

## PUBLIC EMPLOYMENT SERVICES IN LATIN AMERICA AND THE CARIBBEAN



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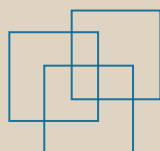
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# Paraguay

## Main features and challenges<sup>1</sup>

- Labour market and employment situation

Paraguay is a lower-middle-income country in South America with a large primary sector heavily dependent on foreign trade. In 2013, the country's population was 6.7 million and 3.4 million people were in the labour force (DGEEC, 2014). An average annual growth rate of 4.8 per cent over the decade to 2014 has been underpinned by macroeconomic stability but inequality remains a challenge

<sup>1</sup> This document is one of a collection of notes about public employment services in selected Latin American and Caribbean countries jointly launched by the Employment and Labour Market Policies Branch, Employment Policy Department, and the Decent Work Team for the South Cone of Latin America. This note was prepared by Zulum Avila, Employment Service Specialist (ILO), with inputs from DGE-Paraguay, Gerhard Reinecke and Ernesto Abdala from ILO. The opinions expressed herein are those of the author and do not necessarily represent the views of ILO.

(IMF, 2014). Informal employment and its consequences are more important labour market issues than unemployment per se. The level of informal employment remains high, at 65.8 per cent of total employment in non-agricultural sectors in 2013; for comparison, the regional average registered in 2012 was 47.7 per cent (ILO, 2013). Time-related underemployment and low wages are also persistent problems, reducing workforce productivity and employment quality for low-skilled youth, women, domestic workers and people in rural areas. In 2013, the underemployment rate was 19 per cent - nearly four times the total unemployment rate of 5 per cent (GN, 2014). This difference reflects the decent work deficit and highlights the need for increased investment in employability.

- **Establishing the institutional foundations for addressing the decent work deficit**

Informal employment in Paraguay has been associated with institutional weakness and the long absence of a government agency specializing in labour and employment issues (ILO, 2014). The Ministry of Labour, Employment and Social Security (*Ministerio de Trabajo, Empleo y Seguridad Social*, MTESS) was established as recently as 2014. The creation of MTESS entailed the dissolution of the former Ministry of Justice and Labour (*Ministerio de Trabajo y Justicia*, MJT), which had been created in 1948, and the separation of justice administration and the Civil Registry from employment matters. MTESS is now the lead agency in matters related to employment policy, social security, labour administration and inspection, job training and employment services, and labour market monitoring.

This institutional change lays the foundations for addressing the decent work deficit, promoting better functioning of the labour market and broadening access to jobs. Even so, the change itself entails risks a reorientation in policy priorities and implementation strategies. All too often, the implementation of public policies in Paraguay, including in the field of employment and labour market functioning, is weakened by a lack of continuity. A stable administrative climate supportive of long-term policies is a precondition for ensuring continued progress and sustainability of interventions in favour of

labour market improvements for all those in low-quality jobs.

Employability improvements are crucial to unlocking the workforce potential of Paraguay in the decades ahead. It is estimated that the share of working-age population (15-64 years) will continue to increase rapidly up to 2040-45 (UNDP; ILO, 2013). Access to decent work being a constitutional right, one central objective of MTESS is to help the workers of today and future generations gain and maintain formal employment. The intention is to improve provision of training and employability services, thereby reducing skills and job mismatches and underutilization of the workforce, speeding up re-employment and increasing responsiveness to employers' labour needs.

- **An emerging employment services network**

Following recent institutional rearrangements in the area of employment policy, the General Directorate for Employment (*Dirección General de Empleo*, DGE), a division of MTESS, emerged as the authority responsible for formulating labour market policies and providing employment services. In 2014, regular public expenditure on new facilities, equipment and staff training was increased in order to consolidate the headquarters of the National Employment Office (*Oficina Nacional de Empleo*, ONE).<sup>2</sup> In June 2015, there

<sup>2</sup> The budgetary allocation of the former MJT tripled between 2008 and 2012. Nonetheless, MJT still received just 1.2 per cent of all central government funding. The funds for the revitalization of the employment offices and DGE were sourced from international development cooperation projects administered by the Inter-American Development Bank (IADB).

were 25 points of access to employment services and job training operating in Paraguay (MTESS, 2015). The range of services available in each of them varies from jobsearch support, placement and advice to job information, short-term training, programmes for upgrading work-related skills and entrepreneurship development. DGE administers 11 of the 25 points of access to employment services, as well as the central office in Asunción.

