



In Latin America, active labour market policies are helping to improve access to decent jobs by disadvantaged workers and are also demonstrating the potential to reduce informality, underemployment and inequality.

ACTIVE LABOUR MARKET POLICIES IN LATIN AMERICA

SUMMARY

The two principal aims of labour market policies are to overcome market failures preventing the efficient operation of labour markets and to provide support for socio-economically disadvantaged groups facing barriers to entry into formal employment. This Guide begins by describing the particular characteristics of labour markets in Latin America before presenting an analysis of the two kinds of active labour market policy most widely implemented in the region to tackle these issues - training and labour information programmes. The analysis highlights the impacts they are having on employment rates, formality and wages, particularly among women. The following section provides a discussion of gender and labour markets, including a review of some government strategies aimed at reducing inequality and improving access to decent jobs for women. Finally, the Guide describes the main enabling factors behind the emergence and implementation of active labour market policies in the region and summarises key policy and practice lessons. Links to further reading and key organisations are also provided to guide readers to additional information.



INTRODUCTION

Labour markets of developing countries in Latin America, Asia and Africa, unlike those of advanced countries, face specific challenges that must be addressed by public policy, such as low educational attainment amongst the workforce, high levels of informality, and a lack of up-to-date market information. Informality, for instance, is related to poor regulatory frameworks and weak law enforcement. In this context, Latin America has successfully designed and implemented policies that attempt to overcome these structural challenges with a focus on improving the welfare of disadvantaged groups including women. This Guide and related Briefs analyse experiences from across Latin America to draw out lessons for African and South Asian countries interested in strengthening their labour policy and practice.

ECONOMIC CRISIS AND LABOUR MARKET REFORMS OF THE 1990s

According to [Latinobarómetro](#), a public opinion survey conducted annually in 18 Latin American countries, between 1994 and 2007 Latin Americans consistently identified unemployment as the main problem facing their countries. There are good reasons for this. In the 1950s and 1960s the Latin American labour market absorbed large numbers of new workers in both emerging and expanding industrial sectors. However, by the 1990s, the labour market had lost its dynamism due to severe



economic crises that lasted throughout the 1980s, known as the 'lost decade'. Unemployment rates were high and on the rise across the region, despite notable differences between countries. For example, in countries in Central America, such as Costa Rica, Honduras and Panama, as well as Mexico, labour market participation rates were rising, and though there were varying increases or decreases in unemployment rates, these changes were moderate. In Brazil, Chile and Uruguay, increases in unemployment rates were moderate to sharp, while in Bolivia, Colombia, Peru and Venezuela rises in unemployment were sharper still.¹

The diagnosis was that Latin American labour markets, with regulations dating back to the import-substitution era, were too rigid for an increasingly globalised economy characterised by open markets and greater competitive pressures. In this context, some measure of liberalisation was believed to be able to help firms compete in the global market and, consequently, generate more employment and better working conditions. In response, many Latin American countries implemented labour market reforms during the 1990s with the main aims of facilitating the use of temporary contracts and subcontracting arrangements, reducing employment termination costs and keeping non-wage labour costs in check.²

DISTINCT FEATURES OF LABOUR MARKETS IN LATIN AMERICA AND THE CARIBBEAN

Labour markets face a number of constraints that prevent them from achieving optimal performance. These market failures do not only exist in Latin America and the Caribbean, but in all kinds of labour markets, including those of more advanced economies. The six most important market failures in Latin America and the Caribbean today are:

1. Information barriers. These refer to barriers and costs in obtaining up-to-date information that would allow firms to find the right workers and workers to find attractive jobs.
2. Job search costs. These are costs incurred by firms looking for the right employees for a particular job and by workers. In both cases they include the

cost of accessing and processing information. For workers they include direct search expenses, such as transportation and time spent; for firms, these costs include lost productivity and production. At the level of the national economy, these costs translate into foregone income and production losses.

3. Non-standardised labour services. These relate to the differences between the skills offered by individual workers. Consequently, employers have to implement often costly processes, which may include interviewing, testing, and other forms of screening, in order to identify the right candidate for a particular position.
4. Job volatility. This is caused by poor matches between workers and jobs and leads to higher rates of staff turnover. This contributes to losses of productivity and frictional unemployment.
5. Skill mismatches. These occur because workers do not possess the necessary skills required by employers, or qualified workers may not be geographically close to suitable jobs. This may be associated to inadequate training systems or a lack of information on demand for skills.
6. Cultural barriers. These are associated with traditional beliefs about the division of labour along the lines of gender, race, socio-economic status or other individual characteristics. These often translate into labour market discrimination.³

Although in many respects labour market failures in Latin America and the Caribbean are similar to those experienced in economically advanced economies, countries across the region demonstrate three distinctive characteristics which present particular challenges that labour policies must overcome. These are low educational attainment, a large informal sector, and underemployment.

Low Educational Attainment

Historically, the formal education system in Latin America and the Caribbean has received little political attention and has lacked adequate financial and human resources. Consequently, on average over 40% of the labour force in Latin American and Caribbean countries has only a primary

¹ Duryea, S., Jaramillo, O., Pagés, C. 2003. *Latin American Labour Markets in the 1990s: Deciphering the Decade*. Inter-American Development Bank, Washington, DC.

