



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.

LABOUR MARKET INFORMATION PROGRAMMES

SUMMARY

Within the liberal economic model that spread across Latin America during the 1990s, free and open markets were considered the main mechanism for resource allocation. In this context, Latin American governments focused not on providing employment opportunities, but on supporting the workings of the labour market. One area where labour market failure had been identified was in relation to information. In order for the labour market to efficiently allocate workers to jobs, properly informed participants (both firms and workers) were needed. In response, many Latin American countries implemented Labour Market Information (LMI) programmes. This Brief begins by examining the logic underlying LMI programmes, before going on to describe specific characteristics of these programmes in Latin America and their main stages of development. The Brief then provides an overview of monitoring and evaluation indicators and impact assessments before concluding with a discussion of enabling factors and key lessons for other regions.



COMMON PROBLEM AND POLICY RELEVANCE

From a liberal perspective, workers should be able to make informed decisions, learn on the job, move from one job to a better one, and move between education, training and work. In the case of Latin America and other developing regions, there are several barriers to such a 'free' labour market environment. Most workers only have access to poor quality education and lack not only technical skills for work, but also the basic skills required to succeed in the complex and dynamic labour markets of the post-industrial era. Improving education is an on-going challenge in Latin America where low education levels are associated with poor quality jobs, high levels of informality and low average wages.

In this context, access to information is particularly important for workers to upgrade their skills and to find appropriate jobs. Given the pace of product and technological change, young people entering the labour market and more experienced workers alike are often not aware of the skills they need to fulfil specific job vacancies. On the other hand, firms often have difficulty recruiting workers with adequate skills.

Experiences from Latin America show that public agencies can improve the situation, while also reducing costs for workers and firms, just by providing information. The region is generating a range of lessons on how information policies and services



can help improve the labour market.¹ These include relatively simple strategies such as publishing job vacancies, providing job seeker advice services and running labour exchanges.

IMPROVING EFFICIENCY: THE LOGIC OF LABOUR MARKET INFORMATION PROGRAMMES

The importance of labour market information for the efficient functioning of labour markets was highlighted by the Nobel Prize Award granted to labour economists Christopher Pissarides, Peter Diamond and Dale Mortensen. The Pissarides *et al.* search and matching model is one of the most popular models used to explain labour market inefficiencies occurring as a result of decentralised wage bargaining between workers and firms.² Improving efficiency helps accelerate the matching process between the two sides thereby reducing the duration of unemployment.

Labour Market Information (LMI) programmes are one mechanism being used in Latin America to improve the efficiency of labour markets. In general, LMI programmes consist of three types of activities. First, they provide job seekers with information on vacancies and provide firms

with profiles of available workers. Second, they filter applicants for the private labour market, thereby speeding up the selection process and reducing costs. Finally, LMI programmes can inform prospective workers about the specific skills they will need to work in certain industries. LMI programmes also tend to provide up-to-date information on training opportunities and, in some cases, produce statistical data and analyse market trends.

LMI programmes can be publicly or privately provided. Private firms tend to focus on specialised services catering to particular market segments, typically in relation to higher skilled roles, such as managers. ‘Head hunting’ agencies are a good example of this type of firm. In contrast, governments generally run LMI programmes that target the largest segment of the labour force, the low- or medium-skilled workers. In some cases, public-private partnerships are providing an alternative model for improving efficiency and expanding coverage. In this Brief, we focus on government-led LMI initiatives which, despite private sector expansion, constitute the most widely implemented model in the region.