The existing infrastructure for delivering short-term training and programmes for upgrading work-related skills includes a nationwide network of 52 regional training centres, of which 14 provide job information. These centres target workers aged 18 or over and are run by two technical bodies within MTESS. The National Vocational Promotion Service (*Servicio Nacional de Promoción Profesional*, SNPP) delivers short-term training in

technical fields, and the National Job Training System (*Sistema Nacional de Formación y Capacitación Laboral*, SINAFOCAL) coordinates delivery with private providers. DGE has two potential allies in SNPP and SINAFOCAL, which could offer the necessary infrastructure and funds to scale up employment service provision nationwide. It is estimated that in 2010 the number of workers trained in these centres was equivalent to 3 per cent of the total workforce (UNDP; ILO, 2013).

The new institutional structures have come into being alongside existing capacity. In this environment there is a risk of inconsistency in service delivery and a failure to meet the real needs of the labour market, highlighting the need for improved coherence and coordination. In response, DGE is developing the one-stop shop model for service delivery to tackle issues of fragmentation and weak coordination. This





concept revolves around the idea of providing generic employability products, including employment services and job-training programmes, through a functional network of interconnected service points.

While some notable reforms have occurred since the creation of MTESS, the process of change

and expansion in employment services has to date been slow. Greater advances in the quality and impact of employability services will require a higher level of funding, along with further investment in improving both internal operational capacity and coordination with other stakeholders and agencies involved in the implementation of employment and social policy at the local level.

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## Active labour market programmes

Paraguay is still in the early stages of developing labour market policies and programmes that can be scaled up to preserve employment, compensate for workers' loss of income and speed up re-employment, as became clear in the global economic and financial crisis of 2008-09. Existing labour market interventions focus on three main areas: (1) jobsearch and placement services; (2) job training and entrepreneurship development; and (3) formalization of small and micro-enterprises. The shortcomings of these programmes, which MTESS is trying to overcome, include insufficient inter-agency coordination, limited coverage, low capacity to adapt provision to target populations and weak funding.

The National Development Plan 2030, which was adopted in 2014, mainstreams employment in economic policies and public investment programmes for the first time. This is reflected in new activities and programmes, such as those providing a range of services to young workers, and the expansion of conditional cash transfer programmes to cover socially disadvantaged populations including informal workers, people with disabilities, ex-offenders and populations impoverished as a result of flooding. For example, MTESS is in the process of establishing a programme for the temporary employment of fishermen in rural communities that will include a training component and linkages with the employment offices. The intention for the future is to increase coverage of active labour market interventions and develop a more holistic approach in the implementation of social and employment promotion programmes.

- **Boosting employment opportunities for youth**

In Paraguay, the decent work deficit bears particularly heavily on young people. In 2011, the unemployment rate for those aged 15-24 was 2.4 times as high as for the population as a whole (13.0 and 5.5 per cent, respectively). Even more worryingly, 52.5 per cent of these young people were not enrolled in formal education (UNDP; ILO, 2013). The transition into quality employment for this segment of the population remains problematic, as they are disadvantaged not only by the lack of skills demanded by employers but also by the lack of proven experience. Improving access to the labour market for young people is a priority on the Government's agenda, and in recent years Paraguay has progressively developed some institutional expertise and capacity in the implementation of social and active labour market interventions to this end.



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The National Council for Youth Employment Creation (*Mesa de Trabajo de Empleo Juvenil*, MTEJ), which was created in 2008, has been instrumental in leading these efforts. For instance, it paved the way for adoption of the National Youth Employment Policy 2011-20, which establishes four pillars for action to facilitate young people's transition into formal employment: (1) employment promotion; (2) employability development; (3) entrepreneurship; and (4) cross-cutting aspects such as gender equality and disability inclusion. Unfortunately, owing to institutional weaknesses, political instability and governmental changes in 2012-13, progress in implementing the policy has been very slow.

The Joint Programme on Youth, Employment and Migration (*Programa Conjunto Juventud, Empleo y Migración*), which ran from 2009 to 2013, targeted marginalized young people living and working in poverty in semi-urban centres and in rural and indigenous communities, and made a crucial contribution to the formulation of

the National Youth Employment Policy. Several government agencies worked together with the support of a number of UN agencies, led by the ILO, to serve 10,000 young people (FIODM, 2013). MTESS played an active role in these interventions through the public employment offices, SINAFOCAL and SNPP. The types of active labour market interventions and services delivered by the joint programme ranged from job training and counselling, financial advice and access to banking services, entrepreneurship support and the formalization of micro-enterprises to cash transfers and community works. The package of services aimed to improve the employment prospects of the target populations, and in some cases also included staff training for service providers. However, institutional weakness led to difficulties in maintaining continuity in service delivery.

