

# Education and Workforce Development

## Private Sector Alliances for Job Training Services: Global Examples and Recommendations for Guatemala

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### Introduction

Alliances among the private sector and accredited learning institutions to offer job training services is not uncommon, and can be used as a tool for education and youth workforce development. This brief provides an explanation of how such alliances work and global examples of successful alliances. Insights from these examples can be drawn for Guatemalan leaders to develop successful workforce development programs. Recommended steps for Guatemala are also provided—these steps focus on:

1. Developing a vision and goals for an alliance program
2. Defining Guatemalan stakeholders and potential contributions
3. Identifying a pilot alliance opportunity

### Private Sector Alliances

The fundamental principal in successful private sector alliances with learning institutions around job training services is to create alliances that provide value for all actors—job seekers, training providers, and private companies. Demonstrating value is the key to incentivizing participation and ensuring sustainability. Creating value in the most expedient and economical manner possible is the ethos the private sector uses in serving its end-markets. Private sector firms will only sustainably

invest in training programs that produce high-quality human capital that contribute to their competitiveness. Learning institutions that conduct job training are creating value for their customers—private sector firms—by producing qualified human resources, in an efficient, consistent, and expedient manner. In addition, learning institutions are serving their other customers—youth—by providing them useful qualifications demanded by employers and helping them find jobs. Youth and families will only invest time and money in training that leads to employment outcomes. This simple but core business adage reminds alliance partners that value creation is at the core of any functioning market, including the skills market.

### Labor Market Observations

Some observations on Guatemala's labor market regarding supply, demand, and skill level provide important context when considering potential private sector alliances.

Overall, the economy of Guatemala and the firms that comprise it are not growing sufficiently to absorb the youth entering the labor market. Despite 3.4 percent growth in 2017, approximately 145,000 youth enter the workforce annually while only an estimated 25,000 are being absorbed by the formal sector (Bonilla and Kwak, 2014). The youth that do not enter formal employment may become informally employed, underemployed, or unemployed. Despite this excess supply of

jobseekers, a 2015 Manpower survey found that 44 percent of Guatemalan firms surveyed cannot find the talent they need.

This is the labor market paradox. By disaggregating Guatemala's labor supply by skill level, one can begin to get a more nuanced picture of the structural unemployment challenge. There is undersupply in one segment and oversupply in another segment of job seekers. Table 1 is an extract from the Interamerican Dialogue's Skills Development Challenge report that lists educational attainment by country in Latin American and the Caribbean.

**Table 1. Percentage of the Adult Population (25–65 year olds) by Skill Level**

Country	Low-skilled (0–8 years of education)	Medium- skilled (9–13 years of education)	Highly- skilled (13+ years of education)
Chile	29.3	48.6	22.0
Peru	39.0	36.3	24.6
Mexico	43.4	39.5	17.0
Colombia	49.4	34.3	16.3
Brazil	52.1	32.8	15.1
Costa Rica	55.4	26.8	17.8
El Salvador	56.7	31.3	12.0
Nicaragua	68.1	21.2	10.7
Guatemala	76.0	18.0	6.0
Honduras	72.9	20.0	7.1
<b>OECD average</b>	<b>24.0</b>	<b>44.0</b>	<b>33.0</b>

Source: Fiszbein et al., 2016, p. 2; source's calculations based on data from the Socio-Economic Database for Latin America and the Caribbean and the Organisation for Economic Co-operation and Development (OECD) (2014)

In terms of educational attainment, Guatemala has the highest proportion of low-skilled workers in all Latin America with 15 out of 20 people having eight years or less of education. In addition, Guatemala has the lowest proportion of highly-skilled workers, roughly 1 in 20. This creates a mismatch between labor supply and demand, resulting in not only unemployment, but an inability to compete in the private sector.

On the supply side, a challenge in Guatemala is ensuring that youth complete a quality secondary school education. For those that have left school, youth struggle to upgrade not only their technical skills, or hard skills, but also their basic life skills, or soft skills. Soft skills can be defined as observable behaviors, often in the form of a task. There is wide consensus that important soft skills for adolescents and youth ages 12 to 29 to adopt are higher-order thinking, social skills, communication, self-control, positive self-concept, empathy, and goal orientation (Soares, 2017).

On the demand side, several factors affect job growth. The private sector is comprised largely of micro-enterprises (89 percent), which are often informal (see Table 2). To grow and expand operations, firms must establish hierarchies (managerial and technical)—growth prospects depend on the availability of skilled workers to take the role of middle managers and technicians (Gomes and Kuehn, 2013). With a limited number of middle- and high-skilled workers, companies are limited in capacity for growth. Several other factors also affect private sector growth, and thus must be considered in conjunction with any employment program—levels of investment, access to finance, and the business enabling environment.

