



Activation of Social Safety Nets Beneficiaries across country contexts

Social Safety Nets Core Course 2019

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Outline

1. Productive inclusion interventions in a SSN context
2. A framework for labor market interventions
3. What are the effects of ALMPs: summary of the empirical evidence
4. What is the evidence?
5. Coordinating Activation and Social Safety Nets
6. Zooming-in: select interventions
 - Demand-side interventions
 - Supply-side interventions
 - Comprehensive packages
7. Getting started: group work

Productive inclusion interventions in a social safety nets context



- Enhancing income generating capacity of a disadvantaged group through one of the three approaches:
 - Strengthened participation in labor markets;
 - Increasing access to product markets for existing (or new) business
 - Increased productivity of household-based activities (subsistence agriculture, self-production);



When the target group are Social Safety Nets beneficiaries:

- Target group is by definition vulnerable, with multiple constraints
- Profiling is key to understand work-ability and exiting activities/”vocation”
- Compatibility and coordination between benefits and services
- Institutional coordination between multiple entities

Today's presentation

Enhancing income generating capacity of a disadvantaged group through

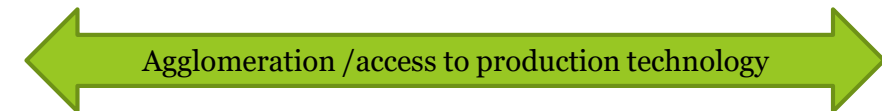
Strengthened participation in labor markets

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(subsistence agriculture, self-production);

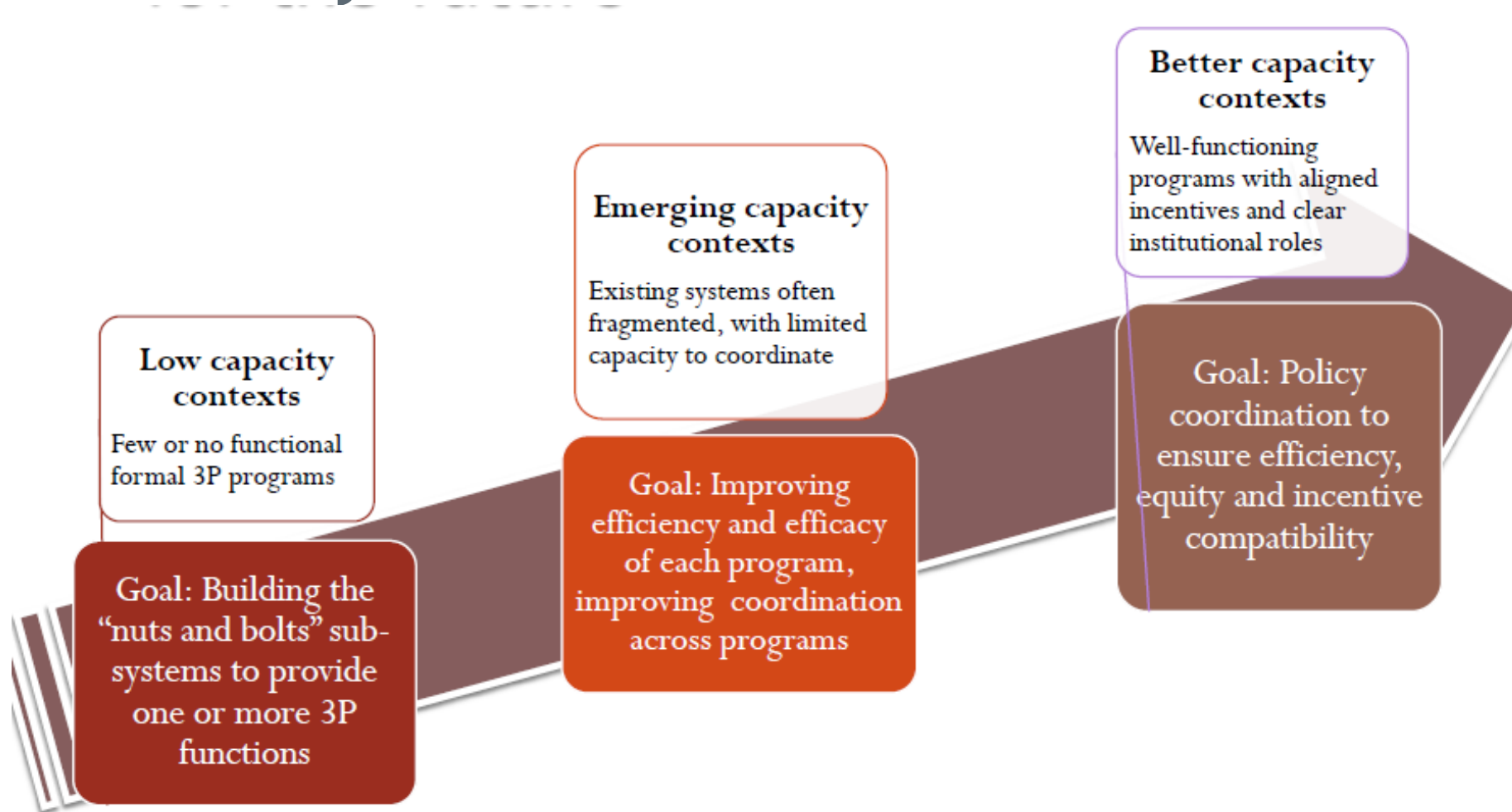
When the target group are Social Safety Nets beneficiaries

Different agendas with different terminologies and operational approaches, based on context

- OECD/Upper middle-income: **Activation** into work – reduce or eliminate welfare dependency from Social Safety Nets
- MICs: **Graduation** and productive inclusion strategies – emphasize SSN program “exit” and moving into (formal) market
- LIC: **Productive safety nets** - focus on moving out of vulnerability and extreme poverty into resilient livelihoods