One key outcome of the Joint Programme was the revitalization of nine previously struggling public employment offices and the adoption of

a sustainability plan for the provision of services to youth. Some common operating procedures were established, and information was shared among government agencies and other concerned stakeholders, such as worker cooperatives, enterprises and educational centres. Nevertheless, in spite of these achievements, the availability of support systems and services aimed at helping young people to gain employment remains patchy.

As a result of efforts by MTEJ, the Law for the Promotion of Youth Employment and Employment Services (No. 4951) was enacted in 2013. This law introduces a number of measures promoting access to permanent employment for young people. It also aims to establish a system of quotas requiring enterprises to have at least 5 per cent of young employees on the payroll under one of a range of schemes, all of which aim at combining work and training: paid internships, on-the-job training, subsidized employment, “first job” contracts and

apprenticeship contracts. As the measure passed through the legislature, there was a lively and controversial public and parliamentary debate in Paraguay on the best ways of improving young people’s employment prospects. Views varied among the social partners on the effectiveness of imposing a legal obligation on enterprises to open up job opportunities to target populations. To date, consensus remains elusive and the law is still awaiting implementation. DGE is actively involved in renewing the impetus behind it, and it is expected that the law will be implemented during 2015.

An inventory of all programmes and supports available in Paraguay for promoting participation in the labour market is in the process of compilation. This inventory will provide employment counsellors with a better understanding of the supports currently available for both jobseekers and employers.





## Job-matching, placement and activation strategies

There are three factors influencing the quality of the link between labour supply and demand in Paraguay. First, a large number of jobseekers are not acquiring the skills employers need, and this has a direct effect on the quality of employment gained. This skills mismatch can be attributed in part to low educational attainment. For instance, according to an indicator of quality employment developed by the ILO and the United Nations Development Programme (UNDP), in 2011, among workers with 0-9 years of formal education, only 4 per cent had employment of quality. This indicator improved significantly, to 20.1 per cent, for those with 10-12 years of schooling, while for those with 13 or more years of formal education it increased to 46.0 per cent. Higher qualifications are generally linked to better employment prospects; the exception is young people with tertiary education, among whom unemployment rates are higher. In 2011, the proportion of the economically active population who had 13 or more years of formal education (20 per cent) was only half that of those who had less than six years of schooling (40.6 per cent). Only one in six workers had attended university or received other tertiary education (UNDP; ILO, 2013).

Second, more than 60 per cent of economically active Paraguayans work in small and micro-enterprises, where productivity tends to be low and where informal labour is more prevalent. This also means that the economic base for the generation of productive employment and decent work is weak. Third, in this environment, both jobseekers and employers are less likely to use formal channels of recruitment. In 2009, only 20 per cent of economically active individuals used formal channels for seeking work. Those jobseekers with 12 or fewer years of formal education (50 per cent of the economically active population) relied more on family and social networks, while only 25 per cent of those with 13 or more years of education used this method (UNDP; ILO, 2013). Expanding provision of publicly funded employment services will help to make labour market information more readily accessible, helping to reduce mismatches and the underutilization of the Paraguayan labour force.

- **Services for jobseekers**

ONE's typical clients have low to medium levels of qualification and/or are young people looking for their first jobs or trying to gain more stable employment. Since the creation of MTESS, ONE

is expanding its capacity to extend services to more people. Between April and December 2014, 10,193 people were registered and 10 per cent of them were placed in jobs. Within eight months, ONE served the same number of jobseekers as the former National Employment Service (*Servicio Nacional de Empleo*, SENADE) did over the whole period 2010-12 (Vera, 2012). However, to date employment counsellors are still handling the process of matching people to jobs manually. Introducing software for administering vacancies and job profiles in accordance with an occupational classification system would help to speed up working processes, increase the number of jobseekers served and improve the quality of job matching. DGE has implemented a publicity campaign promoting its services on radio and public television stations as well as through banners in public areas and during the National Employment Forum held in 2014. There are plans to launch a new job portal that will enable DGE to expand its geographical coverage and introduce self-service.