**Table 2. Active Enterprises by Size**

# of Firms	Size (# of employees)	% of total
1,836	Large (200+)	0.43%
4,613	Medium (81–200)	1.08%
41,683	Small (11–80)	9.76%
378,952	Micro (1–10)	88.73%
<b>427,084</b>	<b>All</b>	<b>100.00%</b>

Sources: Bolaños, 2017; Martinez, 2017

With regard to private sector alliances with learning institutions, it is important to work with institutions that specialize in the right profile for target employees. Generally, the typical institution/skill-level pairing in the

United States and developed countries breaks down as follows:

1. **High-skilled/universities:** Companies seek alliances with universities to train and access highly-skilled workers (e.g., training for highly technical workers, such as the [Infosys/Purdue University](#) alliance)
2. **Medium-skilled/community colleges:** Companies often seek alliances with community colleges to train high school graduates on the path to professions that often require certifications (e.g., [hospitals creating an alliance with nursing schools](#))
3. **Medium-skilled/technical and vocational programs:** Companies often seek alliances with vocational programs to train medium-skilled workers to develop technical specialties that sometimes require certifications.
4. **Low-skilled/vocational and nongovernmental organization programs:** Companies or sectors seek alliances with vocational programs, nongovernmental organizations, or other providers to do short trainings for low-skilled workers in a basic trade industry.

## Alliances: Definition, Elements, and Structure

Given the varied nature of private sector alliances with learning institutions, there is no single definition. The alliance (sometimes referred to as a partnership) is a tailor-made arrangement to meet the mutually beneficial needs of the private sector partner(s) and learning institution, and is framed by goals, timelines, resources, and market opportunities.

A job training alliance usually has the dual goals of helping people find jobs and helping businesses find skilled workers. The alliance can include actors from companies, associations, government, universities, and community organizations to tackle different elements of the problem. The requirements of

a successful alliance are competitive need and industry demand.

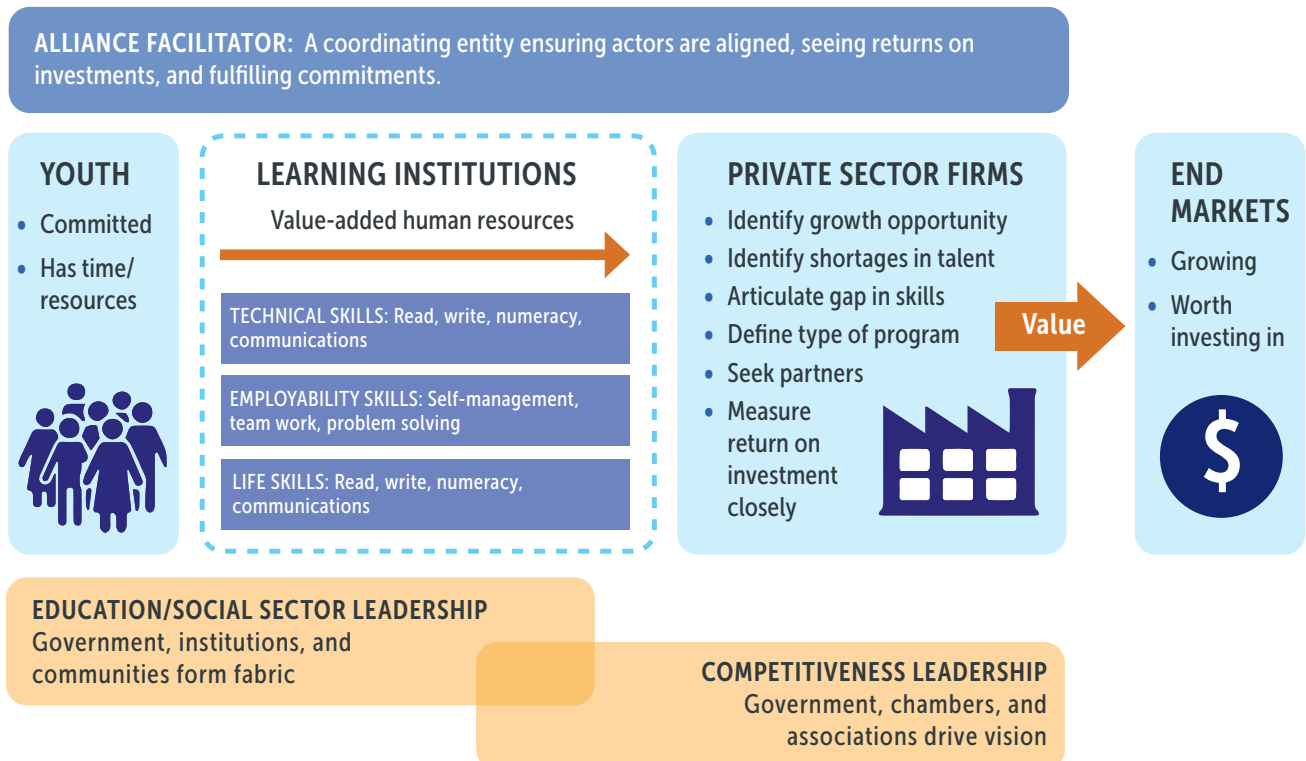
- **Competitive need:** Private sector firms must have a need for qualified workers that will enhance their competitiveness. For example, the business process outsourcing sector needs English-speaking youth to compete with other countries in the region, plus some technical specialties to compete in higher-value markets.
- **Industry demand:** Private sector firms bring concrete, quantifiable demand for jobs. When educational programs do not align with the private sector, institutions and youth spend time, effort, and money on skills that are not in line with market demand. In Latin America, there are many stories of unemployed youth educated as lawyers, doctors, and engineers, meanwhile industry is lacking technicians.

