



Latin America's approach to labour training programmes changed dramatically in the 1990s, shifting from a supply-driven to a demand-driven model. Many of these programmes have been rigorously evaluated, yielding useful lessons for other regions.

FROM SUPPLY- TO DEMAND-LED: LABOUR TRAINING IN LATIN AMERICA

SUMMARY

Over the past two decades, most Latin American countries began to see the need to reform their labour training systems. Up until this time, traditional training in Latin America had been supply-driven, with large-sized public sector institutions providing training based on what they perceived was needed within a state-led industrial development framework. Graduates of these training institutions were supposed to be absorbed by the emerging industrial sector. However, this model broke down during the crisis-ridden 1980s, as the firm-size structure of the economy shifted dramatically towards smaller firms and the informal sector grew exponentially. The response in the 1990s was a demand-driven approach, where the state had a role in financing, but much less so in providing training. A host of programmes along these lines were implemented across Latin America, many of which included built-in impact evaluations. This Brief begins by describing general features of the shift to a demand-led approach to labour training and highlights some of the main programmes in the region. It then presents the results of the impact evaluations undertaken, concluding with some key lessons that may be useful for labour training initiatives in other contexts.



THE INSTITUTIONAL SETTING: THE 1990s AND ECONOMIC AND LABOUR MARKET REFORMS

According to [Latinobarómetro](#),¹ between 1994 when the survey was first implemented through to 2007, Latin Americans consistently identified unemployment as the main problem facing the region. There are good reasons for this. In the 1950s, when the traditional training institutions were first created, the market absorbed lots of new workers in both emerging and expanding industrial sectors. However, by the 1990s, the Latin American labour market had lost its dynamism. Unemployment rates were high and increasing across South America.²

¹ *Latinobarómetro* is a public opinion survey conducted annually in 18 Latin American countries.

² Of course there were differences across countries. For example, in countries in Central America - such as Costa Rica, Honduras and Panama - as well as Mexico, labour market participation rates were rising, and though there were varying increases or decreases in unemployment rates, these changes were moderate. In Brazil, Chile and Uruguay, the increases in the unemployment rate were moderate to sharp, and in Bolivia, Colombia, Venezuela and Peru, there were sharp increases. See also: Duryea, S., Jaramillo, O., Pagés, C. 2003. [Latin American Labour Markets in the 1990s: Deciphering the Decade](#). Inter-American Development Bank (IDB), Washington, DC.



The labour market reforms implemented in the 1990s were a response to these unemployment statistics, which had their origins in the debt crisis that Latin America faced in the 1980s, known as the lost decade.³ The diagnosis was that Latin American labour markets, with regulations dating back to the import-substitution era, were too rigid for an increasingly globalised economy characterised by open markets and greater competitive pressures. In this context, some measure of liberalisation was believed to be able to help firms compete in the global market and, consequently, generate more employment and better working conditions. Reforms were implemented that aimed to facilitate use of temporary contracts and subcontracting arrangements, reduce termination costs and put a check on non-wage labour costs.

Structural unemployment - caused by a poor match between the supply of skills and labour demand - was a key part of the story of high unemployment rates. One of the main culprits in this case was the traditional training system, which was unable to keep up with the highly dynamic goods and services sector.

EVOLVING CHALLENGES FOR TRAINING SYSTEMS

The supply of labour training, covering the different sectors of the economy, can be divided into two main types. The first is formal training that involves technical institutions (vocational training centres, sector services⁴), institutions of higher education and secondary schools that offer technical education. The second is non-formal training that is offered by NGOs, firms, and by some universities. Mostly, programmes are orientated to young people without any qualification beyond having completed some basic schooling, and also to unskilled or semi-skilled young workers.

In this section we will address the supply-driven model, the first model that became popular in Latin America, before turning to the evolution towards a more demand-driven model and the existing evidence about the effectiveness of the new approach.

