop new products or alternative areas for economic growth
- Develop standards and labor competencies
- Use the recently created San Bartolo training center for innovative programs

Instituto Tecnológico Centro Americano (ITCA)

ITCA is the primary technical training provider in El Salvador. It is a state institution that is administered by FEPADE. ITCA currently manages five training institutes in El Salvador: Santa Tecla (main campus), Zacatecoluca, San Miguel, Santa Ana, and La Unión. ITCA offers 18 technical careers including civil engineering, architecture, electrical engineering, computer repair, information technology, mechanics, industrial engineering, chemical engineering, gastronomy, tourism, aeronautics, and mechatronics.

Students who successfully complete their coursework receive technical degrees and students in information technology and mechatronics can pursue college degrees. ITCA incorporates English instruction for all careers. Some programs include practical training. The mechatronics program, for example, includes 10 months of practical training.

In addition to traditional technical and vocational education and training (TVET) programs, ITCA works on special initiatives. It is a service provider on INSAFORP projects such as *Empresa Centro* and HABIL, and provides regular training for businesses. ITCA manages the National English Center (NEC) and is planning to launch language training in Mandarin and Taiwanese.

ITCA tracks its graduates after six months and again after one year following graduation. They interview their former students and ask them questions regarding their current status, whether they are employed, how much they are earning, and the quality of their living conditions. In 2007, they found that 80 percent of program graduates were employed, although it varied by sector. They also interview employers to measure the effectiveness of the ITCA graduates. ITCA has plans to conduct another assessment after five years.

²³ ANEP’s ENADE 2006 Report: El Salvador 2024: Towards a New Economic Growth Strategy

ITCA works closely with the private sector, the government, and donors. They receive significant support from donors such as JICA, GTZ, KOICA, and India. GTZ, for example, was critical in establishing the mechatronics program, by sending representatives to Germany to learn how to develop mechatronics curricula.

Strengths

- Strong practical focus on technical skills and engineering
- Responds to the labor market
- Provides training in new leading technology careers (e.g., mechatronics)
- Perceived as a strong partner by some private sector employers

Weaknesses related to TVET:

- Equipment and curriculum outdated in some areas
- Basic level of instruction in technical areas
- Currently lack accreditation (though this is addressed in their five-year plan)

Opportunities for Improvement

- Teacher training
- Curriculum updating in some technical areas
- Replicate model for developing mechatronics program in other areas
- Standard setting

Fundación Empresarial para el Desarrollo Educativo (FEPADE)

FEPADE was founded in 1986, with partial funding from USAID, to address worker shortages caused by the war and is now supported by private businesses. While much of their current training is in management related fields, they manage ITCA in addition to conducting train-the-trainer programs in trades including baking, bricklaying, computer skills, mechanics, and metal work. Through ITCA, FEPADE is also a partner in the MEGATEC program to prepare high school students to either enter the workforce or continue their studies at a technical institute or a university.

FEPADE designs programs through their Department of Business Development and creates sub-boards with industry members around specific topics, recruiting teachers with technical knowledge and training them on pedagogy, if necessary. FEPADE has an SME incubator program providing training to small companies and is developing an engineering school through ITCA, with the support of the Salesians and AGAPE.

FEPADE reported that its programs with USAID include: a) the Center for Excellence in Teacher Training (CETT) implemented regionally for teachers of grades 1-3; b) as a sub to RTI, implementing a delinquency prevention program; and c) *Programa Fortalecimiento de la Educación Básica* (FEB) for teachers of grades 1-5. They are training 3,000 teachers in 500 schools in five departments, affecting 100,000 children.

FEPADE has a close relationship with INSAFORP, and the current president was formerly a FEPADE board member. They mainly get funding through the “special project” fund, but since FEPADE can only get a certain share of the training funds by law, they told INSAFORP that they would be willing to evaluate the proposals of other providers and wouldn’t compete at the “lower” training level. The relationship with INSAFORP is reportedly bureaucratic, and it is difficult to get funding for innovative projects like trainings in areas such as the environment and solar energy. Part of the problem is with LACAP regulation, which makes the procurement process lengthy.

FEPADE is reportedly successful because they have the capacity to get private funds, something smaller institutes are not able to do, FEPADE has also worked with many donors including USAID, the IDB, World Bank, GTZ, AECI, UNDP, and UNICEF. They are working with Peace Corps in Zacatecaluca on computer repair training.

Strengths:

- Capacity to raise private sector funds
- Strong management related training
- Experience with donors

Weaknesses related to TVET:

- Used to give a certificate to graduates demonstrating credentials to potential employers. They no longer do this.

Opportunities for Improvement

- Certification of occupations using examples such as Colombia and Brazil.
- Future programs in: food sector, technology assembly, export-related areas, and projects with gender components.

AGAPE

AGAPE is a religious non-profit organization run by Franciscan priest, Father Flavian Mucci. AGAPE is based in Sonsonate and provides social services in a wide variety of sectors. In education, they have both formal and non-formal programs. In formal education, they operate two vocational schools, a primary and a secondary school. They also manage INSAFORP’s *Empresa Centro* and HABIL programs in Sonsonate.

Their vocational schools offer degrees in computer systems, electrical work, and marketing. In 2008, more than 400 people were enrolled in the computer systems program, 100 in marketing, and 100 in electrical work. AGAPE estimates that 300 will graduate and 85 percent will find employment. They are responsible for managing the Ministry of Education’s MEGATEC center in Sonsonate, which currently offers a degree in electrical work and will, in the long-term, offer a degree in tourism. AGAPE is planning to offer programs in process engineering, information technology, and tourism, and to create a technological park within their vocational school.

AGAPE is a member of *Red de Empleo* that the Ministry of Labor established. They have found that it is underutilized, however, because the communities it tries to target are unfamiliar with technology or lack the skills the employers require. AGAPE finds it is more effective to use their own labor insertion department which helps graduates find decent work.

Strengths:

- Highly respected in El Salvador
- Integrates a social component into all activities which helps gain the trust of the communities with which they work
- Focus on employment

Weaknesses related to TVET:

- Small scale (regional focus)
- Teachers lack training, particularly in pedagogy
- Difficult to convince youth to pursue technical careers
- Limited resources

Opportunities for Improvement

- Teacher training

Universidad Don Bosco (UDB)

UDB has recently expanded and has degrees in electrical and mechanical engineering, information technology, computer science, call center operations, bio-medical manufacturing (prosthetics and orthotics), mechatronics, and graphic design, among others. It was founded in El Salvador in 1984, originally with degrees in sciences and humanities and engineering. It operates with a commitment to the Salesian philosophy of reaching out to people with low resources, reflected in the types of courses they offer, the assistance they provide, and the location of the campus. The university is located in Soyapango, an area with high poverty.

To assist with job placement, Don Bosco has a job center that helps graduates find employment following graduation. They report that 90 percent of their graduates find employment in sectors related to their training. They also maintain a database that links students with employers. Approximately 500 companies and other employers utilize the database. In addition to assisting with job placement, the job center also tracks graduates. They have a tracking system that identifies student outcomes at one year and at five years following graduation.

One of Don Bosco's main strengths is its strong relationship with the private sector. The university conducts regular strategic planning in consultation with the private sector to ensure it remains oriented to growth sectors. Private sector involvement extends beyond the strategic planning stage. Employers provide feedback on new courses and competencies. Two recent examples are the call center career training for Dell computers and the aeronautics program designed for TACA. Don Bosco generates revenue from

consultancies they provide to private businesses in the area of employer services, including teaching methodology, material testing, teamwork training, and mechanical and electrical services.

Strengths

- Strong practical focus and links to employers
- Leader in tech careers and engineering
- Highly responsive to market, business services
- Strong reputation

Weaknesses related to TVET:

- Equipment outdated in some areas
- Small scale in some areas

Opportunities for Improvement

- Sharing of methodologies with other technical training providers

Other Universities with Potential for Workforce Partnering

While Don Bosco is the most technologically focused university, others are both strong enough in academic quality and have a sufficient level of labor market orientation to have potential for partnering in the workforce development area. Two with low market orientation, like UCA and Jose Matias Delgado, may have a particular role in some academic areas such as English instruction because of their strong academic reputation. We highlight six mentioned in our interviews below, and then describe the workforce related activities of two of special interest:

Strong Academic Reputation/High Market Orientation	Medium Academic Reputation/High Market Orientation	Strong Academic Reputation/Low Market Orientation
Escuela Superior de Economía Negocios (ESEN)	Francisco Gavidia University	Central American University Jose Simeon Canas (UCA)
Communication College, Monica Herrera	Technological University	Jose Matias Delgado University

Universidad Francisco Gavidia has a strong business program that allows students the opportunity to form their own businesses and offers technical assistance to micro and small industries. As access to finance is a major challenge to micro, small, and medium enterprises in El Salvador, the *Universidad Francisco Gavidia* signed an agreement with the *Banco Centroamericano de Integración Económica* (BCIE) to provide capital to participating businesses. *Universidad Francisco Gavidia* also has an English language program through its Continuous Education Center (CEC). The program encompasses written and verbal communication, stresses active learning, and is open to students in secondary school or university, professionals working in different fields, and other individuals interested in learning English.

Universidad Tecnológica (UTEC) offers a number of technical degrees, in addition to traditional university programs. Currently they offer degrees in hardware, software, networking, graphic design, marketing and sales, public relations, communications, and tourism. The tourism program was developed in response to the growing demand for workers in the tourism sector. In addition, UTEC works with a network of technical schools. UTEC provides career counseling to students in technical schools based on their skills and aptitude. In 2007, UTEC received 8,500 high school students from 50 educational centers.

