



Human Development *Network*

Activation and Employment Policies in Middle and Low Income Countries

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Main messages

- Activation (graduation) and employment programs are underdeveloped in most MICs and LICs:
 - Small programs, low expenditures, and very low coverage
- There is limited information about the impact of current programs...
- ... but simple inspection, often, puts their effectiveness in doubt:
 - Publicly managed programs with weak institutional capacity
 - Weak links to the private sector
 - In contexts with high informal employment they are irrelevant
- But the problems these programs are trying to address and that affect transitions into productive employment are real.

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- There are promising initiatives to address them
 - Decentralized employment services managed by the private sector
 - Comprehensive training programs for vulnerable workers offered by private providers to facilitate transitions into wage employment (middle high income contexts)
 - Programs to support self-employment and small scale entrepreneurship (low income contexts)
- It is unlikely that there will be programs/designs with universal applicability; the context makes a difference.
- But these innovations can become a reference and be adapted to respond to different local conditions.
- Where they are implemented they will need to be piloted and evaluated paying attention to implementation arrangements.

Outline

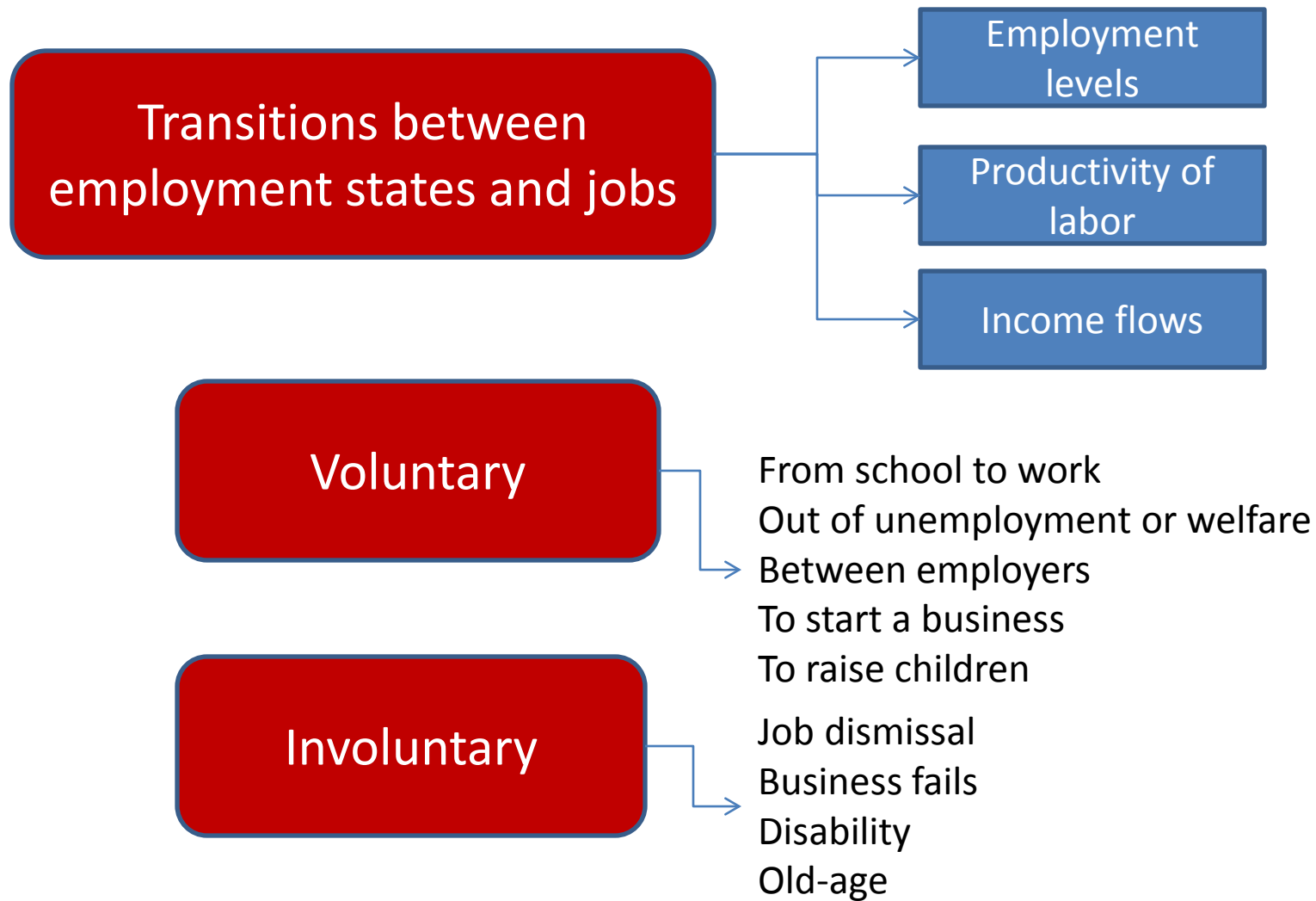
- A policy framework for activation and employment programs
- What countries are doing and what do we know about impacts.
- Challenges in terms of design and implementation

Policy framework

What do we mean by activation and graduation?