Traditional Supply-driven Training

The 1950s saw the emergence of large, state-sponsored training institutions in Latin America. The approach came from the assumption that the problems that labour markets faced in accessing skilled workers came from the supply side. Demand for employment was dynamic, so vocational training graduates did not face significant difficulties in finding suitable jobs.⁵ Brazil's National Service for Industrial Apprenticeship, [SENAI](#) (1942), and the Colombian National Apprenticeship Service [SENA](#) (1957) were taken as models for the creation of the Latin American training programmes. While Brazil's SENAI focused on the industrial sector, Colombia's SENA offered services for different sectors, from trade to industry. Three separate institutions were then established in Brazil, [SENAC](#), SENAR and SENAT, which focused on commercial, rural and transport sectors, respectively. Other countries followed suit, including the National Service for Industrial Training - [SENATI](#) (Peru), the National Learning Institute - [INA](#) (Costa Rica), the National Institute of Training and Education - INCE (Venezuela), now called [INCES](#), the Public Center of Innovation and Technological Development - [INFOTEC](#) (Mexico) and the National Training Institute - [INACAP](#) (Chile).⁶

Typically these initiatives were promoted by business associations, but the institutions were created by law. Funding came from contributions of associates that were regulated in the originating laws and typically were a small percentage of each firm's payroll. Some of these institutions were publicly managed, while others, such as Brazil's SENAI and Peru's SENATI, were run by the business associations themselves. The institutions were quite successful, training many generations of highly skilled workers, and for a number of decades enjoyed a good reputation.

The reality of these training systems changed with the onset of economic crisis in the 1980s. The crisis exposed the weaknesses of state-sponsored industrialisation. The Latin American 'modern sector' lost its dynamism while the labour supply kept expanding, driven by both demographics

³ Weller, J. 1998. [Los Retos de la Institucionalidad Laboral en el Marco de la Transformación de la Modalidad de Desarrollo en América Latina](#) (*The Challenges to Labour Institutionalality in the Framework of the Transformation of the Development Modality in Latin America*). ECLAC, Santiago de Chile.

⁴ These services exist in the industrial, communications, commerce and tourism sectors. For instance, the National Service for Industrial Training (SENATI) is a service financed by industrial firms that have to pay a monthly payroll tax of 0.75%. SENATI offers 'operative technician', 'junior technician' and 'senior technician'.

⁵ De Moura, C. 1998. [The Stubborn Trainers vs. the Neoliberal Economists: Will Training Survive the Battle?](#) Inter-American Development Bank (IDB), Washington, DC.

⁶ For more information, see: ILO. 1999. [Training, Labor and Knowledge: The Latin American and Caribbean Experience](#). ILO, Montevideo.



and urbanisation. Self-employment and microenterprise was the response to the reduction in formal sector labour demand, meaning an informal sector emerged as an increasingly important aspect of the economy.

The 'old' training institutions had considerable difficulties in adjusting to shifts in labour market demand and to the needs of the growing small and microenterprise sector. Most of these institutions did, however, try to experiment with training that was suitable for these smaller companies. One of the better known and more successful experiments was the *Talleres Populares* (Popular Workshops) of Costa Rica's INA. They offered courses in popular trades and encouraged trainees to start producing for the market soon after they started their training. However, most of these experiments remained small, individual initiatives that were never replicated on a larger scale.⁷ By the beginning of the 1990s, countries increasingly came to believe that there was a mismatch between productive sector demands and the supply of skilled labour.

The 1990s also brought efficiency to the forefront of the economic agenda. Budgets tightened as fiscal discipline was embraced. Mandatory contributions, both generally and specifically to training institutions, were under attack by both governments and dissatisfied business owners. Training institutions were accused of offering narrow, shallow and overly-specialised training in old-fashioned and increasingly unnecessary occupations. They had also amassed a large administrative staff, which made them expensive and ineffective. For example, at one point in time, the INA was unable to spend its entire budget, creating the image that it had too much money.⁸ It was in this context that some governments began reducing the budgets of these institutions in order to redirect public funds to what were considered to be better targeted, more efficient social programmes with a demand-driven approach. This trend expanded quickly during the 1990s.