Labor Market Information (LMI) System

El Salvador has the benefit of several relatively developed sources of economic and labor market information. Commitments from GOES and financing from INSAFORP, as well as private and international technical and financial assistance since the period of the civil war, has helped build this capacity. In El Salvador, as elsewhere, the challenges are that much of the information is not distributed or used on a regular basis to plan skills development programs, there are gaps in collection due to a large informal sector, and information on skills (as opposed to industries and job positions) are expensive to collect.

Because INSAFORP's OML is a particularly significant source of labor market information focused on training, we cover it in depth below. However, the OML draws extensively on a number of other important data sources in the country. Among the most prominent of these other sources are:

El Salvador's census agency, the *Dirección General de Estadística y Censos* (DIGESTYC), which conducts an Annual Multi-Purpose Household Survey (EHPM) and provides most of the information gathered free to the public on its web site www.digestyc.gob.sv. In addition to other demographic information, it provides workforce related information on economic factors including employment, wages, unemployment and underemployment, as well as education.

Banco Central de Reserva (BCR), an independent government-backed agency, collects economic data on a national level and similarly provides the data on the web.

The Fundación Salvadoreña para el Desarrollo Económico y Social (FUSADES), which is described in more detail in the previous section, functions as a research center financed by donor contributions, agreements with national and international organizations, and by its own endowments. The foundation is considered a center of economic and social thought of the private sector and has pushed for private sector participation in solving social and economic problems, particularly of rural communities.

Other sources. Given the complex mix of economic and social data involved in labor market information, other sources are also relevant. They include MINED (e.g. basic education, literacy, youth, etc.), MAG, UCA/UES, associations such as ENADE, OIT publications, FUNDE, FLACSO El Salvador (*Facultad Latino Americano de Ciencias Sociales*), and other private research sources. Manpower International is also a source of specific information from regular surveys of Salvadoran businesses' worker needs.

Observatorio del Mercado Laboral (OML). INSAFORP's Labor Market Observatory (OML) is a significant source of information because it focuses on the economic and social impact of the labor market, and it draws on data from the sources mentioned above as well as its own survey research. The OML was created in 2000 as the result of cooperation between GOES, INSAFORP, and international donors to develop an LMI system. It is strongly influenced by the Uruguayan LMI model, which itself was based on systems previously tested in Spain. It is oriented to provide information on the labor market at five levels:

- Information/analysis
- Employment demand
- Employment supply
- Territorial analysis
- Evaluation of the impact of training programs

At present, the OML is oriented mainly to non-formal education and consults to recruiting, hiring, and headhunting agencies. Its primary information products are:

- Overall labor market reports
- Specialized bulletins
- Specific surveys on training needs (e.g. metal-mechanical industry, plastics) required by the Executive Council and developed with external consultants.

The OML also gathers information on the impact of programs such as HABIL (job insertion rate); *Empresa Centro* (training quality, salaries, interest in universities studies); and Continuous Learning (productivity of companies and sectors after training).

Depending on the type of survey they develop, the OML makes use of multiple sources of information:

1. BCR (national accounts)
2. DIGESTYC (including Multi-Purpose Household Survey)
3. FUSADES
4. FUNDE
5. FLACSO
6. UCA/UES
7. OIT (publications)
8. MINED (e.g., national illiteracy averages)
9. MAG
10. MINTUR
11. Associations such as ENADE
12. Private and primary research centers

Application of data

INSAFORP uses the OML to help facilitate and coordinate its own focused vocational and skills training as well as for its planning and impact evaluation which it reportedly conducts more or less every two years. INSAFORP reports that external users of the OML are public institutions such as MINED and MINTRAB, private enterprises and associations, individual training suppliers, and domestic and international researchers. However, with assistance it could be of use to many other workforce training stakeholders.

Support received

The Spanish AECI is supporting consolidation of the OML in Central America, Dominican Republic, and Panama, but the Salvadoran model is considered the most advanced and is the oldest. AECI supports the OML both through financing for equipment as well as technical assistance on the transference of methodology, such as new methods of OML in Spain and Europe in general.

Two years ago, the OML made important changes in order to coordinate with the public employment service of the MINTRAB as well as to collect information on both regional and national labor demands by opening offices in the principal regions of the country.

Strengths

- Institutional support and budget
- Community credibility in non-formal education arenas
- Staffed by three or four specialized technicians

Weaknesses

- Lack of inter-institutional systems to use the statistics
- Problems in disaggregation of the available information
- Lack of sources of information
- Lack of diffusion of the surveys they produce

Opportunities for Improvement

- See Section 5, Recommendation 2, “Support Relevance and Broad Use of Skills Demand Assessments”

SECTION 3. CURRENT PROGRAMS

Relevant skill development activities currently provided by the public and private sectors; activities of other donors involving labor market and skills development.

The major stakeholder institutions described in Section 2, have developed a number of workforce development activities to solve specific needs and challenges in El Salvador's labor market. They address the spectrum of needs from those of the unemployed and youth to scholarships for advanced studies and specialized industry needs, such as tourism.

INSAFORP Activities

Program for Work Qualification (HABIL). HABIL generally works with unemployed, underemployed, and/or vulnerable groups aged 16 or older. However, they allow younger participants since they understand that youth below the age of 16 participate in the workforce. Each year INSAFORP conducts research on the demands of the workforce and develops training courses in areas with the greatest hiring potential. During 2006, INSAFORP conducted approximately 1,000 seminars for 21,852 people in 12 sectors in urban and rural areas of the country.

Business Center (Empresa Centro) program. This program, which receives funding from GTZ, targets unemployed youth between the ages of 16 and 25. Trainings are offered in 28 different fields and can last from five to 30 months. This program consists of both theoretical and practical training. The program has a social worker and psychologist on staff to evaluate students. Parents are expected to sign a contract that states they are committed to supporting their children while they attend the program.

Empresa Centro is intended to train workers eligible to exercise skilled occupations, with skills that can only be acquired over relatively long periods and in close connection with the real work. The main characteristic is to link the practical training in a company with the theory developed in the training center. The program includes: promotion programs, recruitment, pre-hiring, placement of participants, theoretical training, and monitoring of practical training in the business. The objectives are to provide comprehensive and systematic occupational skills training that is developed in close liaison with the needs of the productive sector and to help raise the productivity and competitiveness of enterprises. The post-training employment rate from 1996 to 2007 was 90 percent.

Continuous training program. This program provides on-going training to current employees to increase their skills. INSAFORP also provides advisory services for companies on developing training plans based on an analysis of their training needs to help improve productivity and competitiveness.

Special Projects

INSAFORP offers special training for current employees including technical training, HACCP, exporting guidelines for MSMEs (through USAID's EXPRO program), ISO,

logistics and operations, *Packs Empresariales* (four session courses for MSMEs) Trainings can be both in a formal training center or a mobile unit. They can be either open to the general population or geared towards employees of a company.

Quality assurance in the meat industry

Since 2002, INSAFORP has been conducting these training events in coordination with the Ministry of Labor and Social Welfare of El Salvador through their migrant workers program. This program gives unemployed Salvadorans the skills necessary to work for Canadian enterprises such as Maple Leaf Pork, OLYMEL, and Lakeside Packers.

Nehemiah project

The Nehemiah project provides comprehensive training aimed at young people who have had problems with the law, at-risk youth and their families, and young people who have been in gangs. The program has vocational, psychological, and spiritual components. Graduates from the program are given job opportunities either by private companies or can start their own businesses with the skills they obtain through their participation in the project with the ultimate goal of allowing them to integrate into a productive and responsible life.

Training Project Foundation with EDYTRA

This project consists of training in manufacturing export quality children's footwear and is geared towards young people from 18 to 25 years old from marginalized communities. It has hired EDYTRA Foundation, which incorporates the participants in the companies of Don Bosco Industrial Park. It has established alliances with Spanish companies that manufacture footwear for children, designed to generate investment opportunities in the country.

INSAFORP-SWISSCONTACT project

INSAFORP has signed a "Framework Agreement on Cooperation Project Training" with the Swiss Foundation for Technical Cooperation for Development (implemented as INSAFORP/Swisscontact), which aims to help marginalized youth obtain jobs or self-employment. Within this project INSAFORP is using a new model for generating employment which consists of three main areas: 1) the Bureau for Productive Opportunities Identification; 2) vocational guidance; and 3) impact assessments.

Ministry of Labor And Social Welfare (MINTRAB) Activities

The National Employment Opportunity Network

This initiative was launched to create linkages between candidates and the vacancies available by developing both a local and web-based point of contact between workers and companies seeking staff. There are currently 42 offices around El Salvador including Regional Offices of MINTRAB. While the majority is located in government department

offices, others are housed within foundations, churches, and other public spaces. MINTRAB is responsible for overseeing all the offices and managing the software they utilize.

Job Fairs

MINTRAB regularly organizes job fairs throughout El Salvador to bring together employers and employees. In 2007, there were 18,000 positions advertised through the fairs; however, the employment rates have not been as high as anticipated.

Attention to Vulnerable Sectors

This is an initiative to facilitate the employment of vulnerable groups such as youth, women heads of households, and people with disabilities through vocational training programs and occupational guidance. A Law on Equal Opportunities for Persons with Disabilities was also established to combat discrimination against persons with physical and mental disabilities.

Temporary Work Project to Foreign Countries

Through this program, MINTRAB is helping Salvadoran workers obtain temporary permits to work abroad legally.