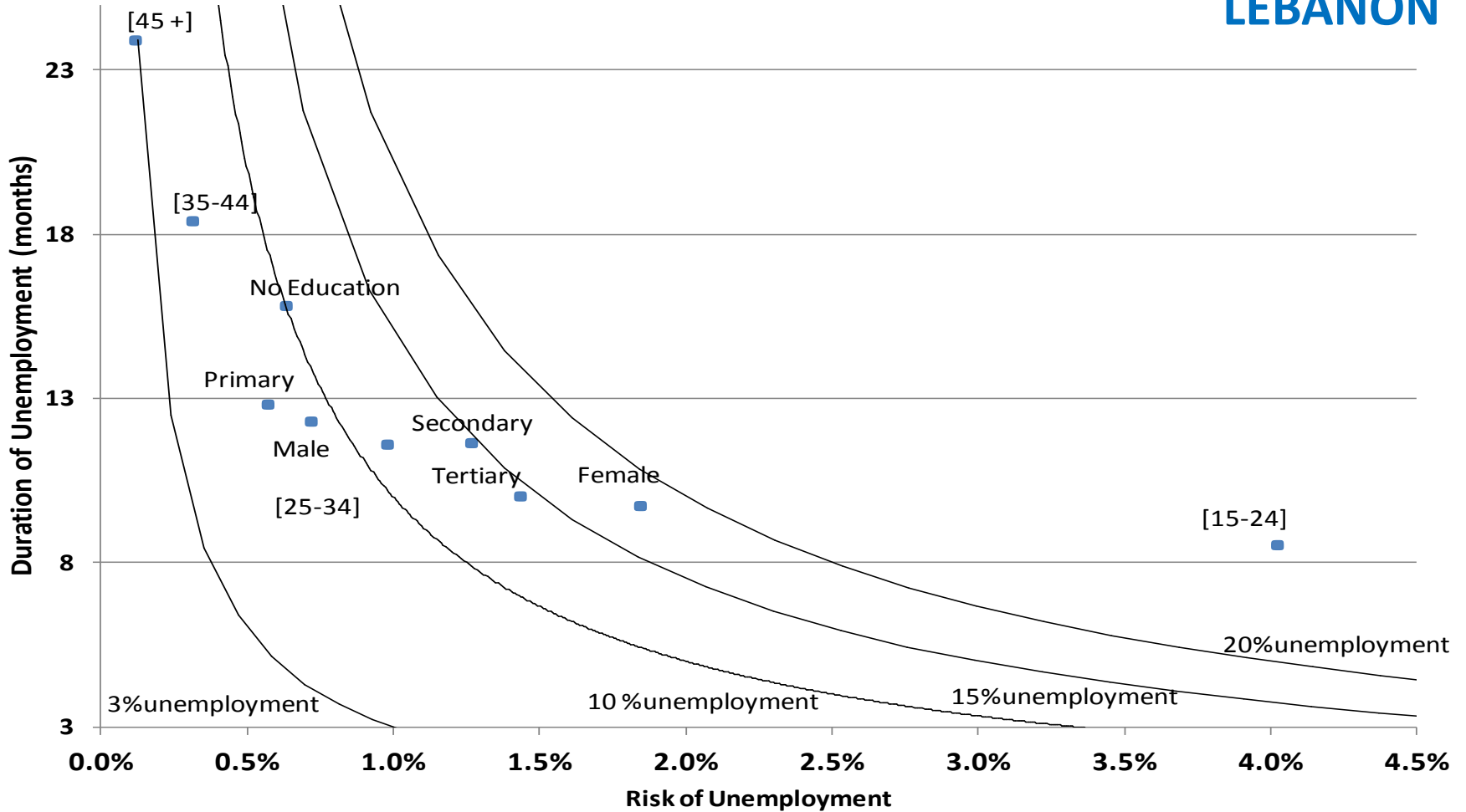
- “*Activation*” (Europe / ECA):
 - Encourage individuals to become active in finding work.
 - Income support based on the principle of “mutual responsibilities”
 - Often focus on wage employment
- “*Graduation*”:
 - More independent, sustainable, and resilient livelihoods
 - Not necessarily associated with unemployment
 - ... or transitions into wage employment
 - Needs to go beyond setting incentives right by reducing the level or duration of benefits

Both are about facilitating transitions into employment and higher productivity jobs



It is important to look at inflow and outflow rates related to a given state

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These transitions are affected by market and government failures

Insurance

- Lack of insurance can reduce flexibility in job search
- Badly designed insurance can reduce mobility, job search, or LF participation

Information

- Lack of information about jobs or business opportunities can prolong unemployment spells
- Employers might fail to recruit qualified workers