THE NEW 'DEMAND-DRIVEN' APPROACH TO TRAINING

Enabling Reforms

The response by Latin American governments to this crisis in the market for labour training was to shift the focus of its efforts and subsidies from the supply to the demand side; from

the institutions to the users. Thus a new generation of demand-driven training programmes was born. The purpose of the reforms was to make training institutions more responsive to the demands of the productive sectors. These reforms looked to strengthen collaboration between enterprises and training centres. They also aimed to improve the quality of the trainees coming out of the programmes and reduce the cost of training. Finally, one of the problems of supply-driven programmes was the centralisation of training decisions. Governments tried to resolve this by devolving management of training to the regional, sector and local levels.⁹

These new ideas found attentive ears in external sources of funding, and so institutions like the Inter-American Development Bank became important supporters of the new training approach.

Demand-driven Training

As mentioned above, the defining feature of the new approach is its focus on the demand rather than on the supply side of the market. Another important feature is its reliance on market mechanisms to allocate resources for training. The typical programme finances training courses for targeted populations, typically underprivileged youth, but makes training institutions compete for these resources through bidding processes, where quality, cost-efficiency and relevance are the main criteria to allocate resources. This mechanism intends to resolve the mismatch between supply and demand for skills through the use of several instruments: internships combined with classroom work; on-the-job training; and letters of commitment by firms to take graduates as employees for a period of time.

Table 1 highlights the key differences between the supply- and demand-driven models. In the earlier supply-driven model, the key factor is the role of public institutions to provide services for the target group, while in demand-driven models, the idea is to create a mechanism that will boost competition among training entities and thus enhance the workings of the training market. The preferred mechanism has been public funding for courses for underprivileged groups, contingent on relevance, meaning proof that demand for the skills exists, and quality. Training institutions, often in association with business groups or individual businesses, compete for funding,

⁷ Ibid.

⁸ Ibid.

⁹ ILO. 2000. [Training for Employment: Social Inclusion, Productivity and Youth Employment](#). Report 5 of the International Labour Conference, 88th Session, 2000. ILO, Geneva.



generating more efficient outcomes for all involved: more business for training institutions, better training for workers, and businesses with access to more skilled workers.

Table 1: Differences Between Supply- and Demand-driven programmes

Supply-driven	Demand-driven
Public institutions plan supply of training	Private actors, such as firms and training institutions, participate in planning
Public resources fund training institutions directly without the use of competitive bidding	Training institutions compete for public funding
Training focuses on what planners deem appropriate for productive sector development. Limited use of consultation with private sector.	Programmes are market-oriented: training institutions contact private sector firms to identify demands and firms agree to provide internships to trainees
Employability goals not considered	Training intends to increase employability of participants

Own elaboration.

Source: Author's view on the subject, and: Rosas, D. 2006. [Impact Evaluation of PROJoven Youth Labor Training Program in Peru](#). Inter-American Development Bank, Washington, DC.

Country Examples of Demand-side Programmes

The Mexican PROBECAT and Chilean *Chile Joven* programmes, which began in 1984 and 1991 respectively, emerged as models for demand-driven training initiatives throughout the region. In the Mexican programme, trainees received classroom training in the firms where they were interns. In the Chilean programme, trainees were trained first, and then they were employed as interns at private sector firms. During the late 1990s, variations of the PROBECAT model were adopted in Central America; while in the mid-1990s, variations of *Chile Joven* were created in Venezuela and Argentina, and then extended to Peru, Colombia, Uruguay, the Dominican Republic, Panama and Haiti.¹⁰

Below we offer a brief description of some of these programmes,

before turning to the evidence of their effectiveness.