Currently, provision is strongly concentrated in the employment office in the capital city of Asunción. This office registers 50 per cent of all jobseekers and was responsible for 73 per cent of all job placements in 2014. The one-stop

shop is the entry point for jobsearch support and advice, and referral to job training and placement. Jobseekers are served by an employment counsellor who connects people with services as required: these include jobsearch workshops, group information sessions and job training. The employment office arranges initial screening of candidates against the job specifications of registered vacancies and provides short-term training workshops for preselected candidates. For example, in 2014, 25 workers placed as call centre agents followed training courses with SNPP to prepare them for beginning work at the level of performance expected by the employer. This type of service provision is growing in importance within the framework of the one-stop shop. ONE also carries out career guidance and counselling through talks with students in secondary education, most of whom are in the process of making decisions about their future careers. In 2014, 583 students from schools located in six administrative departments benefited from these information and counselling services (MTESS, 2014).

- **Services for employers**

DGE is working on establishing more dynamic collaboration between its regional offices and local employers to increase the registration of job vacancies. The employment offices have also been actively involved in the promotion of entrepreneurial and self-employment schemes under the umbrella of the initiatives to promote job opportunities for youth. Among the main activities is the organization of technical training for young people interested in drawing up and implementing business projects. In 2011, DGE implemented the first “Entrepreneurs’ Fair” in collaboration with the National Council for the Creation of Youth Employment and the Paraguayan Association of Business Incubators and Technological Parks. This initiative aimed to create a more visible link between universities and training centres with funding sources. On the basis of this experience, ONE has promoted the organization of job fairs as a cost-effective method of bringing together employers and jobseekers, speeding up recruitment processes

and providing on-site access to complementary services such as information concerning job training and employment support programmes. In 2012, 1,500 people were connected with programmes for temporary employment and 250 projects for self-employment were financed through job fairs. In 2014 and 2015, a couple of job fairs were organized in partnership with SNPP focusing on the hotel industry and rural tourism.

ONE offers employers prescreening and assessment techniques to gauge the skills, cognitive abilities, behaviour, motivation and occupational interests of job candidates. This service is highly appreciated by employers as it provides factual information about candidates’ ability to perform tasks associated with vacant positions. A small group of professionals within ONE’s team is responsible for applying the tests in coordination with employment counsellors. The ability to prescreen job candidates and deliver pre-employment training or information sessions to selected candidates has helped ONE to establish a closer relationship with employers, including among others multinational companies specializing in auto spare parts or cabling, and global shipyard enterprises. Nonetheless, 90 in every 100 vacancies registered by ONE are with small and medium-sized enterprises in the service sector, including commercial establishments, supermarkets, call centres, personal and community services, industries and laboratories.

Enhancing the quality of and access to labour market information for employers, jobseekers and key stakeholders is another area where the DGE is further developing its capacity, not only to improve service delivery but also with a view to planning, monitoring and evaluating activities. To this end, for example, employment office staff are trained on how to use household surveys, economic censuses and other sources of labour market information already available. In partnership with SINAFOCAL, the technical content of job training programmes is being redesigned on the basis of studies carried out by the Labour and Occupational Observatory to identify those sectors where demand for labour is higher. Some of the initial findings indicate



that the manufacturing sector faces difficulties in finding people with the technical competencies needed to fill certain positions. DGE also develops tools to assist employment counsellors

in assessing the needs of jobseekers, in particular those facing serious barriers to employment. The implementation of a system for monitoring and measuring outcomes is also planned.



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## Mainstreaming gender in the provision of public employment services

Over the past decade, the number of women entering the labour market in Paraguay has significantly increased. In 2011, 50 per cent of women were economically active, including in rural areas. Education of girls and women has also improved. Women who are economically active compare favourably to men in respect of the number of years of formal education, which stand on average at 9.4 and 8.7, respectively (Heikel; Piras, 2014). However, despite these positive achievements, progress has been slower for women living and working in rural areas, those with low levels of formal education and those in informal employment. For instance, half of all salaried workers, including domestic workers of whom the majority are women, lack a written contract and only 10 per cent of domestic workers are covered by the social protection system (UNDP; ILO, 2013).

