

*Can NGO intermediaries play a positive role in enabling employment and upskilling  
in the SA labour market?*

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## **Abstract**

This article examines the role of 'intermediary organisations' in the labour market, and in particular, the employment contribution of non-governmental organisations (NGOs) operating in the youth sector. The analysis will highlight the positive impact of these micro-level programmes on youth employment. A number of international best practice case studies of intermediaries operating in the United States of America (USA), and the United Kingdom (UK) are examined. In the final section the article focuses on the employment outcomes of several NGOs working in the youth sector in South Africa.

The analysis seeks to represent 'the labour market' and its various mechanisms - including the transition of young people from school into work - as socially constructed. In many instances, the labour market acts to exclude youth from entry into first-time employment through mechanisms such as segmentation and discrimination. However, the labour market is also amenable to more active interventions – as has been the experience of intermediaries working in the youth sector of several countries, including South Africa.

## **INTRODUCTION**

Governments the world round are struggling to deal with the rapid growth of youth unemployment, and in particular, accessing a 'first' job. The problem is most extreme in marginalised and disadvantaged poor communities. Failure to access a first job and gain work experience, over time, has the punitive effect of damning the young unemployed into permanent exclusion from the labour market.

The causes of this growing phenomenon have to do with the dramatic restructuring of labour markets unleashed by the Neo-Liberal reforms which began in the early 1980s across the globe (Harvey, 1988). Most significant amongst these was the decline of internal labour markets (ILMs) and secure long-term employment established in the post-war years which lasted from 1945 well into the 1970s. Similar damage was done to occupational or external labour market (ELM) efficiency, especially as a result of the demise of structured apprenticeships and technician training. State sponsored employment programmes have struggled to redress the absence of these structured ILM and ELM pathways from school into work and this has led today to a highly inefficient set of labour market mechanisms in the current period (Kochan, Osterman, Finegold, 2012).

In this chaotic *laissez-faire* environment, new labour market institutions have emerged to rebuild bridges to employers and replace the internal and occupational labour markets of yesteryear. These institutions have been termed 'workforce intermediaries' by the American literature. They are an emergent phenomenon with a number of 'best practices' described in countries such as the United States of America (USA), United Kingdom (UK) and Australia. In more recent times, the concept has strongly influenced the economic policy and employment frameworks of the OECD.

## **CHANGES IN LABOUR MARKET STRUCTURE**

The work of highly respected MIT labour market economists Osterman (2004) and Kochan (2013) has been very influential in the USA in focussing attention on the rise of new labour market intermediary institutions. They argue that these institutions

have filled a void created by the collapse of the post-war employment model in most advanced capitalist societies such as the USA, UK and other OECD countries.

Osterman writes that the old system of employment has been blown apart by a number of factors. First has been the wave of deregulation – in airlines, banking, insurance, tele-communications, water and energy provision – that has transformed the competitive landscape. A second factor has been the spread of new technologies that allowed companies to organise work in new ways. Many of these innovations – just-in-time inventory, work-teams, quality programmes, outsourcing – led to increased productivity but with leaner staffing (Osterman, 2004: 156-157).

A third factor has been the changing nature of skill and the weakening incentives for employers to maintain long-term links with employees. Skills have become more general and therefore more transferable, and employers have become reluctant to invest in long-lasting relationships entailing upskilling and career development with workers. A fourth factor shaping the new labour market landscape was the growth of outsourcing as large firms decided to focus only on their core competencies. This led to extensive outsourcing as firms got rid of their non-core business functions to external service providers. All of the pressures above led firms to substantially reconsider their employment systems. The aggregated effect of all of these changes created a higher turnover and a less secure, more volatile labour market.

### **Problems without an ILM mechanism**

The collapse of the post-war 'welfare state' labour market structure has had a paradoxical outcome. In today's Neo-Liberal climate, existing labour markets are inefficient and firms need help in accessing the labour force they require. This was not the case in the previous capitalist era with effective skills provision undertaken by ILMs and occupational labour markets.

Kazis argues that an efficient labour market on the demand-side requires accurate and readily available information about local job openings and general agreement about the skill levels required for these jobs. Information is also needed on the supply side, in terms of the skills and qualifications of local workers. At the same

time, an efficient labour market enables employers to find qualified workers in ways that minimize recruitment, remedial training, and turnover costs resulting from poor job matches. For much of the twentieth century, the dominant strategy for achieving these efficiency goals were ILMs. They are no longer there and a new labour market crisis has emerged (Kazis, 1998: 9-10).