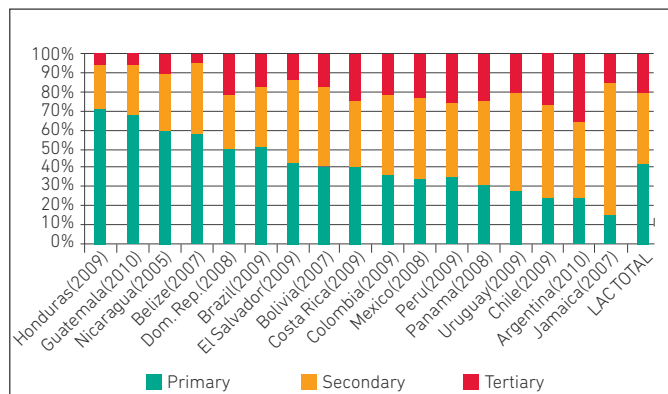
² Weller, J. 1998. *Los Retos de la Institucionalidad Laboral en el Marco de la Transformación de la Modalidad de Desarrollo en América Latina (The Challenges of Labour Institutionalality in the Framework of the Transformation of the Development Paradigm in Latin America)*. Economic Commission for Latin America and the Caribbean, Santiago.

³ Ibid.



school education (Figure 1). Even in a country as rich as Brazil, this figure is over 50%, making the country home to one of the highest levels of inequality in the world. The situation is even more dramatic in countries like Honduras and Guatemala, where around 70% of the working population has only attained primary levels of education. Only in Argentina, Chile and Uruguay is this figure lower than 30%. As education develops human skills, labour markets reward education through higher wages.³ Thus data showing low levels of educational attainment indicates that there is a large segment of potentially disadvantaged workers in terms of their capacity to earn attractive wages. What is more, ethnic minorities, indigenous people, Afro-descendants and women are over represented in this group.⁵ In terms of the national economy, low educational attainment often means low productivity levels. For instance, workers unable to read will be unable to follow written instructions, let alone incorporate technological developments into their self-employment ventures. High inequality is also a by-product of low education in some Latin American countries, as the differences in inequality between Brazil and the better-educated Uruguay or Argentina illustrate.⁶

Figure 1: Educational Attainment of the Working Population in Latin America and the Caribbean (25-64 years old)



Source: Mazza, J. 2011. *Fast Tracking Jobs: Advances and Next Steps for Labour Intermediation Services in Latin America and the Caribbean*. Inter-American Development Bank. Washington, DC.

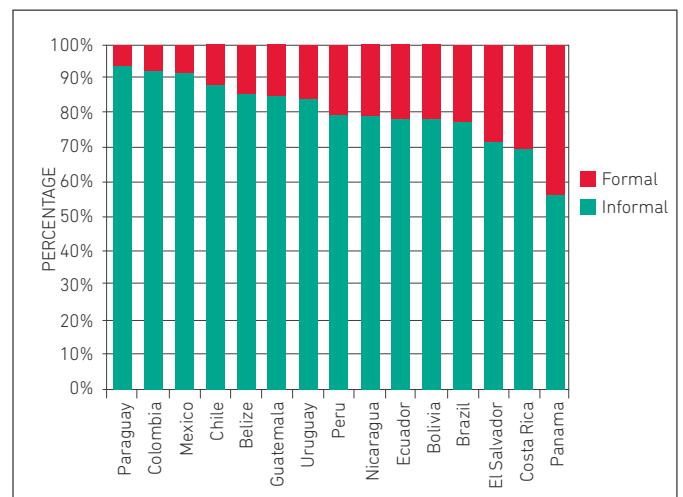
Informal Labour Markets

In general, informality is more prevalent in countries where the regulatory framework is burdensome, the quality of

government services for formal companies is low and the state's monitoring and enforcement power is weak.⁷ Informality rates in Latin American countries, measured as the percentage of the labour force that does not contribute to a pension scheme, are quite high: 58% in Argentina, 68% in Mexico, 78% in Peru, and as much as 85% in Bolivia.⁸ Although informality may provide a quick solution to unemployment for workers, it can also mean low quality jobs, with low pay, little prospects for advancement, and no access to social protection. For the state, informality results in lower tax revenues and greater demand for social services, since workers in the informal sector typically come from poor households.

A less explored angle to understanding informality relates to job search strategies. As Figure 2 demonstrates, many people in Latin America and the Caribbean still use informal methods for finding a job, mainly through friends and family. This strategy is popular in many Latin American countries, including those with relatively high levels of formality such as Chile and Uruguay. Looking for a job through personal contacts can limit access to attractive job opportunities with better working conditions, in comparison to, say, workers who conduct job searches using a large database covering different sectors and skill sets.

Figure 2: Dominance of Informal Job Search in Latin America, 2009



Source: Mazza, J. 2011. *Fast Tracking Jobs: Advances and Next Steps for Labour Intermediation Services in Latin America and the Caribbean*. Inter-American Development Bank. Washington, DC.

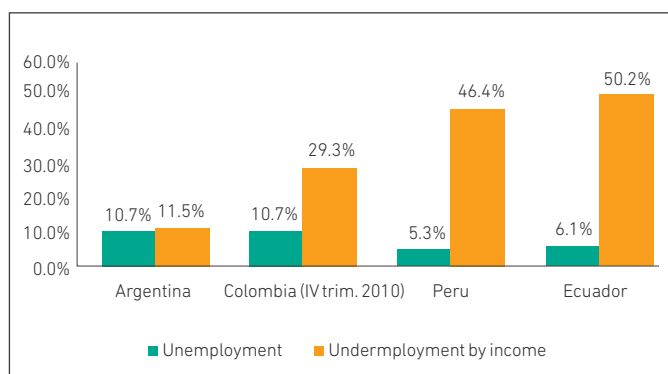
⁴ Becker, G. 1964, *Human Capital: A Theoretical and Empirical Analysis, with Special Reference to Education*. Columbia University Press, New York.
⁵ For a discussion of the role of these factors on earnings see Arias, O., Yamada, G., Tejerina, L. 2004. *Education, Family Background and Racial Earnings Inequality in Brazil*. In: *International Journal of Manpower*. Emerald, London.
 A broad survey and a number of country studies on gender and ethnicity gaps in Latin American labour markets can be found in Nopo, H. 2012. *New Century, Old Disparities: Gender and Ethnic Earning Gaps in Latin America and the Caribbean*. Inter-American Development Bank. Washington, DC.
⁶ López-Calva, L. F., Lustig, N. 2010. *Declining Inequality in Latin America. A Decade of Progress?* Brookings Institution Press and UNDP, Washington, DC.
⁷ Perry, G. et al. 2007. *Informality: Exit and Exclusion*. World Bank. Washington, DC.
⁸ For a more detailed discussion of informality in the region see Loayza, N., Servén, L., Sugawara, N. 2009. *Informality in Latin America and the Caribbean*. World Bank. Washington, DC.