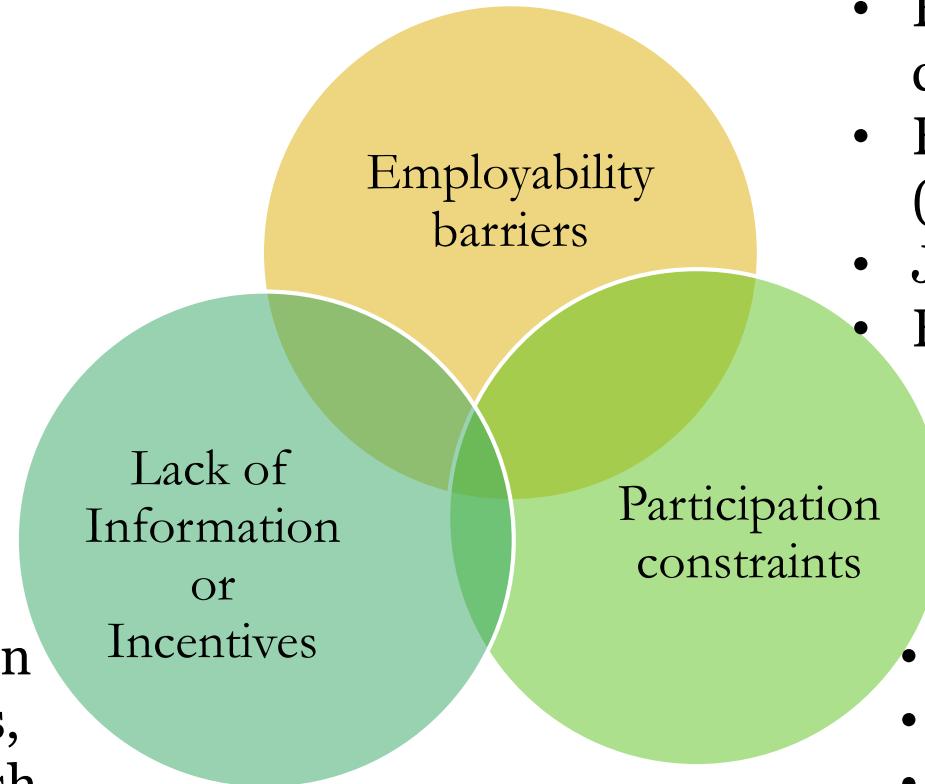
Different agendas based on maturity levels of Social Protection systems





A framework for active labor market interventions (for social safety nets beneficiaries)

Objective: address supply side constraints to (entering) productive employment...



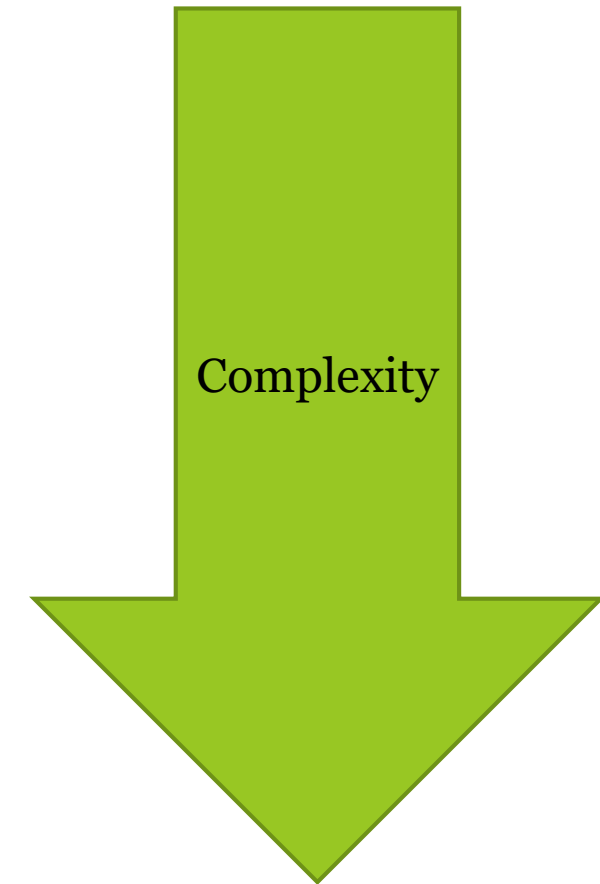
- Information deficits on opportunities, returns,
- Effect of taxes and cash benefit on returns from working

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

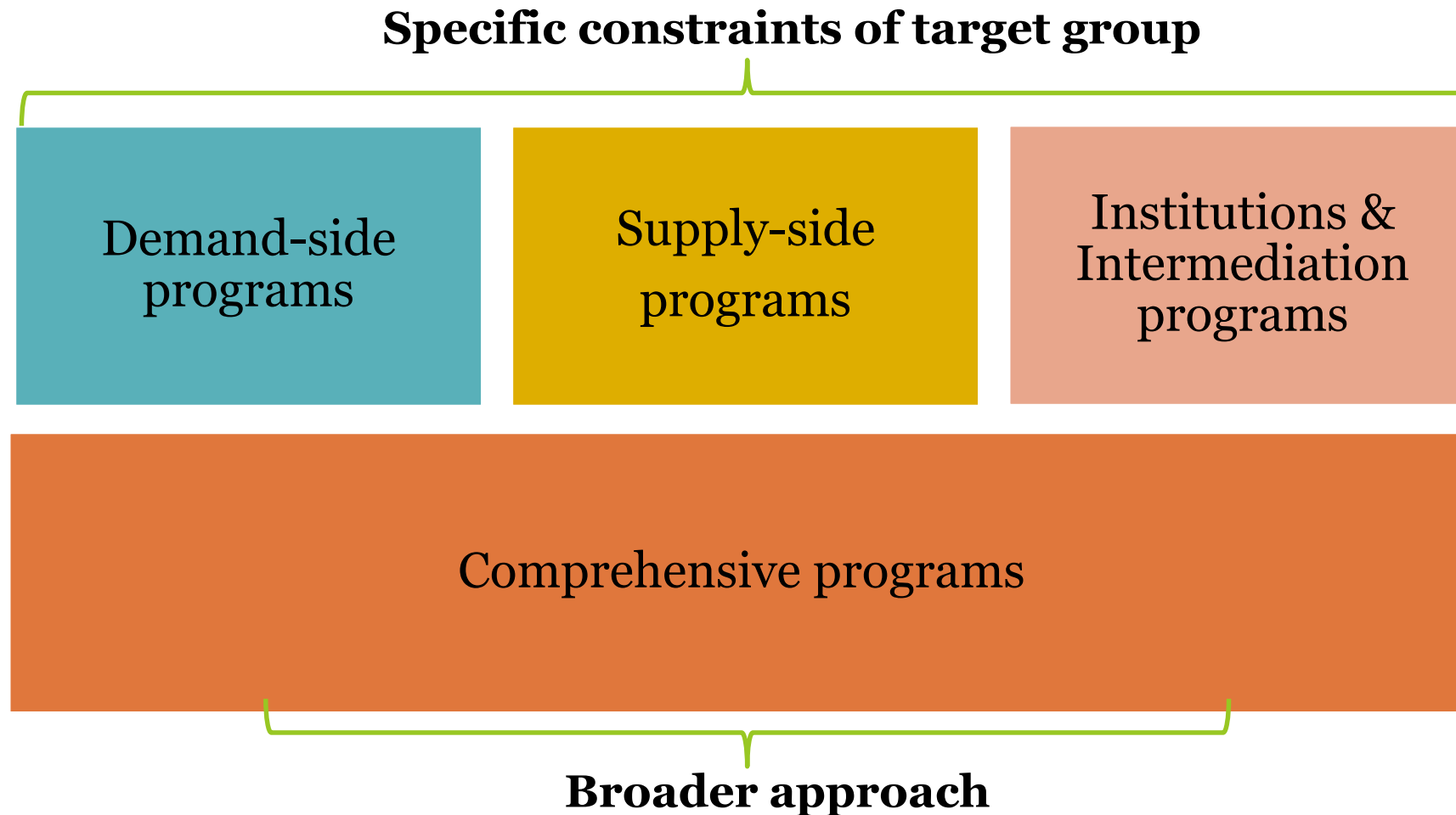
- Care-taking duties
- Lack of empowerment
- Distance from labor markets