PROBECAT (Mexico): Created in 1984, this was the first demand-driven training programme in Latin America.¹¹ Its full name, Job Training Scholarship Programme for Unemployed Workers (*Programa de Becas de Capacitación para Desempleados*), indicates its focus on the unemployed, and in particular those living in urban areas.¹²

Chile Joven: This was one of the first demand-training programmes in South America.¹³ For this reason, it was taken as a model for the implementation of other training programmes supported by the Inter-American Development Bank (IDB) and the International Labour Organization (ILO). It started in 1991 and it was targeted at a group of at-risk urban youth.¹⁴

ProJoven (Argentina): This youth programme (*Proyecto Joven*) was created in 1994, based on the Chilean job training programme. It offered training to young people living in poor households, who were 16 years old or older, had attained less than secondary education and were unemployed or out of the labour force. The programme gave the trainees an average of 200 hours of training, plus other benefits.¹⁵

ProJoven (Peru): Building on the Chilean and Argentinean programmes, the Peruvian Youth Labour Training Programme was created in 1996 by the Ministry of Labour. Its aim is to improve employment opportunities of youth in poverty and to strengthen the quality of services in the vocational training market.¹⁶

Jóvenes en Acción (Colombia): The Youth in Action (*Jóvenes en Acción*) programme started in 2001. It provided training to young people living in urban areas who were unemployed and whose households were in the two lowest deciles of the income distribution.¹⁷ It consisted of three months of classroom training and an additional three-month internship in a private firm.

¹⁰ Ibarra, P., Rosas, D. 2007. [Impact Evaluation of a Labour Training Program in Panama](#). Inter-American Development Bank (IDB), Washington, DC. Unpublished document.

¹¹ Delajara, M., Freije, S., Soloaga, I. 2006. [An Evaluation of Training for the Unemployed in Mexico](#). Inter-American Development Bank, Washington, D.C.

¹² Wodon, Q., Minowa, M. 2001. [Training for the Urban Unemployed: A Reevaluation of Mexico's Training Program, Probecat](#). World Bank, Washington, DC.

¹³ Aedo, C., Pizarro, M. 2004. [Rentabilidad Económica del Programa de Capacitación Laboral de Jóvenes 'Chile Joven'](#). (Economic Profitability of the Youth Labour Training Programme 'Chile Joven'). INACAP and Mideplan, Santiago de Chile.

¹⁴ González-Velosa, C., Ripan, L., Rosas-Shady, D. 2012. [How Can Job Opportunities for Young People in Latin America be Improved?](#) Inter-American Development Bank (IDB), Washington, DC.

¹⁵ Alzuá, M., Brassiolo, P. 2006. [The Impact of Training Policies in Argentina: An Evaluation of Proyecto Joven](#). Inter-American Development Bank (IDB), Washington, DC.

¹⁶ Díaz, J., Jaramillo, M. 2006. [An Evaluation of the Peruvian "Youth Labour Training Program" - PROJOVEN](#). Inter-American Development Bank (IDB), Washington, DC.

¹⁷ Attanasio, O., Kugler, A., Meghir, C. 2008. [Training Disadvantaged Youth in Latin America: Evidence from a Randomized Trial](#). National Bureau of Economic Research (NBER) Working Paper 13931. NBER, Cambridge.



Juventud y Empleo (Dominican Republic): Implemented by the government of the Dominican Republic with financial support from the Inter-American Development Bank, Youth and Employment (*Juventud y Empleo*)¹⁸ began with a first phase running from 2001 to 2006. It focused on young people from a low-income background with less than a secondary education who were not enrolled in regular schooling, and gave special emphasis to enrolling women.¹⁹

ProCaJoven (Panama): The Panama Youth Training Programme (*Programa de Capacitación de Jóvenes*) started in 2002.²⁰ It was focused on disadvantaged and unemployed young people and other at-risk groups, with the aim of improving their employment prospects.²¹

Common Characteristics across the Region

Table 2 summarises some of the key characteristics of the training programmes presented. As is shown, all of these programmes have similar objectives, components and mechanisms, though each one does also have some distinct features. First, there are some specific objectives these types of programmes commonly establish; for example, all of them aim to increase employment or employability of their beneficiaries and to support the development of a private market for training services.

Some countries, such as Argentina, Chile, Colombia, and Peru, have a specific focus on socially disadvantaged populations who face difficulties in actively participating in the formal labour market; these programmes thus also aim to improve opportunities for the poor as one of their goals. Peru's *PROJoven* was the only training programme that aimed to increase the wages of beneficiaries. Finally, a few also aimed to enhance the labour market or increase productivity overall.

