

## Conceptualising the role of intermediaries in the youth labour market: a survey of the global literature

Andre Kraak

### Abstract

*This paper examines the role of ‘intermediary organisations’ in the labour market, and in particular, the employment contribution of the work of intermediaries operating in the youth sector. The analysis will highlight the positive impact of these micro-level programmes on youth employment. The paper also comprises a selection of country case studies – looking at the work of intermediaries in the United States of America (USA), the United Kingdom (UK), Australia and in the global advocacy work of the Organisation of Economic Cooperation and Development (OECD). 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 by intermediaries. Although limited by the small scale of their localised labour market work, these interventions appear to be far more successful in facilitating a successful transition into first-time employment than is the case with government programmes, especially large-scale national public works schemes. A clearer understanding of why these small-scale interventions work will be of great assistance in formulating future youth labour market interventions.*

For a short article based on this paper, see the online forum [Econ3x3](#), September 2015.

# Conceptualising the role of intermediaries in the youth labour market: A survey of the global literature

**Andre Kraak**

Researching Education and Labour (REAL) Centre, University of Witwatersrand

## **1. 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 reforms was the decline of internal labour markets (ILMs) and the secure long-term employment conditions 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 around the demise of structured apprenticeship 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. As a consequence, most public employment schemes the world over have failed to deliver employment over the long-term (Kochan, Osterman, Finegold, 2012).

In this chaotic laissez-faire environment, new labour market institutions have emerged to rebuild bridges from jobseekers to employers and replace the internal and occupational labour markets of yesteryear. These institutions have been termed 'workforce intermediaries' by the American literature, and 'intermediaries' more generally in the European literature. They are an emergent phenomenon with a number of 'best practices' described in countries such as the United States of America (USA) and Australia. More recently, the concept has strongly influenced the economic policy and employment frameworks of the OECD. Unfortunately, no work seems to have been done on intermediaries in developing countries, and so this

paper represents the first attempt at providing exposure for the work of intermediaries in 'Southern' countries.

This paper examines these dramatic changes in the labour market globally and then challenges the dominant economic discourses used to examine labour market phenomena such as youth unemployment. It is argued that a more 'socialised' perspective of the labour market is needed – an approach informed by the role of social institutions, processes and regulations that shapes labour market outcomes. Such a sociological 'lens' is often absent when econometric and quantitative descriptions dominate the field. The analysis in this paper presents such a social perspective by focussing on processes of segmentation, discrimination and exclusion which hinder the transition of young people from school into their 'first ever' jobs. The paper builds such a socialised perspective by extending the set of social institutions normally associated with labour market analysis to include the new institutional entities termed 'intermediaries'.

The primary argument to be made in this paper is, first, that appropriate South African labour market intermediaries can help to overcome various social barriers in the labour market which restrict access to employment especially for young people, by creating a set of countervailing processes which help build the social networks and social assets that are absent amongst unemployed working class youth – assets that are important resources in finding employment. Secondly, these intermediaries have the potential to build bridges to employers and change the conditions of employer demand for low-skill labour. In so doing, these intermediaries can facilitate first-time employment opportunities for the young which were not available in the local labour market prior to the intervention of intermediaries. The paper will develop this argument by borrowing eclectically from the USA workforce development literature (Giloith, 2004), evolutionary and institutional economics and its emphasis on the production of collective goods such as firm learning and skills training (Nelson, 2006) and comparative institutionalism and its emphasis on information exchange (Culpepper, 2003; Thelen, 2004).

The structure of the paper is as follows. The first section outlines in more detail the dramatic changes in labour market structure which have created conditions conducive to the rise of intermediaries. This comprises a focus on the demise of ILMs. The section also outlines the limits of supply-side (education and training) approaches to youth unemployment which have constituted the orthodox Neo-Liberal response to the demise of ILM and occupational labour markets.

The second section will examine the role and functions of the new institutions which have arisen to fill the void in the labour market – ‘intermediaries’. The benefits of intermediaries are outlined including their specific added-value of being able to change conditions on the demand-side. Intermediaries do this by brokering deals with employers to change selection practices and pejorative attitudes towards low-skill labour and the young unemployed. Successful brokerage leads to the employment of unemployed youth who are ‘vouched’ for by intermediaries and who provide ‘after-care’ to such employees well after the initial recruitment date. The third section illustrates the role and contribution of intermediaries through a number of case studies in the USA, Australia and Europe. Throughout, this paper adopts a specific focus on intermediaries working with unemployed youth and lowly-skilled workers.<sup>1</sup>

## **2. Changes in labour market structure and the nature of work**

### **2.1 The changing nature of work**

The work of highly respected MIT labour market economists Paul Osterman and Thomas Kochan 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 countries such as the USA, UK and other OECD countries. Kochan (2013: 292) argues that the USA economy needs 3.6 million jobs to get back to the level of employment that existed just prior to the start of the 2008 recession and another 5.2 million jobs to account for the growth in the labour force over this time period (2008-2013). He estimates it will take at least a decade to recreate these jobs. Kochan also notes that with the decline of jobs there has also been a decline in the social wage (health care and pension coverage) and the emergence of the highest levels of social inequality experienced in the USA since 1928 (2013: 294).

Osterman says the old system of employment has been blown apart by a number of forces (2004: 156). 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 was 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: 157).

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<sup>1</sup> This paper is connected to another REDI3x3 working paper, for which it provides an important theoretical introduction. See: Dieltiens, V. (2015). *A foot in the door: NGOs as workplace intermediaries in the South African youth labour market*. REDI3x3 Working paper 11, September 2015.

A third factor was the changing nature of skills and 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 has been the growth of outsourcing as large firms decided to focus only on their core competencies. This has led to extensive outsourcing as firms got rid of their non-core business functions.

All of the pressures above has led firms to substantially reconsider their employment systems. The aggregated effect of all of these changes has created a higher employee turnover and a less secure, more volatile labour market. Key features of this volatility include:

- The demise of job security as increased lay-offs by firms were not followed by full-time secure employment uptake. An increased portion of the workforce now works in part-time or temporary jobs after dislocation. There is a downward pressure on men, especially middle-aged men, holding long-term tenured jobs, partly because of restructuring, but also because of the rise of skilled women into management and professional positions – often on new terms of employment which do not promise life-time employment.
- There is greater turnover in the labour market than ever before (a factor which creates a role for intermediaries). High-skill labour in professional white collar and management jobs are also at risk in these lay-offs.
- Job security has frayed substantially. Although many people still occupy old patterns of job security, many others find themselves in a more insecure position than in the past.
- The rise of the services sector and its new set of occupations and skill requirements add to the problems faced. Office-work (and not manufacturing plants) has become the dominant employment locale for many new workers – including highly-skilled professionals but also many mid-level workers such as call centre operators and finance sector workers.
- Firms now have to rely on the external labour market to recruit new labour, but paradoxically, doing so in today's external labour market is now not an easy task, and this difficulty has opened the way for intermediaries (Osterman, 2004: 157-160; Kazis, 1998: 9-13).

Kaziz (1998) argues that the shift toward services has had the same devastating impact on manufacturing jobs as did the global restructuring towards leaner work organisation. He highlights four specific measures of decline:

1. **Wage inequality.** Wage inequality rose more steeply in services than in manufacturing in the 1980s and 1990s. The wage gap has widened especially between high-skilled manufacturing workers who have relative control over their work and those in low-skill service jobs.
2. **Job instability.** Service jobs are less stable than manufacturing jobs.
3. **Non-standard work arrangements.** Most types of non-standard employment relationships are more prevalent in services than in manufacturing. These arrangements include part-time work and independent contracting, as well as on-call and day labour.
4. **Shorter career ladders.** Service-sector employers tend to be smaller than manufacturing firms, resulting in more limited, firm-specific career ladders. The trend toward outsourcing many service functions within large firms has further undermined firm-specific career ladders (Kaziz, 1998: 13-14).

## 2.2 Demise of internal labour markets (ILMs)

All of these labour market dynamics cited above have led to a substantial decline of the ILM in manufacturing jobs. Labour market theory tells us that there are two types of institutional configurations: 'internal' and 'external' labour markets. ILMs are organised around particular workplaces or employers. Jobs above entry level are generally filled by internal promotion, and skills are obtained on-the-job. Qualifications are of secondary or no importance. ILMs are about 'insiders' being treated more advantageously than 'outsiders' who form part of the external labour market. Criteria for inclusion can be based on a number of variables: skill, race, sex, age, social class and family background (Marsden & Ryan 1991: 253; Kraak, 2010; Kochan, Finegold and Osterman, 2012: 4).

