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Colombia Poverty and Jobs

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INTEGRATING THE POOR INTO LABOR MARKETS: POLICY RECOMMENDATIONS FOR COLOMBIA - Background Papers No. 4

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Poverty Reduction and Economic Management Unit
Latin America and the Caribbean Region

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<table>
<thead>
<tr>
<th>Acronym</th>
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<tr>
<td>ALMPs</td>
<td>Active Labor Market Programs</td>
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<tr>
<td>CDP</td>
<td>Career Development Period</td>
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<td>CONPES</td>
<td>Consejo Nacional de Política Económica y Social (National Economic and Social Policy Council)</td>
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<tr>
<td>CPP</td>
<td>Career Preparation Period</td>
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<td>CTP</td>
<td>Career Transition Period</td>
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<tr>
<td>DNP</td>
<td>Departamento Nacional de Planeación</td>
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<tr>
<td>EDRP</td>
<td>Emergency Demobilization and Reintegration Project</td>
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<tr>
<td>FE</td>
<td>Further Education</td>
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<td>GoC</td>
<td>Government of Colombia</td>
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<td>GE</td>
<td>General Electric</td>
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<td>GED</td>
<td>General Educational Development</td>
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<td>HE</td>
<td>Higher Education</td>
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<tr>
<td>IADB</td>
<td>Banco Interamericano de Desarrollo</td>
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<tr>
<td>INFOTEP</td>
<td>Instituto Nacional de Formación Técnica Profesional</td>
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<tr>
<td>IYF</td>
<td>International Youth Foundation</td>
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<tr>
<td>JTPA</td>
<td>Job Training Partnership Act</td>
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<td>LAC</td>
<td>Latin American Countries</td>
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<td>MAC</td>
<td>The Make a Connection</td>
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<tr>
<td>MERPD</td>
<td>Misión para la Reducción de la Pobreza y la Desigualdad</td>
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<tr>
<td>MI</td>
<td>Insertion Modality</td>
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<td>MT</td>
<td>Transition Modality</td>
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<tr>
<td>NQF</td>
<td>National Qualification Frameworks</td>
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<td>NZQA</td>
<td>New Zealand Qualifications Authority</td>
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<tr>
<td>NZQF</td>
<td>The New Zealand Qualifications Framework</td>
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<tr>
<td>OA</td>
<td>Outreach and Admissions</td>
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<tr>
<td>OECD</td>
<td>Organization for Economic Cooperation and Development</td>
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<td>OMS</td>
<td>Outcomes Measurement System</td>
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<tr>
<td>PCY</td>
<td>Promotion of Children and Youth</td>
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<tr>
<td>PISA</td>
<td>Programme for International Student Assessment</td>
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<td>PLANFOR</td>
<td>National Plan of Professional Education</td>
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<tr>
<td>PROCAJOVEN</td>
<td>Programa de Capacitación de Jóvenes</td>
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<td>QOP</td>
<td>Quantum Opportunities Program</td>
</tr>
<tr>
<td>RD</td>
<td>Peso Dominicano</td>
</tr>
<tr>
<td>RUPD</td>
<td>Registro Único de Población desplazada / System for Displaced Population</td>
</tr>
<tr>
<td>SAT</td>
<td>Servicio de Asistencia Técnica</td>
</tr>
<tr>
<td>SCOTCAT</td>
<td>Scottish Credit Accumulation and Transfer framework</td>
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<td>SCQF</td>
<td>Scottish Qualifications Framework</td>
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<tr>
<td>SENA</td>
<td>Servicio Nacional de Aprendizaje</td>
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<tr>
<td>SISBEN</td>
<td>Sistema de Identificación de Potenciales Beneficiarios de Programas Sociales</td>
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<tr>
<td>SNFT</td>
<td>Sistema Nacional de Formación para el Trabajo</td>
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<tr>
<td>SYETP</td>
<td>Summer Youth Employment and Training Program</td>
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<tr>
<td>UK</td>
<td>United Kingdom</td>
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<td>USA</td>
<td>United States of America</td>
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<tr>
<td>USAID</td>
<td>United States Agency for International Development</td>
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<tr>
<td>USD</td>
<td>United States Dollar</td>
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<tr>
<td>VET</td>
<td>Vocational Education and Training</td>
</tr>
<tr>
<td>YEI</td>
<td>Youth Employment Inventory</td>
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<td>YSC</td>
<td>Youth Service Canada</td>
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<td>ZI</td>
<td>Polish Zlots</td>
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Preface

Since 2004, the World Bank has been supporting the efforts of the Government of Colombia (GoC) to deepen its knowledge on poverty and inequality, particularly through the technical assistance provided to the Poverty Mission (MERPD). In September 2007 the Departamento Nacional de Planeación (DNP) requested assistance from the Bank on their Income and Employment Generation Strategy. The Bank provided support through three main activities that included: i) Technical assistance in the analysis and revision of the poverty measurement; ii) Assistance in the organization of a conference on employment and development; and iii) Technical assistance to the CONPES on income and employment generation. This TA consisted on periodic meetings, workshops, and the production of different technical notes and papers that discussed areas relevant to the CONPES and that were discussed and delivered to the Government.

Through these technical assistance, the Bank was successful in highlighting the challenges and options in the design and implementation of the Income and Employment Generation CONPES documents, and identifying relevant issues for income and employment generation in Colombia, for example, the barriers that poor people face in improving their income generation and employment status such as low human capital and inadequate labor regulation framework. The TA has also helped the Government to better organize and target their Income and Employment Generation strategy. The Bank has also provided technical and institutional assistance for the review of poverty methodology in Colombia. The TA has also been successful in laying out an agenda that would lead to the definition of a poverty measurement methodology in Colombia and to an institutional sustainability of poverty numbers estimation and dissemination. Andres Escobar, Deputy Director of DNP, expressed DNP gratitude for the Bank’s technical assistance in a letter included in Volume 1 of this report.