In addition, employers now need different skills. Firm restructuring and new employment opportunities have increased responsibility and breadth of tasks for front-line workers. Employers expect more, and more varied, competencies from employees, as well as the ability to learn new tasks and adapt to changing job requirements. Job requirements at the lower-end of the labour market have risen significantly: basic numeracy and literacy skills are expected more frequently, as are basic computer competence and “soft skills” such as communication, teamwork, and problem solving. Employers also express concern about the future workforce. In anticipating accelerated change in product markets, technology and firm strategy, employers are increasingly nervous about whether tomorrow’s workers will have the right attributes to contribute to competitiveness (Kazis, 1998: 16). However, the mechanisms for acquiring all of these education and skill attributes through the school and college systems has been considerably weakened by the restructuring of labour markets over the past three decades.

### **Economic rationale for intermediaries**

There is a strong economic rationale for the rise of WIs. Three factors raised by institutional and evolutionary economists are discussed here. The first is that WIs reduce transaction costs. The institutional school of economic theory argues that almost all economic activities entail transaction costs, including the buying and selling of any commodity. Buyers and sellers have to find each other, prices have to be discovered, negotiations undertaken, contracts drawn up, inspections made, arrangements made to settle disputes, and so on (Benner, 2002: 91). According to institutionalist logic, these costs are best handled through some intermediate set of contractual relationships, rather than through the open market (Benner, 2002: 91). Labour market intermediaries emerge as specialists in performing certain employment transactions – in arranging the buying and selling of varying degrees of

skilled labour. They are usually defined as independent, profit-maximizing economic agents mediating between two market sides in the presence of market imperfections. Their role is to reduce such transactions in the open labour market for skills.

A second economic rationale for WIs is the need to resolve asymmetric information flow. Problems around information flow permeate the entire economy and affect almost all economic transactions. Individual firms do not have all the information needed to make economic decisions. One method of accessing information – including that about local and regional labour markets - is through self-organised associations which represent employer interests and which acquire the required information collectively. Astrid, Andrews and Cristina (2009) see these interactions between firms as ‘interactive learning’. They occur best if co-located in the same region ‘as they are highly dependent on tacit knowledge, in which personal ways of interacting and transferring knowledge is important’ (2009: 7). The benefits of this ‘interactive learning’ are the generation of new knowledge and skills, improved networking capabilities, the ability to introduce new technological processes and in some instances products that are marketed nationally and internationally (Astrid, Andrews and Cristina (2009: 11)).

Imperfect information is also a major problem in the labour market. Willing buyers (employers) do not have instant access to information about the extent and location of skilled labour available in local or regional labour markets. They can accrue large search costs in seeking to acquire such information to satisfy their employment requirements. Similarly for willing sellers (labour). This information deficiency is the *raison d’être* of employment agencies which arise from the imperfect character of information on both sides.

A third economic rationale for WIs is managing risk. According to Benner, the information economy creates more risky labour markets than the older, more stable internal labour markets of the past. Both workers and employers face risks in the volatile conditions that characterise markets today. Intermediaries help to manage risk on the employment front by assisting firms in hiring contract workers rather than permanent employees during economic downturns. Similarly, WIs can assist workers made redundant in finding alternate employment and reducing their job search costs

(Benner, 2002: 95). In supporting workers in this way, WI often rely on extended social networks or some form of community support, whether locational or from NGOs working in the local labour market, or from dedicated government resources made available for these purposes (Buchanan and Evesson, 2004: 28).

## **ARE THEY LABOUR BROKERS?**

Sceptics who disbelieve the benefits of WIs argue that they are little more than labour brokers or temporary employment firms. Both types of institution make a healthy profit off the task of placing the unemployed in low-skill work (Giloith, 2004; Stovel and Shaw, 2012: 148). In reality there is a vast spectrum of labour market intermediary types along a continuum, from (on the left side of the continuum) the passive labour market task on the supply side of matching existing unemployed workers to existing (and most often highly precarious) work, to (on the far right-hand side) the active labour market strategy of changing demand-side conditions, and in so doing, creating better jobs. The concept of 'WIs' developed in this chapter is to seek organisational types that operate at the far right-hand side of the continuum – along with those who seek to change demand-side conditions and create decent work.

## **THE BENEFITS OF INTERMEDIARIES**

WIs, operating as active labour market agencies, provide a more interventionist labour market role on the demand-side especially through working to build 'coalition networks' and changing employer demand for skill. They also provide a range of additional services beyond simple job-matching of the first group. These include providing 'aftercare' beyond the moment of employment uptake and undertaking brokerage to forge agreements with employers around employment. Each of the above additional services of pro-active WIs will now be discussed in more detail.

### **After-care**

The initial pre-employment support from WIs is most often combined with significant career and personal counselling after initial employment take-up. NGOs working in



the youth labour market play a critical alignment role here, of clarifying for young employees what is required of them in the workplace. Structuring this 'newcomer socialisation' in this way helps youngsters stay the course and slowly rise up the occupational ladder. Once they have a foot in the system, they have resolved the major social crisis afflicting most youngsters – of getting their first job.