However, this structure – the ILM – has been dramatically changed in recent times. Giloth argues that on the employer side, many firms have closed their human resources departments and outsourced entry-level jobs to contingent workers (2004: 11). Firms have flattened job ladders in search of lowering costs, increasing productivity and creating leaner manufacturing. They have deskilled jobs at the very same time that they introduced new technologies:

The system of advancement through internal labour markets, which once dominated US employment relations, has all but collapsed. Job tenure is shortening. Advancement paths are increasingly 'externalised', ie, moved outside the firm. (Giloth, 2004: 76)

### 2.3 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 policy and management climate, it is ironic that 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 provided for by ILMs.

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; Chapple and Giloth, 2013).

In addition, employers now need different skills as well. 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 mechanism for acquiring all of these education and skill attributes through the school and college (university) systems has been considerably weakened by the restructuring of labour markets over the past three decades.

Without effective labour market mechanisms, employers are facing poor job matches which become increasingly costly. Employers also face the costs of skill remediation and high turnover among new employees. Given the greater difficulty in accessing the amorphous 'external labour market' for the required skills, 'employers are desperately seeking strategies for improving recruitment, job matching, and retention' (Kazis, 1998: 16; see also, Kazis, 2004: 2004). Osterman argues that labour market policy:

... has been undermined by these developments. We lack strong institutions for linking together a series of short-term work opportunities into a continuous stream of employment and income, now that this function is no longer performed within large enterprises to which workers are permanently attached. We lack institutional guidance for workers negotiating their careers through a sequence of skills developed by moving across the borders of different firms.... When firms increasingly hire from the outside into positions that were once part of closed job ladders, they will need assistance in identifying, screening, and training potential recruits. Now ... new institutions – intermediaries of various stripes – have the chance to fill the void (Osterman, 2004:166).

### **3. The economic rationale for establishing intermediaries**

It is clear from the above that there is a strong economic rationale for the involvement of intermediaries in the market economy. Three factors - mostly raised by institutional and evolutionary economists – are discussed here: intermediaries assist in managing risk; they reduce transaction costs; and they resolve the asymmetric flow of information.

#### **3.1 Managing risk**

Another economic function that intermediaries can play in the labour market is managing risk. According to Benner, the new conditions of global competition create more risky labour markets than the older, more stable internal labour markets of the past. Both workers and employers face risks in the volatile markets that characterise markets today. For employers, unexpected competition, rapidly changing product markets or technological obsolescence can affect profitability and competitiveness. For workers, 'unanticipated misfortune' awaits many workers in volatile conditions (Benner, 2002: 95). Intermediaries help to manage risk on the employment front by assisting firms in hiring contract workers rather than permanent employees during economic downturns. Similarly, intermediaries can assist workers made redundant in finding alternate employment and reducing their job search costs (Benner, 2002: 95). In supporting workers in this way, intermediaries often rely on extended social networks or some form of community support, whether locational or from intermediaries working in the local labour market, or from dedicated government resources made available for these purposes (Buchanan and Evesson, 2004: 28).

#### **3.2 Reducing transaction costs**

There are sound economic reasons why employers would want to use labour market intermediaries. The institutional and evolutionary schools of economic theory argue 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 labour with varying skills levels. 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 transaction costs in the open labour market for skills.

### **3.3 Resolving the asymmetry of information flows**

Problems around information flow permeate the entire economy and affect almost all economic transactions. This issue has received the attention of many scholars working in the broad institutionalist/evolutionary camp.

#### *3.3.1 Firms and information*

Their analytical focus is on the process of firms learning through the exchange and sharing of information. For example, in a paper outlining an approach to industrial policy in South Africa, Hausmann, Rodrik and Sabel (2008: 5) argue that the 'best sources of information for the identification and co-development of public inputs are existing firms'. They argue too that the 'self-organisation of firms' in pursuit of these informational inputs is far more effective than preconceived structures imposed on firms by the state (2008: 7).

Lin and Monga (2010) describe the interactions between 'first-mover' firms entering new markets and the benefits of informational flow to other firms who are more cautious about entry:

Firms can succeed or fail in their attempt to upgrade their activities in new industries. They can fail because the targeted industry is too ambitious, or the market too small, or the coordination inadequate. But even such cases of failure offer useful information to other firms: the failures indicate that the targeted industries are inappropriate and should be re-examined. Therefore, firms that are first movers pay the cost of failure and produce valuable information for other firms. When the first movers succeed, their experience also provides information externalities to other firms: their success proves that the new industry aligns with the economy's new comparative advantage. Such information prompts many new firms to enter into the industry. (Lin and Monga, 2010: 6-7)

Accessing local information is a critical precursor to new economic activity. In reality this process is usually a major problem, particularly at national level where localised micro-level detail of labour market and economic conditions are not easy to access (OECD, 2008: 49). Such intelligence is more easily accessed at local and regional levels through cooperation with local stakeholders and through information sharing.

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).

### *3.3.2 The state and information flow*

The state and its multiple agencies do not have access to the information they need to enable their policies to succeed. Culpepper suggests that solutions devised by bureaucratic experts and adopted through the acquiescence of firms are least likely to succeed. Preferably, the circulation of information amongst members of private sector associations may better be able to devise ‘sophisticated strategies to pursue collective goals’ (2002: 777). Lin and Monga argue that the role of the state in this context is to play a:

... facilitating role by investing in information collection and processing and making information about the new industries that are consistent with the country’s latent comparative advantage freely available to firms.... The government is better than individual private firms at analyzing information about how each new industry may shape the economy’s future growth path and making that information available to the public. (Lin and Monga, 2010: 5)

In adopting such an approach, there could be an important convergence occurring in the activities of several state agencies working in industrial policy, small business development and enterprise learning/skills development. In all cases, the focus would be on the facilitation and coordination of information and its diffusion across firms. This in turn would enable firms to enter new markets, diversify and upgrade to higher value added production – ramping-up initiatives which both firms and the state would not be able to achieve acting on their own outside of collective associations which promote information exchange and deliberation (Hausman, Rodrik and Sabel, 2008: 6; Lin and Monga, 2010: 23-24).

### *3.3.3 Information flow in the job market*

Imperfect information is a major problem in the labour market. Willing buyers (employers) do not have easy/sufficient 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, according to Stiglitz, the *raison d'être* of employment agencies which arise from the imperfect character of information on both sides (Stiglitz, as quoted in Bessy and Chauvin, 2013: 87).

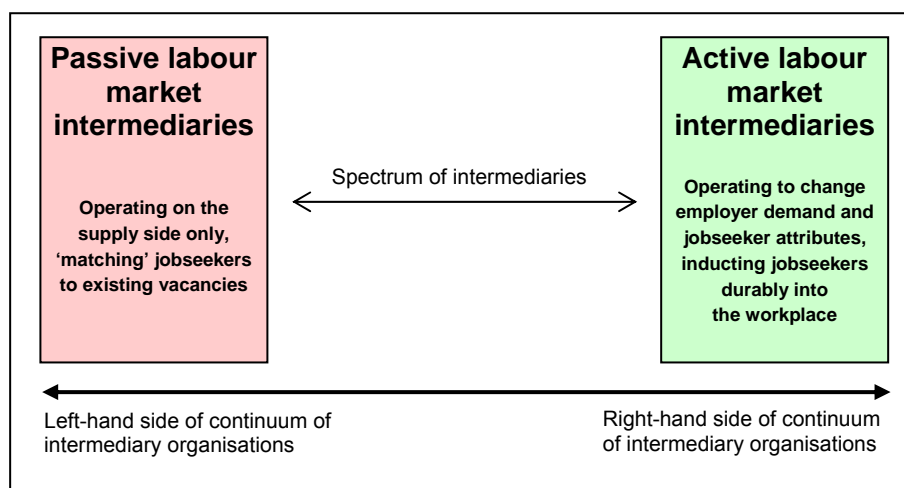
With increasingly frequent job/employee search now the norm, the amount of information needed for matching workers to jobs has been ratcheted up (Benner, 2002: 92). Intermediaries have stepped neatly into the resulting market niche. They provide useful customized information and access to people with the right skills or experience (Benner, 2002: 92; see also Bessy and Chauvin, 2013: 85).