... often coupled with explicit effort to identify, connect, or stimulate labor demand

- Identification of vacancies in specific industries
- Mobility to labor markets
- Partnerships with private employers
 - Internship programs
 - Structured Apprenticeships
- Sheltered markets
 - quotas for specific groups (e.g. PWD)
- Subsidized labor demand
 - Targeted wage subsidies



What interventions? A policy response framework



What interventions? A policy response framework

- Public works
- Entrepreneurship programs (financing, insurance, knowledge)
- Private sector incentives (wage subsidies, tax deductions, targeted regulatory exemptions..)

- Training (in classroom and on-the-job) programs with technical, cognitive & socio-emotional skills
- Supporting services (mobility, childcare)
- Coaching. Social norms, empowerment

- Improved labor institutions
- Employment services (counseling, profiling, job-search, matching)
- Information to jobseekers
- Skills signalling

A combination of demand, supply and intermediation programs

Beware... Possible unintended effects of ALMPs

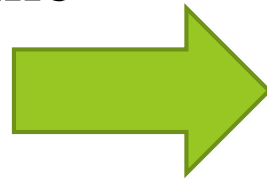
- **Deadweight loss.** It refers to the resources of the policy that go to beneficiaries who would have achieved the objective of the policy even in its absence.
 - For example, it reflects the amount of hiring subsidies that are paid for hiring workers who would be hired even without the subsidy.
 - While not completely avoidable, it can be minimized by concrete targeting of workers, for example those with the lowest exit rates out of unemployment.
- **Cream-skimming effect**, by which only workers with high employment probabilities are selected to ALMPs and need to deliver a good reemployment rate of participants into the program.
 - This can be an issue, for example, with private training providers. Can be (at least partly) accounted for into design of contracts and programs.
- **The displacement effect** in the labor market captures the fact that employment generated by ALMP might displace or crowd out regular employment, which lowers the effectiveness of the instrument.
 - For example, firms hire subsidized workers instead of hiring unsubsidized workers, or unsubsidized employed workers are fired and replaced by subsidized workers.

The evidence

What do we know about the impact of ALMPs and productive inclusion programs?

“The links from labor market and entrepreneurship interventions to actual employment, are based first on faith, second on theory, and last on evidence.” – Blattman, 2015

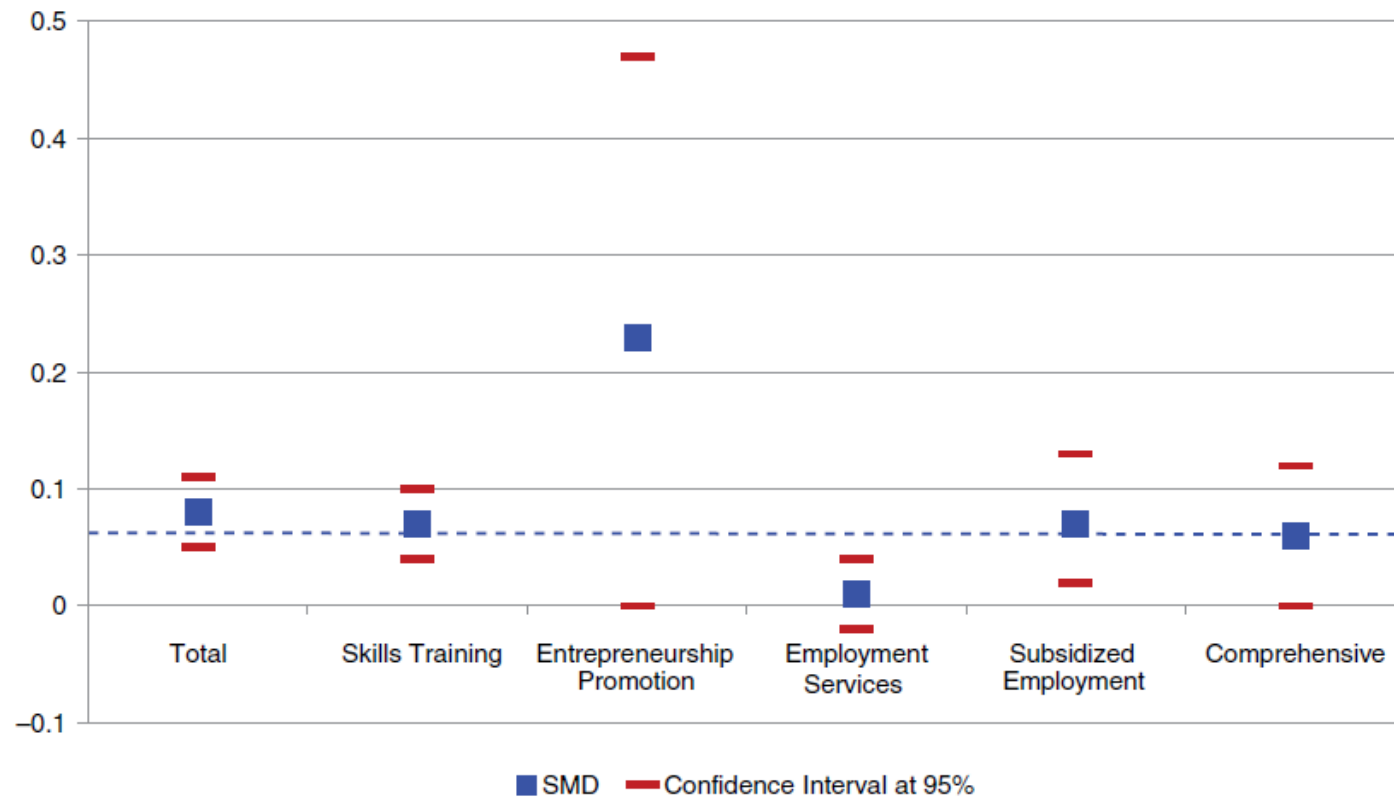
- Evidence is still very limited, especially in low- and middle-income countries
- ALMPs cannot solve systemic, long-term challenges




