Employment services as part of a productive inclusion agenda for developing economies

Insights from mature systems

Matteo Morgandi
SPJ Global Practice
Outline

1. Productive inclusion and the role of labor market programs
2. A framework for productive inclusion interventions
3. Different agendas in different contexts
4. Some examples of productive inclusion interventions in MICs
   - A differentiated approach in rural and urban areas: Brazil sim Miseria
   - Youth employment interventions: Dominican Republic JyE
5. Activation policies in higher capacity contexts
   - Core elements of activation policies
   - PES Delivery
   - ALMP Interventions
   - Profiling (= targeting)
   - Institutional arrangement
6. Getting started: group work
Roadmap

Productive inclusion and the role of labor market programs

A framework for productive inclusion interventions

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Core elements of activation policies
- PES Delivery
- ALMP Interventions
- Profiling (= targeting)
- Institutional coordination with social assistance

Activation policies

Getting started: group work
What is productive inclusion?

- Enhancing income generating capacity of a certain disadvantaged group in a sustainable way through
  - Strengthened participation in labor markets;
  - Increased productivity in household activities (farm, self-employment);
  - Better access to markets (credit, inputs).
Mapping productive inclusion policies map in a Jobs framework

**JOB CREATION (LABOR DEMAND)**
- Structural transformation
- Urbanization
- Agricultural productivity
- Investment climate reforms
- Innovation and productivity upgrading to value chains
- Entrepreneurship
- Public Works

**LABOR MARKET**
Institutions and Social Protection
- Reforming Employment protection legislation
- Minimum wage setting
- Social security rules and contributions

**Matching and jobs allocation**
- Improving labor market information
- Reducing skills mismatches and geographical mismatches

**LABOR SUPPLY**
- Migration
- Aging
- Youth employment
- Female labor force participation
- Labor market transitions
- Skills of the stock of existing workers
- Low (formal) work incentives and labor mobility
- Skills formation in the education system
Productive inclusion for whom?

- The inactive - to decrease their distance from labor markets
- The unemployed - to support transition to work
- Social safety nets beneficiaries - to promote graduation
- Vulnerable populations – to reduce chronic poverty and risk of social exclusion (e.g. at-risk-youth)
- The working poor – to increase income
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Getting started: group work
Objective: address barriers to entering productive employment

Employability barriers

- Education / credentials
- Basic cognitive skills (literacy, etc)
- Job-specific skills
- Behavioral skills

Lack of Information or Incentives

- Information deficits on opportunities, returns,
- Effect of taxes and cash benefit on returns from working

Participation constraints

- Care-taking duties
- Lack of empowerment
- Distance from labor markets
Consistently with market possibilities

- Education / credentials
- Basic cognitive skills (literacy, etc)
- Job-specific skills
- Behavioral skills
- Care-taking duties
- Lack of empowerment
- Distance from labor markets

- Information deficits on opportunities, returns, misconception on interaction of benefits and employment
Different agendas in different contexts: nature of the labor market and economy

Agglomeration/access to production technology
Different agendas: demographic trends

SSA: Half of the population is under 25 years of age. Each year between 2015 and 2035, there will be half a million more 15-year-olds than the year before” WB (2014)

Population dynamics as life expectancy grows, fertility rates decline, and net emigration continues
Different agendas in different context: Social Protection systems

- **Low capacity contexts**: Few or no functional formal 3P programs
  
  **Goal**: Building the “nuts and bolts” sub-systems to provide one or more 3P functions

- **Emerging capacity contexts**: Existing systems often fragmented, with limited capacity to coordinate
  
  **Goal**: Improving efficiency and efficacy of each program, improving coordination across programs

- **Better capacity contexts**: Well-functioning programs with aligned incentives and clear institutional roles
  
  **Goal**: Policy coordination to ensure efficiency, equity and incentive compatibility
Different agendas with often different terminology

- OECD/Upper middle-income: Activation into work – reduce or eliminate welfare dependency (traps)

- MICs: Graduation and productive inclusion strategies – emphasize program “exit” and moving into (formal) market

- LIC: Productive safety nets - focus on moving out of vulnerability and extreme poverty into resilient livelihoods
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Getting started: group work
Example of operationalization a productive inclusion strategy in a MIC