Private sector alliances vary greatly based on the local context, but the basic structure of an alliance often has the following key elements: (1) firms that need a steady, quality supply of human talent to compete and meet end-market demand, (2) youth that are eager to work but lack the skills, (3) accredited education institution(s) that can provide quality job training services, and (4) an alliance facilitator that acts as an honest broker to bring parties together and ensure the program is effective through monitoring and feedback. While a facilitator may be necessary to forge an alliance, the parties can often sustain the alliance once it has proven to generate value for all involved. Figure 1 lays out the basic structure of an alliance between a firm and learning institution.

## Different Alliance Models

There are different types of alliance models. As part of a Building Alliances Series, USAID produced a [workforce development guide](#) that examines different types of public-private alliances for workforce development. The guide provides a useful framework for differentiating five different alliance models:

**Figure 1. Private Sector and Learning Institution Alliance Structure**



- Sector alliances:** These alliances are utilized when an industry or cluster’s competitiveness and growth require a workforce with specific skills and there is a unifying need to organize a workforce solution.

*Examples:*

  - [U.S. oil and natural gas industry](#)
  - [Automotive Manufacturing Technical Education Collaborative](#)
  - [Guatemala Business Process Outsourcing English Finishing School](#)
- Single firm alliances:** These alliances are utilized when a single firm has the need, the will, and the resources to drive a skills development program to improve quality and quantity of the workforce, often to provide the firm with a competitive advantage or improved positioning in the labor market.

*Example:* [Cisco’s Networking Academy](#)
- Community-based alliances:** These are used when organizations have an interest in developing a community/region (for community outreach, corporate social responsibility, public relations, etc.). Workforce programs can target specific youth or disadvantaged populations.

*Example:* [Homeboy Industries](#)
- Youth-focused alliances:** Similar to community-based alliances, these alliances focus on youth engagement as part of community outreach, corporate social responsibility, or public relations.

*Example:* [Athleta’s Girls on the Run](#)
- Conflict, disaster, and complex emergencies:** When significant emergencies affect countries, the private sector may seek to support social and educational efforts resulting from the emergency.

## EXAMPLES OF SUCCESSFUL ALLIANCES AND SUPPORTING PROGRAMS

### Manufacturing Skills Institute

The Virginia Manufacturers Association created the [Manufacturing Skills Institute \(MSI\)](#) to increase accessibility to advanced technology industry training and credentials. MSI and education partner faculty provide relevant education and skills training for careers in advanced manufacturing by offering on-the-job, classroom-based, and online training, grounded in real world experience. Employer-specific customized training can be provided onsite or at any MSI education partner location.

### LaGuardia TechHire

The [LaGuardia TechHire – OpenCode](#) program provides training and placement of youth at large tech companies and startups. The learning institution is LaGuardia Community College and the private sector partners include General Assembly, Udacity, Software Guild, and others. Given that young people often struggle to connect to their first job, the program teams with partners to make sure that graduates have connections to internships and job placements when they graduate. IBM, Walmart, and other employer partners have committed to interviewing and hiring qualified candidates, and Uncubed places graduates with a network of high-growth startup companies.

