

## PROMOTING EMPLOYMENT BY PROVIDING ACTIVE SUPPORT THROUGH CCT PROGRAMMES

New evidence demonstrates that active labour market measures are effective in increasing the employability of beneficiaries of conditional cash transfers (CCTs) and resultant job quality, but only when these employment-oriented components are properly designed and executed.

### Key findings

- Employment-oriented measures have been increasingly included in CCTs in Latin America and the Caribbean in an attempt to provide beneficiaries with the tools necessary to access more autonomous and sustainable income-generation opportunities.
- The experience of Argentina shows that providing individuals with a combination of employment-support initiatives, including training and job-search assistance, decreases the probability of having an informal job and raises hourly wages.
- To further enhance labour market outcomes and ensure that such a policy strategy is equitable, it is important to:
  - (i) create the right incentives for eligible beneficiaries to participate in these employment-oriented programmes;
  - (ii) strengthen the labour market institutions responsible for implementing these measures to ensure effective delivery;
  - (iii) ensure that all individuals who are eligible to participate have the opportunity to do so; and
  - (iv) promote the inclusion of all eligible beneficiaries (e.g. women) by providing measures that address barriers to their participation (e.g. child care).

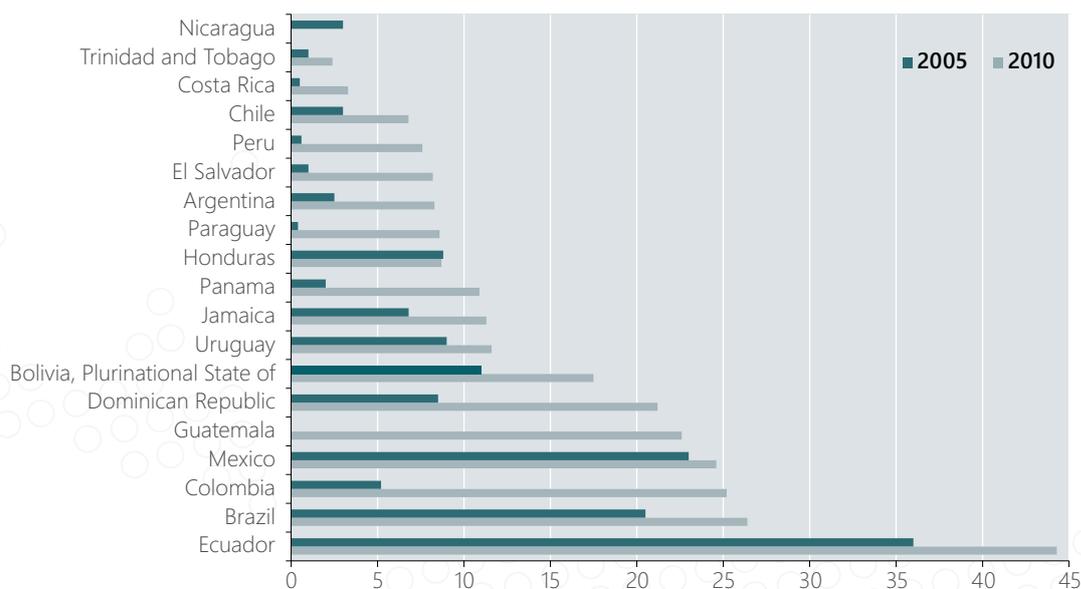
### Research question

Over the past two decades, CCTs have formed a fundamental part of the policy strategy to reduce poverty and inequality in Latin America and the Caribbean. They have also become the primary means of extending social protection to the uncovered population. According to the most recent data, more than 21 per cent of the population in the region receive CCTs, albeit with considerable heterogeneity across countries (**figure 1**). For instance, in Brazil, Colombia,

Ecuador and Mexico, coverage rates are above 25 per cent, whereas in Chile, Costa Rica and Peru they are below 10 per cent.

This rapid growth in the coverage of CCT programmes has been largely due to their proven effectiveness in reducing poverty and improving living standards in the region, as highlighted by numerous studies (ILO, 2016).

Figure 1. Share of population covered by CCTs (percentage)



Source: ILO (2016).

In recent years, active labour market policies (ALMPs) have gained recognition as useful tools to address labour market challenges in the region, such as low productivity growth and the high incidence of informality. In addition, ALMPs have been increasingly embedded in CCTs, either directly within the programmes themselves or indirectly by facilitating beneficiaries' access to programmes that include employment-oriented support. This approach is based on the premise that activation measures can complement the efforts of CCTs by providing individuals with the opportunity and the requisite tools to find more autonomous and sustainable ways of earning a living.

Despite the increased emphasis on activation measures of this nature, empirical evidence on the effectiveness of ALMPs as tools to increase the employability and improve the labour market outcomes of beneficiaries of CCTs remains scarce.

This Research Brief is published as part of the project "What works: Active labour market policies in Latin America and the Caribbean" (box 1).

### Box 1. Research project: "What works: Active labour market policies in Latin America and the Caribbean"

The project aims to provide the first systematic analysis of ALMPs in the region and assess their effectiveness in improving labour market and social conditions. The main outcomes include:

- *ILO Compendium of labour market policies:* Collects information on ALMPs implemented in a wide range of Latin American countries since the 1990s.
- *Literature review and meta-analysis:* Examine the main results found in the literature on impact evaluation of ALMPs, paying particular attention to evidence from the region.
- *Impact evaluations:* Individual impact evaluations were conducted on the following interventions: a multi-approach activation programme in Argentina, the Colombian Public Employment Service (PES) and a workfare programme in Peru.
- *Synthesis report:* Offers a non-technical presentation of the main findings of all these elements together in a single volume.