Underemployment

Figure 3 shows unemployment and income-related underemployment rates (the latter defined as a person working full time who does not receive a wage above a certain threshold) for four Latin American countries for which these data are available. Underemployment rates are three to eight times higher than unemployment rates in Colombia, Ecuador and Peru whereas in Argentina unemployment and underemployment rates are almost the same. This is partly associated with the absence of unemployment insurance, which compels workers to accept work quickly, even while they wait for a better opportunity to arise. Thus, the lower rate in Argentina may reflect the existence of unemployment support. More fundamentally, underemployment rates reflect the fact that productivity levels in large sectors of Latin American economies are so low that firms can only afford to pay low wages. The implication for labour market policies is straightforward: the main focus should be on policies that raise productivity and not on unemployment.

Figure 3: Unemployment and Underemployment by Income in Selected Latin American Countries, 2010.



Sources: Author's own elaboration based on:
 El Instituto Nacional de Estadística e Informática (INEI). 2012. [Evolución de Indicadores de Empleo 2004-2011](#) (Evolution of Employment Indicators 2004-2011). INEI, Lima.
 Colombian Ministry of Labour. *Indicadores del Mercado Laboral (Labour Market Indicators)*. Ministry of Labour, accessed online September 2013.
 The Pontifical Catholic University of Argentina (UCA). 2011. [Deudas y Progresos Sociales en un País que Hace Frente a su Bicentenario. Argentina 2004 - 2010. Capítulo 2: Empleo, Subempleo y Acceso a la Seguridad Social. \(Debts and Social Progress in a Country Facing its Bicentennial. Argentina from 2004 to 2010. Chapter 2: Employment, Underemployment and Access to Social Security\)](#). UCA, Buenos Aires.
 Hexagon Consultores. 2011. [Cifras Empleo-Desempleo-Subempleo en Ecuador: Reporte de Diálogo Hexagonal. \(Employment-Unemployment -Underemployment Figures in Ecuador\)](#). Hexagon Consultores, Quito.

THE LATIN AMERICAN RESPONSE: ACTIVE LABOUR MARKET POLICIES

Average spending on labour market programmes in Latin American countries in 2009 was significantly less than in OECD countries (see Table 1).⁹ This gap does not only suggest fewer available resources and thus lower capacity to respond to major labour market challenges, but also reflects different national priorities. Emerging countries, including many Latin American and Caribbean countries, tend to prioritise redistribution policies, including social programmes such as conditional cash transfers, and the provision of basic services to socio-economically disadvantaged groups. Despite this past tendency, reforms are now increasingly focused on the implementation of active labour market policies (ALMPs)¹⁰, with greater resources being channelled into training and labour information programmes (LIPs) in particular.

Table 1: Labour Programme Spending Comparisons (OECD vs. Mexico and Chile), 2009

	Expenditure on Labour Market Policies (% of GDP)		Training vs. LIPs (% of GDP)	
	Active LMPs	Passive LMPs	Training	LIPs
OECD Average	0.67%	1.16%	0.19%	0.17%
Mexico	0.02%	0%*	0.01%	0%*
Chile	0.28%	0.24%	0.20%	0.02%

*Zero or less than 0.005%.

Source: Adapted from Mazza. 2011, below n10.

1. LABOUR TRAINING PROGRAMMES

In Latin America most training programmes are aimed at two key target groups: young people without any formal qualifications beyond having completed some basic schooling; and unskilled or semi-skilled young workers. Starting in the late 1980s, Latin America began a transition from a supply-driven model to a demand-driven model for the provision of training. The [ELLA Brief: From Supply- to Demand-Led: Labour Training in Latin America](#) analyses these training programmes in greater detail drawing on a variety of country case studies.

⁹ Ibid.

¹⁰ Labour market policies can be classified into two groups according to whether they are implemented to activate workers - so-called *active* policies - or to support their standard of living in periods of unemployment - known as *passive* policies. For more information, see Mazza, J. 2011. [Fast Tracking Jobs: Advances and Next Steps for Labour Intermediation Services in Latin America and the Caribbean](#). Inter-American Development Bank, Washington, DC.



Traditional Supply-driven Training

The 1950s saw the emergence of large, state-sponsored training institutions in Latin America. The model was based on the assumption that the problems that labour markets faced in accessing skilled workers came from the supply side. Demand for employment was high, so vocational training graduates did not face significant difficulties in finding suitable jobs.¹¹ Brazil's National Service for Industrial Apprenticeship ([Serviço Nacional de Aprendizagem Industrial - SENAI](#), founded in 1942) focusing on the industrial sector, and the Colombian National Apprenticeship Service ([El Servicio Nacional de Aprendizaje, - SENA](#), founded 1957) offering services for different sectors from trade to industry, are recognised as two particularly successful models of supply-driven training programmes.