Capital

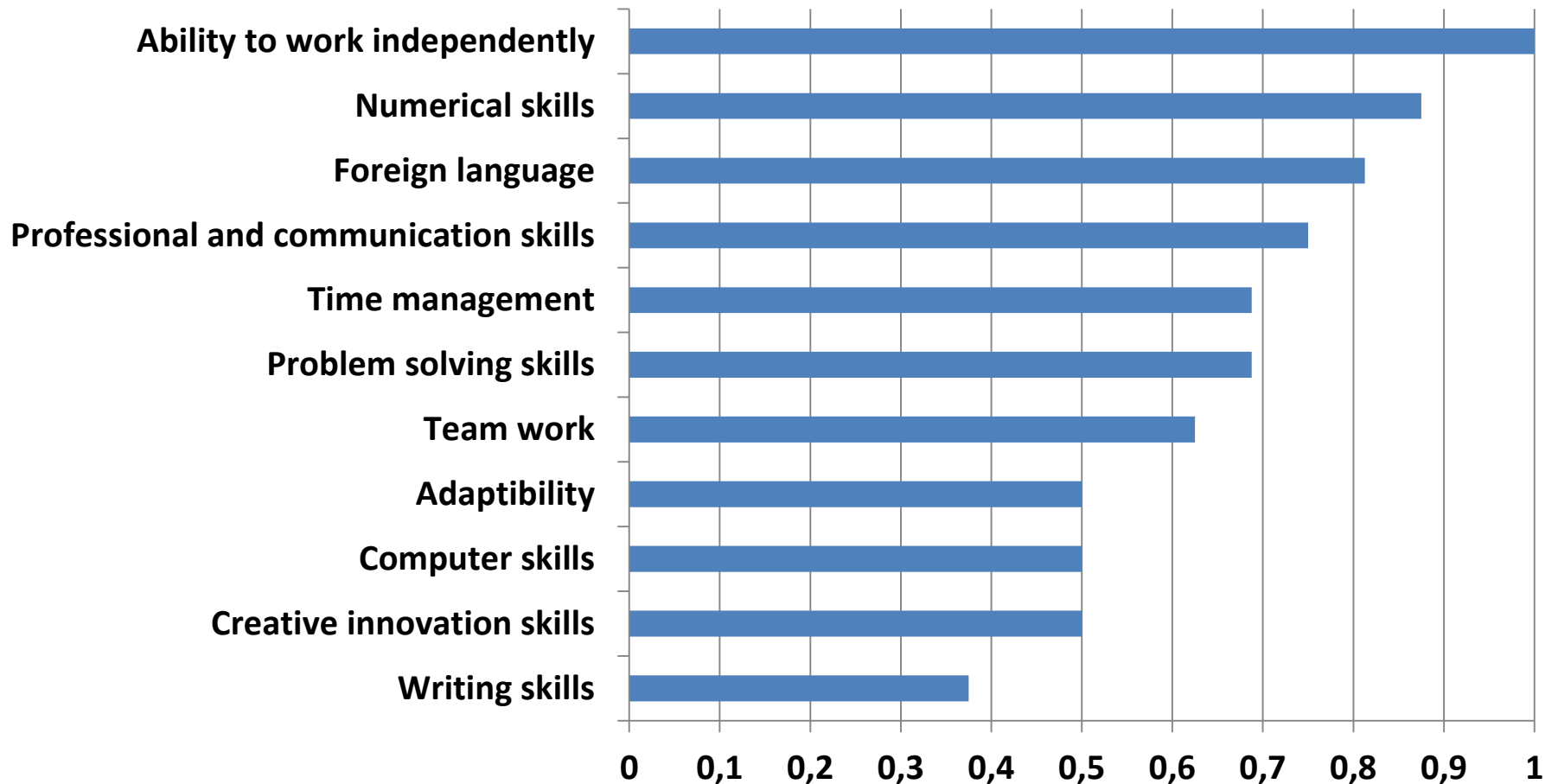
- Lack of capital can affect transitions into self-employment.
- Can also affect job-search and mobility (e.g., among disabled or if it is costly to go where the jobs are).

Skills

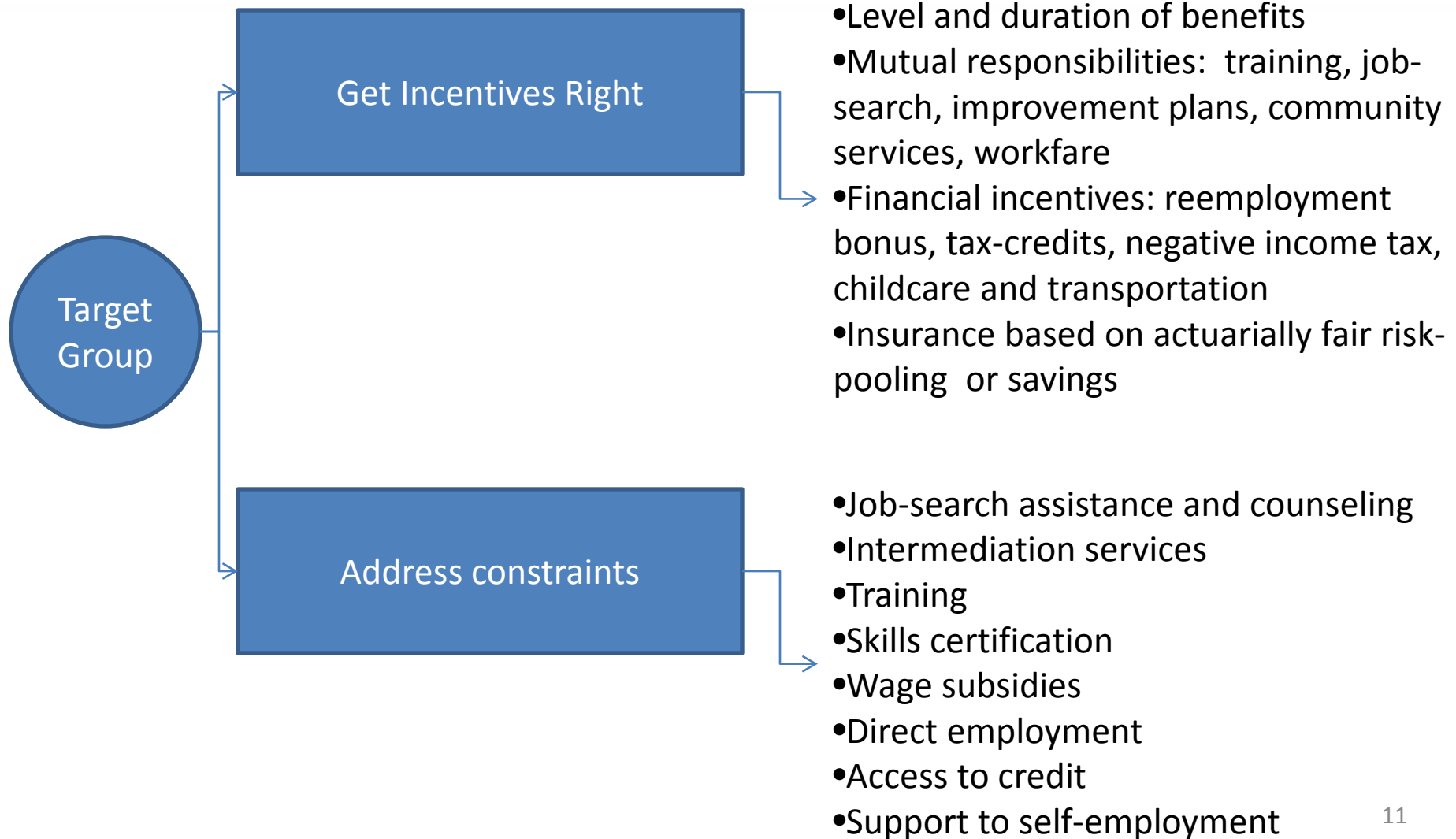
- Failures in education and training systems can lead to workers not having the right skills for the job
- Workers might also lack behavioral skills that are important for job search or entrepreneurship

