



Policy Brief 8

February 2006

Inter-Regional Inequality Facility
sharing ideas and policies across Africa, Asia and Latin America

Youth Training

Chile and Argentina

This series of Policy Briefs summarises the experiences of recent government initiatives aimed at addressing inequality in Africa, Asia and Latin America.

Current Policy Briefs in the series:

- Social grants, South Africa
- Familias en Acción, Colombia
- Red de Protección Social, Nicaragua
- Programme for Advancement through Health and Education, Jamaica
- Social safety nets, Indonesia
- Maharashtra Employment Guarantee Scheme, India
- National Employment Fund, Tunisia
- Youth Training, Argentina and Chile
- National Functional Literacy Program, Ghana
- Universal Primary Education, Uganda
- Upgrading educational opportunities for the poor, Sri Lanka
- Health insurance for the poor, India
- Affirmative action, Malaysia
- Affirmative action, India
- Affirmative action, Nigeria

The Inter-Regional Inequality Facility was initiated in 2004 to promote inter-regional dialogue and knowledge sharing on MDGs and inequality.

Institutions participating in the Inter-Regional Inequality Facility include:



African Development Bank



African Union Commission



Asian Development Bank



Inter-American Development Bank



New Partnership for Africa's Development



United Nations Economic Commission for Africa

www.odi.org.uk/inter-regional_inequality

Objectives

In recent decades, Chile and Argentina both went through programmes of market-oriented economic reforms, associated with a rise in unemployment. Of particular concern were the high rates of unemployment among young people, mainly from poor families, who had left the educational system at an early age. They represented an accumulated stock of people, with inadequate levels of human capital, who were marginalised from modern sectors and exposed to high-risk behaviors such as crime, drugs and violence.

To address the problem of youth unemployment, the decision was made to design and implement special training schemes specifically oriented to young people who had deserted the educational system at an early age. The schemes were called *Chile Joven* in Chile and *Proyecto Joven* in Argentina.

Description

Chile Joven started in 1991, while *Proyecto Joven* started in 1994. In each case, the target was to train approximately 100,000 youths (ages 15–24) in a four-year period. Each provided courses of approximately 6 months length, including training classes and a business placement. Courses were completely cost free for the youths taking part, with scholarships provided for transportation and other minor expenses. Eligibility was based on the principle of self-targeting, with training being offered mainly at the semi-skilled level, and the scholarship grant covering only a bit more than travelling expenses. In both countries, the costs of the programmes were met by a combination of domestic fiscal resources and support from the Inter-American Development Bank (IDB).

Lessons learned

Both *Chile Joven* and *Proyecto Joven* made important steps in giving young people from poor families, who had left the education system early, a 'second chance' at getting inserted into the labour market. Both programmes surpassed their numerical targets, and the vast majority of participants were from low-income households, early leavers from the education system, and either unemployed or out of the labor market at the time of enrolling. Impact evaluations suggest that the programmes tended to raise the labour participation rates, and the labour market earnings, of most although not all participants.

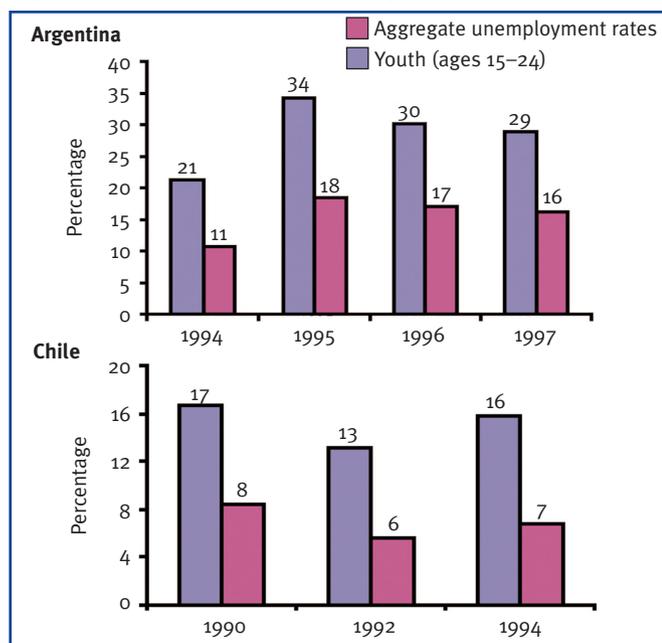
Nevertheless, both programmes also had certain limitations. Most importantly, they were only temporary interventions designed to tackle the problems faced by an accumulated stock of youngsters who had left school at an early age. They could not provide a substitute for the formal education and training system, nor a permanent solution for the problem of young people from poor backgrounds dropping out of school. Researchers and policy-makers need to know more about the structural factors that lead young people to abandon school, and how to design social assistance programmes to reduce this problem.