However, the onset of economic crisis in the 1980s exposed the weaknesses of this model. The 'modern sector' lost its dynamism while the labour supply kept expanding, driven by both demographics and urbanisation. Self-employment and microenterprise was the response to the slack in formal sector labour demand, meaning an informal sector emerged as an increasingly important aspect of the economy.

The 'old' training institutions had considerable difficulties in adjusting to shifts in labour market demand and to the needs of the growing small and microenterprise sector. Most of these institutions did, however, try to experiment with training that was suitable for these smaller companies. By the beginning of the 1990s, countries came to increasingly believe that there was a mismatch between productive sector demands and the supply of skilled labour. The 1990s also brought efficiency to the forefront of the economic agenda. Budgets tightened as fiscal discipline was embraced. Mandatory contributions to public funds, both generally and specifically to training institutions, came under criticism from governments and dissatisfied business owners. Training institutions were accused of offering narrow, shallow and overly-specialised training in old-fashioned and increasingly irrelevant occupations. They had also amassed a large administrative staff, which made them expensive and ineffective. It was in this context that some Latin American governments began reducing the budgets of these institutions in order to redirect public funds to what were considered to be better targeted,

more efficient social programmes with a demand-driven approach. This trend quickly expanded during the 1990s.

Demand-driven Training

The response by Latin American governments to this crisis in the market for labour training was to shift the focus of its efforts and subsidies from the supply to the demand side, from the institutions to the users. The purpose was to make training institutions more responsive to the demands of the productive sectors. Strengthening collaboration between enterprises and training centres, improving the quality of the trainees coming out of the programmes and reducing the cost of training were also key objectives. Finally, governments tried to resolve the problem of centralisation of training decisions by devolving management of training to the regional, sector and local levels.¹²

In the earlier supply-driven model, public institutions provided services for the target group, while in demand-driven models the idea is to create a mechanism that will boost competition among training entities and thus strengthen the training market. The preferred strategy in Latin America has been to channel public funding into high quality courses for underprivileged groups based on an assessment of market demand for skills. Training institutions, often in association with business groups or individual businesses, compete for funding, generating more efficient outcomes for all involved; more business for training institutions, better training for workers, and businesses with access to more skilled workers.

Peru's *ProJoven*, a youth training programme implemented in the mid-nineties, demonstrated the main features of this generation of training programmes: demand-driven, effectively targeted, and with private sector engagement. *ProJoven* provided short-term training for young people from households living below the poverty line. Empirical evidence shows that the programme has had positive impacts on several key indicators, including employment rates and average wage, in particular among young women. The programme, which provides funding for basic or semi-skilled training in particular occupations, consists of two phases. First, a learning phase with training courses provided by training institutions and, second, an internship phase during which trainees acquire paid on-the-job experience in a private firm. One the internship has ended, the firm can decide

¹¹ De Moura, C. 1998. *The Stubborn Trainers vs. the Neoliberal Economists: Will Training Survive the Battle?* Inter-American Development Bank, Washington, DC.

¹² International Labour Organization. 2000. *Training for Employment: Social Inclusion, Productivity and Youth Employment. Report 5 of the International Labour Conference, 88th Session, 2000*. ILO, Geneva.



whether to hire the intern or not. Many evaluations have been carried out into the impacts of *ProJoven*¹³ For a detailed description of the programme’s design, implementation and an assessment of diverse impacts see [ELLA Case Study Brief: Peru’s ProJoven Training Programme](#).

Impacts

Methodologies used to measure the impacts of training programmes vary from randomised experiments - the gold-standard of evaluation methods - to quasi-experimental tests based on the construction of control groups. Table 2 summarises the results of impact evaluations of training programmes in Latin American countries carried out by the Office of Evaluation and Oversight (OVE) at the Inter-American Development Bank.¹⁴ Overall, impacts on employment and wages tend to be positive for women, but not as high for men. Effects on formal employment tend to be positive across the board. For further discussion around impacts see the [ELLA Brief: From Supply- to Demand-led: Labour Training in Latin America](#).

2. LABOUR MARKET INFORMATION PROGRAMMES

Firms look for workers who have specific abilities. However, individuals entering the labour market in Latin America - and other regions of the world - are often unaware of job opportunities and the skills they need to apply for vacancies. In order to reduce the costs of inefficient matches between

supply and demand of workers and jobs, Latin American countries have been implementing labour information programmes (LIPs). This section discusses these types of programmes, which are covered in more detail in the [ELLA Brief: Labour Market Information Programmes](#).

In general, LIPs take the form of three types of interventions:

1. Providing applicants information on the tasks they will need to undertake in a specific job role, and ensuring firms have access to the profiles of available workers;
2. Filtering applicants for the private sector to speed up the process and reduce costs;
3. Informing prospective workers about the skills they will need to work in certain industries.

LIPs can be publicly or privately run. Private firms tend to focus on specialised services catering to particular market segments and typically for higher skilled levels, such as management. “Head hunting” agencies are a good example of this type of firm. In contrast, government interventions provide information services to the largest sector of the labour force, the lower skilled and middle skilled workers. Table 3 summarises services offered through publicly provided LIPs in Latin America, which vary from labour exchange systems to human resource assessment and dissemination of data on labour market trends.