Job retention is a key benchmark for successful placement programmes for unemployed workers, and the level of engagement by WIs with both workers and employers is high to achieve good retention rates. WIs increasingly continue working with both program participants and the firms that hire them well after placement. Kochan *et al* describe this after-care as entailing: tracking the progress of trainees after placement on a daily or weekly basis, giving them mentoring updates and encouragement, advising them on budgeting their personal resources (including stipend for transport and food), and making them aware of other private and public support programmes (for example, health and social welfare support). Relations between trainees and employers are of paramount importance here, but a wider package of social wage supports is often equally important. Writing about unemployed youth in the UK, Raffe suggests that a more comprehensive strategy on youth employment and vulnerability is required. It should be addressed through a much wider multi-agency basket of social inclusion and empowerment measures – including healthcare, social work support, transport subsidies and a reasonable stipend (Raffe 2003, 8). This is precisely what best practice WIs achieve through their greater ability (compared with the state) to coordinate multi-agency social networks.

### **Building coalition networks**

More proactive WIs set out to achieve a more ambitious target requiring firm-level cooperation and change. Benner argues that one of the central insights from research on economic innovation is the recognition that firms rarely innovate in isolation, but typically do so in the process of interacting with a wide range of other organizations. Through communicating with suppliers, customers, and competitors, and through their relationships with universities, research institutes, investment firms, government agencies, and so on, firms develop and exchange various kinds of information and knowledge that are critical to their ability to innovate (2004: 96). This

inter-organizational communication across firms and other institutions is built largely through firm participation in social networks.

Giloth defines a WI as a home-grown local 'network' that bring together employers and workers, education and training institutions and private and public funding streams to 'fashion and implement pathways and bridges to career opportunities and employment for low-skill workers in an entrepreneurial, dynamic and results-oriented fashion' (2004: 5). This focus on low-skilled workers is what distinguishes WI from other labour market intermediaries.

These WIs use their credibility and support in the community and in the workplace to 'prod employers to change firm behaviour in ways that improve job quality and opportunities for advancement' (Kazis, 2004: 80). They do not accept that employer demand is given and static. They attempt to change employer demand in ways which reduce inefficiencies and inequalities in wages, benefits, job security and advancement (Kazis, 1998: 21). WIs achieve these goals by working closely with employers to understand the specific needs of their sectors. In addition, WIs place greater emphasis on post-placement after-care and other services that can encourage longer retention in a job. For low-income populations with weak work histories, post-placement case management and referral to services are critically important. For employers, these services can reduce turnover, lowering future recruitment and hiring costs (Kazis, 1998: 22).

The best organisational form to achieve these goals are WIs working within what Kazis calls wider 'coalition networks' (1998: 56-57) and what Kochan calls 'job compacts' (2013: 299). Kazis argues that employer associations initiate and/or join consortia to increase employer clout in the workforce development marketplace and to capture economies of scale that require inter-firm cooperation around skills development (1998: 31).

Benner maintains that WIs play a critical role in shaping the work process, through facilitating rapid changes in work demand, and shaping the reflexivity of work tasks. They can also play a critical role in shaping skills development. This may be done in a formal manner, through training and certification programs and responding directly

to employer or worker demands. But it also occurs in the network of support services more informally. Intermediaries provide the organizational infrastructure for building the social networks that are so essential for ongoing learning. These learning networks fundamentally shape work practices on a day-to-day level, building communication across work sites. Intermediaries also provide important information on changing work demands in the labour market, among different firms and different industries, providing signals to both workers and firms of the need to respond to these changing work demands (Benner, 2002: 87).

### **Working on the demand-side**

A pro-active approach to work on the 'demand-side' is to focus on the need to reshape employers' demand for skills. This has to do both with a firm's choice of product market and its competitive strategy. Competitive strategy comprises the choices made by employers about product or service differentiation within particular markets. Product strategy refers to the positions occupied by different enterprises on a series of spectra relating to value added, complexity of product specification, volumes and price dependence, all of which may have implications for skill requirements. There is considerable variation within and between industries.

This 'demand-led' approach throws up an entirely different set of interventions to those commonly associated with supply-side vocational education and training (VET). It requires localised and regional interventions at firm level to support firm-level 'adaptive learning' – strategies to improve value-added and competitiveness through changes to the organisation of work and deployment of skills. This will require a broader concept of 'business support' offered by intermediaries to improve competitiveness and not merely skills improvement (Delbridge *et al*, 2006: 15). Keep and James argue that the fundamental problem with the UK VET policy is that it is based on a misdiagnosis of the underlying problems facing the UK – which they argue are fundamentally about the low demand from employers for higher level skills. It is this demand-side issue that needs to be addressed - through interventions that reshape employer's need for higher level skills, work re-organisation and the better utilization of newly acquired skills in the workforce (Keep and James, 2012: 211).