This report is structured in two Volumes. Volume I describes the process and stages of this technical assistance and the main findings of the papers that were produced as inputs for the Income and Employment Generation CONPES documents. This Volume (2) contains the five papers and one technical note on Social Protection produced for the Income and Employment Generation CONPES.

This report was prepared by a team led by Gladys López Acevedo and Christian Yves González of the World Bank. Members of the team included: Emmy Yokoyama, Samuel Freije, Natalia Gómez, Diana Hincapié, Andrew Mason, Erik Bloom, Carlos Sobrado, Kinnon Scott, Maria Laura Sánchez-Puerta, and Olga Susana Puerto. Specific inputs were provided by Mauricio Santa María, Carlos Felipe Prada, Polly Jones, Miguel Cabal, and Juan Carlos Guataqui. We appreciated valuable comments at earlier stages of the Non-Lending Technical Assistance from Jose María Caballero and Ethel Sennhauser. We especially thank feedback throughout the process of this NLTA from Felipe Barrera, Francisco Ferreira, Hong Tan (World Bank) and Hugo López (Banco de la República, Colombia)

The team worked closely with the following Government counterparts in the process of the technical assistance. Valuable feedback was received from the National Planning Department
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INTEGRATING THE POOR INTO LABOR MARKETS: POLICY RECOMMENDATIONS FOR COLOMBIA

INTRODUCTION

In many developing countries, the number of workers facing unemployment, low pay and poor working conditions is high and often growing. This is true even in countries that have undergone substantial structural reforms which have led to stronger, and more sustainable, overall economic growth. Because labor is often the main – if not the only – asset of the poor, a growth process that is not associated with the creation of more and better jobs may fail to reduce poverty. Employment provides income that allows for meeting consumption needs and can provide other non-material benefits that increase the well-being of workers and their families. When labor markets don’t function well, governments may step in with social protection programs, which are often less efficient and more costly than the alternative. Thus, the challenge is how to best integrate people into labor markets.

Deficient labor market integration is more prevalent among the poor, who face severe employment barriers, such as employability barriers, job search barriers, and lack of labor demand. Employability barriers refer to the lack of technical and non-technical skills that employers desire in their employees. Job search barriers, on the other hand, limit the exchange of information between workers and potential employers and include: job matching, signaling, and financial constraints. Other relevant constraints that limit the entry of poor people into the labor market are lack of labor demand, which may cause a crowding-out effect by transferring unemployment from better trained to poorly trained workers, and credit constraints that hinder entrepreneurship and self-employment opportunities. The poor may face all these barriers simultaneously, to different degrees, and it is up to the government to design and implement effective and targeted interventions that can offset or minimized the effects of these barriers.

Lack of adequate and relevant skills is one of the most important barriers to integrate the poor into the labor market in Colombia. Over the last two decades, Colombia has made significant improvements in access to education and internal efficiency; however, there is still much to be accomplished to reduce the gap in the access to quality education between the poor and the rest of the population, particularly at the secondary and tertiary levels. While youth employment programs have shown some success in improving employability of participants (as it is the case of the Jóvenes en Acción Program), many disadvantaged youth and adult workers are not working or are working in dead-end jobs. Skills training and other active labor market measures appear as an opportunity to providing ‘first and second’ chances for the poor to succeed in the labor market.

This note focuses on best practices to counteract labor market barriers through skills training interventions with tailored recommendations for Colombia, with special

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1 This note was written by Maria Laura Sanchez Puerta and Susana Puerto. The authors greatly appreciate the inputs on active labor market programs and skills certification provided by YooJeung Joy Nam as well as information on Colombia’s education issues and challenges provided by Erik Bloom. We thank the financial support given by the Social Protection Unit in the LCSHD Unit of the World Bank.
emphasis on improving labor market outcomes of the poor and vulnerable populations. Colombia has committed to alleviating poverty and adapting social protection strategies for a better integration of the poor into the labor market (DNP 2006). The design and implementation of a policy for income and employment generation is at the top of the governments’ agenda. Accordingly, this note aims to provide international best practices on Active Labor Market Programs (ALMP) that address employability constraints and lays out the scope and limitations of these programs in generating better incomes and employments for the poor and vulnerable groups in the country. Best practices are drawn from impact evaluations and gross outcomes evidence of training interventions implemented in developed and middle income economies. The review of interventions considers training programs on technical and non-technical skills in the following categories: programs with a particular focus on vocational classroom training, programs with a comprehensive approach (multiple services), and those with a strong focus on soft and life skills. In addition, the review studies the benefits of contextualizing training into a national qualification framework that counteracts job search barriers through better signaling.

International evidence indicates that demand-oriented, comprehensive, and well-targeted training interventions, set up in a competitive framework, have been successful in improving labor market prospects of trainees. A review of 129 rigorous impact evaluations of training interventions suggests proven success and promising results when: (i) active labor market programs offer training in a comprehensive package (e.g. classroom + on-the-job + life skills training) rather than in a single-service fashion; (ii) training follows a demand-driven approach that involves employers from private and public firms in the design of the courses; (iii) there is an open market for training services that encourage competition of training providers and ensures quality and results-driven performances; and (iv) when programs set and monitor adequate targeting strategies to reach effectively their population objective. In addition, an examination of National Qualification Frameworks shows promise for improving signaling of poor workers by recognizing their skills and competencies regardless of the way in which they were acquired and their educational background.

Despite their success, training schemes have limitations that rely greatly on the capacity of the country and the rigidities of its institutions. While well-designed comprehensive training interventions tend to improve labor market prospects of trainees, their benefits depend upon initial necessary conditions such as: (i) sufficient government resources for training; (ii) adequate supply of high quality training providers; and (iii) capable technical management and supervision units that ensure transparency and quality in a ‘competitive’ environment. Moreover, the degree of flexibility of labor market regulations plays a big role in opening pathways for effective training systems by reducing the entry barriers to the labor market and creating incentives for hiring and subsidized on-the-job training.