Gaps are not only about technical skills

Skills that employers miss in workers (Lebanon)



Two types of interventions are needed

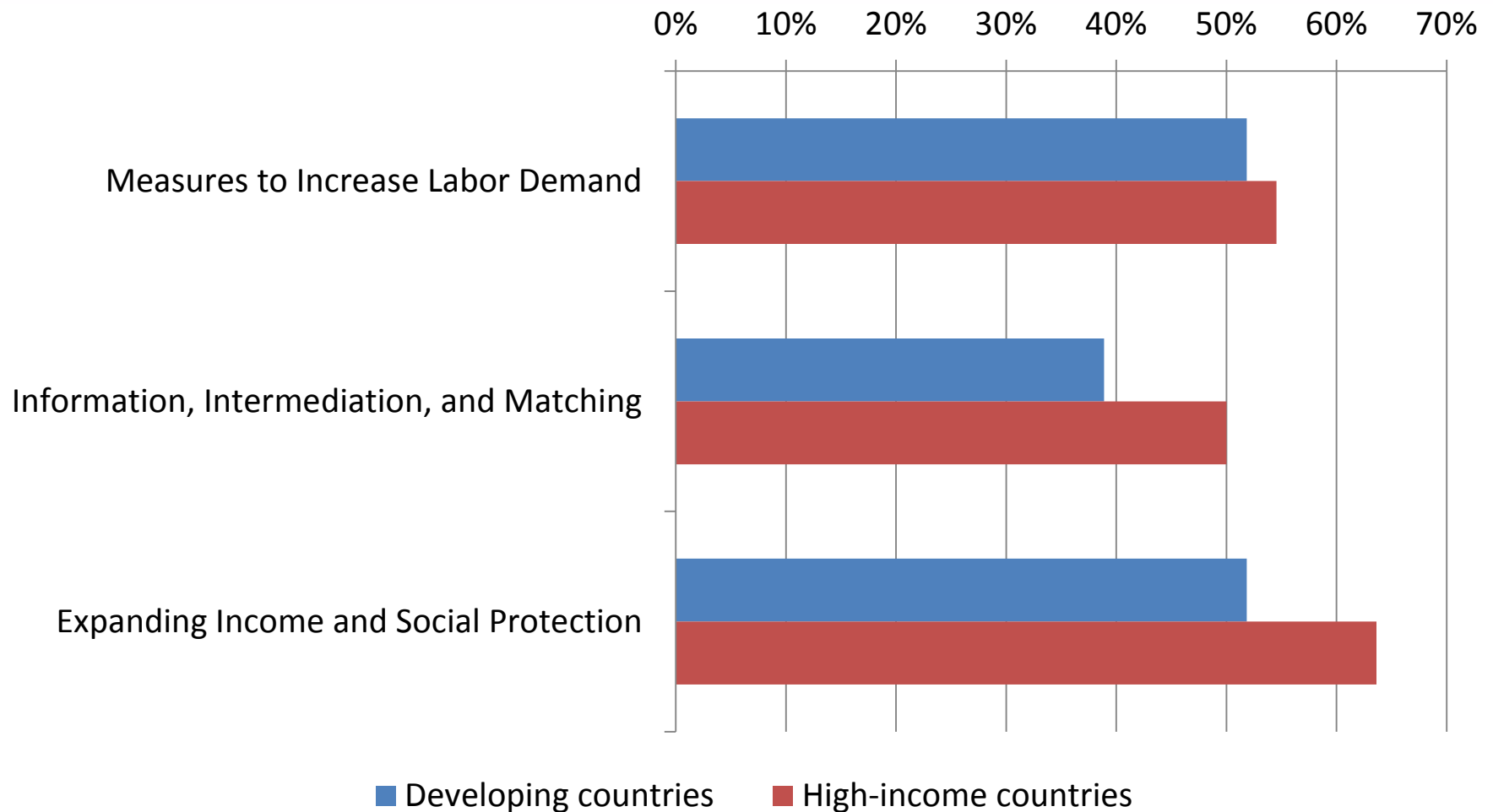


International experiences with activation / graduation policies

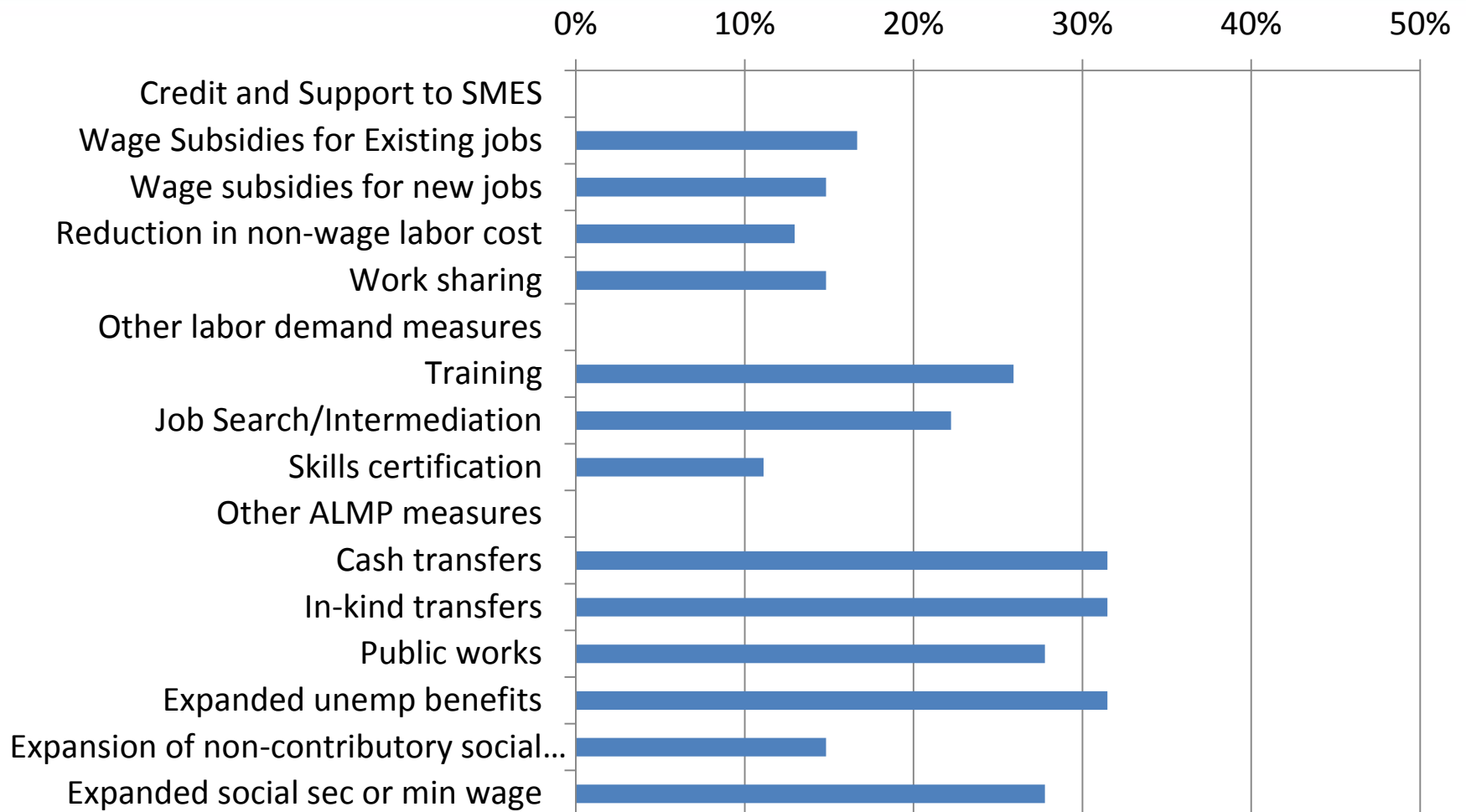
MICs and LICs spend relatively little