Brasil sim Miseria

General target Group (Cadastro Unico membership = i.e. the poor)

Rural Productive Inclusion

Builds on SA network at municipal level

Specific interventions for specific populations

Urban Productive Inclusion
Diverse set of interventions within Brasil Sim Miseria

• Rural Areas
  ▫ Technical assistance
  ▫ Promotion and seeds
  ▫ Water for dry areas (Tanks)
  ▫ Food Public Procurement Program

• Urban Areas
  ▫ Labor centers within social assistance network
  ▫ Map of opportunities at municipal level
  ▫ Training: subsidize access to technical schools
  ▫ Entrepreneurship training and capital
  ▫ Subsidized formalization of individual microenterprises

Missing piece: intermediation – job readiness ← (focus of current administration with new “Progredir” agenda)

Source: Translated from MDS (2013)
If you want to know more about Brasil Sim Miseria...

Productive Inclusion

Assisting vulnerable families to access formal jobs and generate higher incomes are productive inclusion actions within the basic social assistance services in Brazil.
### Youth employment programs

<table>
<thead>
<tr>
<th>Type of Constraint</th>
<th>Youth Only or All Workers</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Individual</strong></td>
<td></td>
</tr>
<tr>
<td>Inadequate cognitive, non-cognitive and technical skills</td>
<td>Ya</td>
</tr>
<tr>
<td>Lack of social networks</td>
<td>Ya</td>
</tr>
<tr>
<td>Household income</td>
<td>A</td>
</tr>
<tr>
<td>Psychological biases</td>
<td>Ya</td>
</tr>
<tr>
<td><strong>Markets and Government Failures</strong></td>
<td></td>
</tr>
<tr>
<td>Distorting labor regulations</td>
<td>Ya</td>
</tr>
<tr>
<td>Low bargaining power</td>
<td>Ya</td>
</tr>
<tr>
<td>Lack of information about where the jobs are</td>
<td>Ya</td>
</tr>
<tr>
<td>Employers lack information about workers</td>
<td>Ya</td>
</tr>
<tr>
<td>Lack of access to capital</td>
<td>Ya</td>
</tr>
<tr>
<td><strong>Macro</strong></td>
<td></td>
</tr>
<tr>
<td>Constraints to business creation and job creation</td>
<td>Ya</td>
</tr>
<tr>
<td>Economic slowdown</td>
<td>Ya</td>
</tr>
<tr>
<td>Age cohort-size</td>
<td>Y</td>
</tr>
<tr>
<td>Conflict and violence</td>
<td>Ya</td>
</tr>
</tbody>
</table>

*Notes: Y = constraint affects only youth; Ya = affects all workers, but youth more than others; A = affects all workers.*

Source: S4YE
Example: Youth and Employment Program in the Dominican Republic

1. Who? → Disadvantaged (poor) youth out of work, age 16-29, incomplete high school

2. What and How? → Classroom-based training (225 hours)
   
   A. Vocational training (150 hours) tied to needs of local employers
   
   B. Socio-emotional skills training (75 hours): Self-esteem, communication, conflict resolution, goal-setting, time management, team work, decision making

3. What and How? → Apprenticeships in private companies (240 hours):
   
   • On the Job Learning: 6 hours per day during 8 weeks
   
   • Counseling with the training provider: 4 hours per week (8 weeks)
   
   • National training agency pre-certified private training providers and competitively selected with Ministry of labor
   
   • Stipend: 2 dollars daily (now raised to US$ 3) to avoid drop outs
   
   • Average cost per participant: US$ 400. Duration 5/6 months
Earlier evaluations indicate negligible impacts on overall employment, but positive impacts on earnings and formal employment, arising from SE skills.