Table 1 summarises services offered through publicly-funded LMI programmes in Latin America. These have been categorised according to main functions: job search;

Table 1: Services Typically Offered by Public LMI Programmes in Latin America

Service Category	Target Clients	Types of Services
Job search / Employment profiling	Job seekers	Skills testing, client profiling, CV preparation, job counselling and assistance, job clubs, case management
Job placement / Brokerage	Employers and job seekers	National database of job vacancies (or labour exchange systems), job placement, vacancies and intake (firms), candidate screening (firms), outplacement, recruitment for select positions (firms)
Training-related information	Employers, job seekers, training institutions	Assessments of training needs/requirements, referrals 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	Job seekers	Referral or coordination with social services, referral to self-employment programmes

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

¹ Training is another key element of the region’s policy response to strengthening the labour market, and is explored in the [ELLA Brief: From Supply- to Demand-Led: Labour Training in Latin America](#).

² Diamond, P., Pissarides, C., Mortensen, D. 2000. [Market With Search Frictions](#). The Royal Swedish Academy of Sciences, Stockholm.



job placement; training-related information; specialised services to employers; labour market information; or social services.

Colombia, Uruguay and Mexico are three countries in the region where public LMI programmes offer a range of services, with a particular focus on occupational guidance, labour intermediation and employment observatories (see Table 2).³

Job search mechanisms are most developed in Mexico where, in 2001, the *Secretaría de Trabajo y Previsión Social* (Secretariat of Labour and Social Welfare) modernised national programmes to take advantage of new information technologies and increase coverage. Five new services were implemented: a free telephone service about job opportunities (*Chambatel*), a free distribution newspaper publishing job offers (*Mi Chamba*), an online system of labour exchange (*Chambanet*), new labour intermediation facilities (CILs), and free computers for consulting job offers.

WHAT IS UNIQUE ABOUT LATIN AMERICA'S LMI PROGRAMMES?

Political Motivation

The [ELLA Guide to Active Labour Market Policies](#) points out a number of characteristics that make Latin American labour markets different from other regions. In the case of LMI programmes, one distinguishing feature of Latin American experiences relates to political motivation. In developed countries, governments tend to deploy employment services - particularly LMI Programmes - as a strategy for reducing the costs of unemployment to the state. In Latin America, on the other hand, where unemployment insurance is generally non-existent, government policy tends to frame employment services within the context of broader development objectives, such as improving social welfare by reducing unemployment and supporting re-entry into the productive sector. Furthermore, in Latin America unemployment is not always considered as significant a labour market problem

Table 2: LMI Programmes in Colombia, Mexico and Uruguay

		Colombia	Mexico	Uruguay
Service Category	Job search	Public Employment Service Centres (CSPE)	The National Employment Service (SNE), <i>Chambatel</i> (telephone service), <i>Mi Chamba</i> (newspaper) and Labour Intermediation Facilities (CILs)	The National Department of Employment (DINAE) is in charge of these services which are deployed via decentralised Public Employment Centres (CEPEs)
	Job placement	Online labour exchange system: Colombianos Trabajando	Online labour exchange system: Chambanet	Online labour exchange system: Via Trabajo
	Specialised services for employers	Screening and testing of job applicants via <i>Colombianos Trabajando</i>	Screening and testing of job applicants via <i>Chambanet</i>	<i>Via Trabajo</i> provides legal advice for firms that want to advertise vacancies on the system
	Labour market information	Employment observatories	Employment observatories	Employment observatories

Source: Own elaboration based on (1) Eskinazi, J. 2007. [Servicios para el Empleo en Uruguay: Modelo de Organización \(Employment Services in Uruguay: Organisation Model\)](#). Labour and Social Security Ministry, Montevideo; (2) Unión Temporal Sigma DOS-DDB. 2008. [Caso de Estudio: SENA - Servicio Público de Empleo 'Colombianos Trabajando' \(SENA Case Study: Public Service for Employment 'Colombians at Work'\)](#). Unión Temporal Sigma DOS-DDB, Bogota; (3) Subsecretaría de Empleo y Política Laboral Coordinación General de Empleo. 2006. [La Construcción de un Modelo de Vinculación Laboral: La Experiencia del SNE de México \(The Building of an Employment Relationship Model: Mexico's SNE\)](#). Secretaría de Trabajo y Previsión Social, Mexico City.