Investment must be selective, evidence-based, and tailored to the specific constraints it aims to address

What do we know about the impact of ALMPs and productive inclusion programs from a global metanalysis

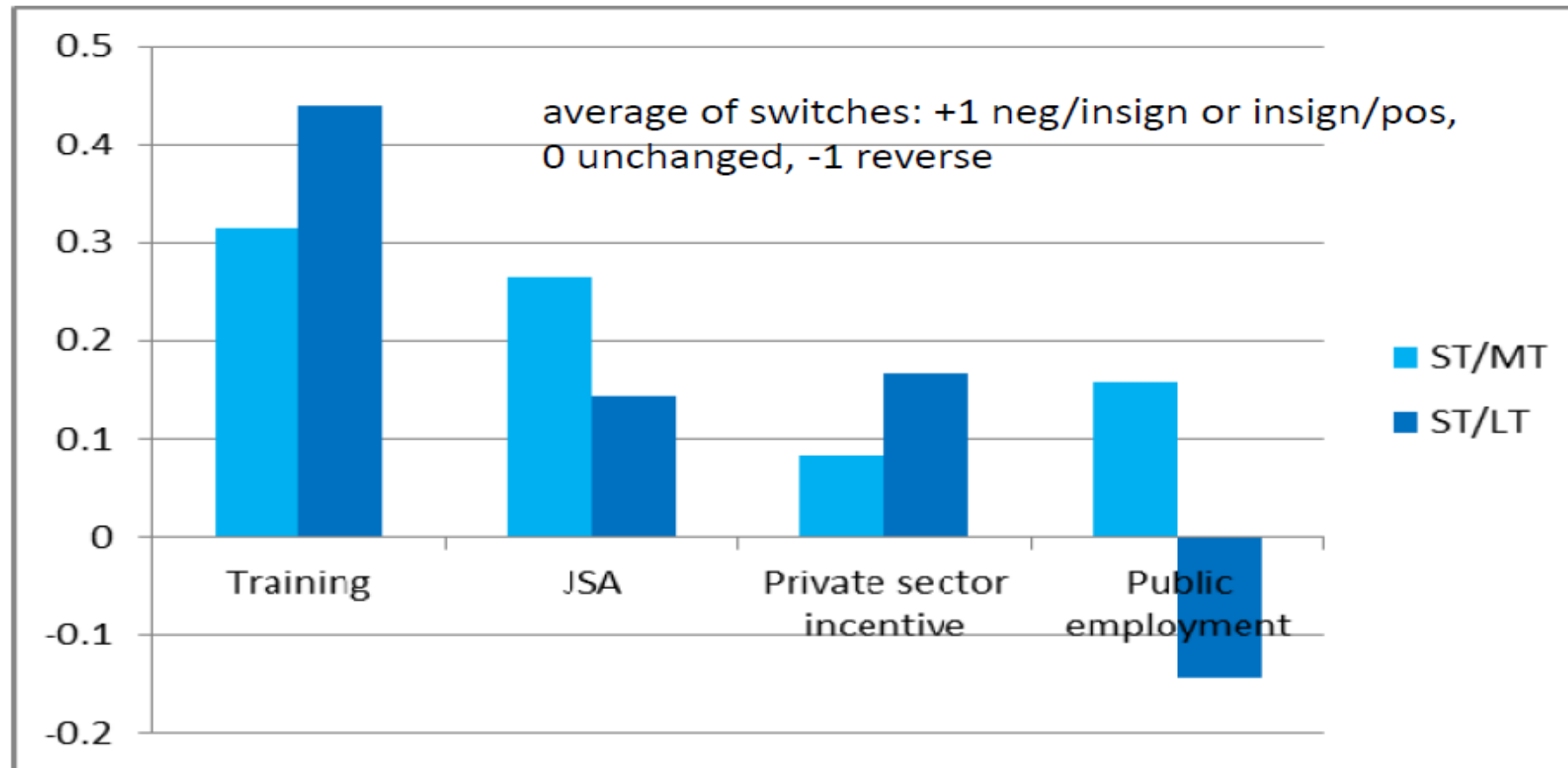
Impact on Employment Outcomes Across Main Categories of Intervention



Source: S4YE (2015) adaptation from Kluve et al. Forthcoming 2016.  GRUPO BANCO MUNDIAL

Cost-benefit considerations change depending on time horizon of interventions

Time profile by program type: sign/significance switches



Benefits are important - but so are costs

- Public works, Wage subsidies
 - Government costs are typically higher than other measures (Kluve 2014)
- Training
 - Government costs are typically medium/high (Kluve 2014)
 - On average, cost per participant is approximately \$1,000-\$2,000 in developing countries (Blattman & Ralston 2015), but with significant variation (Valerio et al. 2016)
- Information
 - Negligible costs (LaFerrara et al. 2012; Avitabile & DeHoyos 2015)
- Job-search assistance
 - Government costs are typically low (Kluve 2014)
- Comprehensive programs
 - Government costs are typically high (Kluve 2014)
 - Graduation program: costs per household (in USD PPP 2014) ranged between \$1455 in India to \$5962 in Pakistan

What are some of the common issues with ALMPs across countries?