Table 2: Impacts of Job Training Programmes in Latin America

Country	Employment Rate	Formality	Wages
Dominican Republic	None, higher (5-6%) but not significant in the East & Santo Domingo	Health insurance 9% higher for men (43% vs. 34%)	17% (marginally significant), larger for males under 19
Colombia	5% for women, none for men	6-7% for women; 5-9% for men	22% for women, 10% for men
Panama	Overall not significant. 10-12% for women and in Panama City	Overall not significant, probably higher outside Panama City	Overall negligible, large for women (38%) and in Panama (25%)
Peru	Large, 13% - much higher for women (20%) than for men (negligible)	Large: overall 11 %, 14% women, 5% men	12-30%
Argentina	0%-11%, 10-30% for youngest (<21)	0-3%, 6-9% for youngest in one cohort	No significant pattern
Mexico	Overall, no clear pattern; on-the-job training robust positive effects (12-30%)	Positive effects (10-20%) since 2002	No consistent patterns, at best small and mostly not significant
Chile	18-22% larger for youngest groups	15-23% larger for youngest groups	22-25%, imprecisely estimated

Note that employment figures show differences in percentage points *vis-à-vis* the comparison group, while the wages refer to percentage differences. Significance refers to statistical confidence, significant denoting 5% and marginally significant denoting 10%.

Source: Ibarra, P., Rosas, D. 2009. [Evaluating the Impact of Job Training Programmes in Latin America: Evidence from IDB Funded Operations](#). In: *Journal of Development Effectiveness* 1 (2) 195-216.

¹³ See the [ELLA Spotlight on Publications: Labour Market Policies in Latin America and the Caribbean](#).

¹⁴ This draws on the following article which summarises a variety of impact evaluations, Ibarra, P., Rosas, D. 2009. [Evaluating the Impact of Job Training Programmes in Latin America: Evidence from IDB Funded Operations](#). In: *Journal of Development Effectiveness* 1 (2) 195-216.



Table 3: Services Typically Offered Through Public LIPs in Latin America

Service Category	Target Clients	Types of Services
Job search / Employment profiling	Job seekers	Skills testing, job seeker profiling, CV preparation, job counselling, phone banks for job searching, job search assistance, job clubs, case management
Job placement / Brokerage	Employers and job seekers	National database of job vacancies (so-called labour exchange systems), job placement, vacancy intake (firms), candidate screening (for firms), outplacement, recruitment for select positions (firms)
Training-related information	Employers, job seekers, training institutions	Assessments of training needs/requirements, referral to private and public training providers
Specialised services to employers	Employers	Human resource assessments, legal advice on employment, screening and testing of job applicants, sector promoters/liaison, staff training guidance
Labour market information	Job seekers, firms, government (local and national)	Provide data and analysis on labour market trends
Social services: gateway to social services provision	Job seekers	Referral or coordination with social services, referral to self-employment programmes

Source: Mazza, J. 2002. [Labour Intermediation Services: A Review for Latin America and Caribbean Countries](#). Inter-American Development Bank, Washington DC.

The development of LIPs can generally be categorised by 3 main stages (Table 4). Stage 1 relates to the establishment and implementation of basic labour information services. Examples of countries at the first stage are Bolivia, Guyana, Honduras and Paraguay. Paraguay has recently invested in a network of employment centres, for instance.¹⁵ Stage 2 involves expansion of employment services, including augmenting the coverage and effectiveness of labour information systems. Brazil, Chile, Colombia, the Dominican Republic, Mexico, Panama and Peru are examples of Latin

America and Caribbean countries at this stage. Finally, Stage 3 focuses on the integration of social, labour and economic policies; which in more developed countries aim to remedy long-term unemployment and reduce unemployment insurance costs. Since most Latin America and Caribbean countries do not face costs from unemployment insurance but do experience inefficiencies due to informality and underemployment, the operational priorities of this stage will need to reflect these contextual issues.

Table 4: The Main Stages of LIPs

Stage	Objective	Operational Priorities
1	Establish and implement basic services	<ul style="list-style-type: none"> Establish computer-based “intake” system for job and job seeker registry Create private sector strategy to attract employers to use the service
2	Expanding employment services, coverage and effectiveness	<ul style="list-style-type: none"> New services tailored to national employment contexts, national employment barriers Management restructuring, creating a one-stop shop for multiple services, with case management of clients Expansion of performance, monitoring and evaluation systems
3	Greater integration of social, labour and economic policies	<ul style="list-style-type: none"> Greater integration and expansion within the creation of national information systems (greater links between the public and private providers, expansion of markets) Repositioning information services to more strategic locations

Source: Mazza, J. 2011. [Fast Tracking Jobs: Advances and Next Steps for Labour Intermediation Services in Latin America and the Caribbean](#). Inter-American Development Bank, Washington, DC.

¹⁵ More country experiences can be found in the [ELLA Brief: Labour Market Information Programmes](#).



Impacts

Despite the rich Latin American experience with LIPs, empirical evidence is not yet available on the cost-effectiveness of programmes or their impacts on relevant indicators, such as formality, employment and wages. Nonetheless, one recent paper on Mexico suggests that formal job searches conducted through the National Employment Service (SNE) can increase the probability of workers finding a higher quality, formal sector job.¹⁶ Evidence provided in the Government of the Dominican Republic's impact evaluation of its Youth and Employment Programme shows similar results, with increases in the probability of formal employment of between 6 and 11 percentage points.¹⁷ Evidence available on Peru's Local Information and Placement Centres also suggests that this type of programme is quite cost-effective.¹⁸

GENDER AND LABOUR MARKETS

In contrast to Africa, Asia, the Middle East and North Africa, Latin America has demonstrated a positive increase in educational attainment among women since 1965. In most countries of the region, women study on average longer than men and have been increasing their participation in the labour market over the last few decades.¹⁹ While construction and agriculture are sectors still dominated by men, women tend to occupy more jobs in community and social services. Women generally undertake less paid work than men, with just a quarter working part time, compared with less than one-tenth of all men.²⁰

Women continue to earn on average 10% less than men of the same age, with the same level of education, with the same employment status (self-employed, worker and contractor), and in large and small firms. In fact, women have far lower access to higher paying jobs. Only in rural areas women earn

on average the same as men. Women are underrepresented in managerial positions and overrepresented in other occupations (for example, service workers, traders and administrative personnel), as well as in the informal sector. These inequities also exist in other regions of the world, including in some more economically developed countries. Thus, the issue of gender and the labour market is critical for Latin America as well as for most of the world.