³ While other countries also have LMI programmes, these three countries have better documented programmes with interesting lessons learned to be shared.



as informality, underemployment or lack of adequately skilled workers.⁴

Radical Transformation Processes

Many public employment services in Latin America have undergone radical transformations over the last two decades. As Box 1 illustrates with the case of Peru, the transformation process has included adoption of technological advances in Information and Communication Technologies (ICTs) to extend coverage and improve the efficiency of public employment services.

A Local Approach

Although the services provided by Latin American LMI programmes are similar to those offered in developed countries, what differentiates Latin American models is the adaptation of services according to local context, to improve responsiveness to local labour market conditions. For instance, in Peru, employment observatories (*observatorios laborales*) have been set up in low-income districts throughout the country. These observatories are collaborative efforts between the Labour Ministry and local universities that produce information about the labour market in a specific area, such as the types of enterprises that operate there, in order to bring demand and supply closer. In fact, employment or labour observatories are fairly common in Latin America.

In Uruguay, Public Employment Centres (*Centros Públicos de Empleo - CEPEs*) provide differential services to job seekers and employers in order to build a bridge between supply and demand. Operating at the local level, CEPEs aim to support the creation and growth of small- and medium-sized companies by improving the quality and supply of skilled workers. For their part, workers benefit from access to local labour market information, as well as workshops, training and counselling.

THE EVOLUTION OF LMI PROGRAMMES IN LATIN AMERICA⁵

Latin American LMI programmes are at different stages of development. Given that these types of services are continually undergoing change in order to adapt to dynamic

Box 1: Transformation of Peru's Public Employment Service

The Public Employment Service in Peru dates back to the 1950s and has gone through several transformations since its inception. In the early 1990s, the National System of Job Placements (*Sistema Nacional de Colocaciones - SINAC*) was suffering from high costs, long registration delays, a limited range of services, complex and inflexible operations and a poor reputation. A modernising transformation was initiated in the mid-1990s including internal reforms and expansion of coverage through a network of interconnected services. Innovations emerged in government and community training, software development and job search mechanisms, among others.

In 1996, the national Labour Information System (*Sistema de Información Laboral - SIL*) was established with support from the Swiss Agency for Development and Cooperation (COSUDE). SIL was responsible for developing and coordinating the *Red CIL - ProEmpleo*, Peru's labour exchange network which provided decentralised employment services to private and public institutions and jobseekers via Local Information and Placement Centres (*Centros de Colocación e Información Laboral - CIL*). By the end of the 1990s, *ProEmpleo* was operating on an annual budget of around US\$600,000 and reaching out to some 100,000 job seekers, of which approximately 30% were effectively placed in a job. The costs of *ProEmpleo* are quite competitive when compared with private placement firms, which can charge much more for services; however, private firms are likely to offer more comprehensive services, such as evaluations and interviews. A detailed cost-effectiveness analysis is still required for LMI programmes in Latin America.

Source: Chacaltana, J., 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)*. Consorcio de Investigaciones Económicas y Sociales (CIES), Lima.

⁴ Mazza, J. 2002. *Labor Intermediation Services: A Review for Latin America and Caribbean Countries*. Inter-American Development Bank, Washington, DC.

⁵ This section is largely based on: Mazza, J. 2011. *Fast Tracking Jobs: Advances and Next Steps for Labor Intermediation Services in Latin America and the Caribbean*. Inter-American Development Bank, Washington, DC.



labour markets, substantial differences in scale, role and performance of public and private employment services exist across the region. Some smaller countries have only recently established modern public employment services, while larger countries have longer histories of public service development and private sector linkages.

Two different stages of LMI programme development can be identified for Latin America (Table 3). While the first stage is focused on the deployment of public employment services, the second stage involves a transition towards the development of a more comprehensive information system that considers public, private, and non-for-profit providers. A further third stage has not been reached in Latin America as yet, though it can be observed in [Organisation for Economic Co-operation and Development \(OECD\)](#) member countries. This third stage consists of strengthening the integration of social, labour and economic policies, and places greater emphasis on strategies targeting long-term unemployment.