Background

In recent decades, Chile and Argentina have both gone through programmes of market-oriented economic reforms, including integration into international trade and capital flows, less state intervention, and fiscal austerity. In the labor market, the main effect of the economic reforms was a rise in unemployment. In Chile, the unemployment rate reached 30% of the labor force during the first years of the reform, during the beginning of the 1980s. In Argentina, the unemployment rate increased to 17% during the first years of the reform, during the beginning of the 1990s.

Many factors contributed to the rise in unemployment in each country. However, some of the most important factors, in terms of their negative social impact, were those associated with a lack of human capital, in quantitative and qualitative terms, particularly among the young. Given that the young were among those with lower levels of human capital, they were the segment of the population which experienced the highest rates of unemployment as economic reform took place (Figure 1).

Figure 1 Unemployment rates during economic reform



Sources: INDEC (Argentina), INE (Chile)

The phenomenon of youth unemployment had strong social connotations in each country, due to the uneven distribution of opportunities provided by the educational system. In particular, those with the lowest levels of formal education, and therefore at the highest risk of unemployment, tended to be those in the lower levels of the socioeconomic strata. An extreme case was young people coming from extremely poor families. The result was that economic reforms in each country tended to create a stock of young people from extremely poor families, with highly inadequate levels of human capital, who were marginalised from modern sectors, and exposed to high-risk behaviors such as crime, drugs and violence.

To prevent the problems of youth unemployment from occurring, it was planned to grant these youngsters a second chance. The goal was considered too difficult to achieve within the context of traditional training mechanisms. Therefore the policy decision was reached to design and implement special training schemes

specifically oriented to young people who had deserted the educational system at an early age.

Details

Timing and coverage

The youth training programme in Chile, referred to as *Chile Joven* (“Young Chile”), started in 1991 and the first stage lasted up to 1995. A second stage started in 1996 and was extended until 2002. The programme was introduced after structural reforms began showing big successes in the macroeconomic field, but visible limitations in social targets. In this sense, it was part of a broader plan of the new democratic government in 1990 to keep the benefits of the economic model, but to implement a series of actions towards the improvement of social indicators.

The youth training programme in Argentina, referred to as *Proyecto Joven* (“Young Project”), started in 1994 and its first stage lasted until 1997. There was a plan to start a second stage in 1998, but it was not implemented and the programme ended by 2000. In contrast to Chile, the programme in Argentina was introduced at the same time as the process of economic reform.

In both countries the programmes were conceived as massive operations of national scope, with ambitious targets in terms of training large numbers of young people (those aged between 15 and 24) in a short length of time. In Chile, the target was 100,000 youths in four years (1991-1994), which represented one third of the total number of extremely poor youths in the country. In Argentina, the target was similar in absolute terms, 100,000 youths in four years (1994-1997), but it was nevertheless not as ambitious since the country’s population is approximately three times bigger than that of Chile.

Benefits provided

Each programme provided short courses (an average of 6 months). The courses comprised two stages of similar length: the first consisting of training classes, and the second consisting of placements in firms and enterprises. Private training institutions provided the training classes and supervised the placements in the second stage.

Courses were completely cost free in terms of fees and study materials, and there was a scholarship for transportation and other minor expenses that individuals faced when attending. In this way, both programmes attempted to wipe out the usual accessibility barriers that arise for extremely poor young people. Women were encouraged to participate by an extra financial amount for child care. For companies, participation was also free of cost. This was considered necessary to secure companies’ participation, since there are some risks for companies providing labour placements (e.g. risks of theft or damage), and some subjective barriers (e.g. discrimination), which often discourage job placements for the disadvantaged.

Eligibility

Eligibility in both programmes was based on the logic of self-targeting: the aim was to provide an offer only attractive to the target population. For example, a person with a higher educational background would not feel attracted to programmes that offered training at a semi-skilled level. In the same way, adults were not attracted by the amount of money offered as the scholarship grant covered only a bit more than traveling expenses. Publicity material

also stressed the nature of the programme as destined to poor youngsters who had dropped out of school.

Funding

In both countries, the costs of the programmes were met by a combination of domestic fiscal resources and support from the Inter-American Development Bank (IDB). The total budget for the first stage of *Chile Joven* was US\$ 83 million, half of which came from Chilean national government sources. In Argentina, the total budget for the first stage of *Proyecto Joven* was US\$ 176 million, of which 30% was financed by domestic governmental sources. Due to the socio-economic characteristics of the target population, it was considered pertinent not to co-finance part of the costs with the beneficiaries. It was also not considered advisable to ask for co-financing from the companies, above the indirect costs of the labour placements.