There are two interpretations of the dynamics of women's employment in Latin America.²¹ The first is the buffer hypothesis, which states that women tend to be last hired and first fired and thus their employment is more volatile than men's. The second hypothesis states that women (generally paid less) may be substituted for men during recession as a cost-cutting measure, resulting in a countercyclical pattern. Women also tend to be disproportionately concentrated in sectors or occupations that are more vulnerable to economic downturns, and this increases their exposure to employment volatility.²² For example, women in Latin America constitute the majority of the workforce of labour-intensive export-orientated manufacturing industries. In these industries, intense competition pushes companies to cut labour costs by decreasing the number of permanent employees and increasing the number of females contracted to work from home, such as through sub-contracting smaller informal establishments. This is the case of the Uruguayan leather export industry, where women account for more than two-thirds of all skilled home workers and sweatshop labourers.²³ Vulnerability to economic downturn and employment volatility is also high for informal workers, the majority of whom are women.²⁴ Similarly, a recent study has found statistically significant evidence of the procyclicality of women's informal employment, though not of men's, for a set of Latin American countries during 1990.²⁵

¹⁶ Although the publication is not publicly available, it is presented in Mazza. 2011, see n10 above.

¹⁷ See this [discussion](#) of the impact evaluation on the IDB website. The IDB has also published this [video](#) about the initiative. Both accessed September 2013.

¹⁸ Chacaltana, J. and Sulmont, D. 2003 *Políticas Activas en El Mercado Laboral Peruano: El Potencial de la Capacitación y los Servicios de Empleo (Active Policies in the Peruvian Labour Market: The Potential of Training and Employment Services)*. CIES, Lima.

¹⁹ Nopo, H. 2012. *New Century, Old Disparities: Gender and Ethnic Earning Gaps in Latin America and the Caribbean*. Inter-American Development Bank, Washington, DC. Nopo analyses several indicators and wage gaps for cohorts born between 1940 and 1984. Data sets are 2006, 2007 or 2008 depending on the country of study.

²⁰ Ibid.

²¹ Galli, R., Kucera, D. 2008. *Gender, Informality and Employment Adjustment in Latin America*. International Labour Office. Geneva.

²² Carr, M., Chen, M. 2004. *Globalization, Social Exclusion and Work: With Special Reference to Informal Employment and Gender*. International Labour Office, Geneva.

²³ Portes, A. 1989. *Latin American Urbanization in the Years of the Crisis*. In: *Latin American Research Review* 24(3) 7-44.

²⁴ A study to classify jobs of people living in poor urban households in Bolivia and Ecuador in degrees of informality (low, medium or high) and depending on job security, found that in 2002 women were somewhat over represented in medium informality jobs in both countries and strongly over represented in highly informality jobs in Bolivia. See Benería, L., Floro, M. 2006. Distribution, Gender and Labor Market Informalization: A Conceptual Framework with a Focus on Homeworkers. In: Razawi, S., Hassim, S. (eds). *Gender and Social Policy in a Global Context: Uncovering the Gendered Structure of 'the Social'*. Palgrave, Basingstoke.

²⁵ Galli, R., Kucera, D. 2008, above n 22.



Latin American Responses and Impacts

A number of Latin American countries have ratified International Labour Organization (ILO) conventions and/or amended national legislation to tackle discrimination against women in the labour market. Examples include:

- Ratification of ILO conventions on maternity protection in Argentina (1933), Colombia (1933) and Panama (1958);
- Ratification of conventions on equal pay for equal work in Peru (1970) and Venezuela (1971);
- Ratification of conventions against discrimination in employment and occupation in Brazil (1957) and Chile (1971).

Active labour market policy is also being re-orientated to tackle gender inequalities by providing special support and incentives for women. At present, training programmes are demonstrating the most progress in this area.²⁶

ProJoven in Peru and *Jóvenes en Acción* (Youth In Action) in Colombia are two programmes that have placed a special emphasis on reaching out to young women. Both programmes followed the initial generation of demand-driven youth employment programmes in Chile and Argentina, but added a gender component. *ProJoven* doubles the monthly grant for women with children up to 6 years old to cover transportation, meals and medical insurance and is having a positive impact on their employment and income. *Jóvenes en Acción* was implemented in Colombia between 2002 and 2005 to provide 3 months of courses and 3 months of on-the-job training for people between 18 and 25 from the two lowest socio-economic strata of the population. Women with children received a small grant to cover child-care costs. Although impacts have not been specifically identified for these women, in general the programme has been shown to have produced positive impacts on employment, formality and wages. Both the Peruvian and Colombian programmes are also helping to reduce labour market segmentation by gender.²⁷

Another interesting example is the programme *Mujer Trabajadora y Jefa del Hogar* (Working Woman and Head of Household) in Chile which targets working females between 18 and 65 years old. Its main goal is to contribute to labour insertion of women in good quality jobs, giving them the necessary tools to confront the main barriers they face in accessing the labour market. The programme offers training and labour intermediation services, support for entrepreneurship, schooling, literacy, dental care services, and support for children’s education. A 2010 evaluation indicates that in 2007 the programme had positive and significant impacts on beneficiaries in the following areas: psycho-social (self-esteem, mental health, attitude towards work), social participation (number of social organisations in which a woman participates), and employability (increase in training and number of years of formal education).²⁸

