Labour and productive inclusion policies and programmes
A regional experience

Simone Cecchini
Social Development Division
Economic Commission for Latin America and the Caribbean (ECLAC)

Expert Group Meeting “Social Development and Agenda 2030”
Labour markets: the link between the economic and social dimensions of development

- ECLAC, Structural Change for Equality (2012): more **productive employment with rights** as the master key for equality

- The world of work can be both a **factor of reduction** of poverty and inequality and a **space for the reproduction** of such conditions
  - Labour incomes represent 80% of total incomes of Latin American households

- **Heterogeneity of productive structure** is reproduced in labour markets (informality) and transmitted to the entire society (inequality)
  - Channels: distribution of profits and stratified access to contributory social protection for workers
Poverty, employment and social protection in Latin America

- Latin America is characterized by high levels of poverty, inequality and informality (2013 data)
  - Persons living in absolute income poverty: 28.1%
  - Gini coefficient: 0.497
  - Informal workers (urban areas): 44.0%

- In most countries, the expansion of non-contributory social protection has been a key answer to improve the population’s welfare
  - Conditional cash transfer programmes (CCTs), social pensions, access to social services (e.g. Health)
  - Entry doors to social protection systems for populations traditionally excluded from any kind of social benefit

- Progress in the expansion of contributory social protection, which keeps being very unequitable, has been slower
Contributory social protection coverage is highly segmented

Source: Economic Commission for Latin America and the Caribbean (ECLAC), Social Panorama of Latin America 2013.
Non-contributory social protection coverage has greatly increased

Source: Economic Commission for Latin America and the Caribbean (ECLAC), database on non-contributory social protection programmes in Latin America and the Caribbean.
The policy challenge: Achieving simultaneous double inclusion (social and productive)

• Double inclusion: job creation and expansion of social services (Martínez and Sanchez-Ancochea, 2013)
  − Creation of formal jobs, increased labour participation
  − Access to basic social services to guarantee a minimum level of welfare
• Any government whose goal is to improve the welfare of the population, should promote simultaneous double inclusion

**COLOMBIA: DOUBLE INCLUSION, 2008-2012**

**NATIONAL TOTAL**

**BENEFICIARIES OF FAMILIES IN ACTIONS (CCT)**

Source: Angulo and Gómez (2014).
Combining non-contributory social protection with labour and productive inclusion services

Types of Labour-Inclusion and Income Generation Programmes

- Labour and productive inclusion

  - Improvement of employability
    - Technical and vocational training
    - Remedial education
  - Labour demand activation
    - Labour-market intermediation
    - Support for self-employment
    - Direct job creation programs
    - Indirect job creation programs

Source: Own elaboration, on the basis of ECLAC/ILO (2014), The employment situation in Latin America and the Caribbean. Conditional transfer programmes and the labour market.
Issues to be considered for the labour and productive inclusion of people living in poverty

- Demographic transition has led to a large number of people entering the labour market
- Scarcity of local job opportunities
- Weak links with the job-creating private sector
- Education and work skills deficits
- Greater barriers for the labour inclusion of women, youth, persons with disabilities and indigenous people
Results of labour inclusion programmes in LAC

• Technical and vocational training
  – Brazil: Chances to find work are 19.6% higher for participants in the Sector Vocational Training Plan (PlanSeq) than for non-participants (Petterini, 2010)
  – Colombia: Participation in Youth in Action program has an impact on wages (12% higher), and on the likelihood of having paid employment (Attanasio, Kugler and Meghir, 2009)

• Labour-market intermediation
  – Chile: municipal labour-market intermediation offices are ineffective at placing workers and have low levels of user satisfaction (Brandt, 2012)
  – Brazil: National Employment System characterized by low-quality infrastructure and lack of effectiveness; more time needs to be spent talking to people living in poverty to offer them all the information and guidance needed (Silva and others, 2010)

• Direct and indirect job creation programs
  – Brazil: difficulties in reaching beneficiaries of Bolsa Familia, especially women; problems in coordinating different levels of government with the private sector (MDS, 2010; Lessa, 2011)
  – Chile: in-work benefit for youth (Subsidio al Empleo Joven) useful in reviving labour market in vulnerable sectors, especially during times of economic recession (Centro de Microdatos, 2012)
Non-contributory social protection and employment: vicious cycle?

- **Is non-contributory social protection providing perverse incentives?** Is it lowering the productivity of labour and capital, and contributing to the generation of low-quality employment?
- Are social assistance programmes creating **dependency** instead of fostering families’ autonomous efforts to overcome poverty (disincentives to labour insertion)?
- **Is social assistance generating subsidies to the informal sector,** incentivizing workers to look for low-productivity jobs (in order to avoid compulsory social security savings)?
Non-contributory social protection and employment: or virtuous cycle?

- Public cash transfers have a limited capacity of covering poor families’ income deficit, and thus it is difficult for poor people to stop looking for work simply because they receive them
  - In 2009, maximum transfers of CCTs were 39.9% (urban areas) and 53.4% (rural areas) of the monthly income deficit of the poor population
- Impact evaluations do not find empirical evidence of disincentives to labour insertion (Brazil, Chile, Honduras, Mexico, Nicaragua, Paraguay)
  - Positive synergies between transfers and employability: higher wages and greater proportion of people looking for work
  - Mixed evidence with respect to women’s labour inclusion
Risk of “giving social benefits” to informal workers seems to have been overstated

- **Most programs are not directed to working-age adults**, but rather to children, nor are they targeted according to the working conditions of beneficiaries
- Concerns often rest on **assumptions that are not entirely founded**
  - Social investment is not inherently unproductive and self-employment is not always voluntary!
- **Latin America’s informality rate has decreased** while CCTs and social pensions expanded, going from 54.6% of employed workers in 1990 to 49.1% in 2009
- **Results of impact assessments are varied**
  - In Brazil, Medeiros, Britto and Veras Soares (2008) find that the Continuous Benefit Programme (BPC), a social pension for older adults and people with disabilities, has not been a cause for lower contributions to social security
  - In Uruguay, Vigorito (2014) shows potential negative impacts on labour formalization of the Family Allowance/Equity Plan
- Importance of providing the **right incentives to labour formalization**
From a “vicious” to a “virtuous” cycle of social protection, labour and productive inclusion and growth

- Every real invested in Bolsa Família adds 1,78 reales to Brazil’s GDP (Neri, Vaz and Ferreira de Souza, 2013)

- Participants in Mexico’s Oportunidades invested 12 cents of each peso they received in micro enterprises or agricultural activities, with a 17.6% return in 5 años (Gertler, Martínez y Rubio, 2006)

- In 7 rural locations of 5 African countries, the real multiplier of social cash transfers has been estimated to be between 1.1 and 1.8 (Tirivayi, Knowles and Davis, 2013)

Source: Cecchini (2013).
Lessons for public policy and Agenda 2030

• Complement support to self-employment with tax and administration simplification programmes that promote formalization
  − Examples: *Monotributo* (Argentina, Uruguay), *Micro Emprendedor Individual* (Brazil)
• Strengthen care giving systems
• Improving labour inclusion is a long-term effort, for which constant psycho social support is needed
• People can exit from specific programs, but should not lose their right to social protection
  − Need to make progress towards universal social protection systems