## **Undertaking brokerage**

'Brokerage' is defined by Stovel and Shaw as trading 'on gaps in the social structure' (2012: 141). It is the process of connecting actors (previously unconnected to each other) in systems of social, economic, or political relations in order to facilitate access to valued resources. In addition, brokers help goods, information, opportunities, or knowledge flow across gaps (Stovel and Shaw, 2012: 141). Brokerage also borrows from Granovetter's concept of 'bridging' and 'weak ties'. According to his logic, only weak affective bonds can 'bridge' gaps in social networks. And yet it is just these structural bridges that serve as sources of new and potentially valuable information. Brokers can also be 'catalysts' in the sense that they alter and increase the rate of interaction among actors who normally do not connect with each other (Buchanan and Evesson, 2004: 52).

Burt terms these gaps between social groups as 'structural holes' - as blockages in the information flow required to produce informed policy. Policy holes occur when key actors in the policy process do not interact outside of their own group or professional community, resulting in a constriction of knowledge flow crucial to the policy making process. Alternatively, actors who are well connected or forge strong ties with groupings outside of their own communities in domains such as firms, sectors, regions, colleges or universities play a crucial brokerage role in overcoming holes in the process of knowledge circulation (Burt, 2003: 3). These brokers obtain what Culpepper (2003) called 'relational information' - again a crucial input in policy. Burt provides examples of brokerage activity, the simplest being 'making people on both sides of a structural hole aware of interests and difficulties that others experience in other groupings'. Transferring 'best practice' is a higher level of brokerage. Burt argues that brokers are critical to learning and creativity. People whose networks span structural holes have 'early access to diverse, often contradictory information and interpretations which gives them a competitive advantage in delivering good ideas' and being able to provide solutions to problems bedeviling the interfaces between groups (Burt, 2003: 5). Employment creation and skills development are some of the optimal outcomes of such a 'brokered' arrangements.

## **GLOBAL BEST PRACTICE: THE USA**

The American experience is an unlikely inspiration for skills development given that it has no formal VET policy or vocational institutions – other than the community college system. However, it is the ‘policy integration’ of economic and workforce development initiatives in the USA over the past three decades that has been significant – and a source of inspiration for much of the OECD’s more recent economic policy advice on building skills strategies at the local and regional level. This focus on ‘integration’ emerged with the passing of the Clinton-era Workforce Investment Act (WIA) in 1998. The WIA requires each state Governor to submit a Strategic Workforce Plan to the federal Department of Labour (DoL) outlining a five-year strategy for its workforce development system. Once a state-level Workforce Plan is approved, funding is devolved to Local Workforce Investment Boards (LWIBs) against their own five-yearly plans.

Today, there are over 600 LWIBs and 3000 one-stop-shops which provide a range of employment and social services. They operate in decentralised settings where ‘states and local governing boards having more power’ (OECD, 2008: 58, 61). Many states have used the WIA and its funds to forge partnerships across state-level agencies responsible for economic development and educational operations. This has entailed partnerships with non-profit organisations such as charitable foundations to help finance and deliver special programmes (OECD, 2008: 58, 61).

LWIBs do not train. Their purpose is purely to develop positive working relationships and partnerships with the business community and coordinate and facilitate the provision of social services. The LWIBs must understand the workforce needs of businesses and coordinate services that meet their needs. It can do so by providing labour market information, conduct outreach, integrate employer needs into training strategies, broker relationships around job opportunities, make services easier to access, and coordinate with partners to reduce duplication (OECD, 2013: 25). In addition to this coordination role, each of the 600 LWIBs are required to contract with local organisations to provide services. For training provision, the LWIBs typically use community colleges, secondary schools, and private companies to provide this

training function. Community colleges provide externally-based training which takes place outside the workplace and in a classroom setting.

### **THE UNITED KINGDOM: GROUP TRAINING ORGANIZATIONS**

In a different context, Group Training Organizations (GTOs) in the UK are one of the most important forms of successful collective action amongst employers regarding skills development. They have operated quietly in the background of the VET system since the 1940s. Currently, about 10% of all youth apprentices in the UK are undertaken by GTOs. They are not-for-profit bodies governed by boards comprised of employer and community representatives which provide a 'brokerage' service between a group of firms regarding training. They represent the best of WI work in the UK.