This note has four sections including this Introduction. Section 2 briefly describes the different types of barriers to employment and their incidence in Colombia. Section 3 outlines the methodological framework used in the review and presents the main lessons learned from the international experience on training, in particular in regard to initial necessary conditions and factors for success. This section distinguishes best practices from four different training approaches: vocational training programs with focus on in-classroom training, comprehensive training programs (that combine in-classroom with other type of training), soft and life skills training programs, and skills certification programs. Conclusions are drawn in Section 4. The
Annexes present further details on the review’s methodological framework as well as important information on specific programs.

LABOR MARKET BARRIERS IN COLOMBIA

Labor market barriers encompass several constraints that hamper employment integration of the poor. Some of the main employment barriers faced by Latin American countries can be classified as: (i) employability barriers, which hinder the chances of finding jobs due to lack of adequate skills; (ii) job search barriers that create information failures that isolate poor job-seekers from potential employers; (iii) lack of labor demand in the formal wage-earning sector, which may exacerbate unemployment among unskilled and disadvantage workers; and (iv) credit barriers that punish self-employment initiatives. Counteracting these barriers involves the design and implementation of employment programs – including Active Labor Market Programs (ALMP) and labor market regulations – that facilitate the integration of the poor. Table 1 summarizes the main employment barriers and potential measures to address them.

(i) Employability barriers consist of technical and non-technical skills mismatches between the kinds of skills that employers require and those that the potential working population has. Counteracting the mismatch of technical skills among the poor entails facilitating access to specific training, setting the environment for the growth of a job training sector, and providing (effective and efficient) public programs in geographic or demographic areas where the market does not reach. In addition, it may involve internships, apprenticeships systems, or subsidized training periods in which the costs of firm training are – totally or partially – defrayed by the government. Similarly, the mismatch of non-technical skills – such as numeracy, literacy, and soft and life skills – requires a decisive role of governments in improving the standards and conditions for the poor to acquire general skills through school and/or non-school based programs.

(ii) Job search barriers limit information between workers and potential employers. They include job matching failures and deficient signaling. Job matching failures occur when incomplete information leads to sub-optimal job allocations, i.e. the jobseeker’s skills are not efficiently matched to the employer’s needs and expectations. This failure has great incidence in the poor given their lack of job networks and low social capital. Job centers and employment services have facilitated matching by maintaining up-to-date databases on job openings that job seekers can access and/or providing people with the resources to collect the information on their own (e.g. through unemployment insurance or job search stipends). Deficient signaling occurs when, despite having relevant, high quality skills, jobseekers are not able to convey this information to employers. In general, employees signal the level of their skills to employers by acquiring a certain degree of education; however low secondary school completion rates, common across Latin American countries, do not provide signals as to the degree of general training. Equivalency education programs as well as skills certification schemes have been implemented to counteract the asymmetric information caused by signaling barriers, facilitating communication among jobseekers/employees and employers.
Table 1: Employment barriers and potential measures to counteract them

<table>
<thead>
<tr>
<th>Barriers</th>
<th>Potential measures</th>
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<tbody>
<tr>
<td><strong>Employability Barrier</strong></td>
<td></td>
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<tr>
<td>Technical skills mismatches</td>
<td>Access to vocational training services</td>
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<tr>
<td></td>
<td>On-the-job training, internships, and work experience programs</td>
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<tr>
<td></td>
<td>Develop training sector</td>
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<td></td>
<td>Coverage in hard-to-reach areas and population</td>
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<tr>
<td>Non-technical skills mismatches</td>
<td>Access to general and life skills training services</td>
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<tr>
<td></td>
<td>Develop school and non-school based programs</td>
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<tr>
<td><strong>Job Search Barriers</strong></td>
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<tr>
<td>Job matching</td>
<td>Intermediation through job centers and employment offices</td>
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<td></td>
<td>Financial assistance for job search</td>
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<tr>
<td>Signaling</td>
<td>Equivalency education programs</td>
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<td></td>
<td>Skills certification mechanisms (e.g. National Qualification Frameworks)</td>
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<td><strong>Insufficient Labor Demand</strong></td>
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<tr>
<td></td>
<td>Private sector incentive programs (e.g. wage and employment subsidies, self-employment grants)</td>
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<td></td>
<td>Direct job creation (e.g. public works programs)</td>
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<tr>
<td><strong>Financial and Credit Barriers</strong></td>
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<tr>
<td></td>
<td>Entrepreneurship and self-employment schemes</td>
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<tr>
<td></td>
<td>Start-up grants and loans</td>
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</tbody>
</table>

(iii) **There is insufficient labor demand for disadvantaged workers and trainees.** Several macroeconomic factors, such as low levels of economic growth and a capital intensive pattern of growth, may contribute to a general lack of labor demand. In some countries, factors such as labor market regulations and employment protection rules may deter job creation by dampening firms’ demand for hiring workers. When deficit of labor demand occurs, training programs can produce crowding-out effects, transferring unemployment from better trained to poorly trained workers. In this context, there exist programs oriented to promote employment by changing the employers’ costs and benefits for hiring a worker. One of the most widely used mechanisms is that of wage subsidies. However, this problem can also be addressed with policies of direct job creation. For example, Social Investment Funds provide temporary jobs to a specific target group for the construction of economic and social infrastructure.

(iv) **Financial and credit barriers not only restrict job search plans but also discourage self-employment initiatives.** Self-employment is often the only available employment option for poor people in areas with low labor demand. This is the case despite the inherent risks and difficulties involved in creating a successful business. Entrepreneurship and self-employment schemes may efficiently address the difficulties of starting a new business by providing meaningful competences (through training on managerial skills, accounting, etc), tutoring, financial support (start-up grants and loans upon successful participation in the programs).