- In Europe 27 in 2008:
 - Euros 200 billion (1.6% of GDP)
 - From 3.3% in Belgium to 1% in Romania
 - 60% goes to UB only 12% to ALMPs
- In MICs and LICs:
 - 0.1% to 0.2% of GDP
 - Most of it goes to ALMPs

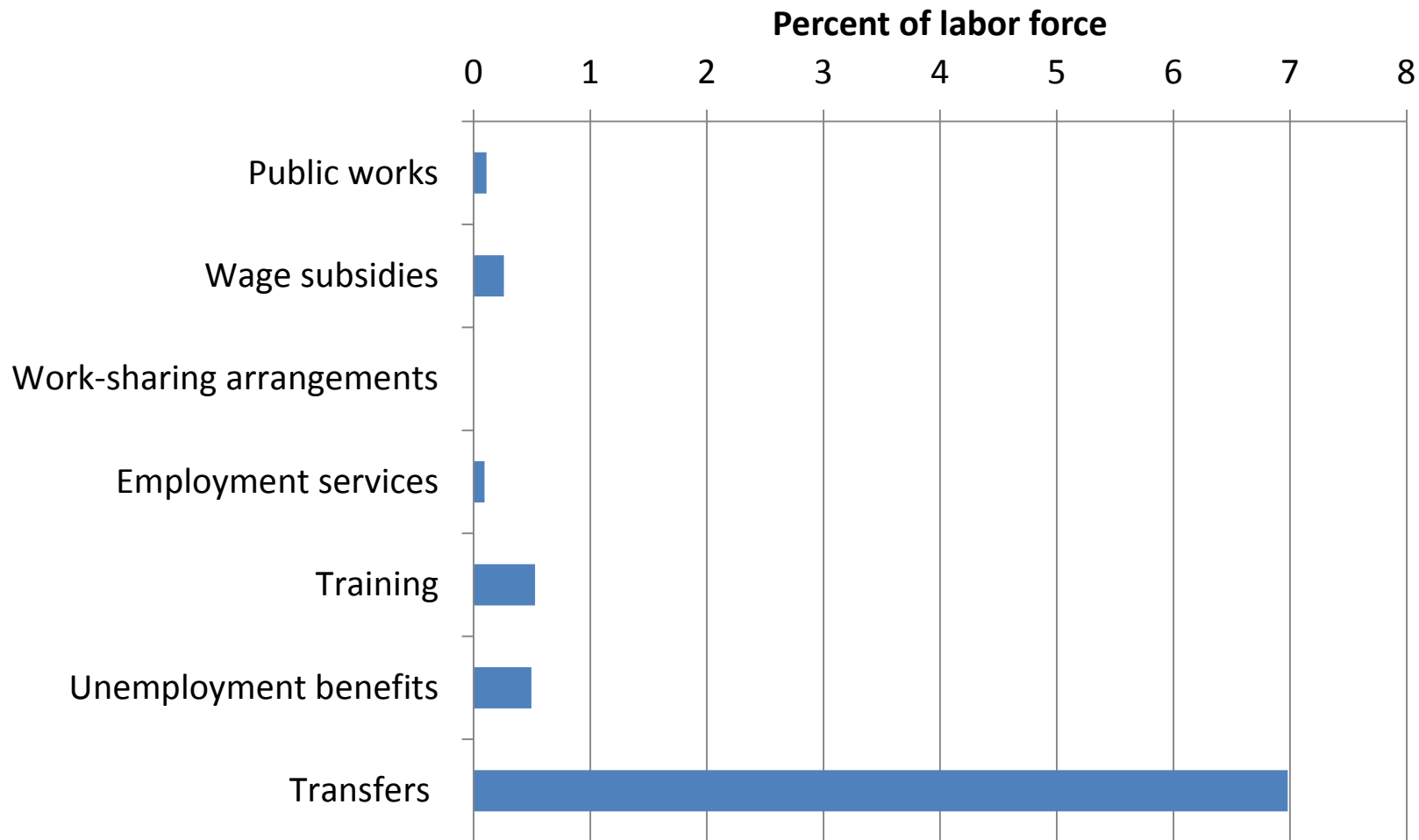
How did countries responded to the crisis?