- **Often, mostly supply-side focused**
- **Not well-aligned with the constraints of the beneficiaries, nor countries' main problems**
 - Tackling one constraint at a time
 - Informal sector
 - Women
- **Too many programs, very fragmented**
 - Institutional overlaps
 - Content overlaps
- **Governments often want to do too much themselves, and rely little on the private sector**
- **No systematic evaluation of programs and very little incorporation of lessons learned**

Demand side interventions

Rationale

- **Entrepreneurship programs**

- Credit constraints and capital market imperfections
- Information asymmetries (e.g. on market opportunities)
- Skills constraints

- **Wage/Labor cost subsidies**

- In economic downturns, firms shed “too much” labor due to wage rigidities
- Information asymmetries for groups with no prior/recent work experience
- Externalities associated with providing OJT to new staff that may not stay in the firm
- Externalities associated with employment of particular sub-groups
- Credit constraints and imperfect capital markets for young/small firms

The evidence on impact

- **Public works**

- They serve as consumption support/ safety net (*Kluve 2014*)
- Most of the evidence suggest no impact on employability in the long-term (*Kluve 2014, Card et al. 2015*)

- **Entrepreneurship programs**

- Higher impact in terms of employment creation (self-employment) than labor earnings (*Cho and Honorati 2014, Kluve et al. 2016*)
- High variation in target population and outcomes (*Kluve et al. 2016*)

- **Wage subsidies**

- They can be useful to counteract negative business cycles in the short term (*Bernhard et al. 2008, Stephan 2010*)
- Usually do increase employment for the duration of the subsidy but this impact is not sustained (*Kluve 2014*)
- Lack of appropriate testing on impacts in the long run and potential distortionary effects in the long term (*Kluve 2014*), including deadweight loss (*Betcherman, Daysal, & Pagés 2010*)

Entrepreneurship programs: what is usually included?

SKILLS (T, C, NC)

Training (technical, business K, life skills)

INFORMATION

Advisory services / networking

FINANCING

Credit, grants, insurance

BARRIERS TO ENTRY

Integration into value chains

BUSINESS ENV.

Changes in regulations / infrastructure

Togo: Business training for existing micro-entrepreneurs



Business training

- Targeting informal micro-entrepreneurs
- Two training options: business practice (“management”) training, and a personal initiative and pro-active personality (“entrepreneurial”) training
- Short-run impact: entrepreneurial training resulted in higher sales and profits, especially for women
- Mechanism: beneficiaries of the entrepreneurial training work longer hours and are more likely to introduce new products

Uganda: Youth Opportunities Program for potential entrepreneurs



- Youth aged 18-35 in conflict-affected areas are invited to form groups of about 20 people
- “Unsupervised “ grants of \$382 per member
- Beneficiaries invest in both skills training, and tools and materials
- Four years later, positive impacts on business assets, hours worked and earnings

[Multimedia](#)

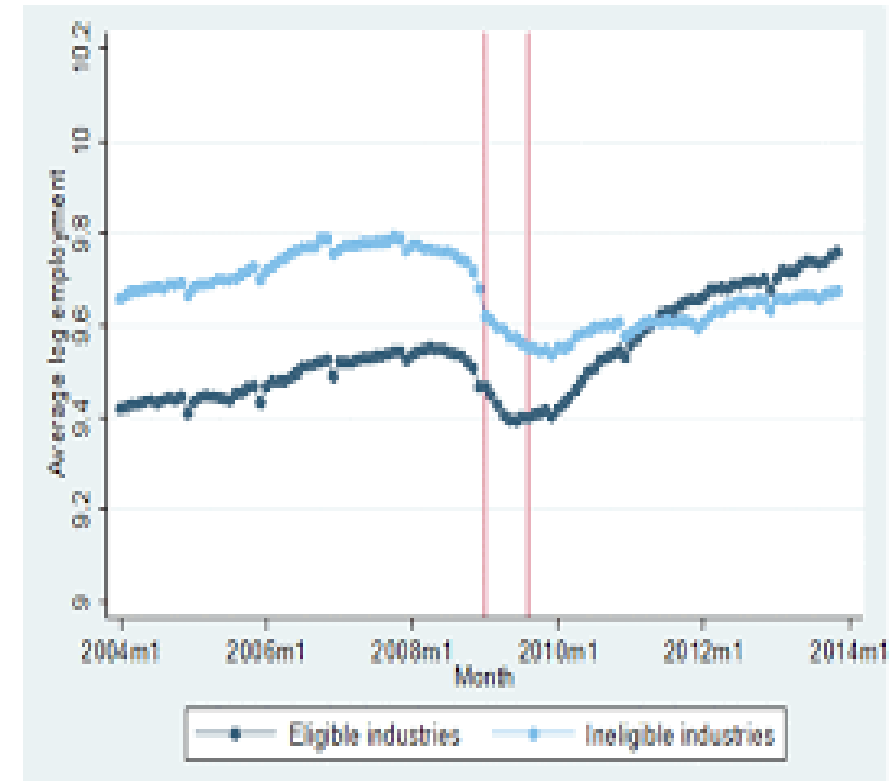
Entrepreneurship

Wage subsidies: General principles

- Can take the form of reductions in social security contributions and/or payments of part of the wage
- Not a measure to generate permanent employment
- Focus on first time/long absent from labor market job seekers
- Subsidy should follow the worker, not the employer
- Monitor, to avoid substitution effects

Mexico: wage subsidies

- Program granted firms in certain industries wage subsidies if they decided to keep their workers instead of letting them go during the economic crisis of 2009
- Large subsidy
- Positive impacts, but not statistically significant, during the program's duration, ranging from 5.7 percent to 13.2 percent
- The impact of the subsidy appears to have continued and grown after the subsidy stopped
 - Industries eligible for the subsidy went back to pre-crisis employment levels two years before those not eligible (2011 vs 2013), with 24 percent higher employment
- No evidence that the results reflect movements from formality to informality, nor of displacement effects in other industries.