For more information, please see: [www.ilo.org/alm-america](http://www.ilo.org/alm-america).

# What works?

Against this backdrop, an impact evaluation was undertaken to assess the effectiveness of active labour market measures in increasing the employability and work quality of CCT beneficiaries. Particular emphasis is placed on evaluating the success of this approach as a strategy to enable beneficiaries to exit

non-contributory programmes. The evaluation is of the Argentinean *Seguro de Capacitación y Empleo* (SCE) – a programme implemented to provide support in skills upgrading as well as job-search and job placement assistance to eligible beneficiaries of the CCT programme *Plan Jefes* (box 2).

## Box 2. Active labour market tools embedded in CCT programmes: The experience of Argentina

In the context of the economic crisis that hit the country in 2001–02, Argentina launched the CCT programme Unemployed Heads of Household Plan (*Plan Jefes y Jefas de Hogar Desocupados*), or *Plan Jefes*, as the main measure to provide income support to jobless households. When the economic recovery started to take hold in 2004, the policy approach was reoriented to place increased emphasis on employability measures and, therefore, *Plan Jefes* was reformulated to give way to two new programmes: *Plan Familias* and the *Seguro de Capacitación y Empleo* (SCE).

*Plan Familias* provided benefits for an indefinite period to families whose household heads were confronted by serious employability difficulties (i.e. female unemployed heads of household with two or more children under the age of 18 who had not completed secondary education). The benefits were proportional to the number of children at home and conditional on ensuring basic health care and school attendance of these children. The SCE aimed to provide employment-oriented support to those *Plan Jefes*' participants who were considered to have the best potential to enter the labour market. The transition from *Plan Jefes* to these two new programmes was voluntary.

Eligible *Plan Jefes* participants who opted to participate in the SCE received a monthly stipend of 225 ARS (75 ARS more per month than the allowance provided by *Plan Jefes*) during the first 18 months and 200 ARS during the last six months for a maximum of two years. In addition, the programme aimed to assist individuals through the following instruments: (i) support for the completion of primary and secondary education; (ii) vocational training and apprenticeships; (iii) labour intermediation services; (iv) indirect job creation measures (e.g. employment subsidies); and (v) promotion of self-employment and micro-enterprise creation. In exchange, participants had to commit to (i) regularly attending the PES office to develop an individual career plan; (ii) participating in training, apprenticeship or vocational orientation activities; and (iii) accepting job offers that were consistent with their profile and experience.

Beneficiaries of the SCE who found a job could continue to receive the benefit for a specific period of time (up to 12 months for jobs in the public sector and up to six months for private sector jobs), thus reducing the potential disincentive to labour market participation by allowing beneficiaries to accept a job offer without losing their benefit. Between 2006 and 2014, the number of SCE recipients increased from 20,803 to 124,112.

The results of the evaluation – carried out by means of a difference-in-difference approach combined with propensity score matching and using data from the national household survey – show that the provision of these employment-related components as part of a CCT programme has a positive impact on the labour market outcomes of participants. More specifically, the findings suggest that providing CCT beneficiaries with active labour market measures not only decreases their probability of having an informal job in the short term but also boosts their hourly wages. Participation in employment-related programmes is also associated with a lower probability of working an excessive

number of hours and being underemployed.

However, the analysis also finds that participation in ALMPs is associated with an increase in the probability of being inactive, at least in the short term. This may be related to the fact that, as participants move into the formal labour market, they may sometimes fall into or remain in inactivity, though potentially for positive reasons. For instance, a period of inactivity may be due to the fact that participants are attending school, as one of the typical activation components is the completion of primary or secondary education.

# Policy considerations

Although non-contributory programmes have been a key element in the development of a social protection floor in Latin America and the Caribbean, the evidence presented here suggests that ALMPs are an important complementary tool to boost quality job creation. However, a number of points where improvements can be made include:

## Create an environment that encourages and maximizes participation

In supporting the move from a traditional CCT to a more labour market-oriented programme, it is important to ensure that the incentives to encourage such a transition are in place, by:

- (i) allowing individuals to continue to receive their benefits for an adequate period after a successful transition to employment;
- (ii) ensuring that the requirements for participation in an ALMP or related programme are not unnecessarily burdensome (e.g. in terms of administration); and
- (iii) enhancing the targeting of participants while broadening the eligible population (e.g. promoting the inclusion of women, as discussed below).

## Strengthen the institutional capacity to reach all potential participants

In order to ensure the success of this transition between programmes, sufficient institutional capacity is critical to reach all potential participants and provide them with information on the benefits of the new programme, including an adequate number of PES offices and training centres.

It is also crucial to extend the supply of ALMPs to remote areas of the country, where the majority of beneficiaries of CCT programmes (and potential participants in ALMPs) live.

## Ensure equal opportunities for participation

Aiming to promote the inclusion of eligible women in activation initiatives (and help to reduce the gender gap in labour market opportunities in the region), some features of programme design could be improved by:

- (i) incorporating formats that enable the attendance of women, such as the provision of child care during participation;
- (ii) implementing policies to promote a culture of co-responsibility in caregiving, such as maternity and paternity leave.

## Further reading

International Labour Organization (ILO). 2016. *What works: Active labour market policies in Latin America and the Caribbean* (Geneva, ILO).

López Mourelo, E.; Escudero, V. 2016. *Effectiveness of active labour market tools in conditional cash transfers programmes: Evidence for Argentina*, ILO Research Department Working Paper No. 11 (Geneva, International Labour Office).

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