In Colombia, the poor face several employment barriers – from the lack of technical skills to credit constraints. While it is hard to pin point a primary barrier, finding adequate programs and policies to counteract skills mismatches is at the top of the government’s agenda and will be the central focus of this note. The lack of appropriate skills is significantly reducing employment opportunities in Colombia. In the last three decades the country has experienced a skills re-composition in the labor market, leading to higher demand for skilled and educated workers, in particular those with tertiary education (Acosta and Santa Maria 2007). As
shown in Figure 1, despite relative improvements between 2001 and 2006, the unemployment rate of individuals with university degree has been nearly half the rate for those with intermediate education (i.e. incomplete or complete secondary and incomplete tertiary education).

**Figure 1: Unemployment by level of education in Colombia**

(Urban areas, %)

![Graph showing unemployment rates by level of education in Colombia](image)

*Source: Acosta and Santa Maria (2007)*

**Skills mismatches result from a number of factors.** Some of the causal factors with great incidence among the poor in Colombia are: (i) inequalities in education services; (ii) limited effectiveness of public training provision; and (iii) regulations that dampen demand for workers, discouraging hiring and recruiting of trainees.

**Inequalities in education services:**

Despite significant improvements in the access to and internal efficiency of education, Colombia still faces a substantial gap between the education levels of the poor and the rest of the population. About 73 percent of adults in the lowest income quintile have primary education or less, compared to 20 percent in the richest two quintiles (Bloom 2008). This educational gap creates a poverty trap: the poor cannot afford education and those without education cannot easily leave poverty. Inequality in access and quality as well as inequality in attainment are key determinants of this educational gap.

**Inequality in access and quality:**

Improvements in the quality of education have been slow, which may imply socioeconomic differences that require targeted interventions to avoid exacerbating inequalities. National testing suggests that quality has improved slowly since 2001. Despite such improvements, international comparisons indicate that quality lags behind peer countries. For instance, comparisons of outcomes from the 2006 Programme for International Student Assessment (PISA) indicate that, despite significant improvements, Colombia is falling short of its potential with rankings of 48th in reading, 52nd in mathematics, and 50th in science, out of 57 participating countries in the program (Laverde 2008).
There are low enrollment rates and high inequality in tertiary education. While the gross enrollment rate in tertiary education has grown from 11 to 29.4 percent between 1985 and 2007, it continues to be lower than most countries in the region. Colombia ranks only above Brazil (21 percent) and Mexico (22 percent), but below Peru (32 percent), Bolivia (39 percent), Venezuela (40 percent), Chile (42 percent) and Argentina (60 percent). In addition, there are significant levels of inequality: while most students attending private and traditional universities come from the highest income quintile, youths from the lowest quintile are more likely to enroll in non-university institutions. Higher education is virtually nonexistent in the first deciles, while 47 percent of the population belonging to the highest decile has reached tertiary education. The distribution of higher education enrollment by type of institution also differs by income quintile and ethnic background.

Another dimension of the level of inequality is the conflict situation. Children and adolescents under 18 years of age in conflict affected regions are dramatically impacted by the armed conflict, whether they are actively engaged with the illegal armed groups or they receive the negative consequences of the violent actions of these groups. Over half of the displaced population is under 17 years of age. In order to prioritizing attention to the internally displaced population, the current administration has defined three lines of action aimed at implementing flexible, relevant education models such as Escuela Nueva, Sistema de Aprendizaje Tutorial (SAT), and Aceleración del Aprendizaje. The results, however, are still far from the expected levels, due in part to targeting difficulties because of limited information and population mobility. To augment its efforts, on the demand-side, the Government has recently extended the Familias en Acción Program to assist the dislocated population (Laverde 2008).

Inequality in attainment:

While low completion rates affect students at all income levels, they are more predominant among the poor. In 2001, 44 percent of the children who dropped out of school were from the poorest quintile; the figure was 32 percent in 2004. As shown in Table 2, dropout rates are much higher – by about 3 percentage points – in the poorer rural areas than in the richer urban areas. Low secondary school completion rates reflect failure to enter the labor force by an increasing proportion of young people. As shown in Figure 1, high-school and university dropouts face the highest levels of unemployment in the country. With a difficult transition from school to work and a skills re-composition that rewards educated and highly trained jobseekers, poor and disadvantaged youth need an urgent push (through second chance programs and equivalency degrees) that can help them gain relevant skills and acquire meaningful work experience.

In this context, efforts to ensure equity, access, and school completion will benefit the poor for a better integration into the labor force. These efforts entail providing opportunities for young people to acquire or strengthen technical and “marketable” skills, via

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2 The completion rate is behind the average of the region; only 68.3% of the children who enter the first grade reach grade 11 and the gap between urban and rural areas is very high (73.9% and 53.9% respectively) (World Bank 2007).

3 The incidence of poverty in urban areas declined from 57.5 percent in 1999 to 39.1 percent in 2005. They are significantly below the incidence of poverty in rural areas, which has kept a steady 67 percent rate.
certain types of job training, employment services, and improved access to lifelong learning opportunities.

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>Urban</th>
<th>Rural</th>
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<tbody>
<tr>
<td>2004</td>
<td>11.2%</td>
<td>8.1%</td>
<td>18.5%</td>
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<tr>
<td>2006</td>
<td>6.2%</td>
<td>5.2%</td>
<td>8.5%</td>
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*Source: Laverde (2008) with information from Ministry of Education of Colombia*

**Limited effectiveness of public training provision:**

Occupational training in Colombia is dominated by Servicio Nacional de Aprendizaje (SENA), the single biggest public training provider supported by a 2% payroll tax levy on private employees. SENA’s budget surpasses the US$200 million per year. Training services consist of: professional training courses for job seekers (long courses), skills upgrading for workers (short courses), and the development of entrepreneurship schemes and innovative business ventures. Recently, SENA has taken over responsibility for the Jóvenes en Acción program, which targets disadvantaged youth with a comprehensive training approach. SENA’s long experience in training delivery is also supported by a relatively high convening power among the main education stakeholders in the country.