The mechanisms used by these programmes were similar across countries. All of them relied on a demand-

driven mechanism to allocate public funding for training, though only Argentina and Mexico also included a supply-driven mechanism. All programmes include a stipend for participants, though the specific justification for the stipend varied from one country to the next, and only Peru's *ProJoven* includes a stipend specifically for women and single-mothers.²² Also, although all of them were orientated to private training institutions and thus provision of courses was mainly from private firms, most of them worked with public entities as well. And most programmes offer internships in private firms at the end of the training.

These training programmes also have some similarities in terms of their components.²³ Components in Table 2 relate to features of the design of programmes like target population and choice of services, and job-search support.

The core content is the combination of school-based training and work experience. In addition, all of them include an institutional component, orientated to strengthening the vocational training market.

Beyond these features, each programme has its particular characteristics. For instance, training for public works is included only in Colombia. Self-employment is included in four out of the seven countries. Finally, most of them include labour intermediation such as matching beneficiaries to vacancies, but only in Mexico does the programme offer job-search counselling.

PROGRAMME IMPACTS

One of the features of this generation of labour training programmes is the focus on measuring impacts. As a result we have relatively ample evidence on the effects of these programmes.²⁴ Table 3 summarises results of impact evaluations of training programmes in Latin American countries carried out by the Office of Evaluation and

¹⁸ Nikolaidis, N. 2012. *Entrepreneurship and Demand-Driven Training: The Way to Realize the Potential of Youth?* Education for All Global Monitoring Report. UNESCO, Paris.

¹⁹ Card, D. et al. 2011. *The Labor Market Impacts of Youth Training in the Dominican Republic: Evidence from a Randomized Evaluation.* *Journal of Labor Economics* 29(2) 267-300.

²⁰ Ibarra and Rosas 2007, above n 10.

²¹ Ricart, C. et al. 2002. *Assistance Program for the Building of a Training and Employment System in Panama.* Inter-American Development Bank (IDB), Washington, DC.

²² More on this below in the section on the gender component in training programmes.

²³ For further information on the typical components of labour training programs in Latin America, see the [ELLA Guide to Active Labour Market Policies in Latin America](#).

²⁴ Most of these impact evaluation studies followed the standard methodology for programme evaluation, as described by Heckman et al. (1999). See: Heckman, J., Lalonde, R., Smith, J. 1999. *The Economics and Econometrics of Active Labour Market Programmes.* In: Ashenfelter, O., Card, D. (eds), *Handbook of Labour Economics.* Amsterdam.

Table 2: Characteristics of Selected Training Programmes

	Argentina	Chile	Dominican Republic	Colombia	Mexico	Panama	Peru
MAIN OBJECTIVES							
Increase employment/employability	X	X	X	X	X	X	X
Increase wages							X
Social insertion	X	X		X			X
Enhance labour market	X				X		
Raise productivity	X				X	X	
Develop a private market for training services	X	X	X	X		X	X
COMPONENT							
Labour intermediation							
Information/counselling	X		X		X	X	X
Financial support for job search					X		
Public works				X			
Training for							
School-based training	X				X		
School + work experience	X	X	X	X	X	X	X
For self-employment		X	X	X	X		
For at-risk population						X	
Training for active workers							
Training in MSM firms	X				X	X	
Institutional	X	X	X	X	X	X	X
MECHANISM							
Demand-driven	X	X	X	X	X	X	X
Supply-driven	X				X		
Stipend to participants							
Transport / lunch / health insurance	X	X	X	X	X	X	X
Income support			X	X	X		
Special stipend for women / single mothers							X
Publicly funded training	X	X	X	X	X	X	X
Provision of training courses							
Public	X	X		X	X		X
Private	X	X	X	X	X	X	X
Internships arranged by training	X	X	X	X		X	X
INSTITUTIONAL BASIS							
Executing							
Existing institution	X	X			X	X	
New, parallel to regular bureaucracy			X	X			X

Source: Ibarraran, P., Rosas, D. 2009. [Evaluating the Impact of Job Training Programmes in Latin America: Evidence from IDB Funded Operations](#). *Journal of Development Effectiveness* 1 (2): 195-216.