Stiglitz's concept of information asymmetry refers to the manner in which unemployed workers are the most disadvantaged with regard to information deficiencies. Workers not in the labour force lack information about employment, the options for accessing employment and the training portals that can lead to labour market entry (Bretherton, 2011: 14). And it is here that intermediaries potentially have the greatest impact: amongst the low-skilled and young unemployed. These intermediaries could be the 'custodians of labour market knowledge' and they may have the capacity to steer individuals towards paths of greater employment 'readiness'. Intermediaries can assess the skill gaps among job seekers, and supply information about vacancies and their requirements to meet employer needs. They can bring 'the supply and demand sides together' (Bretherton, 2011: 16).

One way in which intermediaries can contribute to these interactional and information-sharing processes is by being part of a collectivity of firms in a specific locality, cluster or region and assisting in making decisions about employment and training. The work of the intermediary would then become part of a collective institutional process of information sharing about employment. It requires the collective consensus and contribution of all the players involved in the up-skilling process – the workers themselves, their trade unions, their employers, education and training institutions, NGOs and local and national government agencies. This institutional collective needs to sit around a table and broker agreements about training. To do this they need information about training shortages, skill gaps, training costs, the numbers involved, and so forth. More importantly, if this collectivity agrees to move economic activity up the value chain towards higher valued-added production, the information base required to execute this set of decisions over the medium to long-term is vast. It can only be achieved through joint action, cooperation and continuous information sharing (Culpepper, 2002: OECD, 2008)

## 4. A typology of intermediaries

The above rationale for the involvement of intermediaries in the market economy leads now to a discussion of the different types of intermediaries. This paper argues that there is a vast spectrum of labour market intermediary types along a continuum (see Figure One below) - from (on the left-hand 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 right-hand side) the active labour market strategy of changing demand-side conditions, and in so doing, creating better jobs. The concept of 'intermediary' revealed in this paper is to identify organisational types that operate at the right-hand side of the continuum – along with those who seek to change demand-side conditions and create decent work.



**Figure One: Spectrum of intermediary organisations**

Operating within the domain of active labour market policy on the right-hand side of the spectrum is not easy or clear to employers operating on their own. Many need assistance in meeting their labour force requirements, and according to Benner, are turning to a variety of intermediaries to 'help them navigate through the complex and unpredictable labour market' of today (2002: 84). Workers also are turning to intermediaries to help find jobs and to deal with changing information and skill requirements. This paper adopts a definition of different types of intermediaries which exist along a spectrum from passive to active labour market interventions. Some of the work of these typologies are inter-linked and overlap. They include, moving along the spectrum:

- Intermediaries which work largely on the supply side, who 'match' existing skilled workers to existing vacancies (for example, private employment agencies and labour brokers). These organisations do nothing to change the conditions of accessing employment in terms of who gets to be employed and who is excluded.

- Employment agencies, as defined above, but who put more emphasis on ‘after-care’ as well, which assists in overcoming employer hesitancy regarding taking on young and inexperienced employees. Comprehensive after-care is effective in overcoming employer reticence to employ inexperienced young workers, but it impacts on small numbers and is costly and this is why many of the employment agencies listed above do not engage in this type of work.
- Moving further along the continuum towards active labour market interventions, there are a number of examples (described in more detail later in this paper) of agencies in the USA and Australia which are essentially ‘social compact’ arrangements between city or regional government agencies, employer associations, trade unions and other civic groups, who have resolved to do something active about youth unemployment and the precariousness of low-skill employment.
- Many of these social compact interventions are required to excel at ‘brokerage’ activity in relation to increased employment. These agencies focus on stimulating economic activity in key sectors by getting key players around a table to ‘talk’ and broker deals which entail investments of time and capital in new economic activities which act to generate new jobs for first-time entrants and the lowly skilled. Without such deal-making and ‘brokerage’, the labour market is unchanged, and no additional jobs are created.
- Employment is most often created in local labour market conditions and in regional economic contexts. It is at this level that skill requirements need to be determined and socially negotiated. Many regional economic development agencies now focus on stimulating economic growth together with skills and employment – in projects, for example, to renew the inner-city, or expand beneficiation (value-added) in traditional industries such as agriculture through agro-processing, or growing the clothing sector through new fashion districts that attract new designs, customers and markets. These initiatives need new forms of public policy which promote social compacts between the key actors. They require brokerage skills and a form of micro-level implementation which is often specific to local neighbourhoods and local labour markets.
- And finally, at the far right-hand side of the continuum, there are intermediaries working fully on the ‘demand side’ by focusing explicitly on the need to reshape employers’ demand for skills. It is a new form of industrial policy focused on upgrading a firm’s product or manufacturing processes, and in so doing, reshaping employers’ need for higher level skills, work re-organisation and the better utilization of newly acquired skills in the workforce.

The next section will discuss each of these typologies.

## 4.1 Job-matching

Job-matching employment agencies perform two functions. They serve two customers at the same time: employers in need of qualified workers and jobseekers (Kazis, 2004: 74, 80). Such a dual function entails identifying the skills, attitudes, and characteristics needed by employers and then recruiting already-skilled workers who are matched to these desired supply-side characteristics (Kazis, 1998: 24). These organisations accept that the labour market is a given (particularly in terms of the quantity and quality of vacant jobs available). They then provide services without questioning the terms of employment or the asymmetrical power relations between workers and capital. This is the route of most labour brokers and temp services.

## 4.2 After-care

The initial pre-employment support from job-matching intermediaries is often combined with significant career and personal counselling after initial employment take-up. Intermediaries 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 (Kraak, 2013).

Job retention is a key benchmark for successful placement programmes for unemployed workers, and the level of engagement by intermediaries with both workers and employers is high – an engagement aimed at achieving good retention rates. This type of intermediary increasingly continues working with both program participants and the firms that hire them well after placement. Kochan *et al* (2012) describe this after-care as entailing the following: 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 stipends 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 in keeping trainees on track at this transitional moment in their working lives.

These 'after-care' agencies offer a package of services. For example, they perform an 'anchorage' (social stability) role in the networks that they assist. Skills development on its own is insufficient. Writing about unemployed youth in the UK, Raffe and Furlong suggest 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; Furlong 2006, 555). This is precisely what best practice ‘after-care’ intermediaries achieve through their greater ability (compared with the state) to coordinate multi-agency social networks.

Kazis makes the same claims about the benefits of after-care employment agencies in the USA context. Various welfare reforms in the USA made it necessary for work-force development organisations to take welfare problems more seriously as co-determinants of success in transforming the employment possibilities of vulnerable low-skill unemployed workers (Giloith, 2004: 7). Bretherton confirms that these integrated developments occur in the Australian context as well. She speaks of the notion of ‘wraparound’ support, a core principle of much social welfare (2011: 20). She describes this multi-agency work as follows:

This can range from and include income support agencies, job and employment services (job networks which may be private, public, or not-for-profit), vocational education and training institutions, and what might be described as ‘life support’ agencies. These could include: departments responsible for public housing support; temporary accommodation; mental health support; literacy and numeracy support; and a broad range of family, relationship, behavioural and personal support services. (Bretherton, 2011: 29)

### **4.3 Building social compacts**

A third typology of intermediary sets out to achieve a more ambitious target requiring firm-level cooperation and change. Benner (2004) 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.

Giloith defines these social compact agencies as home-grown local ‘networks’ 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).

These intermediaries 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). Intermediaries achieve these goals by working closely with employers to understand the specific needs of their sectors. In addition, intermediaries 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 intermediaries 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 (1998: 31). He sees three types of consortia:

1. **Local chambers of commerce** or other organizations representing employers across industries in a specific region who focus on training and workforce development.
2. **A dominant large firm** partnering with its smaller suppliers.
3. **Small and mid-sized firms** that share similar markets and skill bases and find it advantageous to collaborate (Kazis, 1998: 32)

These employer bodies often form or join larger coalitions of businesses, educational institutions, trade unions, non-profit agencies and local and state government agencies. Their primary goal is to improve firm or industry performance. In so doing, these employers are able to employ previously marginalised low-skill workers if the latter group are offered upskilling programmes to matches industry's needs.

Bretherton argues that intermediaries adopt three strategies in their work: networking; adaptation; and reinvention. Intermediaries exhibit a tendency to network and form ongoing and purposeful links with other agencies within their respective labour markets. This allows for regular exchange of information about clients and enables agencies to collaborate in order to fill gaps in the support network for their clients. These labour market intermediaries strategically position themselves to continually adapt, in order to meet the needs of disadvantaged job seekers. This adaptation incorporates changes to both content and/or delivery of training to better meet



student, worker and labour market need. And finally, intermediaries often undertake radical reinvention of their organisational form and role in order to provide the additional support needed. Reinvention allows intermediaries to fill the gaps in the existing suite of services available to disadvantaged job seekers and workers (Bretherton, 2011: 6).