Despite its large experience on training delivery, there are key factors that may limit SENA’s effectiveness and affect the country’s overall supply of skills training. While early studies of SENA’s returns indicated positive outcomes for some trainees (Jimenez and Kugler 1987), more recent impact evaluations have shown rather negative returns (Gaviria and Nuñez 2003) that may result primarily from: limited competition in the training market and targeting policies that do not favor the most disadvantaged workers.

- **Limited competition in the training market:** Recent studies indicate that private sector training has a substantial impact on income and productivity, and has often been more effective than public training in improving post-program earnings (Betcherman et al. 2004, Tan and Batra 1995, and Batra 1999 and 2000). Unfortunately, SENA’s financial resources are so vast that its activities tend to displace private sector competitors regardless quality and cost-effectiveness factors. A recent World Bank study (2004) found, for example, that SENA’s training cost per student was greater than private providers, mainly because of its high overhead cost (about 43 percent of total expenditures) and limited resource utilization. The cost per semester of SENA’s long courses exceeds that of a comparable private course in a technological institute by more than 40 percent.

The lack of competition in an open market of training services has hindered the public perception of SENA’s role and quality of service. A firms’ survey implemented by Fedesarrollo in 2003 showed that compared to private providers, SENA is seen as less efficient and lacking the incentive and ability to adjust opportunely to changes in technology and the economic environment.
• **Targeting policies that do not favor the most disadvantaged workers**: According to World Bank (2004), SENA is not the ‘University of the Poor’ that it is popularly perceived to be. The distribution of SENA’s benefits favors the better-off. This is not surprising since the target population of SENA is not necessarily the poor and that the estrato, an instrument used by SENA to select its students, is a poor proxy for income wealth. Survey data reveals that about 59 percent of SENA beneficiaries are from the two richest income quintiles while 76 percent are from estratos 1 and 2 (the poorest), thus showing a large overlap between high income quintiles and low estrato. Furthermore, owners of both large and small firms believe that SENA primarily serves large firms.\(^4\)

**Given its wide popularity, geographical presence, and convening power, it is crucial to address SENA’s current situation. The government has taken significant steps in this direction.** The Law 789 (December 20, 2003) stipulates that firms that offer training, which is approved by a SENA oversight committee, will be reimbursed up to 50 percent of the taxes paid to SENA. The impact of the reimbursement policy still has to be evaluated, however analogous schemes in some East Asian countries, such as Malaysia and Taiwan, have been found to stimulate training and increase productivity (De Ferranti et al. 2003). It is also noteworthy that the new law mandates SENA to spend at least 25 percent of its tax money on the training of the unemployed.

**In addition, in order to articulate and align public and private efforts in occupational skills development, the government has established a competency-based training system known as Servicio Nacional de Formación para el Trabajo (SNFT), where SENA plays a defining role.** The creation of the SNFT was stipulated in the Social CONPES 81 of 2004. SNFT brings together technical, technological, and occupational training providers as well as key government agencies and ministries to work together in the definition and identification of national strategies and policies to improve the supply, consistency/relevance, and quality of training in the country. SNFT consists of three subsystems: Occupational competency norms (Sistema de Normalización de Competencias Laborales) where SENA plays a crucial role in setting and approving the norms; Evaluation and Certification System (Sistema de Evaluación y Certificación de Competencias Laborales); and Training System based on occupational competences (Sistema de Formación con base en Competencias Laborales). In the implementation of these subsystems, it is crucial to take into account institutional design issues that have been present in other countries aiming to establish lifelong learning systems (see Scotland’s experience in the implementation of the National Qualification Framework in Annex II, section 4). Another important step that is worth noting is the stipulation in the Presidential Decree 249 of 2004 mandating SENA to involve private providers through convenios (formal agreements) in the training of workers using SENA funds.

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\(^4\) Jimenez and Kugler (1987) showed that the returns of SENA are positive for more educated and experienced trainees, and trainees in short curses; this is compared to less educated and inexperienced trainees who received negative returns from SENA’s training.
Regulations that dampen demand for workers, discouraging hiring and recruiting of trainees:

The most recent international evidence suggests that employment protection regulations can affect employment rates and informality even when compliance is weak (Heckman and Pages 2004). The labor market in Colombia experiences high labor costs, mainly due to relatively high minimum wages and high non-wage costs that have resulted from reforms to the social security system.

The minimum wage in Colombia is relatively high when compared to other Latin American countries and despite the positive wage impact that it can have on formal sector workers, there is a risky effect associated with job losses in the formal sector – both through higher unemployment and through shifts from formal to informal employment (Bell 1997, Arango and Pachón 2004). According to Maloney and Nuñez-Mendez (2004), minimum wages are binding in Colombia, which may explain the weak pass-through effect of labor regulations on wages.5

High non-wage costs resulting from pension and health reforms had a negative impact on labor demand. Non-wage costs in Colombia are among the highest in Latin America. In 2008, non-wage costs – the collection of payroll taxes and “parafiscales” collected to finance pension and health benefits, and severance pay, worker training, child welfare programs and workers’ clubs – were around 55 percent of total payroll. A large body of empirical literature from Latin America and elsewhere shows that high rates of payroll tax have a negative impact on formal sector employment. Cardenas and Bernal (2003) showed a negative employment impact from the pension and health reform of 1993.