South Africa: wage subsidies

- Voucher for wages (around 40 percent of the actual monthly wages given) for around 6 months.
- Those who were allocated a wage subsidy voucher were more likely to be in wage employment both one year and two years after allocation.
- The impact of the voucher thus persisted even after it was no longer valid.
- Those in the voucher group were 7.4 percentage points (approximately 25 percent) more likely to be in wage employment one year after allocation and of similar magnitude two years later.
- **Relatively few firms actually claimed the voucher.**

Supply-side interventions

The evidence on impact (1/2)

- **Training**

- Little or no impact in the short run, especially when short duration, or if only in-class training is provided (Ibarrarán & Shady 2009, Card et al. 2015)
- Effects appear to grow over time (Card et al 2018)
- Clearer positive effects of on-the-job training on employment, earnings and job quality (Monk et al. 2008, Courseuil et al. 2012, Honorati 2015)
- More effective for specific groups like the long-term unemployed (Card et al. 2015)

- **Adult literacy programs**

- Small impact on basic cognitive skills, but harder to get impacts on more complex tasks (Aker & Sawyer 2016)

The evidence on impact (2/2)

- **Supporting services – Child care**

- Strong positive effect on the mother's working decisions (Peña & Glassman 2004, World Bank 2015), employment and labor earnings (Calderon 2014)
- The effect tends to be larger for low-income families (Peña & Glassman 2004)

- **Supporting services – Mobility**

- Particularly relevant in context of rapid urbanization
- Transport subsidies can be effective in raising employment (Abebe et al. 2016)

- **Social norms and empowerment**

- Direct positive effects on labor market outcomes (Adoho et al. 2014)
- Indirect positive effects on labor by reducing psychological bias both among participants and society as a whole (De Mel et al. 2014, La Ferrara et al. 2012, Arias 2016, Adoho et al. 2014)

Latin America and the Caribbean: Jovenes Program



Training + Internships

- Combines in-classroom and on-the-job training for vulnerable youth
- Focus on both technical and soft skills
- Demand-driven approach
- Competitive bidding process for the selection of training providers
- Incentive payments schemes based on trainee outcomes
- Positive, but small, impact on employment, but higher on quality of employment (formalization and monthly earnings)

Kenya: Youth Empowerment Project



Training + Internships

- Targeting youth 15-29, out-of-school, unemployed, most with some education
- Implemented by public-private partnership
- Formal + Informal private sector firms
- Full program: 3 months of training (life-skills, vocational, business) + 3 months of internships in sectors identified in the national development strategy
- Partial program: 2-week life-skills training
- Full program led to 15% increase in employment, no impact of the partial program



Intermediation and Information

Evidence on impact

- **Employment services**

- Positive short run effects (ok; it is about speeding up and improving the matching process), although usually small in magnitude. But cost-effective (*Kluve 2014, Kluve et al. 2016*)
- Not likely to have a significant impact in times of weak labor demand
- Most evidence comes from developed economies, but this is changing rapidly
- Positive impact on academic achievement and labor market outcomes of providing labor market information (*Jensen 2010, Hicks et al. 2011*)

South Africa: Low cost intermediation and information

- Low-cost interventions
 - Signaling devices: reference letter template
 - Behaviorally-informed assistance in job search: goal setting plus action plan
- Through labor office
 - Stipend of US\$2 for travel costs
- Results cover letters intervention
 - 59% increase in response (from 4.2 to 6.5%) and in interview rates (from 2.2% to 3.6%)
 - Employment likelihood doubles for women (from 11.7% to 23.4%)
- Results action plan intervention
 - No effect on the number of hours spent searching for work, but increases in the number of applications sent per month (from 4 to 5)
 - Positive effect on employment likelihood (from 11.5% to 16.1%)

Integrated demand-supply interventions

Nepal - Adolescent Girls Employment Initiative



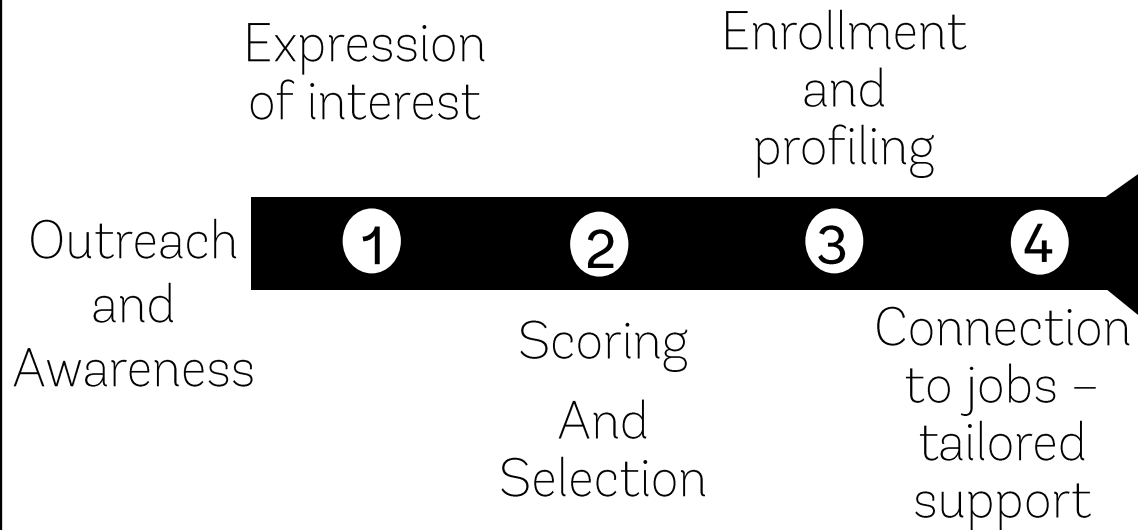
- Tailored to reach a specific population group, including proactively bringing information to remote areas
- Information + Psycho-social support + Soft skills + Training + Certification
- Impact: Increase in non-farm employment and earnings