Benner maintains that intermediaries 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).

This approach stands in sharp contrast to publicly funded workforce models, which have a poor track record globally (Kazis, 2004: 78). They are conceived primarily as social rather than economic programmes, and most often, they are loosely connected to employer demand in growth industries. Such programmes, serving hard-to-employ disadvantaged low-skill individuals, are typically of short duration and of limited intensity. Intermediaries operate differently. They are not content with traditional models of publicly funded training. Rather, they choose to build close working relations with employers and look for ways to offer employers pre-employment training balanced with work-based learning, on the job training and post-employment support. They also partner with the vocational college sector to achieve these goals (Kazis, 2004: 79).

'Building trust' is a pre-critical condition for successful network building. Relations of trust and sharing act to reduce transactional costs as stakeholders acquire a 'better understanding of their counterpart's needs and expectations' (Gibb, 1997: 21). Building trust also helps offset the strongly asymmetrical relationships which exist between the large users of inputs and the smaller suppliers located along the value chain. Schneider argues that:

... trust lowers barriers to information sharing, which in turn provides the basis for evaluating what worked and what did not, and to engaging in collective problem solving to devise better ways to design industrial policies (i.e., learning). (Schneider, 2010: 13)

#### 4.4 Undertaking brokerage

'Brokerage' is defined by Stovel and Shaw (2012) 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 blockage 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 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).

Another related function is 'boundary spanning'. Moss *et al* (2009: 17) see the arena of action for intermediaries as defined by their 'in-between-ness', cutting across the provider/user/regulator triad which often defines relations between government and private sector service providers. These writers argue that this 'in-between-ness' often entails intermediaries needing to work across different scales (across the multi-levels of government), and in so doing, challenging traditionalist/hierarchical forms of governance (Moss *et al*, 2009: 24). Brokers play a crucial role as catalysts of 'information flows, especially to address issues of complexity and uncertainty'. Apart from this role as information intermediaries, boundary spanners also serve to establish

networks, 'as mutually trusted lynchpins between social groups'. In short, they 'help overcome informational asymmetries, establish a common set of expectations, and facilitate goal adjustment' (Williams, 2002, 108). Boundary spanners have the capacity to bring together unlikely partners, break through red tape, and see problems in new ways which defy conventional wisdom. For Jessop, the role of such interlocutors is to simplify a 'complex, contradictory and changing reality in order to be able to act' (Jessop, 2003, p. 18). Their most treasured resource is to broker solutions:

Brokerage ... depends on the employment of a range of competencies and skills – an acute understanding of interdependencies between problems, solutions and organizations; an interpersonal style that is facilitating, respectful and trusting; and a drive to devise solutions that make a difference to solving problems on the ground. (Williams, 2002, p. 117)

#### **4.5 Working in regional and local labour markets**

There is an additional literature in support of the work of intermediaries and that is the new focus on local and regional economic development. This literature argues that development needs to take place in regional and local labour markets and in industrial clusters. Giloth argues that the most ambitious form of intermediaries is when they adopt a sectoral approach entailing industrial and economic development targets. In doing all of this, intermediaries seek to match the supply and demand elements emerging from a cluster of firms in a locality or region. These intermediaries display expert knowledge of the sector. They frequently 'establish linkages to economic development initiatives that focus on business modernisation, venture capital, job creation and improved job quality' (Giloth, 2004: 23). Intermediaries aggregate employer demand for training and other services, typically within the same industry, 'so that employers can have greater influence in the marketplace' (Kazis, 2004. 78).

One of the successful ways in which firms interact locally is through the formation of industrial 'clusters'. Clusters usually emerge within specific sectors and specific localities. Cluster-based economic policies seek to maximise and internalise (within a specific geographical boundary) the knowledge spill-overs and technological externalities that exist between firms operating along the same value chain or industry. They are comprised of an agglomeration of producers, customers, and competitors who, through cooperation, act to increase specialization, promote efficiency and enhance competitive advantage (Cedefop, 2012: 11-13).

Advances made with ICT have allowed even closer links to be developed among firms in a network, regardless of their proximity. Inter-organisational networks are not just concerned with the integration of production systems but also the transmission of information and tacit knowledge about how systems or processes work. Human capital, therefore, can be accumulated on a shared basis (Cedefop, 2012: 24). Inter-

mediaries can play a major role in this process of knowledge sharing and cooperation.

Richards argues that cluster development is best advanced by a decentralised and local governance approach. Economic development occurs as a complex interlocking set of social, economic and political factors which are best dealt with by state policy at regional and local levels. He argues that:

... many social and economic policy aspirations, especially those concerned with prosperity at the regional and sub-regional level, cannot be met where power and authority are located in a highly centralised set of governance institutions. Under such conditions and because of scale factors, the centre is compelled to employ mechanistic approaches to achieve results. The returns generated by this approach tend to be limited to mere compliance, and do not lead to the potentially innovative achievements that could be realised if an approach was adopted which took account of the inevitable complexity of local systems. It is one thing, for example, to set targets for getting long-term unemployed people back into work; it is another thing altogether to create the conditions whereby a galvanised local economy takes on the responsibility for ensuring that all citizens can make a work contribution (Richards, 2012: 121)

Richards further argues that 'socio-economic policy needs to be tailored more than we thought previously'. Complex systems evolve unpredictably, requiring 'a more resilient system than we currently have. Authority and responsibility ought to be closer to the action, so policy can be more nimble' (Richards, 2012: 13).

All of this suggests the need for a devolution of intervention practices to the local and regional level. This is a radical departure from centralised and statist approaches to skills and economic development – towards localized entities with a remit to directly influence firm's competitive strategies.

Much of the literature on workforce development makes strong reference to the need to integrate training intermediaries with local and regional economic development, and in particular, to link skill interventions for marginalized and low-skill workers to economic developments in local and regional labour markets. For example, Kazis writes that the most successful examples of intermediation work is where intermediaries organize stakeholders in regional labour markets, often around industry or occupational lines, to create workforce development programmes and strategies that lead to improved outcomes. Without this kind of organisational intervention at local and regional levels, it would be very difficult to overcome the constraints, misalignments and poor implementation which characterize these levels (Kazis, 2004: 83; See also Kazis, 1998: 36).

In a series of recent LLAKES papers, writers traditionally from the VET sector have been investigating the very different conceptions of learning that take place within the firm as articulated by scholars working in 'innovation' and 'cluster' studies, 'economic

geography', 'evolutionary economics' and 'local and regional economic development' (James *et al*, 2011) . A key finding of their initial work in this new area is that the two broad literatures – 'VET studies' and 'local and regional economic studies' – have operated in academic silo's over the past decades even though they have much in common – a keen interest in the nature of learning in the workplace.

This has now changed, as James and others try to integrate these differing disciplinary perspectives. James argues that 'learning' in this integrated literature has a three-fold definition. Firstly, learning is interactive and context dependent. Thus successful learning is the outcome of interactions and relationships between firms and/or other institutions within favoured regions (2011: 4).

The second insight is that learning is a collective process between firms, vocational education institutions, other intermediaries and branches of the state at local and regional level. In contrast to the VET literature, the local and regional economic development literature has little to say about individuals acquiring qualifications but focuses on learning by firms, institutions and regions, where innovative processes, products and services, rather than credentials are the outcome of learning (James, 2011: 4).

The third insight, is that cumulative trajectories of learning develop within regions, such that they become specialised in certain sectors, technologies and institutional structures. Essential 'know-how' becomes embedded in these local and regional contexts, revealing what James *et al* call 'architectural knowledge' - the rules of the game, established routines, tacit knowledge about the ways of working and learning as they participate in the regional economic system (James, 2011: 4). James argues that 'participation in regionalised economic systems is the primary means through which individuals learn the tacit knowledge and routines that give favoured regions a competitive edge' (2011: 15). This is precisely what many intermediaries working in economic development and skills development agencies seek to achieve.

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

Bretherton argues that supply-side interventions (education and training) alone are not sufficient to enable people marginalised from the labour market to find employment. In the absence of social and economic supports for disadvantaged groups, vocational education and training is not enough (2011: 7). She maintains that successful outcomes are achieved because vocational education and training plays a role in changing the local labour market itself, by expanding pockets of labour demand.

Bretherton critiques the dominant supply-side approach in the UK which is premised on the need for 'behavioural change' on the part of the unemployed in the belief that this will automatically lift employability. Many government programmes are by and large built around the notion of personal responsibility in finding a job. However, there is a significant body of work which suggests that employer methods used to identify skill gaps, and indeed retrain, may not always be well-informed. For example, Keep and James (2012) argue that it is the product market and/or competitive strategy of a firm that determines a firm's demand for skill – and certainly not national government's skills policy. Secondly, the way in which this competitive strategy shapes the utilisation of skills on the factory floor is seen to be a result of the choices made by firms in using the skills of its employees.