• **Impacts over longer term (6-7 years):**

<table>
<thead>
<tr>
<th>Increased Formal Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>All</td>
</tr>
<tr>
<td>-----</td>
</tr>
<tr>
<td>18%</td>
</tr>
</tbody>
</table>

↑25% of **formal employment for men** (was ↑17% in the two-year follow-up)

<table>
<thead>
<tr>
<th>Higher Earnings</th>
</tr>
</thead>
<tbody>
<tr>
<td>SD women</td>
</tr>
</tbody>
</table>
Key lessons from Youth Employment programs evaluations

• A good design and effective implementation of youth training programs are essential for positive results

• Need modest expectations – labor market outcomes depend on many supply and demand factors. Need to go beyond overall employment as a metric of success in populations where no work isn’t an option and informality prevails

• Need to track impacts over the long term and focus on multiple skills (basic cognitive, socio-emotional and technical)

• Need strong link with employer needs to achieve results, and:
  • Combine classroom instruction with internships or apprenticeships (on-the-job experiences)
  • Design incentives for training providers to focus on employability results not just on the number of youth trained
  • Consider performance based payments
Productive inclusion and the role of labor market programs

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Activation strategies

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Getting started: group work
Main elements of activation policies

Policymakers’ concerns in OECD countries since 1990s:

- Low employment rates among the potentially employable (unsustainable)
- Dependency on transfers
- Increasing focus on shift from “passive” to “active” social policies

Response: Activation policy “Packages”

- Includes both incentives and support services
- Requires the collaboration of several agencies according to very specific protocols
How does activation work?

**Mutual obligations principle**

**Enhanced responsibilities of the unemployed**
*Active job search and availability for work in return for income support*

**Provision of income support**
*Access to income support and to public employment services*

**Key elements of effective activation**
- Individualized action-planning
- Focus on high risk prioritization
- Service integration between Employment Service and Social Assistance
- Enhanced performance-based sub-contracting

Operationalizing legislation through 4 main elements of activation
Is this only for High Income Countries?

- Virtually all countries in the world have SSN programs.
- Around 110 countries in the world have Public Employment Services.
- Around 80 countries have unemployment benefit schemes.
- But most countries face a huge imbalance between the size and development of SSN systems, and the scope and development of Public Employment Services (people find jobs even without them... somehow).

→ activation is driving force of PES development.
Stylized example of activation process for social assistance beneficiaries

- Benefit registration and social assessment
  - Solving other life circumstances
  - Work-Ability determination
    - Disability services
    - Profiling
      - Active Labor Market Programs
      - Intermediation & job-search
      - Returning to education

ongoing
Roadmap

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Activation strategies

Getting started: group work
PES: BUILDING BLOCKS OF SERVICE PROVISION

- Jobseeker Registration
- Assessment and profiling
- Case management
  - Active Labor market programs
  - Cash benefits administration
  - Intermediation / job matching
- Jobseekers Services
  - On the job training programs
  - HR (Vacancy collection)
- Employers services
- Special services: disability, health, addictions, social work, etc
Delivery models for PES

Public (e.g. Germany, Poland)

Public-Private Partnerships

Cooperation model (e.g. New Zealand)

Complementarity model (e.g. UK)

Competition model (e.g. Australia)

Public and private providers share information on vacancies

Outsource SOME employment services for the hard to place

Fully private regulated service provers

SOURCE: Leon Solano 2016
IMPORTANT elements in the Governance of PES

No matter the delivery modality, these are some important elements that affect the effectiveness:

- Performance Management and incentives
- Monitoring system
- Evaluations
- Financing
- Governance Structure (participating institutions)
- Articulation of service delivery across levels of government
What labor market intervention?
## Summary of program evaluation results of different ALMPs

<table>
<thead>
<tr>
<th>Intervention</th>
<th>Impact (on employment and earnings)</th>
<th>Displacement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment services</td>
<td>Positive, with low costs;</td>
<td>Medium</td>
</tr>
<tr>
<td></td>
<td>Increases employment probability and earnings;</td>
<td></td>
</tr>
<tr>
<td></td>
<td>But also increases search time (&quot;lock-in effect&quot;);</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Results are more short-term</td>
<td></td>
</tr>
<tr>
<td>Training</td>
<td>High variation, generally positive impacts on employment</td>
<td>Low</td>
</tr>
<tr>
<td></td>
<td>Many studies (but not all) show better impacts for women than men;</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Combining classroom and OJT have greater benefits;</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Results increase over time.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Importance of employer-focused and socio-emotional skills,</td>
<td></td>
</tr>
<tr>
<td>Wage/employment subsidies</td>
<td>No consistent evidence, with some positive and some negative results;</td>
<td>High</td>
</tr>
<tr>
<td></td>
<td>High deadweight and substitution effects.</td>
<td></td>
</tr>
<tr>
<td>Public-sector job creation</td>
<td>Overall negative effects on post-program labor market situation;</td>
<td>High</td>
</tr>
<tr>
<td></td>
<td>Can be effective as short-term safety net.</td>
<td></td>
</tr>
<tr>
<td>Self-employment assistance</td>
<td>Few evaluations; Very low take-up;</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Can have positive effects for older, well educated.</td>
<td></td>
</tr>
</tbody>
</table>