Ministry of Economy (MINEC) Activities

Agencia Nacional de Promoción de Inversiones de El Salvador (PROESA)

PROESA is an autonomous government agency founded in 2000 that is dedicated to promoting investment in El Salvador. It was created through the support of the private sector and seeks to generate jobs, transfer technology, and assist in the development of the country. Its primary objective is to attract foreign investment and provide technical guidance to industries. It identified agro-industry, textiles, call centers, light manufacturing and electronics, logistics and distribution centers, and tourism as industries with demand for workers and highlighted the need for more English language instruction.

Comisión Nacional de la Micro y Pequeña Empresa (CONAMYPE)

The National Program for Entrepreneurs is an initiative with support from the European Union, which provides comprehensive services to Salvadorans who intend to start their own business. Through this program, the government encourages the development of talent, skills, and an entrepreneurial culture which will form the basis for developing more competitive, innovative, and profitable businesses with the capacity to generate jobs. The services they provide to entrepreneurs include: diagnostics to identify entrepreneurial qualities; training to boost entrepreneurial qualities and formulation of business plans; training and support for a specialist to support the entrepreneur in formulating and implementing its business plan; and informing entrepreneurs about sources of financing and access to seed capital as well as access to business mentors or business people of wide experience who act as mentors for entrepreneurs.

Fondo de Asistencia Técnica (FAT). FAT provides opportunities for entrepreneurs to receive technical support that allows them to better manage their businesses and achieve higher sales and profits. It supports micro and small entrepreneurs with a direct economic contribution in the payment of consultancy services for the acquisition of modern techniques to improve their business and their production processes. Businesses invest 30 percent and the GOES invests 70 percent. To date, 800 enterprises have been assisted.

Consultants for MSEs. CONAMYPE manages a database of consultants and consulting firms to meet the needs of entrepreneurs and businessmen. The consultants who are part of this database go through a qualification process to ensure their professionalism and experience. Employers can search for consultants on this database, either to hire them directly or to use the FAT.

The Inter-Institutional Network for Quality and Productivity. This network is comprised of GOES ministries, training institutes, and the private sector. It is working on accreditation and certification, as well as the development of social capital. They are conducting training events, a communications system, and a centralized mechanism for scholarships.

National Innovation System (SIN)

The SIN was developed in November 2007 following the 2nd Congress of Innovation, Science, and Technology. One of the findings of the conference was that there is a great need in El Salvador to establish a national system of innovation to improve the linkages between private businesses, universities, and government institutions in the area of science and technology. Within the SIN is the Center for Quality, Innovation, and Technological Development, which is another initiative being led by MINEC. It is a partnership between MINED and MINEC with funding from GTZ, JIC, IDB, EU-FOMYPE project, and MINED/ITCA/FEPADE, among others strategic partners. While not specifically a training organization, its focus on standards and technology innovation give it a potential role for encouraging skills upgrading in small businesses, particularly exporting businesses.

FANTEL Scholarship Program for Superior Education

The Government of El Salvador began this scholarship program in 2001 with resources from the privatization of the Fondo de Administración Nacional de Telecomunicaciones (FANTEL) in accordance with the Law of the Special Fund. When the program began, students were able to apply scholarships toward pursuing any program of study that they chose. Today, applications are evaluated based on El Salvador's economic needs and, while students choosing a variety of fields are still eligible, priority is given to those pursuing careers in science and technology.

The program grants national and foreign scholarships toward degree, post-degree, and doctoral programs for traditional and adult students demonstrating high academic performance. The program is intended to improve the professional capacity of

Salvadorans to contribute to the development of the country. The administration of the program falls under the supervision of the Fundación para la Educación Integral Salvadoreña, FEDISAL, and LASPAU.

Ministry Of Education (MINED) Technical Education Activities

MEGATEC Program

In the GOES' "Plan Nacional 2021," the Ministry of Education outlines its MEGATEC project to boost opportunities and efficiency of high-level technical training. MEGATEC aims to link all the institutions of secondary and tertiary technical education and to improve access to students who have studied or worked in technical fields. It does this by creating articulated (linked and coordinated) curriculum and competency testing. The curriculum coordination encourages technical training by allowing students to eliminate repetitive coursework as they transfer between technical high school, associates level, and university level technical education, often reducing workload by a year of study.

The initiative is a process of curricular reform of technical education oriented to quality, excellence, continuity, and curricular flexibility to increase productivity and adapt to the opportunities and needs of the labor market. The program also aims to implement progressive educational opportunities that strengthen regional development and has sites located around the country.

MINED has also developed a pilot plan of improvement for the technical education system through 22 National Institutes in the 14 Departments of the country, and has begun developing "Centers of Educational Innovation."

Young Talent Program

This program provides specialized learning experiences for children and youth with advanced abilities in math and science in an effort to stimulate and enhance the intellectual capacities of outstanding students in the nation's public education system.

National Secretary of Youth Activities

The National Secretary of Youth Activities is a newly established position within the President's administration. One of the Secretary's responsibilities is to strategically address issues faced by youth and the labor market, as youth represent one of the demographic populations most affected by the lack of vocational training and employment. It is currently implementing interagency efforts that develop youth programs with municipalities.

Youth Employment Program

This is a program intended to integrate youth into the labor market by developing orientation and training that affords participants the opportunity to gain work experience and/or find a job. The program approach attempts to connect youth with employers,

minimize the costs of the job search process, and satisfy the need for guidance for young people seeking their first job. In addition, an effort is underway with support from international agencies and local researchers to craft a National Development Policy for Youth Employment.

EMPRENDE Program

This is a program that encourages entrepreneurship from a very early age, through training opportunities for students in primary education, basic education, and university, as well as out-of-school youth. The programs provide participants with knowledge, tools, and resources to start and operate their own businesses. The program also simplifies cumbersome procedures that may otherwise be discouraging.

The intent is to promote self-employment to increase earnings for young citizens in urban and rural areas. Promoting an entrepreneurial culture and providing experiences in entrepreneurship is expected to result in the increased generation of new micro enterprises.

Scholarship Program

The Scholarship Program is aimed at students in public basic and junior high school, as well as students of higher education in both public and private institutions. The scholarships are awarded annually to students based on an evaluation of excellent academic performance, family incomes, and/or active participation in the various programs developed by the National Secretary of Youth.

Skills Development Program

The Skills Development Program improves job placement capabilities in order to make the country more attractive to new investments. The initiative also promotes agricultural diversification as a means of reducing the migration of youth from rural areas to larger cities. It is expected that the Skills Development Program will generate better teaching techniques, job placement of youth in urban and rural areas of the country, and the development of training courses that respond to market needs.

EDUPUNTOS

This program was created by and is promoted by the National Secretary of Youth in order to help Salvadoran families find alternatives to pay for their children's education. Through this program, students, parents, friends, and/or relatives may accumulate points for every purchase made at commercial establishments identified as "friends of education". Participants may redeem their accumulated "Edupuntos" points in order to pay for tuition at those high schools and universities that accept Edupuntos as a form of payment.

Technical Secretary of The Presidency Activities

The Technical Secretary of the Presidency is responsible for boosting inter-agency efforts to strengthen the country's economic development and employment generation. The Secretary's Efficient Government Program is currently working toward some objectives that could facilitate training for small enterprises, such as: Integrated services to start a business at the Centro Nacional de Registros (CNR); Reduction in requirements for sharing electronic information; Publication of the Government Services Guide in electronic form.

Ministry Of Agriculture Activities

Agro-business & Agro-processing

The Agribusiness office was created four years ago and focuses on food processing, the development of high-value products (e.g. organics and specialty items), for both the domestic and international markets. The Ministry's efforts are often executed in collaboration with CONAMYPE, currently focused on promoting programs related to food security through increasing investment in the rural sector.

Agricultural Engineering and Advanced Degrees

The Ministry of Agriculture has primarily worked with the *Escuela Nacional de Agricultura* (ENA) in the area of workforce development. ENA has developed a technical degree in agriculture and agricultural management in partnership with the *Universidad Centroamericana "José Simeón Cañas"* (UCA). The emphasis of this program is on providing students with business skills. Students that complete the ENA program can continue their studies at UCA to pursue a university degree.

While the above Ministry of Agriculture programs are most relevant to workforce development in El Salvador, other activities in this sector are summarized in the Chemonics publication, "Accelerating Trade-Led Agricultural Diversification."

Ministry Of Tourism Activities

Vocational Training Courses

The Ministry continuously develops courses and seminars to strengthen the capacity of the tourism industry. Incumbent worker training includes such courses as management, culinary and pastry arts, and bartending. The Ministry is also developing training programs that provide businesses an opportunity to obtain a seal of quality, known in the industry as "M distinctive".

MITUR also promotes scholarships for studies abroad. However, these scholarship opportunities are limited, and there is no defined growth strategy.

Tourism Promotion

The *Corporación Salvadoreña de Turismo* (CORSATUR) is the institution managing tourism development in the country. Its actions are aimed at coordinating efforts to move the sector toward becoming a major source of sustainable employment and income to improve the long-term living conditions and well-being of the nation's citizens.

The Tourism Act offers tax incentives to individuals or legal entities engaged in the tourism industry to encourage, promote, and regulate tourism services provided by foreign or national small businesses and corporations.

SECTION 4. POLICY NEEDS

Policy changes the government could make to address priority workforce skill development needs

Overall, this assessment and the strategy recommendations in Section 5 are focused on the leveraging roles USAID could play in El Salvador's workforce development system and institutions. However, the missions' policy assistance could also help GOES to address a national policy agenda that creates a stronger environment for rapid improvement in the competitiveness of the Salvadoran workforce and economy.