Implementation features:

- Trainers competitively selected among TVET institutions, public and private providers, skilled artisans
- Providers asked to complete a Rapid Market Assessment to ensure courses are market-driven
- Strong monitoring embedded
- Results-based: upon verification, trainers receive outcome-based payment that is higher for trainees

Tunisia Youth Economic Inclusion Project

Component 1: SUPPLY SIDE



Component 2: DEMAND SIDE

Support to high-potential value chains (VC): technical assistance and matching grants to SMEs (250 – 300), infrastructure, policies

Disadvantaged youth in the **entrepreneurship track**

Disadvantaged youth being placed in non-participating firms or in other donor programs (**employability track**)

Component 3: Project Management and Monitoring

Online matching system
Participatory platform for youth



Coordination with Social Safety Nets

Some key principles for coordination of SSN and Employment Support

▣ **Tailored services:**

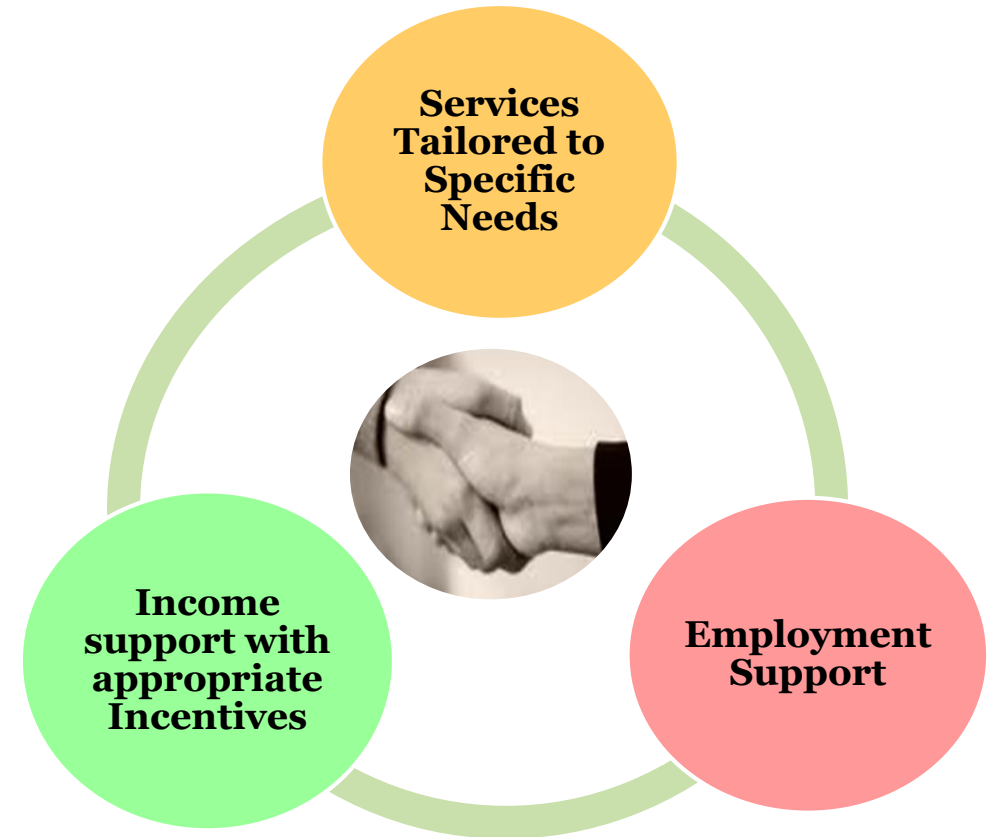
- Profiling to identify possible interventions out of an existing menu of approaches
- Initial referral & follow-up
- Requires the collaboration of several agencies according to very specific protocols and appropriate budget incentives (hard to serve cost more!)

▣ **Incentive-compatible income support**

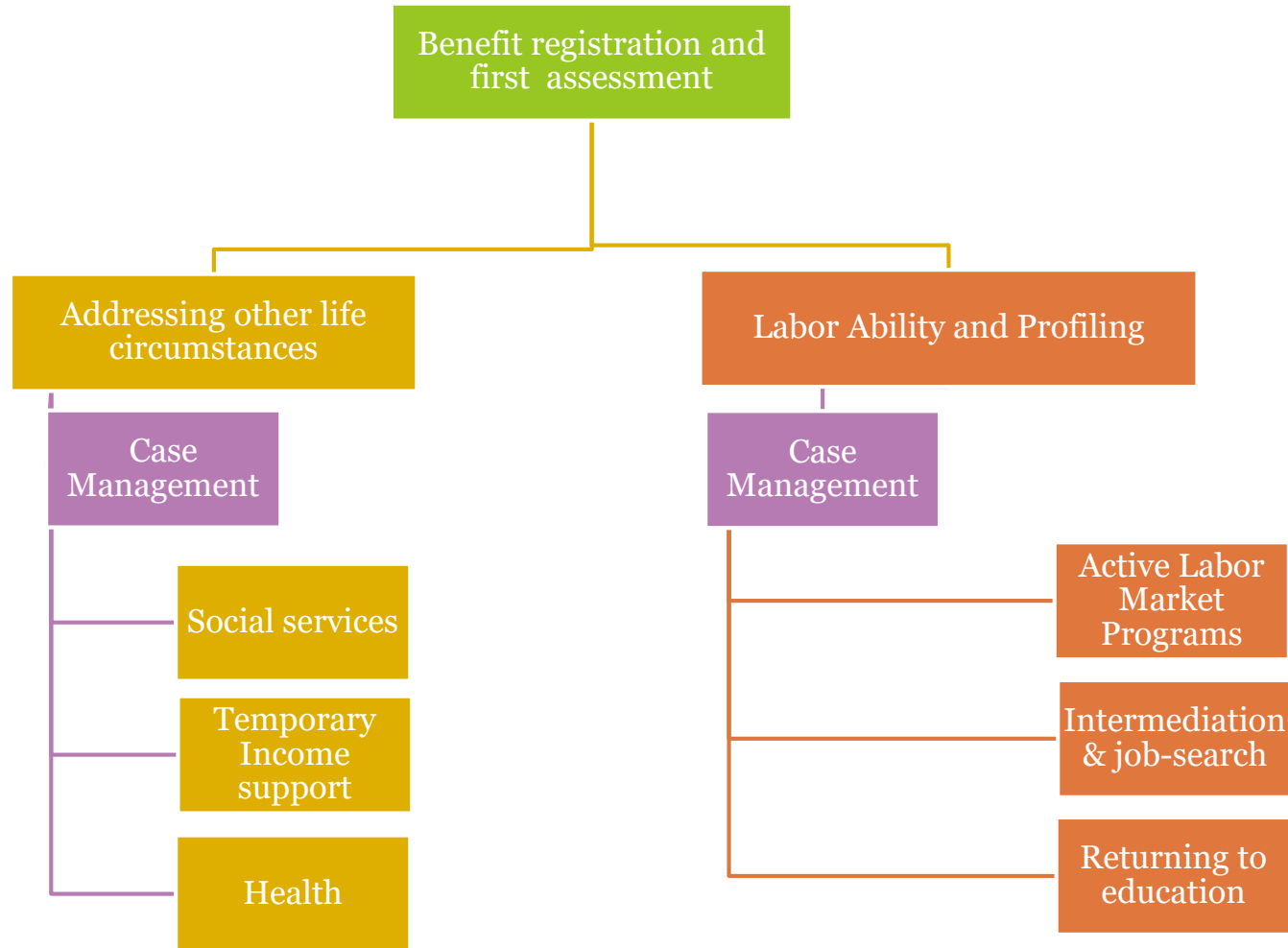
- Benefit amount, targeting method and graduation rules should not disincentivize work, formal wage work
- In some contexts, conditionalities and sanctions may be appropriate (careful with requiring what you cannot deliver!)