Oversight (OVE) at the Inter-American Development Bank.²⁵

The methodologies used varied from randomised experiments - the gold-standard of evaluation methods - to quasi-experimental designs based on the construction of appropriate control groups. Both Colombia and the Dominican Republic randomly assigned potential beneficiaries to receive the training so as to ensure that ex-ante both treatment and control groups, meaning those that received the training

and those that did not, were comparable in every relevant way. On the other hand, Panama took advantage of a natural experiment where a control group existed because they did not receive training due to complications in the administrative process for the approval of courses. Finally, the programmes in Argentina, Chile, Mexico and Peru used propensity score matching, a non-experimental technique that matches beneficiaries and non-beneficiaries on the basis of observable relevant characteristics.

²⁵ This draws on the following article systematising a variety of impact evaluations: Ibarraran, P., Rosas, D. 2009. [Evaluating the Impact of Job Training Programmes in Latin America: Evidence from IDB Funded Operations](#). *Journal of Development Effectiveness* 1 (2): 195-216.



These evaluations intended to focus on the measurable impact of the programmes on relevant indicators from a public policy perspective. The indicators chosen were employment rates, formality and wages, and in the case of Peru's *PROJoven*, gender segmentation was also an outcome considered. The central research question was: do social programmes have any impacts on participants? And if so, what are they?

We can observe heterogeneity between these countries and between different groups of beneficiaries. As far as employment, effects range from zero in Argentina and the Dominican Republic, to insignificant in Panama (when looking at the country overall), and significant in Peru and Colombia. The most interesting result, however, is that effects in terms of employment and wages tend to be positive for women, but not for men, as discussed further below. Contrastingly, effects on formal employment tend to be positive across the board.²⁶

Overall, then, the evidence suggests that impacts of this type of training programmes are not necessarily on employment, but most likely on the quality of employment: formality and wages. Further, the impacts may be quite different for men and women, with training programmes seeming to have greater impacts on women, as the next section highlights.

Gender Impacts of Training Programmes

As mentioned, one of the most interesting aspects of the evidence is that impacts are stronger on women than on

men. Effects in terms of employment tend to be positive for women, but not for men, as was found in Colombia, Panama and Peru. In the case of wages, the clearest effects again are on women, such as in the cases in Colombia, Panama and Peru. It was only in formal employment where impacts are similar for women and men.²⁷

Interestingly, the disproportionate impact on women occurs even in programmes that do not specifically target women or otherwise provide particular services to facilitate women's participation. In fact, Peru's *PROJoven* programme is rather the exception than the rule because it includes a special stipend for single mothers with children up to 6 years old. The reason Peru included this component was to compensate for the fact that women face greater barriers to adequate labour market insertion.²⁸

One evaluation study from Peru examined the effect of the programme on labour market segregation along gender lines.²⁹ Segregation in this case referred to the fact that certain occupations are reserved for a certain gender, either male or female. The results indicated the programme led to a significant reduction of 20% in an index of occupational segregation for the beneficiary group.

Overall, then, in the context of Latin America, evidence indicates that effective training programmes may be a policy tool to reduce gender gaps in the labour market.³⁰

Table 3: Labour Market Impacts of Job Training Programmes

Country	Employment Rate	Formality	Wages
Dominican Republic	None, higher (5-6%) but not significant in the East & Santo Domingo	Health-insurance 9% higher for men (43% vs. 34%)	17% (marginally significant), larger for males under 19
Colombia	5% for women, none for men	6-7% for women; 5-9% for men	22% for women, 10% for men
Panama	Overall not significant 10-12% for women and in Panama City	Overall not significant, probably higher outside Panama City	Overall negligible, large for women (38%) and in Panama (25%)
Peru	Large, 13% (much higher for women, 20%, than for men, negligible)	Large: overall 11% (14% women, 5% men)	12-30%
Argentina	0%-11%, 10-30% for youngest (<21)	0%-3%, 6-9% for youngest in one cohort	No significant pattern
Mexico	Overall, no clear pattern; on-the-job training robust positive effects (12-30%)	Positive effects (10-20%) since 2002	No consistent patterns, at best small and mostly not significant
Chile	18-22% (larger for youngest groups)	15-23% (larger for youngest groups)	22-25%, imprecisely estimated