Cooney and Gospel define GTOs as multi-employer groupings that provide collective goods to the firms which use their services. They are brokers of training through inter-firm networks of often small and medium-sized firms, but unlike private training providers they do this on a not-for profit basis and use surpluses to further develop the collective provision of services (2008: 421). This form of cooperation is at its strongest when firms come together to develop compatible sets of skills and competencies, such as may be found in firms linked through supply chains and production clusters. Here, cooperative training activities are often complementary to other strong links between firms (2008, 412-413).

Employers prefer to use GTOs rather than train themselves mainly because the GTO 'shares costs, increases flexibility and provides higher quality training' (Cooney and Gospel, 2008: 414). They are seen by their membership to provide a better service than other private and public providers – they train specifically to employer needs. Cooney and Gospel argue that employers prefer this 'arm's-length' approach to training than taking on the burden of doing training themselves.

Most of the GTOs are in the field of engineering where they train about 30 percent of all engineering apprentices in the UK. The operational responsibilities include recruitment of the young apprentices and their induction into the trade. Thereafter,

the GTO places these apprentices with a firm, which then directly employs them. The GTO will organise the off-the-job training, either in their own facilities (about 50% have their own facilities) or in a further education college (Cooney and Gospel, 2008: 415-6).

GTOs show how decent, sustainable forms of service work can be promoted and how degraded forms of service work can be discouraged, especially in low-paid jobs. This was achieved, firstly, by encouraging sceptical employers to train, and secondly, by ensuring a fair sharing of the risks of employment and skill formation, enforcing publicly defined standards and providing counselling, and pre-placement support to employees. GTOs preserve apprenticeships in difficult circumstances. They ensure that apprentices acquire multi-skilled training – by actively rotating them between different employers so as to be exposed to differing specialities in the workplace (Buchanan and Evesson, 2004: 8-9, 50).

## THE SOUTH AFRICAN YOUTH LABOUR MARKET

Research was undertaken for this article to determine the extent to which South African NGOs function as intermediaries, and in which ways. The methodology adopted entailed studying a small sample of NGOs operating in the youth labour market. Ten NGOs were identified and consented to participating in the research:

<b>Table 1: Ten 'intermediary' case studies interviewed, 2014</b>	
<b>NGO case studies</b>	<b>Location</b>
Ambassadors Youth and Community Development	Web-based
Action Volunteers Africa	Western Cape
Dinaledi Alumni	North West
Fetola - The Graduate Asset Programme (GAP)	Western Cape / Web-based
Harambee	Gauteng
Itshapo	Westbury
Red Cap Foundation / Jumpstart	National
Revolution Labs (RLabs) - Grow Leadership Academy (GLA)	Western Cape
Teach SA	National
Youth Cafes - Partnership between RLabs and WC Department of Social Development	Western Cape

Conceiving of an NGO as an intermediary between unemployed youth and potential employers is a relatively new idea in South Africa. Though WI have been given a boost with the establishment of the Job's Fund, there are still very few ventures in this sector.

The NGOs that formed part of this research were all attempting, with different degrees of ambition and success, to connect unemployed youth with job opportunities. They form part of a small group of intermediaries outside the fractious bargaining that happens in the labour market between businesses, unions and labour brokers. As somewhat independent entities, they can address aspects of youth unemployment that are not only about wage determination. They try to build bridges with employers and encourage improvements in the quality and content of entry level jobs. At the same time, they help build the social assets of low-skilled labour.

### **The benefits of intermediaries**

#### *Before- and after-care*

One of the primary roles the intermediaries engaged with was recruiting and selecting unemployed youth for job openings and preparing them for the workplace through training (mainly on soft skills).

At a minimum, such training would include some career guidance and customer service for the retail sector. But much higher level training was also available. Revolution Labs (RLabs) provided end-user computer training that people could then use to develop social enterprises. Teach SA presented a two-week crash course in pedagogy to prepare graduates without a teaching qualification to stand in front of a classroom.

The focus, however, was mainly on 'soft skills'. The common complaint from business was that young people were not socialised into the habits and routines of work-life. These perceptions were often laced with racial and gender stereotypes. Coloured youth, for example, tended to be tarred as unreliable and afflicted by drug abuse. Young women could not be depended on because of unplanned pregnancies and other family responsibilities. The NGOs had to battle these stereotypes and try prevent them being perpetuated. Action Volunteers Africa (AVA) called it "navigational capacity" – helping youth to juggle competing priorities.



None of the NGOs considered personal deficits the only or even the most important reason for unemployment, and generally spoke of youth they worked with in highly complementary terms. Nevertheless almost all of them believed personal development a necessary first step to engaging young people. Understanding that many young people had suffered trauma, that family breakdown left its scars, that lack of role models meant few had ambitions beyond the boundaries of their known world, and that these all compounded feelings of inadequacy or lack of confidence, almost all the intermediaries began a process of personal maturity with the youth. For some this could be an extensive three month induction. For others a nine hour body mapping workshop. It's expensive. Psychologists were often on hand.