Stage 1: Establishing and Implementing Basic Services

Examples of countries in the first stage are Bolivia, Honduras, Guyana and Paraguay. Paraguay has recently invested in a network of employment centres, for instance, while in Honduras strategic partnerships are being formed with the private sector to implement a public-private programme. Through this arrangement, business chambers are responsible for running the employment offices and for

providing the staff and physical space while the Ministry of Labour is responsible for providing the equipment, software, office supplies, staff training and access to the electronic labour exchange platform (called *Empléate*, meaning 'Get Employed'),

Stage one services are essential for establishing a credible relationship with employers and for encouraging job seekers to use the assistance available. One popular way of expanding the client base for these services is via job fairs. In OECD countries, job fairs are used systematically by new employers or aimed at particular labour market targets. Job fairs in Latin America may also have more strategic purposes; an example of this is the job fair organised by the regional office of Mexico's Yucatan state, whose target population was unemployed university graduates.⁶

Stage 2: Expanding Services, Coverage and Effectiveness

Once a country has achieved core competence in services offered in stage one, as is the case of Brazil, Chile, Colombia, the Dominican Republic, Mexico, Panama and Peru, it moves on to stage two which consists of strategies that aim to expand services and coverage and improve effectiveness of public employment services. Criteria for determining whether a country has entered this stage include: at least five years of developmental investment; an established set of capital city and regional offices; monitoring and evaluation systems to record jobs obtained as a result of their services;

Table 3: Main Stages of Latin American LMI programmes

Stage	Objective	Key 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 encourage employers to use the service
2	Expand 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 Labor Intermediation Services in Latin America and the Caribbean*. Inter-American Development Bank, Washington, DC.

⁶ Kappaz, C., Cavallo, R. 2009. *Case Studies: Mexican Public Employment Service*. Report to the Inter-American Development Bank, Washington, DC.



and evidence of an expanded range of programmes or services. These processes involve a growing set of public and private providers operating within a network or national information system.

Brazil and Mexico are well advanced in stage two due to the scope of national coverage, system size and range of services offered. Chile might also be considered advanced in stage two, although not because of its coverage, which is rather small, but rather for its service innovations and linkages to social programmes.

The case of Ceará in Brazil provides a successful story of improvement in efficiency through new partnerships. In 1998, Ceará's Public Employment Service (SINE) started a partnership with the Work Development Institute ([*Instituto de Desenvolvimento do Trabalho - IDT*](#)), a non-profit organisation. Thanks to this joint venture, efficiency of the SINE has improved, resulting in a greater number of offices, jobs offers, and job seekers served and placed. This partnership has the highest placement rate in Brazil, placing almost 47% of workers registered. Part of this success is attributed to the management and financing model in which IDT executes all SINE's functions and runs offices with public resources, and in return submits monthly performance reports that provide indicators and details of monitoring mechanisms.

In Mexico, the National Secretariat for Employment (*Secretariat Nacional de Empleo – SNE*) created State Employment Systems (*Sistemas Estatales de Empleo*) and State Committees for Training and Employment (*Comités Estatales de Capacitación y Empleo*). The main objectives of these committees are to bring together the interests of different stakeholders and increase market transparency, thus facilitating matches between supply and demand. An example of a successful strategy to expand coverage is the Jalisco State Employment Service which uses a van to provide mobile services, including setting up in the main square of remote communities on specific weekdays. The van is equipped with computers and a counsellor and can match job seekers to local job vacancies or local training opportunities on the spot.