As discussed further in this section, the creation of a focused, proactive, and shared vision for El Salvador's future workforce — a National Workforce Development Strategy — would be a first step to effectively aligning the country's various efforts to increase workforce competitiveness and employment growth. The creation of a cross-sectoral steering committee with direct access and communication with key ministries would be critical to developing such a strategy. It would also be critical to monitoring implementation, as well as influencing policy in support of national strategies.

USAID's advocacy and support for such a committee could begin with an introduction and discussion of this assessment and its recommendations with key stakeholders — government, private sector, vocational training service providers and the international cooperation community. If the major stakeholders and ministries supported the creation of such a steering committee, it would be charged with creating a proposed National Workforce Development Strategy, and ultimately review all policies in light of this strategy, such as: existing vocational training legislation; the role of INSAFORP, ITCA, Don Bosco and other institutions vis-à-vis a national strategy; policies on the use of social security payroll taxes; secondary and higher education, youth employment, public-private partnerships, etc.

We observe that the GOES is very interested in producing a higher skilled labor force in order to respond to the current needs of the private sector and to future foreign investment in the country. It is also clear that key private stakeholders such as ANEP, are keen to recommend and advocate for domestic policy to improve skills levels of the labor force. This bodes well for the development of a national workforce strategy as context for policy work in the future. In the meantime, in the absence of such an existing strategy, we provide a review of some of the critical issues suggested by our analysis and interviews with over thirty organizations in El Salvador.

Recent Policy Environment for Workforce Development

In the past decade, economic policy in El Salvador has to a large extent been based on policy principles established in the Washington Consensus, including extensive economic deregulation, commercial liberalization, and privatization.²⁴ The most recent initiatives related to job growth have occurred in the proliferation of free trade agreements, notably

²⁴ FUNDE, Economic Development and the Labor Market in El Salvador, 2004-2005

the recent CAFTA-DR, as well as free trade zones. While the results have been mixed in terms of employment and wage growth, GOES has taken steps aimed at improving the economic situation of its citizens and has sought to diversify its economic policies and place a greater emphasis on social factors.

In terms of workforce development policy to improve the benefits associated with free trade and other liberalization policies, the government has continued to expand and improve INSAFORP functions while also adding features to MINTRAB that could assist the functioning of the Salvadoran labor market. It has also attempted to improve laws regarding government functions that have had some positive (and some unintended, negative) effects on job training. On some more politically difficult issues, it has not significantly addressed policies that would have an impact on the labor market, such as international labor standards and maintaining the real value of the minimum wage.

Though this rapid assessment does not provide a detailed analysis of workforce development policies, it points to key policies that USAID may wish to consider if it plans policy assistance in this arena. These policy recommendations can serve as an addition to those in Section 5, but require a thorough conversation with Salvadoran policy leaders intimately familiar with the political environment and the potential for their implementation.

Shared Strategic Plan for Workforce Competitiveness

Creating a focused, proactive, and shared vision for El Salvador's future workforce would be a valuable step to align the country's various efforts to increase workforce competitiveness and employment growth. MINEC, MINTRAB, MINED, MAG, PROESA, and private sector groups like ANEP and others have identified industry sectors of interest as well as some skills needs. However, there currently does not appear to be a shared vision and strategy for employment growth that would spur collaborative action among all actors.

While such a GOES initiative would be ambitious, USAID should encourage the government to form a strategic plan to invest in key sectors that demonstrate high job growth with family-sustaining wages. A nearby example of such a strategic vision was Costa Rican President Figueres' decision in the mid 1990s to target electronics and tourism in that country, and the subsequent alignment of education, workforce, technology, and economic initiatives to boost those industries successfully.

The Vice Presidency, MINEC, ANEP/ENADE, or another respected economic actor could be appointed by the President to chair a standing board -- a "national council on employment" -- that brings together the key organizations impacting skills development and employment growth, such as private sector leaders, MINTRAB, MINEC, PROESA, MINED, etc. This would require that the President or Vice President set a clear priority for the country's workforce, and build momentum from the much-publicized UNDP report on employment in 2008. The council could seek to advance a shared economic agenda (such as boosting advanced manufacturing, bilingual services, call centers, or

tourism) among the stakeholders and develop strategies that coordinate and hold members accountable. It could also recommend that a percentage of the funding for INSAFORP be dedicated to these priority sectors, to match investments from participating stakeholders in the private sector, MINEC, MINTRAB, MINED, etc.

It should be noted that the current situation of political polarization in the country is likely to delay such collaboration, particularly through this electoral year. The degree of political will necessary to drive this type of collaboration is typically only found immediately following an election. Political polarization also has broader economic effects as companies delay some investment decisions until the elections, slowing their hiring and training decisions. Businesses need a stable environment to make or continue their growth and expansion plans. Frequent changes or uncertainty in laws can create an atmosphere of instability, discouraging the recruitment and preparation of new employees.

INSAFORP's Role, Funding and Governance Policy

Compared to equivalent institutions in neighboring countries, INSAFORP has been more successful in serving the businesses that contribute to its funding, and there is opportunity for even further improvement. Given that 50 percent of businesses that contribute to INSAFORP do not use its training services, continued policy attention should be directed to this issue. Surveys indicate that the main reason businesses do not use INSAFORP training services, despite paying for them by law, is that the services are often not relevant to their needs. This is the critical issue facing INSAFORP policy.

INSAFORP is funded by a 1 percent share of social security payroll taxes, paid by domestic firms that employ 10 or more workers. The tax is mandated by Article 41 of the Law on Vocational Training and is collected by the Salvadoran Social Security Institute (ISSS). This policy creates a very large and sustainable funding stream for workforce training, of approximately \$20 million per year. This business-based funding source gives INSAFORP somewhat more labor market accountability than would funding from general revenue. This accountability is partly re-enforced by its independent tripartite Board of Directors, comprised of four employer representatives, three labor representatives, and three government representatives.

Despite its business-based funding and board representation, interviews suggest that INSAFORP has been only partially responsive to businesses' training needs for two reasons. One is that employer demands need to be more effectively represented in the Board of Directors. This would require some changes in the appointment process or formation of the board. Another is that the funding source allows so much security to INSAFORP that it is less customer-oriented than it might be in a fee-for-service model. Policies that restructure some INSAFORP funding to give employers or students more power in demanding training might help to address the issues of responsiveness. For instance, if the companies received training vouchers that could be used directly with other institutions, INSAFORP might experience greater urgency in responding to company needs. INSAFORP might also become more responsive to employer needs if it

were to adapt its governance structure to include more active and representative private sector stakeholders.

Another issue facing INSAFORP is that, because small employers of less than 10 people do not contribute, most of those interviewed considered INSAFORP to be less responsive to the country's predominantly small businesses. INSAFORP is already taking measures to address this concern with individual small business and entrepreneurship programs. However, funding dedicated to small businesses' training needs would improve this perceived imbalance.

Other Incentives for Private Sector Training

While Latin American manufacturing companies provide slightly more in-house training than those in other regions of the world, assessment interviews suggested that one negative effect of the INSAFORP tax policy on training is that it makes contributing companies more reluctant to pay for additional training. It also makes them more reluctant to take responsibility for leadership in the area of training precisely because they already contribute to INSAFORP. So, GOES may wish to create incentives for private investment in training to encourage increased levels of skills investment.

The most basic of these incentives would be to make training costs tax deductible. However, the government may also wish to take a more proactive approach by providing resources (e.g., technical assistance or funding) to companies to forecast their training needs, develop training plans, and implement those plans. In addition to encouraging companies to provide training or request clearly targeted training from INSAFORP, such training plans could also help GOES offer assistance to match various employers' needs and aggregate their demand to provide training that is less expensive per trainee. GOES could also consider providing incentives for on-the-job training (OJT) in which 50 percent of the cost of training would be matched if the company agrees to pay salaries during the OJT.

A unique tax policy suggestion offered during interviews was to incentivize training by mandating the use of El Salvador's six percent tax rebate on exports for workforce development. Under this suggestion, companies could use their export rebates for training and technical assistance in occupations that further promote the competitiveness of the workforce in export industries. Given the political challenge of mandating this use of current rebates, companies would likely need some matching amount offered.

Ley de Adquisiciones y Contrataciones de la Administración Pública (LACAP)

In interviews, the most frequently mentioned policy challenge affecting workforce development, and INSAFORP in particular, is the bureaucracy caused by recent anti-corruption policy changes. Under LACAP, a number of provisions exist related to project bidding requirements which in the past have caused problems and delays for public investment, particularly in construction, but also for training. While the government has

made efforts to address problems within LACAP, it still currently limits flexibility in the selection of training providers and prevents some from participating.

Education Quality and Spending

The average Salvadoran level of education (5.8 years overall, and less for women and rural groups)²⁵ makes advanced training more difficult and hinders the effectiveness of training programs both within and after school. That hinders manufacturers' ability to upgrade technology, PROESA's and others' ability to attract higher technology FDI, and entrepreneurs' ability to gain knowledge spillovers from foreign innovations. Ultimately it means that policies for improving basic education are a necessity for any long-term strategy for skills investment and technology upgrading.

At a fundamental level, El Salvador could benefit from reform of tax laws funding education. Currently, education is funded at four percent of GDP, but some Salvadoran groups interviewed estimate that six percent of GDP is needed to pay for teacher salaries, training, and quality. General revenue additions to the education budget would help to fund several important policy recommendations including:

- Make English a universal second language in high schools (600 hours per student)
- Expand student school hours to be 7 am to 4 pm (versus half days)
- Improve math, engineering, and science skills, including pre-university preparation for future engineering, science, and ICT students
- Invest in teacher training and salaries for higher quality staffing
- Increase the supply of secondary school facilities

Universities and Scholarships Orientation to Employment

Most universities do not have significant or updated technical career courses and do not provide scholarships for these fields and provide little in the way of internships, exacerbating the gap between graduates' skills and the demand of employers. GOES, with USAID support, should explore incentives to encourage such a career orientation among universities, particularly because of the 'glut' of non-technical career graduates who are reported to be poorly prepared for the job market.