RLabs do very little advertising and yet have become a magnet for people searching for self-improvement opportunities but often also wanting to make a difference in their communities. The training is quite intensive and long, and without a stipend or immediate job opportunity, it is likely the more determined youth will self-select to be part of the RLabs programme.

Survival through the first year of employment is a crucial test of long-term employment and the intermediaries, having got youth into jobs, often continue to bridge that support into the early months of employment. To help assure businesses in the probationary period, some NGOs provided mentoring support. AVA, for example, provide a lot of hand-holding early on, with weekly phone calls to check-up on placements and monthly motivational sessions. "We're there for them [the employers] to complain when they [the volunteers] don't come and that kind of stuff and they use us to do the troubleshooting so it's quite nice. It's a bit like a young person with a parent that you can tell on them."

Volunteering or internships are a way for businesses to build trust in individuals before hiring them on a permanent basis. There is little financial risk for the company and a foot-in-the-door for the volunteer. The NGOs also provide quite substantial HR services before and after initial employment take-up. The NGOs conducted stringent selection processes to filter out unlikely candidates. Harambee had a relatively intensive process of profiling applicants using psychometric testing. For AVA: "part

of it is instinct and part of it is, someone who's been unemployed for a while, someone who hasn't had the opportunity, who can see this is a golden opportunity and is prepared to run with it".

The NGOs also sometimes acquaint new employees with the rules of the workplace, intervene when an employee has been absent without leave and in one case study, the NGO even handled the payroll for the new employees. In this latter instance, the NGO received a monthly 'donation' of R10,000 to be used in their soup-kitchen. AVA even contributed R750 to the organisation in which their volunteer was volunteering to compensate for the organisation having to oversee their work.

### *Working on the demand-side*

A second important role for the intermediaries was to encourage employers on the demand-side to take the risk to employ young people with little experience, untested in the workplace. Under the impression that it was difficult to get rid of permanent employees once they were listed on a pay-roll, employers were making do with fewer personnel or hiring casual staff. Harambee's initial research found that few new faces were being hired in their stable of businesses and the same employees were being circulated through various positions

Harambee is focussed on unblocking the channels to potential jobs that have been boarded up by employer's reticence to take on new permanent staff because of fears (warranted or not) that they will be locked into long-term contracts that would be expensive to terminate.

### *Job matching and brokerage*

One of the main difficulties for unemployed youth looking for work is that they often lack the networks and the relationships with structures or with people who have knowledge of where and how to access work. There were opportunities and there were people ready to fill those positions but the matches were not being made because information was not being shared. Young people did not know where to look for openings or how to apply. Unemployed youth, especially those outside of

urban centres, did not have access to print media and internet cafes and simply did not know about job openings or application procedures. Costs associated with internet cafes and transport were further inhibitors. Moreover, the bureaucratic labyrinth threw up walls that hid the end-point. Businesses appear to rely on the maze as the first test in the odyssey to find a permanent job – the first filtering mechanism.

Probably the quickest way to letting one side know about the other was social media. Ambassadors Youth and Community Development's (AYCD) Recruitment Junction is a website linked to other social media platforms that provide information on learnerships, jobs and training opportunities. Thought up between two friends on a long car trip, the idea spiralled very quickly. "We didn't expect people to take to our website and social media like they've done," says Aneil Manmohan. "We have 1,000s of traffic on the website weekly. On the Facebook, there is over 100,000 likes and interaction is real". They have also started sms-ing job adverts as soon as they appear. It has cost them almost nothing. AYCD's main physical presence – and their main means of advertising – is in schools and community centres where volunteers offer life skills and career advice and leadership training.

Social media is also a tool used by Uuusi, a social enterprise success story developed by a graduate of RLabs. The app links people looking for people with skills or with services to sell with those registered on its database. Like Recruitment Junction, the app has grown beyond expectation.

Fetola's Graduate Asset Programme (GAP) is a website for matching graduates to internship opportunities. The 18,000 graduates (with diplomas and degrees) currently registered on the platform create a profile which businesses can view. Initially the idea was to set up the system and let it run, but "what we've realised, particularly because it is a new concept, there's a lot more hand-holding that's needed. So the tool is a self-managed tool but there is a lot of supporting that we do for the graduate and the business," explains Fetola's Catherine Wijnberg. Graduates can also complete an online work-readiness module.

Advertising job opportunities or putting a CV onto the web might add to the virtual information load but not necessarily to physical connections. One project helps young people take the many steps between finding out about an opening and actually getting to the interview. 'Youth Cafes' a joint project of RLabs and the Western Cape Department of Social Development offers a trendy space where youth can access internet, printing facilities, coffee and muffins and toasted sandwiches. It runs on a virtual currency. Youth have to 'do good' (help out in an NGO, attend a life-skills course at the cafe etc) to earn currency that is loaded on their cell phones. They can exchange the currency for coffee and food in the cafe and also metro-train tickets and some services (like hairdressing). The idea is to get rid of all the direct costs to finding jobs (internet, CV printing, transport).