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/process 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. 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' to improve competitiveness and not merely skills improvement (Delbridge *et al*, 2006: 15). Keep and James argue that the fundamental problem with the UK vocational education and training 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).

Similarly, Delbridge *et al* argue that the key to productivity improvement lies 'inside the firm'. Macro-economic levers are insufficient without this micro-economic focus. The report focuses on two areas that are central to how inputs to firms are combined and utilised: skills and work organisation. They argue:

1. Skills can only make a substantive contribution to productivity performance if they are effectively deployed in the firm. Supply-side skills policies are not sufficient.
2. Attention to the 'black box' of productive performance requires a local focus on the specific mechanisms and processes involved in the translation of inputs into productive activity (Delbridge *et al*, 2006: 5).

This analysis is congruent with the OECD approach. It argues that policy makers in the field of workforce development can play a role in joined-up strategies to help 'shape' demand, steering the local economy towards higher value-added production (OECD, 2012b: 65). On the demand side, policy-makers can influence the context of skills deployment, through improved management practices and methods of work organisation. Further, they can also influence the nature and design of products and services. Improving skills utilisation is 'about ensuring the most effective application of skills in the workplace to maximise performance, through the use of a number of key agents (e.g. employers, employees, learning providers and the state) and the use of a range of human resources, management and working practices'. Improving productivity and competitiveness is not necessarily about investing in high tech, high-skills sectors. It is also about boosting skills utilisation in sectors which traditionally have a high concentration of lower skilled jobs, such as the retail, care and tourism industries (OECD, 2012b: 34-36).

This is precisely what successful intermediaries seek to do: to reshape the force and character of employer demand. Buchanan and Evesson (2004: 16) and Fischer (2005: 7) view such intermediaries as being 'embedded' in local labour markets, possessing a credible reputation amongst local employers and displaying a good understanding of local employer demand. These organisations are able to assist new entrants into the labour market. They suggest that intermediaries consciously insert themselves into specific sub-labour markets where they have expertise in assisting employers to find and employ suitable entry-level workers, for example, newly trained artisans, or low-skilled workers:

.. government policy needs to better understand the complex environment in which [these Intermediaries] operate. Each of these organisations had taken years to establish their profile and credibility in their distinctive segments of the labour market. This kind of presence cannot be 'purchased' one year and 'defunded' the next as government 'purchasing' priorities change (Buchanan and Evesson, 2004: 47)

The discussion now shifts to consider actual intermediaries at work. A number of examples are provided that illustrate the types of intermediaries outlined above, for example: the 'after-care' employment agency – the most common type globally; the 'brokering' local workforce investment board (LIWB) – with over 6000 operating in the

USA; and the regional ‘demand-led’ Milwaukee Jobs Initiative, led by the major’s office, and comprising the Casey Foundation (a charity), and several employer associations. All are successful examples of intermediation taking place in the labour market to place unemployed youth and lowly-skilled workers into decent jobs.

## **1. Global case studies in best-practice intermediation**

The discussion now shifts to a select sample of case studies from the global literature on intermediaries that highlight their core characteristics and illustrate some of the typologies described in the preceding section. In the case of the USA, intermediaries are specifically referred to as ‘workforce intermediaries’ (WIs). They work both with existing employed workers, but more importantly, with young unemployed school-leavers and low-skill workers who face precarious conditions in the labour market – including regular cycles of unemployment.

### **5.1 The USA**

The American experience is an unlikely inspiration for skills development given that it has no formal vocational education and training (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 emphasis 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 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.

LWIBs are good examples of ‘social compact’ intermediaries discussed earlier, and many exercise a strong ‘brokering’ role. 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 and NGOs to help finance and deliver special programmes (OECD, 2008: 58, 61).

LWIBs do not train workseekers. 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. On-the-job training (OJT) is also available, which occurs in the workplace and provides job seekers with work experience and skills training that will help them qualify for employment. Such customised training is an important source of revenue for community colleges and private providers (OECD, 2013: 25).

A strong focus of these LWIB-led partnerships is social cohesion, employment and skills development. In some instances the LWIBs also work to identify endogenous economic development opportunities which contribute to the development of entrepreneurship. They maintain close contacts with local authorities, community representatives and civil servants, and typically cover sub-regional or local territories (OECD, 2008: 30). 'Regional skills alliances', a distinct form of LWIB partnership, are mushrooming in the United States. They are usually sectoral alliances which seek to 'bridge the gap between economic development and labour market policy':

The greatest added value provided by such voluntary alliances is to encourage an orientation of employment and training activities more in line with the demand side of labour (OECD, 2008: 30).

However, as Powell, Sung and Lindsay point out, the WIA was not established to set up a sectoral approach to skill development. Sectoral training began to appear under the WIA in the form of specific partnerships in certain localities in the US in the late 1990s. In general, WIA partnerships can take many forms. Many have no sectoral emphasis at all. The majority of the partnerships under the WIA are targeted at specific socially excluded groups so that they can re-establish sustainable employment for themselves, e.g. youth, long-term unemployed, low-income and disadvantaged groups (Powell, Sung and Lindsay, 2010: 15).

Since the WIA was not primarily a sectoral approach the High Job Growth Training Initiative (HJGTI) was announced by the Federal Government in 2003. Under the HJGTI, twelve sectors, including automotive manufacturing, were identified as industries that would experience significant growth in output and employment between

2003 and 2017 (Powell *et al*, 2010: 15). This has strengthened the sectoral focus of the work of LWIBs.

### **Box One**

#### **The Sacramento Employment and Training Agency (SETA)**

SETA is a LWIB operating in Sacramento, California. A major part of SETAs work is to retain and attract new businesses to the Sacramento region. Its *Sacramento Employment Training Panel* provides employers with matching funds for training their existing workers. Its purpose is to provide workers with secure jobs that pay good wages and have career ladder opportunities (OECD, 2013: 56).

The Sacramento region is served by the Los Rios Community College. More than 90,000 students are enrolled in its two-year associate degree and certificate programmes in more than 70 career fields (OECD, 2013: 55). SETA offers several 'on-the-job' customised training programmes and the demand for such training appears to be increasing. Los Rios Community College develops and provides responsive programmes through collaborations with business, labour and educational partners in the region. An example is a large auto parts manufacturer that needed specialised welders. Within a month, the company had worked with the community college to develop the curriculum to train students to meet the company's specific needs. Los Rios also has nine workforce and economic development centres that work collaboratively with businesses and community organisations to tailor training to the specific needs of industries in the region. These centres focus on 10 priority areas that include advanced manufacturing, a biotechnology initiative, and a health care initiative among others. A recent addition has been the state-wide effort to bolster entrepreneurship through the Business and Entrepreneurship Centres. (OECD, 2013: 57).

## **5.2 Other USA case studies**

As indicated earlier, most of the literature on employment intermediaries in the USA refer to them as workforce intermediaries (WIs). Even though the term suggests it is focused on the existing workforce, major priorities of these initiatives are both the up-skilling of employed workers and the growing unemployment among young and lowly skilled persons. Kazis, one the founding writers on the question of intermediaries, provides early examples of exemplary intermediaries. In the following extract from his work, he cites a typical WI case driven by an employer association (the Jobs and Workforce Initiative of the Greater Cleveland Growth Association):

**Box Two**  
**The Greater Cleveland Growth Association**

The Jobs and Workforce Initiative was a regional, business-led effort to address employer difficulty in finding qualified workers in Cleveland. In 1996, the initiative sponsored an Employer Needs Assessment Survey on skill needs and job openings, as well as an inventory and assessment of training programs in the region. From this research and an inclusive planning process, the initiative spawned several consortia to speed the responsiveness of local colleges and training providers to employer demand for workers with particular skills and expertise. The Corporate Bound Program, for example, was a training network created by initiative members to address the demand for customer service representatives and communications technicians. Comprised of 15 companies (led by Ameritech and Cablevision) and a group of training providers that included the local public schools, Cuyahoga Community College and a private firm, the program combined referrals for jobs with short-term training for those who need specific skills and long-term training for those with inadequate basic skills. Expansion to other occupational clusters and industries was also undertaken.