USAID could assist with policy changes that direct a larger share of scholarship funding to training and education that help students gain well-paid employment after graduation. Recent improvements in the FANTEL (*Fondo de Administración Nacional de Telecomunicaciones*) Scholarships provide a model for other scholarship funds. They have been changed to become based on El Salvador's economic needs, giving priority to careers in science and technology. The KfW Bankgroup educational loan guarantee program with *Banco Multisectorial de Inversiones de El Salvador* (BMI) is another model which could inform policy. USAID could encourage GOES to follow this model by investing in scholarship guarantees, perhaps using the USAID Development Credit

²⁵ Government of El Salvador Director General of Statistics and the Census. *Multi-Purpose Household Survey 2006*. San Salvador: Ministry of the Economy, 2006

Authority (DCA), that encourages private sector loans to enable low-income people to study a technical or engineering career.

Youth Employment Policies

One of the biggest underemployed and unemployed segments of the Salvadoran population is youth, specifically urban youth. INSAFORP, for example, notes that 14.7 percent of urban youth aged 15 to 24 are unemployed, comprising 26.7 percent of the total urban unemployed population.²⁶

As discussed earlier, GOES recently created a National Secretary of Youth Activities to deal with these issues, including vocational training and youth employment. It is currently implementing interagency efforts that develop youth programs with municipalities. For the National Secretary for Youth, USAID might recommend and support vocational education programs to focus on youth who have not completed high school, as has been done with Agape, the Salesian organizations, and local governments.

International Labor Standards and Enforcement

There are numerous business reasons GOES may wish to consider policies for improving labor standards and enforcement to approach international levels. Foremost is the increasing focus of El Salvador's economic growth on international markets. These markets, particularly those in the United States and Europe, are under increasing pressure to meet customer demand for socially responsible production processes and working conditions. So, from a market development point of view, it is beneficial for companies to begin moving in this direction.

From an operations point of view, recent organizational research suggests that better working conditions tend to result in higher worker productivity.²⁷ Such conditions lead to better retention and worker health, also contributing to productivity.

From a skills development point of view, employers also are likely to invest more in the skills of workers who stay with their companies. They invest more in skills to help raise worker productivity to meet higher costs and workers are more likely to invest in their own training and skills development if motivated to gain or keep a job with better working conditions and pay. This is particularly important in El Salvador given the recent UNDP finding about underemployment in the country. And, most directly, improved conditions and productivity themselves tend to require some health, safety, and process training.

From a long-term competitiveness point of view, some analyses for El Salvador suggest that employers will also need to increase wages to retain talented Salvadorans in the country to improve the competitiveness of Salvadoran industry. Low *maquila* wages may

²⁶ INSAFORP. (2001) *Young People and Urban Labor Markets in El Salvador*. San Salvador: author, p. 19.

²⁷ Flood, Mkamwa, O'Regan, et al. (2008) *Models of High Performance Work Systems: The Business Case for Strategic HRM, Partnership and Diversity and Equality Systems*. National Centre for Performance and Partnership, Ireland. New

reflect cultural wage biases against women workers with brief education in that industry, but manufacturing in general is said to have low wages relative to other markets. A contributing factor may be that unionization has been under 5 percent, with the general perception that government and major employers had strong anti-union feelings.²⁸ Efforts to keep unions out of factories and keep wages low for factory workers appear likely to persist, though future elections may have some influence on this trend.

The Salvadoran constitution guarantees a number of worker protections, including various forms of discrimination laws, child labor laws, and the right to unionize. However, enforcement of labor laws in El Salvador is challenging because of MINTRAB's limited resources. The lack of resources prevents the Ministry from conducting thorough labor inspections beyond the manufacturing districts, reportedly leaving worker complaints even there uninvestigated.

The State Department reported in 2006 that health and safety regulations were outdated, and enforcement was inadequate due to the MINTRAB's restricted powers and the limited resources allocated to it by the government. The law does not clearly recognize the right of workers to remove themselves from hazardous situations without jeopardy to their continued employment.²⁹ The law does not allow children younger than 14 to work, and those between the ages of 14 and 18 can only work with MINTRAB permission. However, many children under 14 work anyway, either as street vendors or for small informal businesses.

The constitution provides for collective bargaining for private sector employees and some autonomous government agencies. MINTRAB statistics as of 2006 reported 252 collective bargaining agreements in effect, covering 53,091 workers. Among *maquila* workers, the State Department reported that, in 2006, there were approximately 240 *maquila* plants, primarily located in the country's 15 export processing zones (EPZs), which have no special exemptions from regular labor laws. There were credible reports that some factories dismissed union organizers, and there were no collective bargaining agreements among the 14 unions active in the *maquila* sector. Although there were ongoing allegations of corruption among labor inspectors in the *maquilas*, the government has not allocated sufficient resources for inspection to ensure collective bargaining rights in the EPZs.³⁰

Minimum Wage Policies

The minimum wage is set by executive decree based on recommendations from a tripartite committee comprising representatives from labor, government, and business. The minimum daily wage, last set in 2007, is \$6.10 for service and commerce employees, \$5.97 for industrial laborers, \$5.40 for *maquila* workers, and \$2.86 for workers in the

²⁸ Lopez, Edgar L. & Tolentino, Jose A. (2005). *Economic Development and Labor Market in El Salvador 2004-2005*. San Salvador: National Foundation for Development, Macro Economy and Development Area.

²⁹ US Department of State web site. <http://www.state.gov/g/drl/rls/hrrpt/2005/61727.htm>

³⁰ US Department of State web site. <http://www.state.gov/g/drl/rls/hrrpt/2005/61727.htm>

agricultural sector³¹. The State Department reports that the minimum wage with benefits did not provide a decent standard of living for a worker and family, and corruption among labor inspectors and in the labor courts remained barriers to enforcing the minimum wage laws.³² Minimum wage adjustments are reported to rarely account for inflation, and the buying power of the average household has mostly declined since 1999.³³

Hiring, Firing, and Work Hours

Compared to the rest of Central America, El Salvador has relatively rigid hiring and firing laws but its laws concerning work hours are more flexible. The laws governing hiring and firing are also considered more rigid than in the average Latin American country, and these are still more rigid than high income OECD economies and developing countries in East Asia and the Pacific.³⁴ Despite these rigidities, very few firms (3.9 percent) consider them major or very severe problems for their operations. A possible explanation is that enforcement of the legislation is limited, which would be consistent with the very low levels of unionization in El Salvador, as in most of Central America.³⁵

Red de Empleo

Conceptually, MINTRAB's *Red de Empleo* (employment network) is a positive step in terms of intermediary functions to match job seekers with companies looking for work. The network is also useful in that it is spread to smaller cities and regions outside San Salvador. It appears to be underutilized, however, because the target communities are unfamiliar with technology or lack the skills that employers require. In addition, the requirement that the company enter closely held information (such as revenues) prevents many employers from using the tool. Changes in the reporting requirements would be helpful to protect employer privacy in sensitive areas and encourage their participation.

³¹ Ministerio Trabajo Previsión Social. <http://www.mtps.gob.sv/default.asp?id=59&mnu=376>

³² US Department of State website. <http://www.state.gov/g/drl/rls/hrrpt/2005/61727.htm>

³³ FUNDE, Economic Development and the Labor Market in El Salvador, 2004-2005

³⁴ El Salvador - Investment climate assessment (Vol. 2 of 2) : Detailed findings and recommendations. 2005. The World Bank.

³⁵ Ibid.

SECTION 5. GOALS, STRATEGIES, AND PROGRAM IDEAS

Recommendations for USAID to increase the efficiency of El Salvador's Labor Markets

Key Issues and Opportunities

El Salvador's earthquakes of recent years could also serve as a metaphor for the major shifts in the country's labor market landscape over the past decade. This deep and rapid shift in the country's labor market has affected the livelihoods of thousands of workers and businesses and calls for strategic measures to prepare people and communities for ongoing shifts in the terrain. Specifically, the rapid decline of employment in agriculture, the continued strength of low-tech manufacturing (*maquilas*, garments, and basic textiles), and the rapid expansion of service sector jobs have created major dislocations for workers who lack higher education and skills training. Whereas agriculture was the largest activity group in 1997, its share of the country's employment fell by seven percentage points between 1997 and 2006, losing more than 35,000 jobs. In its place, hotel and restaurant occupations rapidly surpassed agriculture, adding nearly 300,000 jobs during that period.³⁶ Recently however, greater skills needs have created an opening in which USAID can leverage its resources with those of the Government of El Salvador (GOES), foreign investors, and other aid organizations to strengthen the economy and workforce around improved technology and skills. These needs have been recognized as critical by the Government.

In addition to these major shifts in the economy, a second key issue for El Salvador's workforce system is a vicious circle in which domestic and foreign companies see the labor supply as cheap and unskilled, then create or transplant jobs that suit this perceived supply. While El Salvador's relatively low average wage attracts employers and the liberalization of trade has opened the market to foreign investment, El Salvador's biggest export-trade industries (*maquilas/apparel*) have created only limited skills demand or new incentives for either employers or workers to seek training. In short, low wages have brought jobs but primarily low-skilled jobs. This suggests the need for initiatives to break the self-perpetuating cycle by creating a supply of skilled workers in key areas likely to attract higher skilled jobs. Skills development alone does not create jobs however, so workforce development should be accompanied by incentives for higher skilled job creation and attraction.