More prevalent were measures to protect incomes



Coverage of ALMPs is, in general, very low



What do we know about the main programs?

- Training
- Wage subsidies
- Employment and intermediation services
- Entrepreneurship
- Programs for safety nets beneficiaries

Training

- Most evaluations come from OECD and LAC and focus on youth
- If well designed training can be effective in increasing employability; not necessarily earnings

Comprehensive Training Programs Targeted to Vulnerable Groups

Technical Skills

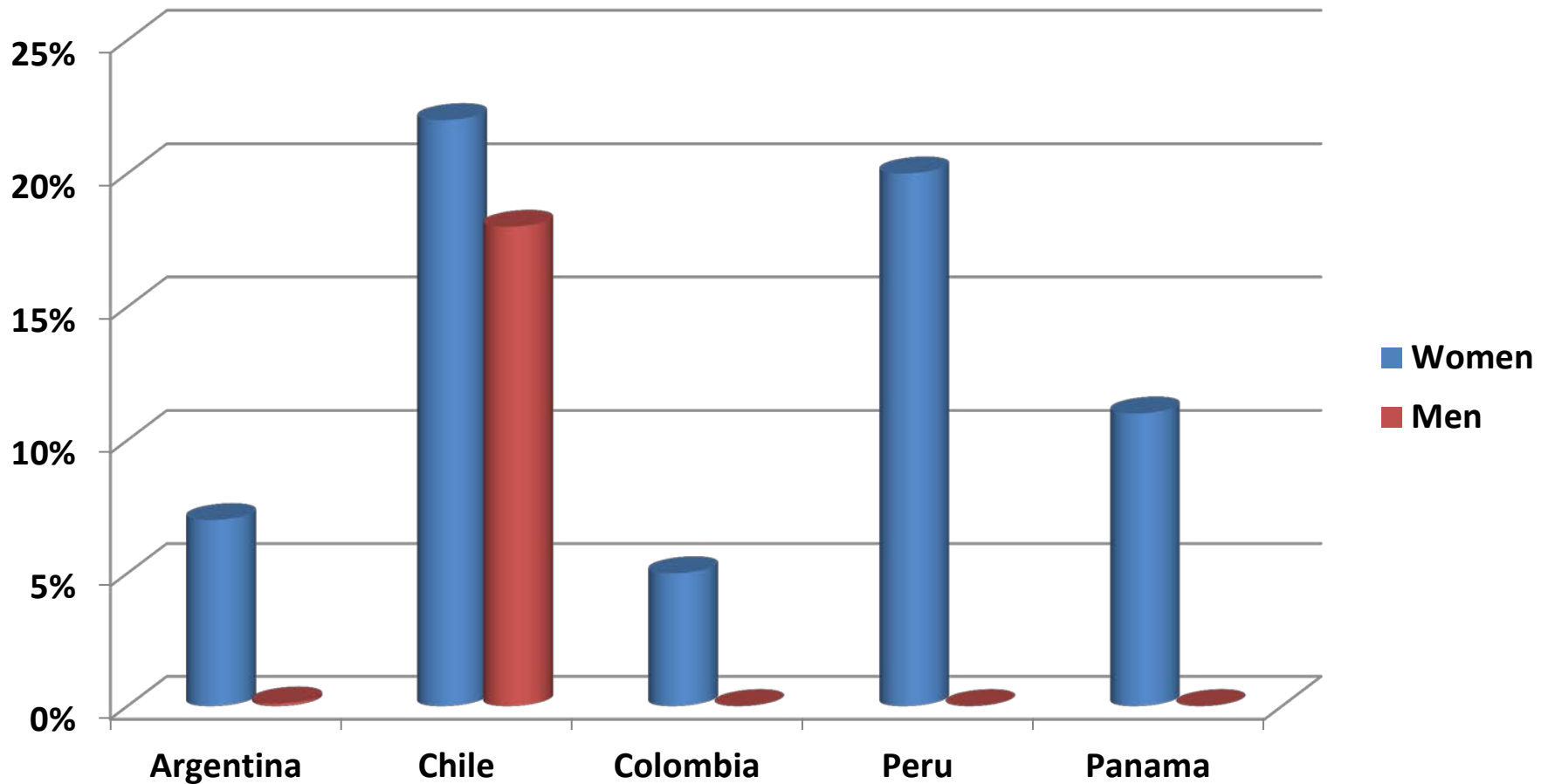
Life Skills

OJT

Private providers are contracted on a competitive basis and need to secure internships
They have incentives to identify and fill skills gaps