In Peru, a national network of public, private and non-profit

providers was developed through the programme [*Peru Responsable*](#) (Responsible Peru) which essentially focuses on building partnerships between the private sector and Ministry of Employment programmes that seek to generate temporary jobs, training, placement of workers and support entrepreneurship. Also in Peru, the decentralisation of services to municipal councils and the development of public and private organisations that promote local employment have helped to expand the client base. Placements resulting from public-private partnerships increased 27.5% between 1998 and 2000, as did system efficiency, measured as the percentage of job seekers placed and vacancies filled.⁷ Currently, job fairs and the website of the online labour exchange system are the most common channels used for reaching the public.

Since relying on private sector providers can generate concerns associated with discriminatory practices and lack of regulation, some countries have aimed to mitigate these risks by establishing appropriate legal frameworks, regulations or oversight mechanisms. The government of Panama, for instance, passed a [*law*](#) in 1995 allowing for-profit employment agencies to operate as long as no fee is charged to the worker requesting the service. The government monitors these agencies according to regulations suggested by the International Labour Organization (ILO). In Peru, a similar [*law*](#) was recently passed in December 2012. The emphasis of the Peruvian law is not only on securing a free service for job seekers (while firms offering jobs may be charged), but also in preventing discriminatory practices towards applicants.

It is important to note that most countries at this stage have received investment loans, grants or technical assistance from the [*Inter-American Development Bank \(IDB\)*](#). Having supported Mexico with the modernisation of the SNE for over 15 years, the IDB is currently supporting programmes in Bolivia, the Dominican Republic, Honduras, Panama and Peru. Its main objective is to improve the efficiency of national employment services in terms of both speed and quality. In addition, the IDB has set up an information website on labour intermediation created for members of the [*Employment Services Network in Latin America and the Caribbean \(RED SEALC\)*](#), which is available for public use.

⁷ Mazza, J. 2002. [*Labor Intermediation Services: A Review for Latin America and Caribbean Countries*](#). Inter-American Development Bank, Washington, DC.



Links to labour exchange systems provided by the ministries of member countries are available, as well as publications on the topic.

A good example of the IDB’s interventions in the region is the Dominican Republic. The IDB supported the [Youth and Employment](#) project, which established an online job database and financed the creation of six regional employment offices and job fairs. In addition, the project set up a labour observatory to produce high quality statistics and analysis which was used to strengthen the response capacity of public officials. During 2008 and 2009, the project provided services to more than 100,000 people and registered over 30,000 vacancies from 4,069 different companies.

MONITORING AND EVALUATING IMPACTS

What are the Impacts of LMI Programmes in Latin America?

Despite a rich history and diversity of LMI programme implementation across Latin America, empirical evidence is yet to be gathered on their cost-effectiveness or impacts on indicators such as formality and employment rates. However, one recent paper from Mexico suggests that formal job searches through the public National Employment Service (SNE) increased the probability of finding a higher quality, formal sector job.⁸

Another piece of evidence is provided by the impact evaluation of the Dominican Republic’s Youth and Employment Programme, which found an increase in the probability of employment between 6 and 11 percentage points. It also showed a large impact on earnings, in some cases a 41% increase relative to those workers who were not beneficiaries of the programme.⁹ Peru’s Local Information and Placement Centres, cited above, also suggest that this type of programme is quite cost-effective.

Monitoring and Evaluation Tools

In spite of the lack of rigorous impact evaluations, the monitoring of the performance of LMI programmes has been an important feature of programmes across Latin America. Other performance indicators also being used are: number

of or increase in job vacancies and job seekers registered, improved quality of job vacancies registered and clients served per counsellor.

Chile offers a good example of monitoring efforts. Here, LMI programmes are implemented via Municipal Employment Offices (*Oficinas Municipales de Inserción Laboral - OMIL*) and the labour exchange systems, the former having a longer history. In 2004, OMILs were integrated into one national Labour Exchange System (LES). This allows all municipal agencies to be connected and generate updated, complete and immediate information about the job market and characteristics of the unemployed in each region. Table 4 shows statistics on the effectiveness of these two instruments. The rate of placements over vacancies through the recently implemented labour exchange system increased between 2004 and 2006 to levels comparable to those in municipal agencies. Despite this, efficiency measured as placements over job seekers is higher in municipal agencies.