Sources: Betcherman; Card, Kluve, and Weber; Kluve (EU); Greenberg, Michalopoulos, and Robins (US); Boone and Van Ours; IADB (LAC); OECD; World Bank
Cost-benefit considerations change depending on time horizon of interventions


```
Time profile by program type: sign/ significance switches

average of switches: +1 neg/insign or insign/pos,
0 unchanged, -1 reverse

<table>
<thead>
<tr>
<th>Program Type</th>
<th>ST/MT</th>
<th>ST/LT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Training</td>
<td>0.45</td>
<td>0.35</td>
</tr>
<tr>
<td>JSA</td>
<td>0.3</td>
<td>0.15</td>
</tr>
<tr>
<td>Private sector incentive</td>
<td>0.1</td>
<td>0.05</td>
</tr>
<tr>
<td>Public employment</td>
<td>0.0</td>
<td>-0.2</td>
</tr>
</tbody>
</table>
```
Client Profiling

= Effective targeting

Effective use of scarce resources
The big picture: Segmenting the out of work in the labor market for tailored interventions

Portraits of Labour Market Exclusion: Case Study for Bulgaria
Presentation to EC SPC Indicator Subgroup, Brussels, 19-June 2014

The customer population within the PES can also very heterogeneous. The case of Poland.

Eight clusters of client groups, with varying level of labor market preparedness and job search intensity.
Most clients are far from labor market, but some also misplaced in the PES

1. Prime-age low-educated jobseekers
2. Low-educated mostly inactive women
3. Long-term unemployed active jobseekers searchers
4. Part-time workers and non-searchers
5. Secondary-educated young jobseekers recipients
6. Unemployment benefit recipients
7. Low-educated inactive young women
8. First time jobseeker university graduates
Profiling is a building block of an articulated support process

- Activation operation benefits from a *triage* phase to determine need and suitability of active support for different clients
- Client is accompanied across programs through a case management system that continues after profiling
- Division of labor between agencies based on comparative advantages
  - Assessment of employability carried out by those with strong familiarity with labor market and private sector (PES) ... Understanding of client’s special needs (MSD)
  - Some programs support employability, other sustain labor force participation
- Important to start from early wins, and build confidence
Profiling matters for better resource allocation and timing

- Client Distance from Labour Market: Far to Near
- Intensity of Support: Low to High

- **Low Intensity of Support**:
  - Self-Service

- **High Intensity of Support**:
  - Wage Subsidy + intense counselling

- **Far Distance**:
  - Missed opportunities

- **Near Distance**:
  - Improved chance of reemployment
  - Best chance of reemployment

- **Wasted resources**

- **Little chance of reemployment**
Use of profiling in employment services

1. Self-directed
2. "activated" SA beneficiary
3. Unemployment Insurance recipient

Reducing Information asymmetries

Distance from labor market

Level of prioritization by caseworker

High risk group
Middle risk group
Low risk group

Personalized Protocol of support

1. Resource intensive ALMPs (e.g. wage subsidies)
2. Vocational training
3. Self-service and job matching
How in practice: depends on existing strengths to build on

- Caseworker-based profiling
- Rules-based profiling
- Data-assisted profiling
- Data-only profiling

Degree of caseworker discretion vs. Complexity of data flow and processing

- LOW vs. HIGH
Caseworker-based profiling (Denmark)

The Dialogue Guide

Labor market matching model
Caseworker-based profiling (Denmark)

Is the citizen able to take on a job within three months?

Yes

Group 1: Ready to take on a job
- Unemployed
- Waiting for a flex-job
- Has reported sick with a straightforward case, e.g. a fractured leg

No

Is the citizen able to take part in active employment measures?