### New Employment Opportunities

The [New Employment Opportunities \(NEO\) Alliance](#) is an ambitious initiative led by the Multilateral Investment Fund, part of the Inter-American Development Bank Group, and is joined by the International Youth Foundation and some of Latin America's leading employers: Arcos Dorados, Caterpillar, CEMEX, Microsoft, and Walmart. The goal of the alliance is to improve the quality of the workforce and the employability of vulnerable young people in a region where 32 million youth (one in every five, ages 15–29) are neither at work nor in school. The platform has mobilized more than US\$137 million toward programs and is in 12 countries and growing. NEO provides a platform for companies and training institutions to support training for vulnerable youth, finance activities, provide mentoring and internships, and offer a first job to youth.

### Supporting Programs

Many other alliances and programs exist to link learning institutions with companies to build worker's skills and offer jobs. Many of the programs are local and led from the community level (for example, led by local chambers and associations that connect firms with jobs opportunities to local institutions that can provide training). There are several organizations that support local programs and have information on best practices:

- [The National Fund for Workforce Solutions](#) has used industry partnerships and deep employer engagement to improve business and workforce systems, spark social innovations, and prepare thousands of workers for good jobs. They have local alliances in aviation, automotive, biotech, green services, healthcare, manufacturing, information technology, and logistics.
- [WorkforceGPS](#) is an interactive online communication and learning technical assistance platform for public workforce practitioners to develop and implement innovative workforce development approaches. The website offers resources and peer-to-peer connection and supplements other technical assistance provided by the U.S. Department of Labor's Employment and Training Administration to help the public workforce system, education professionals, and business.

*Examples:*

- [RBK coding boot camp and tech job placement for refugees](#)
- [Chevron's post-tsunami Aceh Polytechnic](#)
- USAID's Regional Youth Alliance mentoring, internships, and job training to address gang violence

## Key Success Factors

The core elements of a successful alliance are to:

1. **Understand the needs** of industry.
2. **Ensure commitment** for the initiative.
3. **Involve employers in design/provision** so that changing needs are reflected.
4. **Provide high-quality services** and build trust across public and private communities. Competency-based certification (verified by a third party) and employment rates are some ways to demonstrate quality of training.
5. **Demonstrate return on investment to employers** so they can explicitly see results like reduced turnover, recruitment savings, and better quality staff.
6. **Link to employment for youth** by making sure job opportunities are available upon completion of a program.
7. **Develop stable funding streams** from the start.

## Potential Next Steps for Guatemala

Private sector alliances are great tools to overcome the structural challenges of the labor market mismatch. However, practitioners should understand that these alliances are complex, require commitment on all sides, require investment of resources, and bring high visibility and high-performance expectations. Practitioners should also be cognizant that learning institutions, nongovernmental organizations, government, and business have different values, culture, vision, strategic goals, and experience,

and thus need to select partners well. Some potential next steps include the following.

1. **Develop a vision and goals for an alliance program.** If the Ministry of Education or the Directorate of Extracurricular Education chooses to explore developing an alliance or alliance program, they should reflect on their vision and goals for a 5-year time frame, asking the following questions:
  - Does the Directorate of Extracurricular Education want to be a service provider or operate as a platform that facilitates alliances (such as NEO)?
  - What is the scale of the program in terms of number of alliances and workers?
  - What is the timeline?
  - What are the budgetary resources that it will dedicate on a multi-year basis and the results expected from that investment?
  - How will success be measured?
  - How can a program be structured and funded to align incentives (pay for results)?

These key questions and development of measurement tools will help frame the type of program, scale of program, and complementary partners and funds required.

2. **Define key potential actors in the Guatemalan context and potential contribution.** Look for leading actors in the economic growth and workforce development sectors to identify visionary champions with a link to economic growth and demand in the industry. Some types of organizations to look toward include:
  - Large- and medium-sized firms
  - Associations and chambers
  - The Foundation for the Development of Guatemala (build on their initiative to identify gaps in the labor market)
  - Technical Institute of Training and Productivity (has venues, resources,

experience, and credibility, but lacks soft skills and placement services)

- Private skills providers (to better understand which training providers are working well with the private sector and achieving high placement rates)
- Ministry of Education (collaborate with the private sector to learn about effective programs for teaching basic skills and employability skills)

- 3. Look for a pilot opportunity to kick off a demonstration alliance.** A quick win will build momentum and encourage visualization of an alliance for other firms. One opportunity would be to explore an “agri-employee training program” with a leading agricultural company. NEO Colombia has a [program design guide](#) that focuses, in part, on agribusiness worker training programs in conjunction with a guild of banana producers. This would be a useful starting point to engage large agribusiness producers in Guatemala who have expressed interest in developing mid-level technicians.

These recommended steps are intended to help Guatemalan leaders form a vision and begin discussion with potential actors. The intended result is highly targeted skills development and more effective job placement for Guatemalan youth.

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