The country's third and fourth inter-related issues are a lack of communication of skills needs between businesses and most training institutions, and limited incentives to respond to those needs. Despite some recent efforts, a gap between business needs and the training programs offered continues. One reason is that labor market information, such as INSAFORP's OML, is not being disseminated or utilized effectively to influence major training institutions, companies and workers/students. Another is that many of the training providers themselves lack the resources to provide the type and quality of

³⁶ Encuesta de Hogares de Propósitos Múltiples (EHPM) 2006

training desired. The cost of technical training equipment is one issue here, as are the skills of trainers and the lack of entrepreneurial experience to make rapid changes in curriculum and delivery methods.

The concentration of training opportunities in the capital and among large employers is a fifth major workforce issue for El Salvador. Because most training opportunities are located in the San Salvador metro region, many workers in smaller cities face a choice of severely limiting their opportunities for career advancement or moving. And despite the very large number of SMEs and small informal businesses supplying employment in El Salvador, interviewees frequently noted that most advanced training opportunities are focused on the needs of large employers. We recommend the expansion of technical training in smaller metropolitan areas and for small employers through a variety of steps.

A sixth issue is that El Salvador's average education level of 5.8 years is impacting on workers ability to learn advanced, or even new, skills that adapt to the needs of the economy. Though basic education reform will require larger resources than envisioned in our recommendations, USAID's short- and medium-term strategies for skills investment should complement and influence a long-term approach for improving basic education, particularly in the areas of technical high school training and English language.

We recommend USAID consider these six key issues in selecting among comprehensive initiatives for workforce development in El Salvador, and we address them as part the potential strategies outlined below. The six strategies here are separate but complemented by the policy and legislative approaches recommended in Section 4.

Overall Goals and Strategies: Break the cycle of low-skill supply and demand

An overall strategy of USAID and GOES should be to slow, and then reverse, the cycle in which El Salvador's supply of low-skill labor encourages the growth and recruitment of companies with low-skilled worker demand, in turn discouraging workers from investing in skills and education. This challenge requires changing both the reality and perception of investors and workers that El Salvador's workforce does not offer specialized or advanced skills. It should begin by addressing the major economic shifts that have already occurred in the past ten years.

Below, we outline a a set of goals and strategies that El Salvador's government and private sector should consider in order to rapidly develop the competitiveness of the country's workforce. Given that USAID is only one player in El Salvador and has limited budgetary resources, we also recommend which areas the USAID/El Salvador mission should prioritize, as indicated below.

1. Create immediate momentum for higher skills supply and demand

- Priority: Adult English language skills development
- Two-pronged marketing of higher skills: supply and demand stakeholders

2. Improve communication between businesses and trainers

- Priority: Support relevance and broad use of skills demand assessments
- Support occupational skills standards – competency certification

3. Strengthen incentives to deliver on skills needs

- Priority: Develop “consumer reports” on training services
- Create accreditation system for priority industry training institutions
- Inter-institutional coordination

4. Improve institutional abilities to deliver needed skills

- Priority: Partner with INSAFORP to develop proactive, future-oriented planning
- Priority: Develop technical instructor training and institutional capacity
- Competency based curriculum and instructor development

5. Extend the reach of training to small businesses and small metropolitan areas

- Priority: Develop mechanisms to expand worker skills services to the SME sector.
- Develop training capacity in small metro areas beyond San Salvador

6. Support long-term strategies linking basic education with careers

- Priority: Youth English language instruction
- Fast-tracking high school to technological degrees - MEGATEC
- Rationalize scholarships
- Support employment orientation of universities (scholarships and internships)
- Advocate for education and youth policies

1. Create immediate momentum for higher skills supply and demand

To begin, USAID and GOES should build on industries where pent up skills demand could be quickly turned into desirable job growth if encouraged by investments in short-term (one to three years) worker skills improvement. For example, USAID could design an initiative that responds to employers’, economic developers’, and workforce trainers’ broad recognition that stronger English language skills in the workforce would attract further investment and job creation in El Salvador. We also recommend efforts to attract and retain more talented students to high demand occupations to encourage faster job creation in the industries of tourism, electrical and mechanical manufacturing, agro-industry, call centers, and Information and Communication Technology (ICT). Supporting Salvadoran institutions to meet these “pent up demand” skills among workers (described more in a later recommendation) is also needed in conjunction with marketing and attraction efforts.

Adult English Language Skills Development (Priority)

USAID/El Salvador should assist the country to meet current demand for bilingual Spanish and English speaking workers by strengthening and expanding English language training institutions, the ESL programs of institutions that address key industry sectors, and English teacher development programs. We also suggest support for significant

GOES and donor investment in English for high school students, as detailed later in the sixth recommendation.

For adult students and workers, the potential institutions to deliver large scale English language skills programs include the National Center for English (NEC), private sector language schools like the American School and Academia Europea and the supplemental English language programs for studies at ITCA, National University, UCA and elsewhere. The NEC is a high potential candidate for USAID support in this area since it was created to respond to a lack of adequate English training in the country. According to multiple sources, particularly in the private sector, the NEC is providing a good effort but has not been functioning well enough recently to provide graduates with the bilingual-English skills businesses need. While an institutional assessment for such technical assistance would be needed, illustrative efforts to strengthen the NEC could include helping the organization to:

- Thoroughly qualify all levels of students, including applicants, those advancing to higher skill levels, and potential graduates by using minimum standards on internationally certified exams like TOEFL or TOIC. They should also be assisted to evaluate students' writing and listening skills in addition to speaking ability.
- Qualify students' entry based on their potential for employment in high demand occupations and prioritize a subset of resources for those students.
- Follow an aggressive strategy to grow English instructor capacity; for instance, by planning for US, UK, or Canadian teachers to train and certify 60 NEC English teacher-trainers who will then train and certify 720 direct English teachers.
- Improve teachers' English skills and training methodology. Bring US or other skilled teachers to El Salvador to prepare and certify Salvadoran English language trainers in 3 to 6 month courses (depending on teachers' assessed levels), or facilitate such training via virtual classes.
- Expand NEC's current ITCA Santa Tecla bilingual-English services to key development hubs such as La Unión (San Miguel), Chalatenango, La Paz and Sonsonate. In these areas, the facilities might use existing MEGATEC campuses.
- Invest more in multimedia lab tools for the population studying English.
- Provide scholarships of up to 100 percent based on economic need.
- Help students and institutions develop relationships with companies, including scholarship commitments in order to reach more beneficiaries in need.
- Consider abilities to learn another language; this can be regulated by a test (e.g., a minimum average to qualify at each level)

The improvements suggested in the bullets above for NEC would also apply as principles for most current or newly developed language training organizations. In considering other institutions with adequate structure for this initiative, key characteristics include: autonomy, results based management, accessible schedules for teaching, business and academic integrity, and competitive cost.

In addition to NEC, USAID should assess other institutions for their potential to manage and lead large-scale English language programs for the workforce. Since the NEC is

managed by ITCA FEPADE, whose strengths are in technical careers rather than English, it could be valuable to build the capacity of a separate private NGO solely dedicated to teaching English, such as the American School or the *Academia Europea*. USAID could also support a large-scale English teacher development program at *Universidad Nacional* and work with MINED's Plan 2021 program creating 'diplomados' to improve teachers' English skills. Supporting programs could also be created to help young Salvadoran-Americans come to El Salvador to give conversation classes and tutoring, giving them college credit or a stipend.

Based upon business group interviews and ANEP reports, the private sector would likely support such initiatives and should be tapped to leverage any GOES and USAID funding. A sector-focused private example, for instance, was piloted by the call center, *Teleperformance*, and a private sector training institution, *Academia Europea*. In this partnership, *Academia Europea* trained 500 people in English with the promise from *Teleperformance* to hire 50 of the graduates upon completion.

Two-Pronged Marketing of Higher Skills: Supply and Demand Stakeholders

USAID and GOES should also support a two-pronged marketing campaign to students, workers, and investors for high demand occupations and industries for which existing training institutions can quickly prepare Salvadorans. On the supply side (students and workers), this marketing should encourage the growth of career information and counseling to increase entry in the country's high-demand occupations. Attractive content and delivery mechanisms to reach students, the unemployed, and underemployed should also be supported in schools, training institutions, MINTRAB's *Red de Empleo*, and private sector job boards. On the demand side, public and private entities working to support small businesses and to promote exports and FDI should be supported to market the skills of the Salvadoran workforce to entrepreneurs and investors. This should occur *following* the development of a strong basis for such marketing. The strategies below would help create such a basis by establishing both a strong pipeline of skilled workers and effective labor market information to track its growth.

2. Improve communication between businesses and trainers

Sustained training that meets the needs of businesses and workers requires meaningful communication of those needs to training institutions. One foundation of this communication is high-quality, consistent research information about changing labor demand and employer skills needs. A second foundation is consistent business feedback to the training institutions about occupational skills competencies.

Support Relevance and Broad Use of Skills Demand Assessments (Priority)

INSAFORP's Labor Market Observatory (*Observatorio del Mercado Laboral/OML*) provides a good starting point for much of El Salvador's skills demand information. While it currently does not fill all of the country's labor market information needs, it is

very extensive and other international aid groups such as AECI are working for its improvement.