▣ **Employment support**

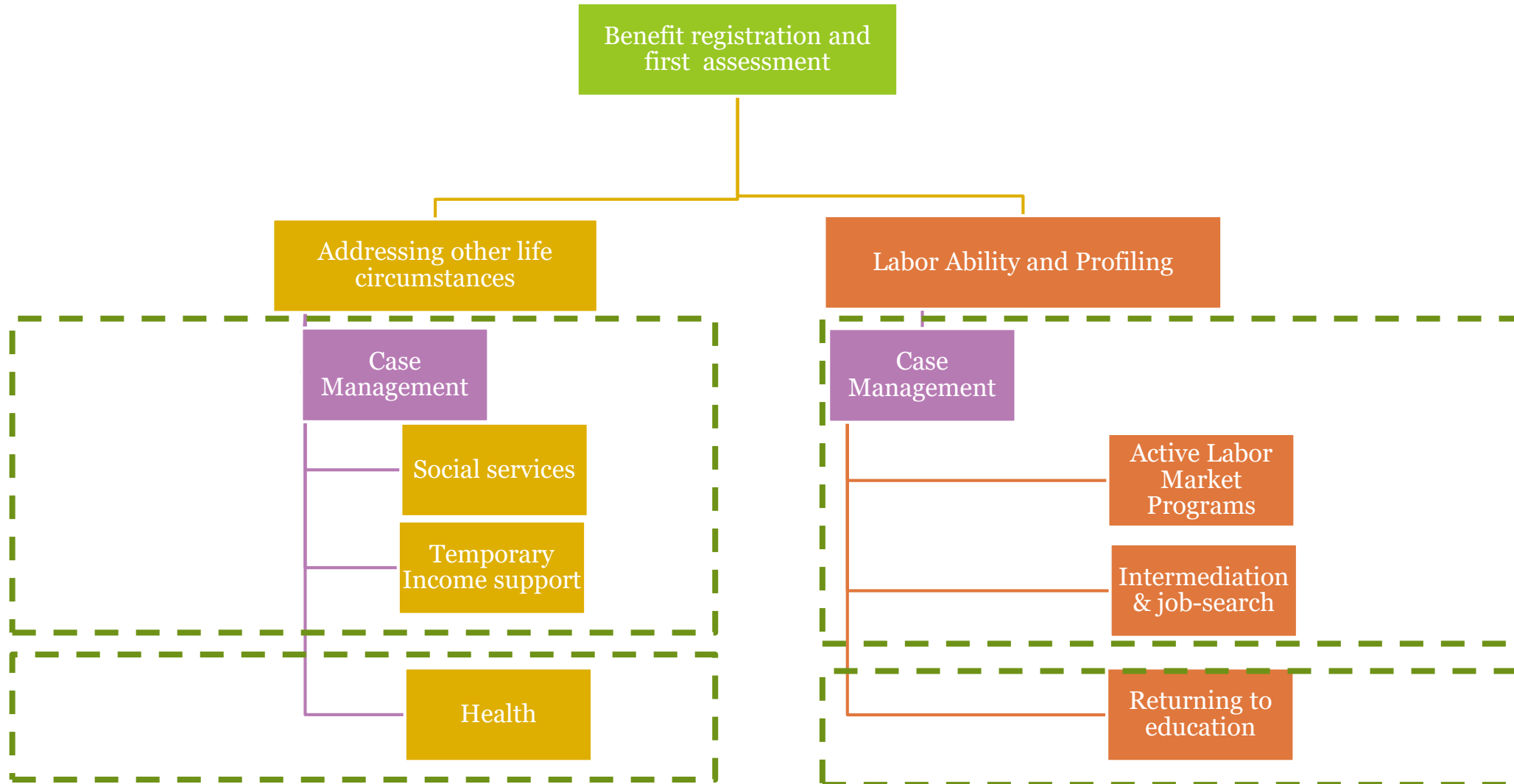
- Exploit comparative advantages of existing institutions, to the extent possible (e.g. training programs)
- Adapt of existing programs to the beneficiaries' needs
- may require specific/new service to fill gaps in provision (e.g. literacy, numeracy)



Stylized example of activation process for social assistance beneficiaries in high-capacity context



These processes usually require the coordination between several delivery institutions, benefits and information systems





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Group work



Building on existing context, programs, institutions, population, fiscal constraints...

Target group

Profile / constraints

Intervention(s) proposed

Institution involved

Delivery and coordination
arrangements

Key outputs and
outcomes