### *Building networks*

A third thrust of NGOs working in the South Africa youth labour market is an emphasis on self-help and social enterprise. If jobs were not to be found, then work had to be created. Young people would need to become self-sufficient. RLabs is most appropriately placed in this category since it is designed to encourage social enterprise. Derman says: "As much as we're saying, yes, we're preparing people for the workplace it might not be the job market. ... We always tell people there's not enough jobs for everybody but there is a lot of work to be done and that is the only way." Participants in the RLabs programme, for example, engaged young people in developing technical tools to solve social problems. Ideas would be incubated with the help of industry experts. On any day, the Lab is a brightly coloured open-plan office with young people focused on their lap-tops. The idea, explains the founder of RLabs, Marlon Parker, is to develop marketable tools.

Fetola prefer a straight-up entrepreneurship model. The "social enterprise" model was argued to have adjective-limiting conditions. Entrepreneurs should not be restricted in to solving social problems in their quest for profit. Although entrepreneurship was an alternative route to finding paying work, Fetola's Wijnberg thought it was more likely a long-term plan. Fetola's Graduate Asset Programme (GAP) was complimented with a focus on placements into small, medium and micro enterprises. Says Wijnberg: "we realised that placing a SA graduate into a small and

growing business was really a very good match because one good graduate can really grow a small business – can have a really positive impact on a small business. We’ve found from our latest data that 41% of our placements are new positions.”

In sum, the South African case studies were able to add an additional element onto recruitment. Some tried to change employer demand for workers by getting to know the industry, getting to know employer needs, and using their credibility in the sector to prod and persuade employers to change attitudes toward low-skill workers, training, and opening up opportunities.

What differentiated intermediaries from each other was whether they connected more with the interests of employers or with the unemployed youth. The latter were more likely to encourage young people to find work opportunities outside the factory or office or shop. Employment for these intermediaries could also have wider impacts on social development.

## **CONCLUSION**

The analysis in this article has sought to look beyond the numbers game of statistical and econometric work, to understand the social constitution of the labour market and all of its institutions and processes. It has done this by advocating the role of ‘workforce intermediaries’ that work on the demand–side of the labour market and which seek to reshape employer demand for first-time entrants. A number of social processes are used to overcome employer reticence to employ first-timers, including building the social capital of the unemployed young, extending their social networks to include information about work opportunities and build their confidence to successfully access available jobs. Advocates of WIs also work hard at changing the pejorative attitudes of employers towards first-timers, providing training for the unemployed in the ‘soft-skills’ of newcomer-socialisation, and through after-care support to new entrants, ensuring that they make it through the difficult induction period and all the obstacles thrown up during this transitional phase into decent work.

But most importantly, these WIs recognise that 'demand' is not fixed nor a rational outcome of the hidden hand of free market capitalism. More specifically, the position of a firm along the value chain is partly a social choice of the firm itself – to do with the production and competitiveness strategies chosen by firm management and the manner in which they choose to deploy labour and technology on the factory floor. These decisions can be changed, WIs believe, through 'adaptive learning' – an interactive process between firms in a local labour market, cluster or region, working with the relevant education and training institutions, government development agencies and WIs.

This active labour market stance is a feature of labour markets globally but is relatively absent in South Africa. In an ironic twist, it is the USA, the bastion of free market capitalism, which leads in this form of localised firm-level cooperation and intermediation – a trend begun in the 1990s and well-established now. However, its policy transfer to other regions of the world has been slow, and it is only evident in Australia in the 2000s, partly because of the interest shown by policy planners in the concept of 'skills eco-systems' (Payne, 2007), and in more recent OECD work on skills and local and regional economic development (OECD, 2008, 2013).

It is also clear that many intermediaries have arisen spontaneously to resolve problematic conditions and constraints at the local level, and not in response to a deliberate programme intervention imposed from the national government level. Most of the intermediaries discussed in this article, including the American LWIBs, arise firstly, because intermediaries are on hand to assist with the launch of a new production or training intervention, thereby reducing the risks to employers, and secondly, because employers volunteer their cooperation, and are able to articulate their skills requirements in a coherent manner through cooperation with supply side bodies such as training agencies and colleges. This is an important point. Klerkx and Leeuwis (2008: 262) argue that without a clear insight into 'demand' conditions, it will be difficult for intermediary bodies to be client oriented. Demand articulation is 'about clarifying both demand and supply, and establishing a dialogue between users and producers' (Klerkx and Leeuwis, 2008: 262).