*Source:* Kazis, 1998: 26

Kazis cites another example of exemplary intermediary practice – in this case, an initiative opposed to the disproportionate efforts placed on the ‘supply side’. The latter approach emphasizes education and training investments without considering strategies to increase employer demand for skills. In contrast, this initiative attempted to influence the dynamics of employer demand for workers, including job quality, wages and benefits, opportunities for employment access and advancement, and skill development. Such intermediaries often advocate firm-level and industry policies that employers might not pursue on their own - or might even resist. Project QUEST in San Antonio is such a WI. It was created by the Industrial Areas Foundation (IAF) and it perfectly illustrates a WI seeking to work on both the supply and demands sides. QUEST is highly responsive to local employer needs but also makes demands of participating employers regarding job quality. Box Three elaborates:

### Box Three

#### Project QUEST (Quality Employment Through Skills Training)

Project QUEST works with local community colleges, employers, public agencies, and local residents to broker long-term training for residents who have high school diplomas, some work experience, and difficulty escaping poverty-level jobs. QUEST targets healthy industry sectors that offer good opportunities. Employers in each sector are asked, as a group, to guarantee project graduates jobs that pay above poverty level and provide opportunities for advancement. Employers select the training fields and help design the curriculum. Participants receive community college tuition and other supports, such as child care, transportation assistance, medical care coverage, and tutoring. As expected from this arrangement, the wages and hours of graduates rise significantly. While the initiative has encountered problems, such as a significant number of people who drop out after more than a year in the program, QUEST appears to have improved the quality and responsiveness of local community college offerings. It has generated multi-employer collaboration among small firms and between firms and training providers.

*Source: Kazis, 1998: 27*

Buchanan and Evesson admire QUEST for its democratic, community-based origins. It was created in Texas when a local Levi Strauss factory closed displacing 1000 workers - mostly Hispanic women. QUEST emerged out of a initiative taken by a existing group of community-based organisations, in conjunction with other partners from both the private and public sectors. QUEST was particularly effective in giving participants skills that were in demand and then placing them in jobs. A key ingredient in their success has been the grassroots, democratic political pressure that these organisations were able to inject into the process. This has been a 'from the ground up' project (2004: 28). Similarly, Kochan, Finegold and Osterman single out QUEST as a national model:

... helping people land their first middle-skills jobs at member companies. It's hallmarks are the high levels of personal support that it provides and the strong collaboration among community groups, churches, businesses, and community colleges that it fosters. The programmes in the network collaborate with local firms to identify job openings. Employers cooperate in curriculum development, and offer financial and other support to the training and the colleges. Its dropout rates are low (about 10%) because counsellors from the community organisations stay in touch with the schools and try to address students challenges early... The combination of strong employer commitment, cooperation with community colleges, and student support has led to considerable wage gains for participants (Kochan, Finegold and Osterman, 2013: 8-9).

Kazis's final example is that of a sectorally-focussed WI. Sectoral approaches organize groups of firms with shared production requirements or labour forces within regional labour markets. They provide a vehicle for employers to collaborate with one another, with workers and their representatives, and with public agencies. Because these efforts offer employers the possibility of performance gains, they can attract

significant employer involvement within the targeted sector. Sectoral initiatives typically represent broader interests than those of individual employers. As a result, they are more likely to promote activities that help employers pursue the “high road”—characterized by more training, an emphasis on generic and transferable skills, and career ladders. Sectoral initiatives also generate three kinds of efficiencies: (1) economies of scale based on multi-employer organizing; (2) aligned training, modernization, and other services to firms, making it possible to link discussions of firm performance with worker advancement; and (3), formal and informal networks through which growing numbers of employers, unions, public-sector, and community-based partners develop routine, non-confrontational ways to solve problems and identify opportunities for collaboration. A good example of this sectoral approach is the San Francisco Hotels Partnership Project (Box 4):

#### **Box Four: San Francisco Hotels Partnership Project**

Created in 1994, the San Francisco Hotels Partnership Project was an impressive labour-management partnership involving twelve unionized first-class hotels and two of the city’s largest unions. The primary goals included: increased market share for participating hotels, retention and improvement of jobs and job security, and new programs for employee involvement, training, and career development. Labour and management agreed that they had a common interest in raising the quality of service in the hotels through joint problem-solving, on-the-job training, and opportunities for advancement within and across participating hotels. A joint steering committee controlled funds from state training agencies and employer contributions. Joint teams dealt with issues of job design, workload, training, job security, and hotel operations. A training program for 1,600 workers in 10 hotels provided a common foundation in communications skills, critical thinking, problem solving, and teamwork.

*Source:* Kazis, 1998: 28-29

Fischer reports on similar developments funded by the Annie Casey Foundation. This foundation works with a dual customer approach – working with employers and employees. Without employer support for both jobs projects and reform efforts, ‘it’s nearly impossible to get results’. Going beyond job matching in employment projects ‘is a crucial element of success with a population of jobseekers who face barriers to work’ (Fischer, 2005: 6).

In Philadelphia, the Casey Foundation joined with ‘The Reinvestment Fund’ (TRF), a community development financial institution created in 1985 and boasting a strong track record of successful investments, as the implementing agency for the Philadelphia Jobs Initiative (PJI). At the time, employers were not engaged with training programs, and successive mayors of Philadelphia had failed to focus on workforce issues. In the face of general employer apathy and a moribund Workforce Investment Board, TRF looked to do three things: spread information about resources, opportu-

nities, and needs in city and state workforce policy; organize employers around common interests and energize them to engage with the public sector for useful policy reforms; and set up sector-specific training efforts that were truly responsive to regional economic needs. These efforts would then set the stage for the systems reform phase of the project, where Casey envisioned its grantees achieving lasting change in their local labour markets (Fischer, 2005: 6).

The first city intervention was the Milwaukee Jobs Initiative (MJJI) in 1995, where the Wisconsin Regional Training Partnership (WRTP) began to leverage its close ties to major manufacturing employers and powerful local unions in a shared agenda for workforce development and economic growth. WRTP boasted 30 member organizations in 1995. It has since grown to 125 employer and union members. In 2003, WRTP took over all functions of the Milwaukee Jobs Initiative. Its good relationship with the University of Wisconsin-based Center on Wisconsin Strategies ensured good labour market information, and its relationships with Milwaukee's Private Industry Council and local technical colleges offered the promise of leveraging Casey funds with private money and forming quick alliances with training participants.

The second city initiative was Seattle. Political leadership played a bigger role in Seattle than in Milwaukee, with then-mayor Norman Rice playing the leading role. A former job developer with the Urban League, Rice foresaw the likely consequences of the welfare reform debate then current in Congress as the Casey Foundation deliberated where to invest its resources, and concluded that his city would need drastically increased job training capabilities to meet the challenge. Rice's administration began pitching the Foundation to do something really unusual: designate a Seattle city agency, the Office of Economic Development (OED), as the lead implementer of the Seattle Jobs Initiative (SJI). Eventually, they convinced the Foundation that the usual rules of government bureaucracy would not apply, and won the grant (Fischer, 2005: 7).

A 'demand-led' focus is critical in these Casey Foundation projects. Fischer argues that these projects and their big-picture labour market reforms don't work unless the business community is on board. Casey Foundation projects have to address a real demand on the part of employers, whether in a specific sector of the economy or by helping to develop worker attributes that employers across industry lines value. At the same time, workforce reformers cannot and should not abandon their traditional commitment to jobseeker advancement: the Jobs Initiative placed special focus on aiding disadvantaged individuals looking for work, and emphasized particularly hard-hit neighbourhoods within the cities in which the project operated. Considering the personal barriers many jobseekers face in finding and keeping employment - from physical and mental health issues to concerns about housing, child care, and trans-

portation—it's arguably more important than ever to focus on the well-being of these individuals (Fischer, 2005: 8).

### *Community colleges*

Osterman, in a review of the American community college system suggests that they constitute America's embryonic vocational training system. It is a large system, with 1177 colleges and 6.6 million students enrolled in credit-bearing courses and another 6 to 7 million enrolled for customised non-credit bearing courses. Only one-third of students are young and studying full-time – the bulk of students are working adults studying part-time (Osterman, 2010: 1, 5).

Community colleges, over the past 15 years since the passing of the WIA in 1998 have been aggressive and entrepreneurial in working with firms to provide customized training for incumbent workers and new entrants. Many colleges have created separate administrative divisions that offer non-credit courses to adults seeking to improve their skills. In addition these units engage in a wide range of entrepreneurial activities with firms such as business support and product improvement (2010: 9).