Note: employment figures show differences in percentage points *vis-à-vis* the comparison group, while the wages refer to percentage differences. Significance refers to statistical confidence, significant denoting 5% and marginally significant denoting 10%.

Source: Ibarra, P., Rosas, D. 2009. [Evaluating the Impact of Job Training Programmes in Latin America: Evidence from IDB Funded Operations](#). *Journal of Development Effectiveness* 1 (2): 195-216.

²⁶ Ibid

²⁷ Ibarra and Rosas 2009, above n 25.

²⁸ Galdo, J., Jaramillo, M., Montalva, V. 2009. [Pobreza e Impactos Heterogéneos de las Políticas Activas de Empleo Juvenil: El Caso de PROJoven en Perú](#) (Poverty and Heterogeneous Impacts of Active Labour Market Policies for Youth: The Case of PROJoven in Peru). Working Paper 54. GRADE, Lima.

²⁹ Nopo, H., Robles M., Saavedra, J. 2002. [Una Medición de Impacto del Programa de Capacitación Laboral Juvenil PROJoven](#) (A Measure of the Impact of the Youth Labour Training Programme PROJoven). Working Paper 36. GRADE, Lima.

³⁰ Ibarra and Rosas 2009, above n 25, 27.



CONTEXTUAL FACTORS

ENABLING LATIN AMERICA'S SUCCESSFUL RESPONSE



The shift to a new, demand-driven approach to training was a response by Latin American governments to changes in the labour market structure, which in turn was influenced by the 1980s crisis, increasing structural unemployment and dissatisfaction with the role of training systems in providing the skills needed for the productive sector. The greater focus of economic policies on efficiency and reliance on market mechanisms also played a role in moving away from the supply-driven approach.

Designed to cater to the demands of large industrial firms, large state-sponsored and, in many cases, state-run training institutions had difficulties adjusting to the demands of small and microenterprises that had grown formidably in the aftermath of the 1980s crisis. Most importantly, state-led training institutions were perceived as being ineffective

in adjusting to the changing demands of the private sector which, in order to compete in the globalised market, had to adopt new technologies and systems of production.

More generally, dissatisfaction in the productive sectors with the state of labour skills put pressure on governments to act. Further, business organisations not only welcomed a new approach, but in some cases participated in consultation processes in order to define the new training schemes.

Finally, an important enabling factor was the role of the Inter-American Development Bank (IDB) in encouraging experimentation with new approaches to labour training promotion. Many of the Latin American experiences discussed here received both technical and financial support in their early stages, from the IDB, as well as other international players.

LESSONS LEARNED

- 1 The new generation of training programmes in Latin America has changed the role of government in the provision of labour training. From being the main supplier of training in the supply-driven model, the state's role has shifted to promoting more and better training through market mechanisms. In the process, it has managed to improve the efficiency of its spending, in part through better targeting of underprivileged populations.
- 2 The market mechanisms of the demand-driven model have encouraged competition among training institutions and the creation of a market for training in cases where none existed previously. Key elements for the success of these programmes are in the design: private sector participation in consultations during the design phase; competition promoted on the basis of relevance, quality and cost-efficiency; and a clear mechanism to link training to a future job, such as through internships.
- 3 Although measured impacts are hardly homogeneous, some clear patterns emerge across countries and programmes. In particular, impacts on job quality - through formal sector employment and higher wages - seem more likely than on employment rates alone.
- 4 Interestingly, impacts among women are both more frequent and larger than for men. This indicates that these programmes may play an important role as policies orientated to reduce gender gaps in the labour market.

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