The case studies also highlight the need to overcome the 'disconnect' between, on the one hand, national policies, and on the other, the actual economic conditions on the ground. Intermediaries help overcome these gaps through a process of synchronising the skill needs of employers with the supply outputs of training providers. This is best done in local or regional environments when interventions can be closer to the ground, and where intermediaries can offer their expert knowledge of conditions and constraints on the ground. Their role as 'broker' in distributing this expert knowledge and information, and helping to overcome labour market constraints, is critical.

Such intermediaries are not mere labour brokers, offering simple matches between unemployed people and available jobs, but rather, they contribute a multi-faceted set of supports, including changing employer-defined conditions on the demand side, as well as offering other key inputs into the social wage package such as transport subsidies and medical and social welfare support. At the apex of all the players operating in this process are intermediaries that impact on the competitiveness of firms by helping to shift these firms up the ladder of value-addition, mainly through the improved deployment of skill on the factory floor, and by changing the organisation of work so that it values a more upskilled labour force.

### **Limited diffusion**

The South African intermediaries in civil society – as highlighted on a small scale in this study - are still relatively young. Their current focus is on brokering entry level opportunities with businesses and shoring up the confidence, work related attitudes and skills of new job entrants. They appeal to the ideals of corporate social investment but at the same time help reduce the transaction costs for businesses when hiring untested novices. They also provide substantial aftercare to smooth over the often difficult transitional phase young people face as they negotiate the routines and rules of the work environment. What South African intermediaries have yet to do is build coalition networks across local industries or across city regions. They are still too few players to initiate (or even participate in) information networks and forums that actively look at how to expand industries and create jobs.

There are a number of limitations associated with the work of workforce intermediaries in South Africa. Firstly, the presence of good intermediaries and the depth of their work appears to be very limited in South Africa. This is in part because the option of expanding the use of intermediaries has never been an explicit question of public policy. Such expansion was also affected by the contraction of the NGO movement after 1994 when most donor funding was channelled through the new democratic state and away from NGO provision. Secondly, there is considerable difficulty in taking the benefits of intermediary work to scale. The beneficiaries are always small in number – 100 or 1000 or 10 000, but not 100 000 or a million. Such restrictions are because of high unit costs, but also because the work of changing demand is structural – it entails trying to penetrate the economic trajectory of the path to capitalism adopted and embedded in SA for decades if not centuries, which is premised on low-skill and low-cost labour. These are not easy things to change on a macro-scale.

Furthermore, South Africa lacks a ‘communitarian’ spirit, most visibly seen in its attitude to inducting its own young people into work. Many formal induction programmes for several professional degrees are struggling to work properly because of the lack of induction placements for graduates-to-be. So too for first-time employees. The local level of the state has been the most ineffective in this regard in building coalition networks to get youngsters into work. South Africa has very few organisations similar to the local workforce investment boards (LWIBs) operating in America which play a huge role in placing young people into first-time work. The state has simply not come to the party in supporting intermediary work.

Lastly, there has been no macro-level ‘Social Compact’ forged between capital, labour and the state which has real economic and political clout. The various agreements reached at various tripartite summits in the past have had no real impact on the performance and behaviour of the tripartite signatories. Relations between the unions and business are adversarial and inward-looking, and this has rubbed off on tripartite institutions such as the Sector Education and Training Agencies (SETAs) and other business development agencies. Staff in these agencies have no ‘situated expertise’ of their sector and are, therefore, unable to participate meaningfully in



locally devolved deliberation around skills with firms and training institutions in their sector.

However, even against such harsh criticism, the case study exemplars in this article show that there are definite benefits that arise from the work of WIs, even in South Africa, which must be acknowledged:

- Localised groups of employers or individual employers can be persuaded to change their approach to first-timer employees
- Intermediaries can overcome employer aversion to risk
- WIs can change the pejorative views employers hold about first-timers
- They do help to build qualitatively better and more decent jobs.
- They help to resolve information asymmetry – a major economic problem facing modern firms, promoting the better flow of career information to first-timers and back to employers.
- The best of WIs intervene on the demand-side to change the nature and number of jobs
- They provide a wide package of services which go way beyond simple job-matching – comprising after-care, training and various social welfare services such as creche access and transport subsidies.
- In all of the above, WIs undertake a considerable amount of ‘brokerage’ – deal-making with employers, public education and training centres, other NGOs and government agencies.

There are clearly examples of best practice in South Africa which could be further researched, and which could receive more policy attention and support. However, their expansion as a tool for creating a more socially just labour market is dependent on the political and economic trajectory of the larger South African society, especially in correcting its shift away from communitarian values and high-trust initiatives which defined the earlier Mandela era of transition to democracy in 1994.

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