Another noteworthy example is the regional programme *FORMUJER* implemented initially in Argentina between 2000 and 2003 and then later replicated in Bolivia, Costa Rica and Uruguay. Financed by the IDB and coordinated by the ILO, the programme aimed to improve technical and professional training among low-income women by strengthening the capacities of the institutions involved to integrate a gender approach into policy and practice. Based on its experiences, *FORMUJER* developed a model for intervention along with a toolkit - a range of complementary publications - to facilitate sharing and transfer of lessons.²⁹

Although the impacts of many training programmes aimed at women appear to be positive in psycho-social areas (as noted for the Chilean programme), to date the evidence collected is almost entirely based on qualitative information (such as beneficiary feedback). Quantitative data on relevant indicators such as employability and wages is now required to confirm these conclusions.³⁰

²⁶ LIPs in Latin America do not specifically target women. Other types of active labour market policies do exist that seek to empower women by building business administration and entrepreneurial skills. Such policies are in place in Brazil, Cuba, Guatemala, Honduras, Paraguay and Peru. These types of ALMPs, however, will not be dealt with in this Guide or in the Briefs since the focus of these documents is on training programmes and LIPs. For more information on entrepreneurial initiatives with a gender focus please see Daeren, L. 2001. *The Gender Perspective in Economic and Labour Policies: State of the Art in Latin America and the Caribbean*. ECLAC, Santiago.

²⁷ Katz, E. 2008. *Programs Promoting Young Women’s Employment: What Works?* The World Bank Adolescent Girls Initiative, Washington, DC.

²⁸ Servicio Nacional de la Mujer (SERNAM). 2010. *Evaluación de Impacto: Programa Nacional de Mujeres Jefas de Hogar. Ministerio de Planificación (Impact Evaluation: National Programme Women Heads of Households. Ministry of Planning)*, SERNAM, Santiago.

²⁹ International Labour Organization/Cinterfor. 2004. *A Training Policy Model for Enhancing Employability and Gender Equity*. ILO/Cinterfor, Geneva.

³⁰ Daeren, L. 2001. *The Gender Perspective in Economic and Labour Policies: State of the Art in Latin America and the Caribbean*. ECLAC, Santiago.



CONCLUSION

Over the last few decades Latin America has successfully reshaped its labour market policies by focusing on the modernisation of training and information programmes to confront the challenges of a changing labour market. Distinct characteristics of labour markets in Latin America are caused by structural and socio-economic factors that are evolving at a slow pace and thus programmes in the region are still being implemented to confront these issues.

Innovations in the role of government in training marked a transition from a 'supply driven' to a 'demand driven' model, with a shift in focus from institutions to users. The purpose was to improve employment and quality of jobs by making training institutions more responsive to the demands of the productive sectors and by targeting disadvantaged groups. Although impacts are not homogeneous, evidence indicates that demand-driven training programmes are having positive impacts on employment rates, formality and wages. Interestingly, impacts among women are greater than for men, indicating that well-targeted training programmes may play an important role in reducing gender inequalities in the labour market.

Labour information programmes, on the other hand, aim to enhance overall efficiency of the labour market by reducing frictional unemployment and improving the quality of job

matches. LIPs provide a range of services from customised job searching and placements support, to provision of training-related information and specialised services to employers, and production of data on national labour market trends. Although evidence on the impact of LIPs is limited and much more empirical research is required, available data suggests that these programmes represent a reasonably cost-effective strategy for increasing the insertion of workers into formal labour markets. Analysis of the main barriers to the efficiency of Latin American labour markets seems to indicate that the development of LIPs in this region should not necessarily follow in the footsteps of models from more advanced economies, given the different issues that must be overcome. On the other hand, this demonstrates potential for the transfer of lessons and best practice from Latin American LIPs to other regions of the world facing similar challenges, in particular informality.

Second-generation training programmes, such as those in Colombia and Peru, have incorporated additional mechanisms for providing special support to women. In many countries, these programmes are helping to break down structural barriers and enabling women to improve their employment rate and average wage. The psycho-social impacts of training programmes also appear to be positive for women across the region, and quantitative data is now required in order to verify these conclusions with measurable indicators.



Active labour market policies were driven forward in the 1990s in an attempt to support transition towards a liberal economic paradigm with more open and competitive markets (both unilaterally, and as part of bilateral trade agreements). Market liberalisation brought about changes in technology and goods markets and labour markets in Latin America were restructured to respond to this shift in the global economy.

The shift to a new, demand-driven approach to training was a response by Latin American governments to increasing structural unemployment and dissatisfaction with the role of training systems during the 1980s. These reforms also attempted to respond to changes in the labour market structure, such as a greater role played by small and microenterprises. The prioritisation of efficiency and market mechanisms in new economic policies also influenced

the transition away from the supply-driven approach.

The role of the Inter-American Development Bank (IDB) in encouraging experimentation with new approaches to labour training promotion and information programmes cannot be overlooked. Many of the Latin American experiences discussed here, such as *ProJoven* in Peru, received both technical and financial support in their early stages from the IDB, as well as other international donors.

Originally, training and labour information policies did not consider issues of gender or inequality. However, targeted programmes are becoming increasingly prevalent as more Latin American governments are mainstreaming gender across government agencies and sectors. This can be associated to greater awareness and evidence of the issues surrounding the specific labour market barriers faced by women.