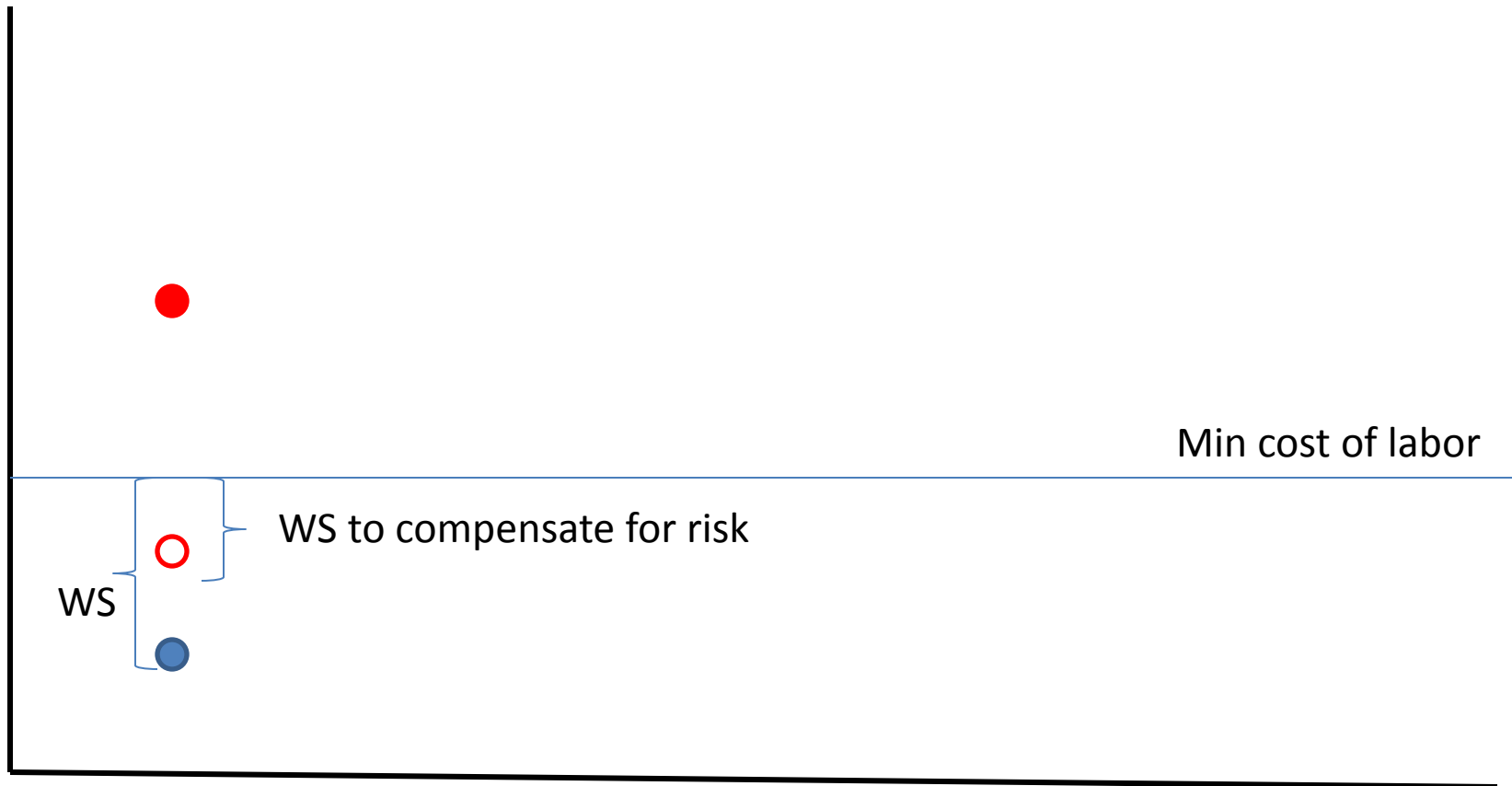
Employment offices and formal TVET are also moving towards competitive contracts with private providers (e.g., *Probecat* in Mexico, Bulgaria, Hungary, Poland, Romania, Serbia, Slovenia, and Turkia)