The American college system has a twofold purpose. The first is to train young school-leavers, most of whom are on two-year associate degree programmes with the hope of transferring to four-year degree programmes offered by the university system. Success rates here are extremely poor – with only 21.9% of students graduating in 150% of the expected time. Causes of such poor performance include weak reading and maths skills, as well as studying part-time and being distracted by work and family demands. Teaching staff are mostly part-time, with high student-to-counselor ratios - adding additional weaknesses to the system. Interestingly, cohort graduation rates do increase if looked at over a longer period of time – suggesting many 'leavers' return to college to complete their studies once they have resolved various personal and social obstacles to their academic progress (Osterman, 2010: 12).

The second function of the American college system is to train the existing workforce of adult workers, who in most cases acquire non-credit bearing customized training. It is in this area (continuing education) that the community colleges are most successful – and in particular, working with employers to design customized training programs and offering non-credit bearing courses to local residents. Lakes (2012: 13) has described this role as part of the sector strategies promoted by the Federal Government. Sector strategies bring together a number of public-private stakeholders for the purposes of up-skilling the workforce. They comprise 'regional, employer-driven partnerships of industry, education and training, and other stakeholders that focus on the workforce needs of key industries in a regional labour

market' (Lakes, 2012: 13). The community colleges play a critical role in these partnerships. They have what Lakes terms 'enviable locational assets' because of their regional distribution in the states and their ability to provide job training and placements for cluster firms. Also, sector strategies are designed to serve hard-to-reach populations at the lower end of the wage scale. The colleges have a regional and local infrastructure that can reach these at-risk communities.

The colleges assist low-wage adults and unemployed or dislocated workers in job search and training activities. They work with the employment and training agencies, federally funded by the WIA, to provide an array of career information and hiring opportunities, offering short-term workshops on workplace skills and resume' preparation or more formal instruction into pathways leading to technical credentials (Lakes, 2012: 21).

### **5.3 United Kingdom**

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 vocational education and training 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 intermediary 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).

Although starting in the late 1940s during the revival of British manufacturing after the war, GTOs have had a 'up and down' history which parallels that of the UK VET system. In the 2000s their fortunes rose when they got more official encouragement from the Labour Party. Currently, there are about 150 such GTOs operating. Most have member firms whom pay a nominal fee to benefit from the training facilities offered by the GTO.



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). They also provide monitoring and assessment services of the on-the-job training component. A key benefit of GTOs is that they sometimes rotate apprentices between several small and micro enterprises who cannot otherwise afford to sponsor apprenticeships full-time over the required training period. They do not perform any curriculum design activities – they focus purely on the delivery of high-quality training. In more recent years, the GTOs have become dependent on government funding, especially in intermediate skill areas outside of engineering such as those in the services sector (Cooney and Gospel, 2008: 416).

Many of the benefits of GTOs as evident in the UK were observed by Australian skills development planners, and the scheme was adopted as official policy in the 1970s and promoted extensively in the 1990s and 2000s. The Australian model (see subsection below) is slightly different because the GTO directly employs the apprentice trainee, does not provide any training themselves but coordinates the provision of off-the-job education and on-the job training on behalf of the collective of firms. However, in both the UK and Australian context, the benefits of this route are similar:

- They provide a 'brokerage' and 'coordination' service to employers who would otherwise not train;
- they act to help overcome the poaching problems traditionally associated with apprenticeship;
- they assist small and micro enterprises to overcome the obstacles to apprenticeship training by rotating a single apprentice across several SMEs;
- they reduce the administrative (transaction) costs of undertaking training;
- they provide a 'pastoral' role to trainees during the training phase; and
- they provide trainees with a higher quality and broader spread of work-based experience than is the case in other types of private or public VET provision (Cooney and Gospel, 2008: 422, 424).

Cooney and Gospel argue that these forms of collective action are more widespread in Anglo-Saxon liberal free-market economies such as the UK and Australia than has been previously recognised. In a review of the Australian GTOs, Buchanan and Evesson (2004) identified several key findings relating to the work of these critically important intermediaries:

1. The employment (as opposed to the training) relationship is the defining feature of group training organisations.
2. They are embedded in particular labour market flows - mostly the training of young artisans.
3. At their best, these group training organisations help labour market arrangements work better and add new dimensions to their operation. They are especially important for increasing levels of participation in employment-based training and in improving the quality of skill formation by ensuring better links between on- and off-the-job training. GTOs also improve standards concerning wages, employment conditions and occupational health and safety.
4. The best way to characterise differences between group training organisations is by reference to their dependence on different market segments - that is, upper echelons (best quality and lower risk) or lower echelons (disadvantaged job seekers) - and their ability to draw on the support of different communities (that is, occupational and locational) (Buchanan and Evesson, 2004: 8-9).

Buchanan and Evesson 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 is 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 by offering three-month pre-apprenticeship training to ensure productivity from the first day with the employer. 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).

Their interventions are ‘embedded’ in local labour markets, established primarily through a network of schemes with employers in local labour markets. Their primary aim is to help new entrants, especially the young, make the transition to work and help employers manage the risks of taking on apprentices and trainees in difficult times (Buchanan and Evesson, 2004: 16). These GTO networks take the following forms:

- They are primarily made up of community-based organisations which operate on a not-for-profit basis
- They are one of the few parts of the vocational training system which is in regular contact with an extremely large number of employers, especially smaller employers
- They form networks that pride themselves on being involved in the more qualitative aspects of employment. While rotations are often a necessity given the limited work and training opportunities provided by host employers, where possible many group schemes promote rotation where they are needed to round out an apprentice's or trainee's skills. Just as, if not more, important are the schemes' involvement in monitoring work placements and pastoral care provided to group trainees. This means group schemes provide advice and support to both employers and trainees/apprentices involved in their schemes (Buchanan and Evesson, 2004: 18).

GTOs take a wide view of their labour market interventions. They offer a multiple package of support for trainees. Rather than acting purely as training intermediaries or employment case managers, they are actively involved in the labour market as employers. They are also as interested and involved in industrial relations, health and safety, regional development and employee welfare or pastoral care as they are in the training systems (Buchanan and Evesson, 2004: 42).

#### **5.4 Australian case studies**

Apart from adopting the GTO model from the UK, the Australian government has more recently encouraged intermediary practices through its support of 'skills eco-systems'. More specifically, the Queensland state-level Government in Australia has committed to piloting several skills eco-system projects in 2002. Through these eco-system projects, the NSW government has sought to better align publicly supported provision to the demand for skills in firms and industries. Box Five elaborates:

## Box Five

### The skills eco-system pilots in Queensland, Australia

The Australian state government of Queensland adopted a series of 'skills eco-system' pilots in 2002. Over 60 Skills Formation Strategies have since been established, in a process characterised by strong industry-led involvement, multi-stakeholder coordination at the state, regional and local levels, and flexible provision (OECD, 2012c: 5).

There have been some success stories. For example, the dairy industry approached an increasing demand for high-end skills using the skill ecosystem methodology. The shift in product market strategy from supplying traditional commodity based markets to value-added markets with all that this entailed (e.g. tighter product specifications, the introduction of new technologies, the development of participative workplaces, higher regulatory scrutiny, and higher levels of customer expectations) were the key drivers of a well-structured, industry-driven skills ecosystem for accelerating high-end skills development (OECD, 2012c: 9).

Another success has been the Western Downs regional mining pilot – the success here being largely due to the mining boom across Australia during the 2000s. Prior to mining, the Western Downs region was rural, agricultural and sparsely populated. Today, the region is among the highest local government growth areas in Australia, and the economy continues to grow, again mainly due to mining.

Significant industrialisation has taken place in Western Downs over the past decade. The Kogan Creek power station and mine, an ethanol bio-refinery at Dalby, a large industrial piggery, several coal seam methane gas plants and the Chinchilla-Tarong railway line were all developed in relatively rapid succession, attracted by large natural resources, with other large, multi-national companies following (OECD, 2012c: 19).

Given this rapid industrialisation, the Western Downs Regional Skills Eco-System was established in 2005 to build regional capacity so that the community could develop the skills needed across all of this industrialization activity from within the pre-existing population. The strategy forged a community and industry culture of taking ownership of skills issues and coming up with endogenous solutions. Initially the most active player was the economic development sector but over time representatives from multiple government departments came together and became involved in implementation. More specifically, the strategy helped local businesses by building them into new supply chains as the major industries embedded themselves. This was achieved by linking skills policy into broader regional planning and economic development (OECD, 2012c: 19).

The skills eco-system project was led by two facilitators. The facilitators were carefully selected for their local knowledge, relationship building and leadership skills. They helped create the Western Downs Regional skills eco-system network. They steered the network through negotiations and decisions regarding skills development. The facilitators developed collaborative community networks which pushed all the actors towards specifically agreed goals and which met regularly in formal and informal settings (OECD, 2012c: 21).