Implementation

The main innovation in both programmes lay in their operation. Traditionally, training systems in Latin American have been based on the use of big national institutions operating with highly centralised mechanisms, and managed by tripartite bodies in which employers' associations, unions and the State are represented. These two new training programmes drastically changed this managerial culture to a more decentralised and flexible mechanism. They were initially implemented through the Ministry of Economy, through executive units specifically created for the purpose. Later on, those units were transferred to the Ministry of Labour, but they were kept highly autonomous and had low interaction with the pre-existing bureaucratic structure.

Both programmes organised periodic public tenders for training institutions to bid for courses. These provided only general outlines about the courses to be offered and the particularities of the target population. The rationale was to compel training institutions to design courses with innovative approaches, taking into consideration companies' demands. Thus the programmes were market-driven.

Each programme was advertised through the mass media (e.g. printed press, radio, television, notices, leaflets), with messages specially addressed to reach extremely poor young people. Potential beneficiaries were invited to attend local employment offices. In Chile, the existing system of labour intermediation was a big help in the recruitment of beneficiaries, but in Argentina there was no existing trustworthy employment service, so the programme had to set up offices for potential beneficiaries to attend. Neither programme allowed the training institutions to carry out the recruitment of beneficiaries themselves however. The aim was that, before starting a course, young people would be informed about all the available courses, so as to help them choose the most adequate for their needs and interests.

Impacts

One of the strengths of the programmes was that, thanks to decentralisation, they were able to cover a large geographical area in a relatively short period of time. In Chile, 110,000 youths were trained through the programme, surpassing the original goal by 10%. This involved 4,056 courses with placements in approximately 10,000 companies of different activities. In

Argentina, 112,000 youths were trained, surpassing the original goal by 12%, through 6,185 courses.

Efficiency of targeting

Generally speaking, self-targeting worked well. Most participants were youths under 25, from low-income homes, early leavers from the education system, and either unemployed or out of the labor market at the time of enrolment (Table 1). This was a great achievement, given that social programmes frequently lose effectiveness by failing to reach the target population. In addition, participation of women represented more than 40% of the total number of participants. This is a similar percentage to their share in the total labour force.

Table 1 Indicators of targeting efficiency (%)

	Chile Joven	Proyecto Joven
% under 25 years of age	79	74
% under 25 and from low income households	96	82
% with unfinished high-school	49	92
% unemployed or inactive	76	88

Programme benefits

Several important studies have analysed the impacts of the programmes (e.g. Mitnik, 2003; Rosales, 2003; Aedo, 2004; Aedo y Nuñez, 2004; Elias, 2004). These have generated three main findings.

First, in terms of the employment possibilities of beneficiaries (finding a job or a job of better salary or in the formal sector), impacts varied depending on beneficiaries' characteristics and the country in which the programme was carried out. In Chile, labour insertion improved on average by 26%, but it increased by more among women than among men, and also by more at the end of the programme than at the beginning. By contrast, in Argentina there was no significant increase in average labor insertion, but there was a significant increase for young men and, in particular, adult women. These differences may be explained by the different economic context that prevailed in the two countries when the programmes were implemented. Chile was undergoing a period of strong economic growth and job creation, while Argentina was in the opposite situation.

Second, a significant number of beneficiaries decided to return to formal education after finishing the programme. Measurements for the Argentine programme show that, after the training, 20.8% of beneficiaries went back to the educational system (Mitnik, 1997). This suggests that participation in the programme improved self-esteem and self-initiative in some youths. Finally, the programmes had a positive and statistically significant impact on the labour earnings of young males and adult females, although not on those of adult males nor young females.

Factors contributing to success

Both programmes were managed by a qualified managerial and human resource staff, backed up by a solid administrative structure. From this perspective, the programmes successfully incorporated organisational practices more acquainted with private sector culture. Up to the moment in which the programmes were created, this sort of management was almost inexistent or very exceptional.

Studies have also highlighted the coherence between the conceptual and operative design of the programmes, and the level of co-ordination among the executive unit, the training institutions and the companies. A high level of staff motivation was achieved, carrying out expenses on time, and innovative control mechanisms such as check ups without prior notice. From the administrative point of view, both projects were considered to rate very highly by prevailing standards in the region (Mitnik, 2002).

Finally, as discussed previously, traditional training systems in Latin America were based on big institutions with full responsibilities of planning, financing, regulating, executing and controlling. The main weaknesses of this model were its low ability to respond to companies' demand, and its poor levels of efficiency. *Chile Joven* and *Proyecto Joven* relied much more on the division of labor between the private sector and the State. The State focused on planning, financing, regulating and controlling, while the private sector executed. The programmes also relied on outsourcing under competition to private sector training institutions.