Impact of *Jovenes* Programs



Wage subsidies

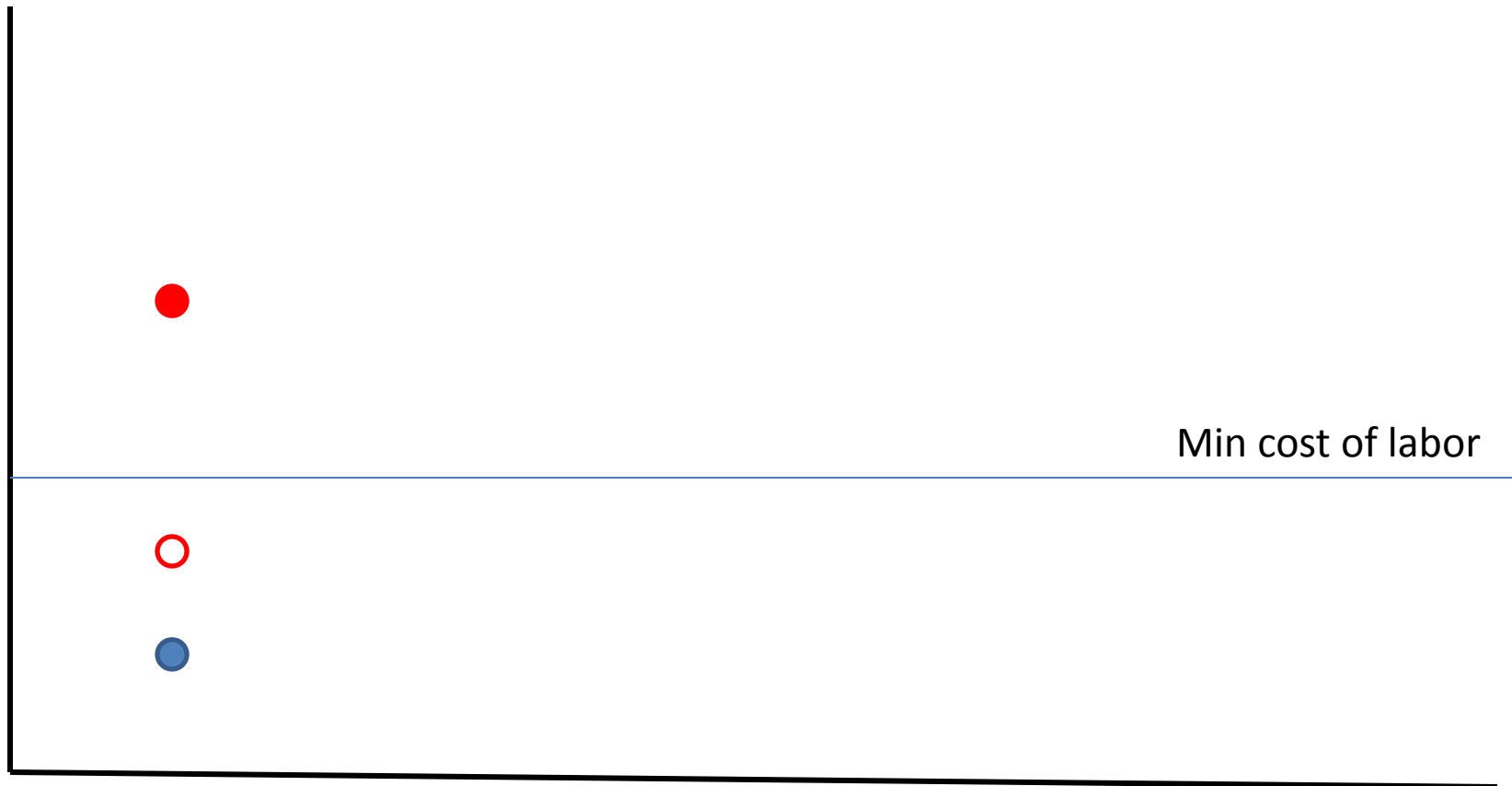
MPL / Cost of Labor



Time

Wage subsidies

MPL / Cost of Labor



Time

Wage subsidies

- Results from evaluations are mixed:
 - In Poland, males with subsidies were less likely to be hired (stigma?)
 - In Argentina WS may have provided incentives for job search – still little take up from employers
 - In Morocco *Idmaj* seems to have been effective in placing beneficiaries in the presence of high labor cost (also improved the quality of jobs)
- In general, difficult to account for substitution effects and death weigh losses.
- Still, targeted programs might be needed

Employment services

- Evidence from high income countries suggest programs can be cost effective in connecting the unemployed to jobs.
- In MICs and LICs there is a high heterogeneity of programs but in general they are underdeveloped:
 - Centralized systems managed by the public sector
 - Low institutional capacity
 - Weak incentives to serve job-seekers
 - Weak links to the private sector
 - Lack of unemployment insurance reduces incentives to “enroll”
- Below a certain level of formalization of the economy they might have little role to play

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- In more sophisticated labor markets there have been important innovations:
 - Decentralized network of labor information centers, which are the interface between job-seekers, service/benefit providers (including the social security), and employers.
 - They specialize in counseling and career management
 - Performance based contracting
 - They use information technologies to reduce transaction costs and disseminate information.
 - Role of the public sector is certification, regulation and aggregation of information
 - Examples: *Red CIL Pro Empleo en Peru, Bulgaria, Slovenia*):

Entrepreneurship

- Cover a large range of services:
 - Training
 - Advisory services
 - Networking
 - Credit
 - Access to value chains
 - Micro-franchising
- Small pilots, take up rates are low, and results are mixed
- But there are promising initiatives in low income settings (e.g., Liberia, Malawi, Uganda):
 - Training in a given trade and business management.
 - Access to capital

Impacts on employment are small



What about programs that target safety net beneficiaries?

- For high-end SN beneficiaries the focus seems to be on “fixing” incentives and providing access to standard ALMPs:
 - Bulgaria’s *From Assistance to Employment*
 - Argentina’s *Seguro de Capacitacion y Empleo*
- For the very poor Chile’s *Solidario* and Colombia’s *Juntos* are using integrated interventions:
 - Standardized needs assessments across programs and government levels
 - Intense phase of psycho-social support by social workers
 - Cash-transfers and conditionalities (somebody in the household works, children go to school)
 - Targeted ALMPs including to support self-employment

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- In most MICs and LICs classic ALMPs are not relevant; the focus is on non-wage employment through programs “a la BRAC”:
 - Consumption transfers
 - Assets transfers , access to credit or savings accounts.
 - Training in income generating activities
- Several examples:
 - Rwanda’s *Umurenge Program*, Sri Lanka’s *Samurdhi* , Bangladesh’s *Rural Maintenance Program*
- Preliminary evaluations are promising:
 - *Atencion a crisis* (Nicaragua); *Targeting the Hard Core* (India)

Looking forward

Key questions in terms of design and implementation

- Governance:
 - Responsibilities of central and local governments
 - Institutional coordination
 - Role of the public and private sectors
- Integration, harmonization and coordination of programs:
 - Between ALMPs
 - Between ALMPs, social insurance, and social assistance programs.
- Assessing the constraints facing beneficiaries:
 - Developing profiling tools?
 - Letting providers figure it out?

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- Administration and delivery:
 - Identification, registration, record keeping
 - Contracting and payment systems
 - Monitoring of performance indicators
- Evaluation:
 - Move to second generation evaluations where the focus is on “why” programs work
 - Learn more about net employment creation and cost-effectiveness
 - It is unlikely that there will be programs/designs that are effective in all contexts
 - Programs need to be evaluated on a case-by-case basis