USAID could support and leverage these improvements by helping to expand the OML's use among training institutions outside INSAFORP. In particular, USAID should assist in making the OML both more relevant and accessible to training institutions serving high demand industries. USAID could help to make the OML more relevant and influential by supporting the expansion of a broader user base among trainers and convening OML managers and researchers with organizations that can use the data to be more responsive to high demand industries. To do this, they may need to support more detailed demand assessment (down to the required knowledge, skills, and abilities) where employers deem it valuable. USAID could also provide capacity building assistance to technical training institutions such as INSAFORP, ITCA, Agape, MEGATEC, to rapidly adapt current or adopt new curriculum and programs based on skills demand assessments information and meet employers' skills demands.

If AECI's assistance on the INSAFORP Labor Market Observatory were to end in 2009 as INSAFORP suggests, help in technology transfer, equipment, and/or funding from USAID would also be of value. USAID could support effective local research organizations such as FUSADES to assess INSAFORP's current OML and its sector bulletins and connect these reports with national development strategies and economic research.

In the longer term, MINTRAB, INSAFORP, MINEC, and the economic data agency, DIGESTYC, could also be assisted to develop a more broadly-used assessment. This would facilitate responsiveness and communication with employers and can be strengthened by involving private sector professional associations such as ANEP. USAID could assist ANEP and others to provide consistent input on business skills needs to the training institutions by launching a business-centered workforce development implementation group charged with following the strategies outlined in the ENADE conferences and communicating a forward-looking vision for the country. Because ANEP is an association of associations with a variety of interests, TA should split the workforce development implementation group into those with shared interests and needs, most likely based on industry sector, but potentially focused on other interests, such as English language or engineering technicians.

One caveat about initiatives to improve and use LMI is that while *current* LMI is critical, planning should not heavily rely on skills demand *forecasts*. Given the speed of change, the lack of data in most countries, and the difficulty of making projections even with consistent data, labor skills projections are tentative at best. So, policymakers should concentrate on building capacity to report accurately and respond rapidly to current changes in demand,

Support Occupational Skills Standards – Competency Certification

Occupational skills standards or “competencies” are skills, deemed critical by employers or professional groups, in which students or workers must be certified in order to hold a

particular occupation (a common example is a Medical board exam). Such standards could be developed for priority occupations in targeted sectors to help ensure quality and responsiveness to critical employer demands.

U.S. and international employer associations could be used to provide drafts of competency models (e.g. AGAPE is using the United States Construction Education Association curriculum, and IYF uses an international competency exam for tourism). While various institutions could be supported to provide competency models for various industries, one well regarded private or autonomous institution, such as Don Bosco University, could be a TA provider for developing competencies in a variety of other institutions. INSAFORP established competencies early in their formation, but the project was discontinued. Conflicting reasons for discontinuing this effort have been given. In the past, FEPADE provided a certification card to graduates to demonstrate their skills to potential employers. They no longer do this, but are aware of examples such as Colombia and Brazil.

USAID could support the current competency models work of both “*Curriculas Funde*” and INSAFORP’s National System of Competency Certification. OML staff report that no one is currently assisting INSAFORP on its competency building efforts and that past competency problems (around 2002) came about because the enterprise sector, MINED, and other important actors were not interested in the OML. However, there is now a great deal of interest among these actors due to the opening of markets and increased competition. Although the OML reports that it now has a greater level of coordination with MINTRAB, there is an opportunity to bolster coordination with MINEC.

3. Strengthen incentives to deliver on skills needs

While adequate labor demand information and direct feedback from industry are necessary, they are often not sufficient to motivate consistent (and sometimes costly) adaptation to the changing needs of the labor market. USAID could therefore improve the functioning of the labor market by helping El Salvador to create incentives that motivate continuous improvement in processes, and most importantly, employment outcomes. Recognition for job placement outcomes is one motivating mechanism, as is information and funding power to training consumers (students and employers).

Develop a Training “Consumer Reports” (Priority)

To create recognition of training effectiveness, USAID could support a Salvadoran organization to develop consumer oriented monitoring systems that track and disseminate employment and wage outcomes for graduates of public training institutions and programs. Such a “Consumer Reports” process and publication would report the typical wage and job placement outcomes for graduates of various institutions, programs, and fields of study. To avoid the perverse incentive for training institutions to only select those participants that can be most easily placed in jobs, institutions would also need to be rated on their ability to place at-risk populations such as youth or those with low education levels. For businesses, the report could reflect worker satisfaction surveys,

costs of training, and any associated skills certifications. The report could potentially be conducted with INSAFORP's *Observatorio del Mercado Laboral*, a quality and accreditation program, or a consumer protection agency, such as GOES' *Defensoria del Consumidor*. Such performance monitoring should be accompanied by TA to the training provider community on conducting outcomes evaluation.

OML staff have suggested that they can work with other institutions, such as universities, to measure job placement impacts. In fact, they are conducting such a survey project with the University Dr. Jose Matías Delgado (UJMD) to track students' outcomes.

Create accreditation system for priority industry training institutions

A credible institution could be selected to accredit smaller training providers, particularly those that could be used for government financed training. While FEPADE has effective management and has suggested to INSAFORP an interest in becoming a “certifier” for small training institutions, INSAFORP is likely a more appropriate candidate since FEPADE is also a training provider. Because of the potential for additional bureaucracy, such an accreditation should be focused initially on training for selected industries – such as the target recommendations in tourism, agro-industry, call centers, mechanical-electrical industries, ICT, and logistics and international services. Certification for English schools to weed out weak institutions would also be a good starting point.

Inter-institutional Coordination

Better coordination between institutions supporting each sector (sometimes duplicated by different donors) could help move training providers toward more market responsive and forward-looking training designs. Some Salvadorans suggest reactivating the “Bureau of Cooperation” to harness the inter-institutional activities of: MINEC, AMPES, BMI, TECHNOSERVE, MINEC, the Chamber of Commerce, INFOCENTROS, and FISDL, among others. USAID could support a local organization such as INSAFORP to organize training, increase pressure to meet demand, and stop redundancy. This body would help the IDB, CIDA, DfID, GTZ, and USAID to work together. The President's Commission/Vision 2021 is an example of coordination efforts in the tourism sector, but it is important that donors in this relatively small country work together in other sectors as well.

4. Improve institutional abilities to deliver needed skills

To halt the self-perpetuating cycle of low-skills demand and supply in El Salvador, a series of measures are necessary to improve the capacity of its training institutions. To do this, USAID and GOES should support the country's most promising institutions with technical assistance to develop curriculum and training resources needed in the high-growth industries and occupations.

After such trainer development and curriculum resources are developed in the San Salvador region, USAID and GOES should also expand delivery to smaller outlying metropolitan or rural areas where sustainable industries in these sectors exist. Matching

grants or TA to well-performing employer-oriented NGOs in rural areas or INSAFORP could be used in small metro and rural areas with “bottleneck” skills shortages and potential industry demand.

Partner with INSAFORP to develop pro-active, future-oriented workforce planning (Priority)

Using improved industry input, OML labor market information and the competency based curriculum described below, USAID should work with INSAFORP’s Board of Directors to design medium- and long-term workforce skills activities that integrate GOES’ long-term economic development targets and stimulate the development of a national employment policy. USAID would consult with INSAFORP to strengthen strategy and decision-making to respond to current and future industry needs and help design programs that match INSAFORP and others’ most successful programs. The strategy assistance would likely concentrate on assisting INSAFORP to effectively support private sector and GOES visions for El Salvador’s future economy, develop services and a funding structure to assist small business and smaller metro areas, link formal education and technical education, and create a useful system of competencies. This would include reshaping the funds of INSAFORP.

One of the stronger demand-oriented analyses of INSAFORP comes from ANEP, which makes the following recommendations to increase responsiveness to labor demand³⁷:

- Strengthen their financial capacity and increase their coverage, especially in sectors that get less attention such as agriculture and small businesses
- Provide a special administrative regime to speed up the execution of training programs
- Make the solicitation process more flexible so that the businesses that will benefit from the training have a greater say in the training provider
- Strengthen the labor market M&E system
- Increase the coverage of the “*Empresa Centro*” model based on apprenticeships
- Continue exploring training methods that adapt to the needs facing local businesses
- Create a special program focused on training to develop new products or alternative areas for economic growth
- Take a leading role in activities to set standards and labor competencies
- Take advantage of the San Bartolo training center and use it for innovative programs.

Competency Based Curriculum and Instructor Development

USAID should assist Salvadoran employers and curriculum designers to meet standards in the selected industries and to train cadres of trainers in both up-to-date occupational content and adult training methodology. An example of the need for this assistance is a

³⁷ ANEP VII ENADE 2006 Report

large international (chemical/pharmaceutical) firm that recently sought to expand operations into El Salvador but found that the country's basic chemistry courses reflect 1970s standards. Largely based on that finding, the company rejected El Salvador in favor of another country. USAID should support work with industry groups and training institutions to identify key "bottleneck occupations" necessary for growth, then use North American (United States, Mexico, Canada) occupational research to jump-start curriculum development processes and provide trainers with industry experience and standards. An industry participation process adapting North American O*Net³⁸ classifications of occupational knowledge, skills, and abilities would be useful for helping trainers to effectively design curriculum and skills assessments for their trainees.

Develop Technical Instructor Training and Institutional Capacity (Priority)

USAID could support instructor-training centers for institutions that demonstrate quality management. Estimates about the qualifications of the country's technical instructors range from 5 percent qualified to 50 percent qualified, exacerbating overall technical training supply problems. Two related initiatives are currently operating or under development. Swisscontact has developed a competency model for technical training instructors, and the MEGATEC program is planning a technical instructor training program in Chaletenango. USAID should seek to support this work and potentially replicate it where priority industry areas are experiencing the worst instructor shortages.