BEST PRACTICES ON TRAINING INTERVENTIONS FOR THE DISADVANTAGED

Methodological framework

In order to prepare a menu of program options for Colombia, this note highlights ALMPs that have been implemented in response to the “skills mismatch” barrier to employment. Realizing the comprehensiveness of mechanisms that can be employed in response to this barrier, this section sets several boundaries with the objective of preparing a more focused and easily accessible set of recommendations. First, although the importance of policies such as labor market regulations and minimum wage laws cannot be understated, this note focuses on programs or interventions that can often be more readily implemented. The second boundary established by the note is the exclusion of programs that focus on general or formal education. While realizing the importance of formal education measures on labor market outcomes, this note limits its focus on those interventions that occur outside of or post formal schooling. One of the main sources of information for this review is the World Bank’s 2007 Youth Employment Inventory (YEI), which took stock of programs and policies aiming to improve the labor market prospects of young workers. Accordingly, experiences highlighted in this note have a slight bias.

5 Cardenas and Bernal (2003) found that labor regulations regarding severance payments and dismissal costs had an impact on labor demand (through its effect on relative prices) but did not affect wage elasticities. In addition, the social security law that regulated (increased) the employers’ mandatory contributions for health and pension programs created higher non-wage costs that did not have a crowding-out effect on wages.
toward youth, which does not limit significantly the potential transferability of best practices into adult-focused programs.

The primary criterion for the selection of specific programs was the strength of the program evaluation evidence. Following the methodological approach of the YEI, programs have been selected in the following order: (i) programs with impact evaluations that included estimates of net impact on labor market outcomes, namely employment and earnings, in addition to a cost-benefit analysis; and (ii) programs with impact evaluations that included net impact on employment and earnings, but with no cost-benefit analysis. Exceptions to the selection criteria were made only for those categories of programs that lacked interventions with rigorous impact evaluations. The note specifically indicates these instances when highlighting programs that merely had evaluations with basic information on gross outcomes. However, efforts were made to select those programs with rigorous evaluations in order to prepare solid, evidence-based recommendations. The review presents cases around the world, with a particular focus on experiences from OECD and Latin American countries.

Finally, the programs are categorized by their quality and effectiveness in improving labor market outcomes. However, as recognized above, not all selected programs have evaluations that include cost-benefit analyses. Thus, this note differentiates the programs into the following categories: (i) Successful interventions: programs that have a positive impact in the labor market and are cost-effective; (ii) Promising interventions: programs with positive labor market impact but unknown cost-effectiveness; and (iii) Non-successful Interventions: programs that have a positive impact in the labor market but are not cost-effective and programs that have a negative or zero impact in the labor market.

Main features and best practices from training interventions

Colombia faces important challenges to ensure labor market integration of the poor. These challenges involve educated youth that can successfully transition from school to work, trained workers able to respond to the skills demanded in the market, and effective institutions that can ensure quality and consistency of the training system. Accordingly, addressing skills mismatches in Colombia not only implies providing relevant and high quality skills through training interventions; it also entails fostering adequate matching and signaling, as well as consistent employment regulations that make the most of these interventions.

This section reviews the international experience on training-related interventions and highlights their main features as well as necessary initial conditions and factors for success in the following training categories: programs with a particular focus on vocational classroom training, programs with a comprehensive approach (multiple services), and those with a strong focus on soft and life skills. In addition, the section outlines the benefits of contextualizing training into a national qualification framework that counteracts job search barriers through better signaling. The main characteristics of these interventions (in terms of objectives, targeting, financing, and necessary conditions) and examples of good and bad practices are summarized in Tables 3 – 5 and reviewed to a greater extent in Annex II.

6 The review of best practices benefitted greatly from the compilation and analysis of international experiences on training and skills certification programs done by Nam (2008, forthcoming).
Skills training programs are the most common interventions to enhance human capital among employed and unemployed people of all ages. Several overview studies of ALMPs have highlighted the popularity of training programs among other active labor market measures, such as employment services, wage/employment subsidies, public works, and entrepreneurship schemes. For instance, skills training programs were the most popular interventions to support young workers in the World Bank’s 2007 YEI. Training interventions account for nearly 38 percent of all documented programs in the YEI (111 out of 289). Similarly, 45 out of 87 impact evaluation studies of ALMPs analyzed by Betcherman et al. (2004) were training-related.

Training provision and approaches vary greatly across countries. They can be provided by public or private institutions, and sponsored through training funds and/or subsidies. In addition, training approaches may be comprehensive in terms of their coverage or target specific groups such as the long term-unemployed, workers displaced in mass layoffs, or young people, often with special attention to school dropouts. In addition, training approaches encompass a wide range of measures from in-classroom vocational training to a combination of several services where training plays a key role in the delivery of job skills.

Training programs with a particular focus on vocational classroom training is the most long-standing approach. They are aimed at providing individuals with skills and experiences that would improve future labor market prospects, while responding to the needs of the labor market. Indeed, within this general objective, programs may have more specific, targeted objectives. For example, the main objective of PLANFOR, a training program in Brazil, is to gradually build up permanent vocational training facilities to train or retrain at least 20 percent of economically active population annually. Vocational training programs can also have varying objectives depending on the type of skills training provided and the target population, which are predominantly unemployed and disadvantaged individuals of varying age groups.\(^7\)

Successful experiences of programs with a particular focus on vocational classroom training highlight the following necessary initial conditions: (i) sufficient government resources for training; (ii) adequate supply of high quality training providers (institutions and teachers / public and private); (iii) and capable technical management and supervision units that ensure transparency and quality in a ‘competitive’ environment. These conditions are crucial in ensuring successful outcomes, in addition to the various characteristics and programmatic factors inherent to the programs.