Women who do enter the labour market face gender-related differentials in access to social protection, employment, training, career development and wages. The traditional gender division of occupational and social roles continues to prevail in Paraguay. Domestic service, family work and self-employment are commonly performed by women. The ratification by Paraguay in 2013 of the Domestic Workers Convention, 2011 (num. 189), and also the enactment of a specific law on domestic service employment in 2015, illustrate the Government's active interest in improving working conditions in occupations dominated by women. In general, though, coverage of existing programmes targeted on women is still limited. There have been efforts to create links across social services and programmes that may facilitate women's entry into formal employment. For example, one priority on the governmental agenda is to expand the availability of childcare services. In 2011, a guide on promoting inclusiveness and

preventing discrimination in services delivered by the public administration was launched and used to train public servants.

MTESS works collaboratively with the Ministry for Women (*Ministerio de la Mujer*) on sensitizing technical staff and officials in DGE to the importance of promoting women's access to permanent employment. Advice and career counselling services are intended to offer women a wider perspective regarding career and work opportunities. DGE is targeting these services to students who are in the process of making career decisions or entering the labour market. The provision of job-training courses by SINAFOCAL is targeting more women and promoting their participation in non-traditional occupations. Teaching staff also participate in sensitizing workshops aimed to increase gender awareness (Heikel; Piras, 2014).

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## Regulation of private employment agencies

In Paraguay, the Labour Code (Law No. 213 of 1993) is the main piece of legislation that regulates and sets standards for the functioning of the labour market, including contractual relationships and labour intermediation (ILO, 2015). This law provides that the public employment service and private employment agencies are entitled to deliver services for matching jobs to people without these agencies becoming a party to the employment relationship that may arise therefrom.<sup>3</sup> In accordance with international standards on employment services, the legislation prescribes that services to workers should be free of charge. In addition, section 25 of the Labour Code defines "intermediary" as a natural or legal person who contracts or intervenes in contracting for the services of another person or persons for the performance of work for an employer. The Code also considers intermediaries as "employers", even though they may appear as independent entrepreneurs, with the purpose of establishing shared liability by responsible parties for the full legal and contractual obligations towards the worker established by existing legislation. The law further states that all intermediaries should declare the name of the third person contracting their services when concluding a work contract (Uriarte; Colotuzzo, 2009).

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<sup>3</sup> Title II, Chapter VII, "Rights and obligations arising from employment contracts", section 67(k).

The public employment service being one of the major conduits for providing support directly to employers and workers through employment and labour market policies, ONE is being reinforced and the network of employment offices extended to the whole country. By improving the overall institutional capacities of MTESS and ONE, the aim is to achieve progress regarding the application of the Employment Policy Convention, 1964 (No. 122), and the Domestic Workers Convention, 2011 (No. 189), which came into force in Paraguay in 1969 and 2013, respectively. The latter seeks to improve the working conditions of domestic workers, who in most cases are difficult to protect because their work is often performed in private households and/or many of them are migrant workers. Article 15 of the Domestic Workers Convention refers to domestic workers recruited through private employment agencies and calls on ratifying countries to regulate and promote good practice by such agencies in relation to domestic workers. Such provisions are

linked to the principles established in the Private Employment Agencies Convention, 1997 (No. 181), and the Employment Service Convention, 1948 (No. 88), neither of which has yet been ratified by Paraguay.

Currently, there is no official registry for private employment agencies operating in the country, making it difficult for jobseekers and employers to rely on authorized providers. Ratification of Conventions No. 88 and No. 181 would support the creation of the necessary structures to sustain full employment (ILO, 2012). Moreover, it would enable the better articulation of public and private interventions, in particular closer collaboration between private employment agencies and ONE, through the provision of clearer and more transparent rules for private providers and the protection of workers, including those involved in domestic work. The involvement of social partners will be a key factor in achieving this public-private balance.

#### ANNEX

### MILESTONES IN THE INSTITUTIONAL EVOLUTION OF PUBLIC EMPLOYMENT SERVICES IN PARAGUAY

1971	National Vocational Promotion Service (SNPP) created
1976	National Employment Service (SENADE) implemented
2000	National Job Training System (SINAFOCAL) created
2003	SNPP reformed <sup>a/</sup>
2011-13	Network of employment offices and contact points revitalized Job database introduced One-stop shop for the promotion of youth employment established
2014	Ministry of Labour, Employment and Social Security created <sup>b/</sup> General Directorate for Employment (DGE) and National Employment Office established <sup>c/</sup>

a/ As a result of this reform, SNPP was allocated 70 per cent of the MJT's budgetary allocation for training, funded from a payroll tax, leaving SINAFOCAL with 30 per cent (UNDP; ILO, 2013).

b/ Decree No. 2346 of 2014.

c/ Law No. 5.115/13.



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