LESSONS LEARNED

- 1 The new generation of training programmes in Latin America has transformed the role of government in the provision of labour training. The state's role has shifted from supplying training to promoting more and better training through market mechanisms. In the process, it has managed to improve the efficiency of its spending, in part through better targeting of disadvantaged groups.
- 2 Key elements for the success of training programmes are: private sector participation in the design phase; competition promoted on the basis of relevance, quality and cost-efficiency; and a clear mechanism to link training to a future job, such as through internships.
- 3 The impacts of training programmes on job quality (in terms of formal employment rates and higher wages) tend to be positive, particularly for women. Interestingly, impacts among women are generally greater than for men. This indicates that these programmes may play an important role in reducing gender inequalities in the labour market.
- 4 Evidence on the impacts of training programmes by gender indicates that they are having more positive impacts on women than men. This may have to do with the fact women face greater barriers to finding decent jobs. In this context, it seems that specific skills training combined with work experience significantly reduces these barriers and opens up women's access to the labour market.
- 5 Labour market information programmes can improve the functioning of the labour market. They are much less costly than training programmes and available evidence indicates that they are successfully increasing insertion into formal employment.



KNOWLEDGE PARTNERS

Below is a sample of some of the key organisations funding, implementing, researching, and evaluating active labour market policies and programmes in Latin America. For more information about these and additional organisations, read the [ELLA Spotlight on Organisations](#).

The [Center for Distributive, Labour and Social Studies \(CEDLAS\)](#) is affiliated with the National University of La Plata in Argentina. This research centre carries out studies into distributional, labour and social issues in Latin America and the Caribbean, using empirical techniques based on microdata from household surveys. CEDLAS is also responsible for developing a set of comparable indicators on poverty and other distributional and social variables from 25 Latin American and Caribbean countries, which can be found in the [Socio-economic Database for Latin America and the Caribbean \(SEDLAC\)](#).

The [Labor Markets and Social Security Unit](#) of the Inter-American Development Bank is one of the largest publishers on passive and active labour market policies in Latin America. As well as designing theoretical frameworks for examining labour markets, the Unit also carries out case study analysis and impact evaluations on many programmes in Latin America and worldwide with the main aim of improving policymaking processes.

[International Labour Organization \(ILO\)](#) programmes across the world - including Latin America - focus on improving the quality of jobs and reducing informality. In addition, the ILO produces periodical [updates on labour markets](#) for regions across the world and regularly publishes on a large range of topics related to labour markets.

[The Global Development Network \(GDN\)](#) disseminates research on themes related to labour and social protection worldwide. Latin American research focuses on countries like Brazil, Mexico, and Peru and covers topics such as informality, labour supply, child labour, education and labour market outcomes, and labour and poverty.

The [International Youth Foundation](#) is a global partnership of businesses, governments and civil society organisations aiming to empowering young people through its programmes on citizenship, learning and work. One leading programme is [entra21](#) which, to date, has provided more than 38,000 young Latin Americans with knowledge and skills for effectively competing in labour markets. The IYF currently operates in 24 countries across Latin America and the Caribbean.

The [Institute for the Study of Labour \(IZA\)](#) is a private, independent research institute which conducts research into national and international labour programmes with the aim of promoting evidence-based policymaking. The IZA has studied many Latin American interventions such as implementation of training programmes, job creation programmes and wage subsidies, among others.

RECOMMENDED READING

Below is a selection of some of the key publications related to active labour market policies in Latin America. For additional information about these and other publications, read the [ELLA Spotlight on Publications](#).

Díaz, J.J., Jaramillo, M. 2006. [Evaluation of the Peruvian Youth Labour Training Programme – PROJoven](#). Grade, Lima.

Ibarraran, P., Rosas, D. 2009. [Evaluating the Impact of Job Training Programmes in Latin America: Evidence from IDB Funded Operations](#). In: *Journal of Development Effectiveness* 1(2) 195-216.

Mazza, J. 2002. [Labour Intermediation Services: A Review for Latin America and Caribbean Countries](#). Inter-American Development Bank, Washington, DC.

Mazza, J. 2011. [Fast Tracking Jobs: Advances and Next Steps for Labour Intermediation Services in Latin America and the Caribbean](#). Inter-American Development Bank, Washington, DC.

Pagés, C., Pierre, G., Scarpetta, S. 2009. [Job Creation in Latin America and the Caribbean: Recent Trends and Policy Challenges](#). World Bank. Washington, DC.



Soto, F., Klein, E. 2012. [Labour Market Policies and Rural Poverty in Latin America](#). UN Food and Agriculture Organisation (FAO), Rome.

Weller, J. 2009. [Regulation, Worker Protection and Active Labour-Market Policies in Latin America](#). Economic Commission for Latin America and the Caribbean (ECLAC), Santiago de Chile.

LEARN MORE FROM THE ELLA BRIEFS

Three ELLA Briefs provide analysis on the different aspects of active labour market policy and practice in Latin America, including country case studies, information on cost-benefit analysis and impact evaluations.

[From Supply- to Demand-Led: Labour Training in Latin America](#)

Latin America's approach to labour training programmes changed dramatically in the 1990s, from a supply-driven to a demand-driven model. Many of these programmes have been rigorously evaluated, yielding useful lessons for other regions.

[Labour Market Information Programmes](#)

How can labour market information programmes improve the coverage, quality and efficiency of labour markets? This Brief provides key insights by drawing on experiences from across Latin America.

[Peru's ProJoven Training Programme](#)

Peru's *ProJoven* programme has successfully supported younger and more economically disadvantaged generations to gain the necessary qualifications to secure better quality jobs.

CONTACT [GRADE](#)

To learn more about the labour programmes described here, contact the author, Miguel Jaramillo, senior researcher at GRADE, at mjaramillo@grade.org.pe. Dr. Jaramillo has written extensively on issues related to labour policies and microfinance across the Latin America region.



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