Through time, the leading vocational classroom approach started a transition towards more comprehensive services, including on-the-job training, internships, training on general skills (numeracy, literacy, etc) and “soft” skills (communication, team work, problem solving, etc), as well as combinations of other active labor market measures, such as wage subsidies and public works. This transition has been captured in a recent overview study of training interventions. Puerto and Fares (2008) studied a set of 345 studies of training programs

\(^{7}\) Most programs described in Annex II have a particular focus on youth. However, vocational training programs can be addressed to even more specific target populations, such as individuals severely handicapped in the labor market, including ex-drug addicts, ex-criminal offenders, and high school dropouts (the National Supported Work Demonstration in the United States) or demobilized soldiers, refugees, war victims, the disabled, widows and the general unemployed (the Emergency Demobilization and Reintegration Project in Bosnia and Herzegovina).
implemented in 90 countries around the world since the late Fifties. A descriptive analysis of these programs reveals a pattern of transition from classroom to comprehensive vocational training. Latin America and the Caribbean is the best example of a transitioning region. It exhibits a clear trend from a supply-driven training provided by public institutions in a classroom setting to a fresh demand-driven training that combines in-classroom with other training types and support services. Within the OECD area, a particular distinction can be made between Anglo-Saxon and Continental European countries. While the former have had a heavy reliance on comprehensive approaches over the years, the latter have a well established base of classroom vocational training and a rather recent move towards broader services, including job search assistance and other measures to make the labor market work better.

This transition has been supported by rigorous evaluation evidence on the positive differential effects of comprehensive programs. Analyzing a set of 129 impact evaluations (with treatment and control groups) of training interventions, Puerto and Fares (2008) show that programs that offer vocational training along with other services have a higher probability of positive impacts on the labor market prospects of trainees as compared to classroom training alone. Their probabilistic model shows that comprehensive training and other ALMP that rely heavily on training yield better impact estimates than in-classroom training alone. The coefficients say that comprehensive programs increase the likelihood of positive impacts by 31 percentage points.

Successful and promising experiences of training interventions that have transitioned to a comprehensive approach underline the following factors for success:

- **Classroom training programs have seen important benefits in introducing on-the-job training and internship components into the package.** These components, in addition to classroom-based instruction, allows for a more holistic training process and the acquirement of skills and competencies in a variety of settings. Colombia has already shown positive impacts from combining classroom training and internships for youth through Jóvenes en Acción (Attanazio et al. 2008).

- **Support services for participants** (stipends, reimbursement, transportation vouchers) provide financial assistance to participants over the duration of the program, as evident in the Summer Youth Employment and Training program (SYETP) and Job Corps in the United States, Employability Improvement Program in Canada, Juventud y Empleo in the Dominican Republic, and Proyecto Joven in Argentina.

- **A demand-driven training content** is crucial for participants in acquiring those skills and competencies that are in strong demand and often in shortages in the labor market. For example, Programa Juventud y Empleo in the Dominican Republic aimed to train 37,500 disadvantaged youth in trades relevant for the productive sector, in order to increase their chances of getting a job (Card et al., 2006). Procajoven in Panama and Projoven in Peru are two other programs that strive to incorporate a demand-driven training content/curriculum.

- **Cooperation of prospective employers** ensures that the training content is demand-driven, and allows greater chances for participants to be employed upon program
completion. Among classroom training programs, the Emergency Demobilization and Reintegration Project (EDRP) in Bosnia and Herzegovina reported positive outcomes from training services provided by enterprises. Examples in comprehensive programs include: Projoven in Peru (where training services were mostly provided by enterprises that agreed to hire 80 percent of the training participants following a period of on-the-job training, and the New Deal for the Young Unemployed in the United Kingdom (where 60,000 employers had agreed to provide employment opportunities for program participants in 2000).

- **A competitive bidding process for training services**, as can be seen in Brazil (PLANFOR), Dominican Republic (Juventud y Empleo) and Panama (Procajoven), is an effective mechanism in ensuring relevant, high quality training from competent institutions at competitive prices.