In addition to train-the-trainer approaches, the quality of instruction could also be improved by advising training institutions on a) how to change curriculum and courses to respond to known demand and b) how to recruit and retain qualified technical instructors, especially in rural areas. For this recommendation, USAID should coordinate with the MCC, which is building the capacity of 20 institutions for technical training, and with the MEGATEC Program in Northern El Salvador.

5. Extend the reach of training to small business and small metropolitan areas

As previously noted, the concentration of training opportunities in the capital and among large employers is a key issue for the country. With most training opportunities located in the San Salvador area, rural and small city workers have very limited opportunities for career advancement without leaving their communities. And despite the very large number of SMEs and small informal businesses, their training needs are underrepresented, mostly for reasons of economy of scale. And approximately 20,000 micro and small enterprises do not have 10 or more employees and therefore are not listed in INSAFORP. To lessen these effects, USAID should take several steps to help grow technical training in smaller metropolitan areas and for small employers.

Develop mechanisms to expand worker skills services to the SME sector (Priority)

³⁸ O*Net is the US Department of Labor's Occupation Information Network, a comprehensive system for collecting and disseminating information on occupational requirements.

USAID should help INSAFORP and other training providers to continue to adapt or create training that is more relevant and accessible to small and medium enterprise workers. This could include creating an SME targeted and directed special fund for the over 20,000 Salvadoran businesses who are not part of INSAFORP's base constituency because they employ under 10 employees. Currently, SMEs have some representation at INSAFORP but do not have a strong voice. Another possibility is what one SME related interviewee called "the Godfather Plan". In such a plan, USAID's TA to INSAFORP would create a mechanism for large companies (e.g., TACA) to use their tax contributions to fund small suppliers and other small companies that support their business (e.g. Travel Agencies).

In all of these efforts, USAID should seek to build customized training capacity that will complement organizations that are currently serving SMEs, such as CONAMYPE, COEXPORTA, FUSADES, and USAID's agricultural diversification and EXPRO projects. Such collaboration would help provide one of the primary motivations for small businesses to invest in worker training -- to improve market share and profits through better technology, productivity, and quality. Audits by large business customers, especially US companies, can also help push improvement that leads to training.

Following the Capacitación Integral y Modernización (CIMO) program model for SMEs in Mexico, workforce training for SMEs should be part of a package of consulting and assistance that improves quality, sales and profits. The training would therefore follow the lead of many programs currently serving SMEs that encourage and assist companies to follow export standards, giving them a "stamp of approval" that shows their quality and prepares them to meet customer product demands, such as SPS and FDA rules. MINEC considered creating a "quality seal," for example, to motivate continuous improvement, but they did not implement it well because resources were not made available for reliable inspections. Interviewees suggest that such inspections need to be done by a foreign company to avoid conflicts of interest and reduce the potential for effective corruption.

A key to SME training assistance is the network of training resources and training-savvy consultants available to SMEs. Within USAID's first target industries, and where customers or export rules tend to require new worker skills, USAID should also help to build the capacity of sector-serving consulting groups (e.g. Agro-Biotech) to address the training and skills needs of SMEs. In one relationship that is currently not developed, USAID should look for opportunities to improve the coordination of CONAMYPE services and INSAFORP skills development assistance for SMEs.

When assisting institutions to deliver training to SMEs, TA should also consider SME-friendly delivery methods. For instance, there is a strong need to bring the product (consulting and training) to the training client, since SME owners often do not have time to come to seminars. There is also a need to put the training in the context of broader productivity and profits.

Develop training capacity in small metro areas beyond San Salvador

USAID could facilitate the expansion of technical training in smaller metropolitan areas and encourage job opportunities in these areas through a variety of steps. Most of these should center on developing sustainable resources for the local areas. These include grants or TA to well-performing, employer-oriented NGOs outside San Salvador, such as AGAPE, to strengthen the resources and capacity of management to expand their programs and adapt them more rapidly to local economies. USAID grants could be focused on encouraging and leveraging local and GOES funds, such as “hometown association” remittance funds and a specialized fund that could be developed from INSAFORP. And TA could explore bringing successful Salvadoran business operators from San Salvador or the US for short-term courses in their home areas.

Elements of the other five recommendations here should also include targets for small metro areas. For example, the labor market and OML assistance should ensure that it gathers localized employment data to support Departmental Governments and potentially the *Corporación de Municipalidades de la República de El Salvador* (COMURES) which represents the 262 municipal governments in the country.

6. Support a long-term pipeline strategy linking basic education with technical education

While the overall education system is beyond the scope of this assessment, basic education is a critical issue for developing the skilled workforce of El Salvador. The fact that the average Salvadoran has 5.8 years of education (less for women and rural groups)³⁹ makes advanced training more difficult and hinders the effectiveness of training programs both within and after school. Therefore, a long-term approach for improving basic education is a necessary complement to any short-term strategy for skills investment. While we recommend several initiatives in this area, collaboration between USAID/El Salvador’s workforce and economic growth initiatives and its education initiatives should prioritize two areas: improving and extending English language learning in schools and preparing more students for technical career education.

Youth English Language Instruction in Schools (Priority)

We recommend supporting ANEP’s proposal to make English a universal second language in schools by providing 600 hours in English over the course of three years (five hours/week) from ninth grade through the second year of high school. This would make graduation contingent on a minimum score established on an international test such as the TOEFL and significantly boost the attractiveness of El Salvador’s human capital for investment in a matter of a decade.

To do this, GOES and its partners would need to invest \$600 per student which ANEP estimates will be recuperated completely by the state in the first year after the students enter the workforce. Using MINED statistics, there are currently 150,000 students in the

³⁹ Government of El Salvador Director General of Statistics and the Census. *Multi-Purpose Household Survey 2006*. San Salvador: Ministry of the Economy, 2006

proposed age group so it is estimated that a program like this would cost \$30 million per year. After making this investment for 10 years, the country will have more than half a million youths with advanced English and new opportunities for better paying jobs.

For technical schools, such English training should be reinforced by technical English training in specific areas with current demand based on their largest US markets, particularly for agro-industry, industry, tourism, and logistics.

To develop the capacity for such a move, ANEP recommends a bold step that requires political will. In this step, current and future English teachers from public and private schools should dedicate all of their work time for one year to improving their English competencies. To do so, they must be supported with scholarships. At the same time, it will be necessary to transform teacher training in higher education. So, for both school and university initiatives, El Salvador can solicit collaboration from friendly governments such as the U.S., UK, and Canada to train educators and teacher trainers, and to work to strengthen the business of private providers of English language instruction.

Fast-Tracking High School to Technological Degrees - MEGATEC

USAID should consider supporting those elements of MINED's MEGATEC model (linking high school training to technological degrees) where they match USAID/El Salvador's target industries. In targeted MEGATEC industry programs, USAID should contribute TA or other resources for competency model improvement, curriculum development, or actual facilities, particularly if these projects are also being developed for adults. Since MEGATEC is distributed in 5 regions of the country, USAID could also assist and complement its own projects by helping MINED to spread the MEGATEC model to more schools outside San Salvador. Such a project would further complement any competency certification technical assistance since MEGATEC relies on skills certifications to allow rapid advancement between institutions. For improving technical education preparation, USAID could also encourage MINED to develop English, math, science, and some "soft skills" such as teamwork in its technical high schools.

Support Universities to be More Employment Oriented (Scholarships and Internships)

Most universities do not have updated technical career curricula and do not provide internships, exacerbating the gap between the knowledge of graduates and the demand of employers. USAID could help to create an office to support internships and curriculum development as the *Banco Multisectorial de Inversiones de El Salvador* (BMI) did, in collaboration with North Carolina State University, by employing a program manager to establish, lead, and monitor curriculum related to careers in textiles. USAID should explore incentives to encourage this type of career orientation and more thoroughly assess which universities might best utilize assistance to promote career oriented education. USAID could play a critical role in this area as it has been observed that neither universities nor the government have the incentive to build career and technical programs. The government's mandate and stamp of approval would be valuable to any initiative in this area.

Education and Youth Policy

Broader policy recommendations to MINED would also be valuable. The two keys in this area would be to expand classroom hours to 7 a.m. to 4 p.m. and to invest in teacher training. For the National Secretary for Youth, USAID should also recommend and support vocational education programs to focus on youths (aged 15-29) who have not completed high school, as has been done with Agape, the Salesian organizations, and local governments.

Rationalize Scholarships

While El Salvador has a number of scholarships to support further education after high school, they are not well coordinated or distributed to encourage technical skills training. In fact, many support training in areas that are reported to have a “glut” of graduates in El Salvador, including humanities, law, and even medicine. So, USAID could assist with TA to coordinate and change policy to direct a larger share of scholarship funding to training and education that help students gain well-paid employment after graduation. This coordination could also analyze the cost effectiveness of scholarships, especially those that are very expensive in relation to those for short courses.

The FANTEL Scholarships provide a model for other scholarship funds. When the program began, students were able to apply scholarships toward pursuing any program of study that they chose. However, today, applications are evaluated based on El Salvador’s economic needs and, while a variety of study fields are still eligible, priority is given to careers in science and technology. The program is intended to improve the professional capacity of Salvadorans to contribute to the development of the country. The administration of the program falls under the supervision of the *Fundación para la Educación Integral Salvadoreña* (FEDISAL) and LASPAU.

Other models include the “*Educredito*” program (which has ended), the MCC scholarship program for northern El Salvador, and KFW Bankgroup, which has recently created an educational loan guarantee program with *Banco Multisectorial de Inversiones de El Salvador* (BMI) to encourage bank loans for education for low income Salvadorans. USAID might follow this private sector model by investing in scholarship guarantees to enable low-income people to study a technical or engineering career. Many young Salvadorans drop out of technical studies for economic reasons.

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