Yes

Group 2: Ready for active employment measures
- Active, has alcohol abuse
- Is mentally ill, difficult to treat medically and has periods of substance abuse

No

Group 3: Temporarily on passive support
- Has reported sick with a risk case, i.e. unclear diagnosis
- Recommended for disability pension
- Has severe psychological illness and has perhaps been admitted to hospital
- Has reported sick with serious and long-term illness

Labor market matching model (new)
Sweden: statistical profiling for prioritization of active labor market programs

Registration and initial interview

Statistical profiling model

Segmentation based on risk groups

GROUP 1
Very good employment prospects

GROUP 2
Good employment prospects

GROUP 3
Weak employment prospects

GROUP 4
At high risk of LTU; early ALMP measures needed

Final caseworker decision

Caseworker likely to override regular procedures and provide early ALMP interventions
Probability of not finding a job, sorted according to the statistical risk profiling group

Probability of not finding a job, according to the case worker’s assessment of the need of early intervention (Need of early intervention, 0=No, 1=Yes)

Source: F. Dahlen (2015), Swedish PES
Ireland: statistical profiling for case management intensity

### Statistical Profiling at registration of benefit claim

#### Pathways to Work

**Illustrative Engagement Process**

<table>
<thead>
<tr>
<th>Stage/Profile</th>
<th>Access/1st contact</th>
<th>&lt; 3mths/ Low risk of Long Term UE</th>
<th>&gt; 3mths/ Medium risk of Long Term UE</th>
<th>&gt; 12 mths/ High risk of Long Term UE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Activity</td>
<td>Registration: Employment and income services</td>
<td>Directed self help</td>
<td>Group sessions</td>
<td>Intensive 1-2:1 support</td>
</tr>
<tr>
<td>Focus</td>
<td>Diagnose/profile</td>
<td>Job search guidance</td>
<td>Guidance on options/training</td>
<td>Work placement/experience</td>
</tr>
<tr>
<td>Outcomes</td>
<td>Employment</td>
<td>Referral to Personal Development</td>
<td>Immediate Needs</td>
<td></td>
</tr>
</tbody>
</table>
Institutional arrangements to coordinate PES and Other Services

- Benefit registration and social assessment
- Solving other life circumstances
- Work-Ability determination
  - Disability services
  - Profiling
    - Active Labor Market Programs
    - Intermediation & job-search
    - Returning to education

Ongoing
Stylized example of activation process for social assistance beneficiaries

Benefit registration and first assessment

- Solving other life circumstances
- Work-Ability determination
- Disability
- Pension administration

Social Assistance Office

Health

PES

Profiling for employment

Intermediation & job-search

Active Labor Market Programs

Returning to education

Private providers
There are a range of models of delivery with different degrees of integration

- Integration of ministries and policies
  - Ireland post 2012

- Fully integrated system
  - Australia (with private providers)
    - United Kingdom, Denmark
  - Sweden

- Multi service agencies in single location
  - Several countries in Eastern Europe

- Structured cooperation of autonomous agencies

- Ad-hoc limited reactive cooperation

Source: Adapted from A. Taylor (2014)
...But there are common elements:

<table>
<thead>
<tr>
<th>Inter-agency Cooperation</th>
<th>Referral protocols (SA &lt;-&gt; PES &lt;-&gt; specialized support services)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Coordinated case management, personal action plans</td>
</tr>
<tr>
<td></td>
<td>Benefit coordination (sanctions)</td>
</tr>
<tr>
<td></td>
<td>Integrated or “dialoguing” information systems</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Employment services</th>
<th>Profiling of the jobseekers for labor market readiness</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Protocols for targeting and prioritization of interventions</td>
</tr>
<tr>
<td></td>
<td>Permanent evaluation system of active labor market programs (with implications on strategy, procurement, case management)</td>
</tr>
</tbody>
</table>
Group work
Building on existing context, programs, institutions, population, fiscal constraints...

Target group

Profiling / constraints

Intervention proposed

Institutional arrangements

Monitoring of outputs and outcomes

Benefit registration and social assessment

Solving other life circumstances

Weak-Ability determination

Disability services

Profiling

Active Labor Market Programs

Intermediation & job-search

Returning to education