Lessons learned

The experience of *Chile Joven* and *Proyecto Joven* has generated four main lessons. First, labour market training focused on youngsters that quit school must not be taken as a permanent or definitive solution. Neither programme was intended to be a substitute for the formal educational or training system. The main goal was instead to give a second opportunity to an accumulated number of extremely poor young people who had left school at an early age. In other words, the goal was to solve a problem of "stocks", not of "flows". The expectation was that subsequent generations of young people would obtain, at the least, a secondary-level school education, and would not therefore need interventions of this type.

Second, youth training programmes of this type can be highly effective in a favorable context, involving sustained economic growth and flexible labour regulations that facilitate job creation. In such cases, they are appropriate instruments to tackle low labour market participation among disadvantaged groups. However, when the overall context is one of economic crisis and job scarcity, direct social assistance may be more efficient since it is as costly as training but has a higher impact.

Third, the mechanism of periodic public tenders, where training institutions interact with companies to define the required profiles and then design the courses, turned out to be highly effective. Competitive tenders gave transparency to the use of public resources, and drove the private sector's efforts to follow the changing requirements of the labour market.

Finally, the *Chile Joven* programme was useful in terms of updating ideas about how to be innovative in the operation of training systems. The market-driven design, in which private training institutions identify companies' demand for skills, define courses based on those demands, and are then paid based on results, has been incorporated into its current training system for formal companies and labour intermediation.

Nevertheless, implementation was not entirely free of problems. One failure was the unstable relationship between the State and the training institutions, which meant that the latter experienced

uncertainty in relation to their financial flows. Another problem was that the time taken by the tendering process was long, in relation to labour market requirements. Strict administrative procedures, justified to ensure compliance with transparency in the use of public resources, are often in conflict with flexibility and pertinence. This does not discredit the basic idea of tendering, but provides a stimulus to look for ways of improving it. For example, more stable relationships with the training institutions could be obtained by standardising repeated courses of higher demand from companies, since it makes no sense to repeat the burden of administrative procedures in these particular cases.

A final point is that, although youth training programmes such as *Chile Joven* and *Proyecto Joven* can tackle the labour market problems faced by an accumulated stock of youngsters who have quite school at an early age, they do not tackle the problem of youngsters dropping out of school itself. One approach to tackling this problem is the conditional cash transfer programmes introduced recently in several Latin American countries, promoted and sometimes financed by the World Bank and the IDB. Results, however, are still sluggish. Although there is evidence of positive impacts in term of school attendance among the participants, their administrative complexity raises questions about their effective and efficient execution on a large scale. Researchers and policy-makers therefore need to know more about the structural problems that lead young people, especially the poor, to abandon school. In this respect, it would be interesting to analyze data from the official household survey (EPH) in order to provide a better understanding of the factors which affect poor youths' participation in school.

References and further reading

- Aedo C., Núñez S. (2004). The Impact of Training Policies in Latin America and The Caribbean. BID, Washington, D.C.
- Aedo C. (2004). Job Training Programmes: The Cases of Chile Joven and Argentina Proyecto Joven. Universidad Alberto Hurtado, Chile.
- Cohen E., Martínez, R., Navarrete, C. (2001). Gestión de programmeas sociales en América Latina. Análisis de casos, Vol. I: Proyecto Joven de Argentina. CEPAL, Serie Políticas Sociales. Santiago de Chile.
- de Moura Castro C., Verdisco A. Formación de jóvenes desempleados en América Latina. En *Formación profesional en el cambio de siglo*. De Moura et al. (eds). 2002, Cinterfor/OIT.
- Dávila León O. (2001). ¿La década perdida en la política de juventud en Chile; o la década del aprendizaje doloroso?. CEPAL, Santiago de Chile.
- Elías V. J., Ruiz Núñez F., Cossa R., Bravo D. (2004). An Econometric Cost-Benefit Analysis of Argentina's Youth Training Programme. BID, Washington, D.C.

This paper was written by Osvaldo Giordano, Alejandra Torres and Jorge Colina, Instituto para el Desarrollo Social Argentino (IDES), Buenos Aires, Argentina. For more information, contact: jcolina@idesa.org. It was edited by Edward Anderson of the Overseas Development Institute. A longer version of the paper containing more details of the arguments and evidence presented can be obtained from the authors.

©Overseas Development Institute 2005

This and other papers are on our website: www.odi.org.uk/inter-regional_inequality

This Policy Brief has been produced by the Secretariat of the Inter-Regional Inequality Facility at the Overseas Development Institute, London. Initial sponsorship for the Facility has been provided by the UK Department for International Development.



The views in the paper are those of the author(s) and do not represent the official position of the institutions participating in the Inter-Regional Inequality Facility.