Table 4: Effectiveness of LMI Instruments in Chile

	Year	Placements / Vacancies	Placements / Subscriptions
Municipal Agencies	2000	67.3%	31.0%
	2001	67.1%	26.9%
	2002	64.8%	28.9%
	2003	65.8%	28.1%
	2004	61.3%	28.1%
	2005	54.9%	31.7%
Labour Exchange System	2004	8.6%	0.3%
	2005	30.8%	8.2%
	2006*	50.5%	15.1%

* Until 26/10
Own elaboration.
Source: Ministerio de Trabajo y Previsión Social. 2006. [La Intermediación Laboral en el Marco de las Políticas de Empleo en Chile \(Labour Mediation in the Framework of Employment Policies in Chile\)](#). Ministerio de Trabajo y Previsión Social, Santiago de Chile.

⁸ Source: Mazza, J. 2011. [Fast Tracking Jobs: Advances and Next Steps for Labor Intermediation Services in Latin America and the Caribbean](#). Inter-American Development Bank, Washington, DC.

⁹ See this [discussion](#) of the impact evaluation on the IDB website. The IDB has also published a [video](#) about the initiative.

CONTEXTUAL FACTORS

ENABLING LATIN AMERICA'S SUCCESSFUL RESPONSE



The new liberal economic vision that spread across Latin America in the 1990s placed an emphasis on the role of the state in supporting the workings of the market. The labour market was no exception to this, and one of the key areas of focus for new policy was information.

The opening up of Latin American economies to international trade brought new challenges in terms of supporting the growth of dynamic markets for products and labour. Adjusting to the rapidly changing conditions in labour markets required Latin American countries to develop adequate information systems to guide both firms and workers.

Market failures related to insufficient information can be costly as they tend to extend periods of unemployment and limit workers' possibilities of finding good jobs or acquiring the necessary skills to qualify for those jobs. In Latin America this is

compounded by low educational attainment and the detachment of the school system from the realities of the labour market.

Another factor that has pushed forward reforms is the perception by firms that it was not easy to find workers with the proper skills, even though unemployment levels were rather high by historical standards. Poor information about job opportunities due to a high reliance on informal networks and family and personal contacts also made for inefficient job searching and matching. Discrimination was also an issue in some countries.

The IDB played an important role in providing both technical assistance and financial support through loans for countries to implement substantial reforms in the labour information programmes. Learning from the experience of other countries in the region was made possible partly because of the region-wide scope of IDB operations.

LESSONS LEARNED

- 1 Developing LMI programmes can improve the functioning of the labour market. Although empirical evidence is quite limited, available data suggests that LMI programmes have positive effects on both the probability of finding a job and the quality of jobs available. These programmes have proven to be cost-efficient and much less costly than training programmes.
- 2 It is important that public agencies position themselves properly *vis-à-vis* the private sector, as there is a natural distrust by private firms of Labour Ministry agencies. This has to do with the fact that firms tend to associate ministries with their role of supervising and inspecting labour regulation compliance. Consultation and engagement with private sector firms in the service design stages is always productive, if only to overcome distrust.
- 3 Challenges faced by Latin American countries when adapting LMI programmes from developed country experiences have related to high levels of informal employment, low educational attainment and a lack of basic labour skills.
- 4 Partnerships with the private sector improve the efficiency of labour exchange systems and other employment related services. In this sense, the increasing role of private employment agencies in LMI programmes has been an important success factor.
- 5 Overall, LMI programmes represent effective and efficient strategies for improving public employment services targeting low- to medium-skilled workers. However, greater empirical evidence is required for a better understanding of the impacts of LIPs on pertinent indicators, as well as broader development objectives.

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