## 5.5 The OECD approach

The OECD is the most recent adapter of the intermediary approach. Much of their current literature on local and regional development stresses the need to integrate workforce and economic development policies across Europe and other parts of globe (those who receive OECD policy support). Equally significant, the OECD has adopted the concept of 'skills eco-system' in its local economic and employment development work. The OECD defines local skills ecosystems as 'organisations, institutions and firms in a certain local area or labour market that constitute area-based partnerships for training and skills development' (OECD, 2012a: 31). It identifies skills eco-systems as the ideal organizational form within which to understand and promote local and regional economic development:

... local skills partnerships are not just for providing skills, they are for knowledge exchange as well. Local partnerships in training have advantages in that local agents are better able to develop skills that meet their specific needs, increase knowledge flows and information within communities, drive local innovation through new ideas, utilise local knowledge, develop capabilities and skills and common ownership, increase transparency and accountability, and supplement the limited resources of the formal education and training system (OECD, 2012a: 31).

Local skills and training ecosystems can provide a network mechanism for vocational training co-ordination by involving more industry in training, better placing of trainees in firms and providing improved incentives for training that better respond to the market in terms of satisfying employers changing demands (OECD, 2012a: 31).

The OECD approach to skills development is led, surprisingly, by its local Employment and Economic Development (LEED) research directorate and not by its Education research division. LEED has published a number of monographs over the past decade on partnerships, decentralisation and skills upgrading. In all of this seminal work, the OECD argues for a broader labour market perspective for workforce development which serves wider economic and social goals including that of 'attracting and retaining talent to enhancing the competitiveness of local firms'. What the OECD is proposing, particularly to local and regional economic development agencies, is that they should take on the responsibility for the more 'comprehensive management of human resources, so as to better meet the demands of a global economy through improving economic competitiveness and social cohesion' (OECD, 2008: 17).

A key aim of the OECD initiative is to promote job creation on a scale which can begin to reduce the high unemployment levels experienced currently, particularly amongst post-school youth. Skills development is increasingly being viewed as a key component of local strategies aimed at creating new jobs through the facilitation of firm restructuring to increase productivity as well as through the creation of new jobs in the 'green' economy' (OECD, 2013: 13).

This more pro-active role will not be accomplished through the traditional passive labour market policy model of matching jobseekers with vacancies, training the unemployed and subsidising employment for the most disadvantaged workers. The OECD argues that this approach should be superseded by a more active labour market intervention where such employment agencies become major economic players through interacting with firms to build their competitiveness at local and regional levels:

Capital is mobile, not only throughout the globe but also among regions in the same country. It settles where it finds a combination of conditions that suit the characteristics of production. Unit production cost is only one of these conditions. A further crucial element is the quality of labour to support the production of local goods and services.... The ability to fuel local growth by cultivating relevant skills is the best guarantee that the business sector will thrive in a given region and, as a result, throughout the whole country. The local adaptation of policies is therefore of paramount importance (OECD, 2008: 19).

What the OECD is proposing is that skills development should be pursued through the prism of local and regional economic development policies - and vice-versa. Skills are at the core of what drives local economies. In many industries, “learning by doing” within the firm and collectivities of firms in a neighbouring locality is a better way to develop skills than, for example, the imposition of a national skills policy which assumes a ‘one-size-fits-all’ policy across highly divergent sectors, regions and localities. It requires a localised development focus so that customized and localised strategies can be adopted in these very different contexts (2012a: 56; OECD, 2012b: 4).

The OECD further argues that local workforce development agencies should provide demand-driven training (including customised training programmes) customised skills assessments, onsite job analysis, and specialised human resource services. In doing this, workforce development agencies should partner with economic development agencies and business and engineering schools in local universities to provide technical assistance to local businesses facing workforce and technical production challenges (OECD, 2012a: 52).

Partnerships are a core component of the new OECD approach. Local partnerships typically involve businesses, NGOs and other community organisations as well as educational and training organisations and local government. They create more opportunities for local innovation, and they can utilise the skills and tacit knowledge of specific local communities. In this environment, the central role of the formal education and training system is increasingly being supplemented by the push to continuously upgrade skills at the local level (OECD, 2012a: 52).

## 6. Conclusion

The purposes of this paper have been several. It has sought to uncover a different way of looking at the labour market and the endemic problem of youth unemployment. It has sought to look beyond the ‘numbers game’ of statistical and econometric work, to understand the social constitution of the contemporary labour market and all of its institutions and processes, and the social barriers which face young unemployed people. It has done this by advocating the role of ‘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 building their confidence to successfully access available jobs. Intermediaries also work hard at changing the pejorative attitudes of employers towards first-timers, providing training for the unemployed in the ‘soft-skills’ of work-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.

Intermediaries help employers cooperate in ‘social compacts’ along their value chains and in their local labour markets, to access the training facilities of local colleges, polytechnics and universities, and more generally, to share information about their sector. Such firm-level cooperation often leads to sector-level innovation, especially when the capabilities of local skills development agencies are harnessed for this purpose through intermediary-brokered networks.

But most importantly, these intermediaries recognise that ‘demand’ is not fixed nor a rational outcome of the hidden hand of free market capitalism. The position of a firm along the value chain is partly a 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 managerial decisions can be changed, intermediaries believe, through firms working together in a local labour market, cluster or region, and working with the relevant education and training institutions, government development agencies and intermediaries. Strategies to improve value-added and competitiveness through changes to the organisation of work and deployment of skills can be brokered in networks of cooperation with intermediaries playing a crucial role.

## 6.1 The importance of 'locality'

It is clear from the case studies cited above that the 'local' and 'regional' are critical sites for economic and skills development. This is because capital is highly mobile, both globally, but also within national economies, across differing regions and localities. It can set up office or build production facilities anywhere in the world. It can relocate based not only on the unit cost of inputs in production, but also based on a range of collective goods best available at the regional and local levels. These collective goods include a highly skilled labour force, established modes of cooperation between firms along specific value chains based in the locality or region, and the availability of critical infrastructure such as colleges, polytechnics and/or universities located in the vicinity. The tacit knowledge of specific industries already embedded in the locality assists in the decisions of firms when re-locating or setting up offices and/or production facilities.

It is also clear that intermediaries operate most effectively in these localities. Many intermediaries have arisen spontaneously to resolve problematic conditions and constraints at the local level, and not in response to some programme imposed from the national government level. Most of the intermediaries discussed in this paper, including the American LWIBs, arise firstly, because organisations 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'. Both informal methods (based on tacit knowledge) and formal methods (based on an evaluation framework) are used for demand articulation (Klerkx and Leeuwis, 2008: 262). Chang (2004: 167) concurs, arguing - from an industrial policy perspective - that the task of intermediary organisations is to induce private actors into new activities (new demand conditions which require training) which they would have had no interest in entering under free-market conditions.

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’ and ‘boundary spanner’ in distributing this expert knowledge and information and helping to overcome labour market constraints, is critical here.

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 components of the social wage 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.

## **6.2 The absence of intermediation in South Africa**

This active labour market stance is a feature of labour markets globally but is relatively absent in South Africa (and other developing countries as pointed out in the introduction to this paper). 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 (including developing countries) 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’, and in more recent OECD work on skills and local and regional economic development.

Given the high levels of youth unemployment in South Africa, and the precarious experiences of low-skilled workers who face long periods of unemployment between cycles of short-term casualised work, it is surprising that such active interventions in the labour market have not been experimented with in South Africa and other developing countries. It is perhaps the right moment for the work of intermediaries to be taken more seriously in labour market policy formulation here and elsewhere in the developing world.

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The **Research Project on Employment, Income Distribution and Inclusive Growth (REDI3x3)** is a multi-year collaborative national research initiative. The project seeks to address South Africa's unemployment, inequality and poverty challenges.

It is aimed at deepening understanding of the dynamics of employment, incomes and economic growth trends, in particular by focusing on the interconnections between these three areas.

The project is designed to promote dialogue across disciplines and paradigms and to forge a stronger engagement between research and policy making. By generating an independent, rich and nuanced knowledge base and expert network, it intends to contribute to integrated and consistent policies and development strategies that will address these three critical problem areas effectively.

Collaboration with researchers at universities and research entities and fostering engagement between researchers and policymakers are key objectives of the initiative.

The project is based at SALDRU at the University of Cape Town and supported by the National Treasury.

Consult the website for information on research grants and scholarships.

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