- **Financial incentives for employers and employees**: Wage reimbursement for employers allows for increased and more effective employer participation in the training provision of participants. Programs such as Employability Improvement Program in Canada and the New Deal for the Young Unemployed in the United Kingdom show that wage reimbursement for employers may also be an important factor for consideration. Mechanisms providing incentives to prevent or control drop-out rates, as can be seen in the example of the reimbursement requirements for program drop-outs for the Government Re/Training program in Poland, is necessary for the program’s successful completion and realization of its stated objectives.
<table>
<thead>
<tr>
<th>General Description</th>
<th>Target population</th>
<th>Financing/implementing agency</th>
<th>Necessary Initial Conditions</th>
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<tbody>
<tr>
<td>Comprehensive programs focus on a variety of skills, depending on the objective and target population of the program.</td>
<td>Predominantly unemployed and disadvantaged individuals.</td>
<td>Generally financed by the government and managed by the ministries of labor and education.</td>
<td>Sufficient government resources for training</td>
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<tr>
<td>Programs incorporate a large vocational training component in addition to various other training and support services, including life skills training, entrepreneurship, counseling services, and financial support or incentives to employers and participants.</td>
<td>Particular focus on unemployed or underemployed youth with low levels of education or out-of-school youth.</td>
<td>Private sector and NGOs play an important role in implementation of the programs.</td>
<td>Adequate supply of high quality training institutions</td>
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<td>Programs often incorporate classroom-based instruction as well as an on-the-job or internship component.</td>
<td></td>
<td>Programs are often co-sponsored by international financial institutions such as the World Bank or Inter-American Development Bank.</td>
<td>Adequate supply of competent teachers, trainers, and counselors</td>
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<tr>
<th>Impact</th>
<th>Cost elements</th>
<th>Cost-benefit Analysis</th>
<th>Factors for success</th>
<th>Programs with positive impact*</th>
<th>Risk Factors</th>
<th>Programs with negative impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mixed results</td>
<td>Unit cost estimates for comprehensive programs range from $691 (PROJoven in Peru) to $17,151 (Job Corps in the US).</td>
<td>Programs with positive impact and cost-effective</td>
<td>Cooperation of prospective employers</td>
<td>Successful Programs: o Jóvenes en Acción (Colombia) o PROCAJOVEN (Panama) o Programa Juventud y Empleo (Dominican Republic) o PROJoven (Peru) o Employment Improvement Program (EIP) (Canada) o New Deal for the Young Unemployed (UK)</td>
<td>Little involvement of the private sector</td>
<td>o Active Labor Market Programs for Youth (Norway) o Labor Market Training Program (Sweden) o Youth Service Canada (YSC) (Canada) o Proyecto de Servicios Integrados para Jóvenes (Colombia) o First Employment Program (Programa Primeiro Emprego) in Rio Grande do Sul (Brazil)</td>
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<tr>
<td>Comprehensive programs are more effective in developing than advanced countries.</td>
<td>Unit cost estimates for Jóvenes programs range from the upper US$600s to about US$2,000 per participant served.</td>
<td>Programs with positive impact</td>
<td>Coordination between government and national employment services</td>
<td>Program Jovenes en Acción (Colombia): 12 months to recover costs (NPV&gt;0 if 1 year of positive benefits)</td>
<td>Training not matching skill needs</td>
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<tr>
<td>Jóvenes programs in LAC show increase in the employment probability and earnings:</td>
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<td>Competitive bidding process for training services</td>
<td>Program Juventud y Empleo (Dominican Republic): 2 years to recover costs (NPV&gt;0 if 2 years of positive benefits)</td>
<td>Demand-driven training content</td>
<td>No on-the-job training/internship component</td>
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<tr>
<td>Impact on employment</td>
<td></td>
<td>Internship period associated with program</td>
<td>Program Jovenes en Acción (Colombia): 7 years to recover costs (NPV&gt;0 if 7 years of positive benefits); IRR &gt;4%</td>
<td>Effective targeting</td>
<td>Ineffective targeting</td>
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<td>Colombia: 5% (women)</td>
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<td></td>
<td>New Deal for the Young Unemployed (UK): annual net social benefit around £57m.</td>
<td>Actions to control dropout rate</td>
<td>No actions to control dropout rate</td>
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<td>Chile: 21% (youth under 21 and women)</td>
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<td>New Deal for the Young Unemployed (UK):</td>
<td>Wage reimbursement for employers;</td>
<td>No support services for participants</td>
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<td>Argentina: 10% (monthly wages)</td>
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<td>Support services for participants (stipends, reimbursement, transportation vouchers)</td>
<td>Poor monitoring and evaluation</td>
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<td>Colombia: 18% (men); 35% (women)</td>
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<td>Peru: 18% (hourly)</td>
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<td>Training programs in OECD countries show less positive impacts on employment and earnings, but Anglo-saxon countries show better labor market outcomes than continental Europe.</td>
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<td>Employability Improvement Program (EIP) (Canada): Earning gains from about $3,800 to nearly $5,200</td>
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<td>- New Deal for Young People program (U.K.): young unemployed men are about 20 per cent more likely to gain employment</td>
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* A successful program has positive labor market impact and is cost-effective. A promising program has a positive labor market impact, but its cost-effectiveness is unknown. A non-successful program is either non-cost-effective or has yielded negative labor market impacts. See Annex I for further details on these definitions.
Appropriate targeting and targeting strategies is necessary for the program to successfully impact the population that the program was designed to benefit. Most Jóvenes Programs in Latin America organized a massive campaign advertising the courses in all selected municipalities. The selection process of beneficiaries began with the accreditation of young people interested in participating. Interested youth approached the local (employment) offices where they filled in a targeting questionnaire to determine their socioeconomic status and eligibility or were interviewed to check if they matched the objective profile. In some cases youth went through both mechanisms: questionnaire and interview.

Coordination among public agencies: Coordination between the government, national employment services, and all relevant players is necessary in the effective and efficient implementation of the program. For example, Proyecto Joven in Argentina, where most procedures were centralized in Buenos Aires, left local offices around the country with no administrative authority to make any significant decision, approve, or refuse projects. This excessive centralization hindered the timing of the bidding processes for the selection of training providers, delaying the delivery of the courses and internships (De Moura Castro 1999).

These factors for success have been crucial in assisting particular target groups, such as disadvantaged youth. However, are they also suited for extremely poor and vulnerable populations in general? The factors of success listed above create a competitive environment where trainees, trainers, and employers have adequate incentives to participate and benefit from the program. While this environment can be, in all likelihood, transferred across training programs, there are important features that become very relevant in training programs assisting the poor, such as: targeting, a multi-service approach, and coordination with other social protection programs for the poor.

First, appropriate targeting becomes particularly crucial for programs assisting the poor. While the importance of targeting varies somewhat depending on the good or service in question, it is crucial to ensure efficiency in resource use. Evidence from social assistance interventions highlights the relevance of targeting to channel public resources where finance is mixed public/private and to equalize quality or provide enriched quality to poor, demand-constrained households.

Targeting is key to ensuring training programs reach for the poor because it minimizes the risk of ‘creaming’. Creaming appears when program administrators and training institutions use eligibility criteria to select the most qualified candidates for program participation so as to increase the probability of program success. As a result, if only the most qualified people are trained then the benefit of the program to society is not as great as it might be otherwise. “Highly qualified program entrants have a good chance of finding a job or becoming reemployed even without the services offered in the program, while for less
qualified applicants the program services might be the only realistic path to employment” (O’Leary 1994).

There are several targeting methods available to identify beneficiaries from vulnerable populations. In fact, most social assistance programs in Colombia rely on a proxy means test to pinpoint their target groups. There are several targeting methods available to identify program beneficiaries, such as self-selection, categorical/group selection, and individual assessment. Colombia has relatively long experience in the use of individual assessment methods to identify the poor. In particular, the country has based eligibility to social assistance on a multi-dimensional index of observable characteristics called SISBEN. It is a proxy means test index of households’ economic well-being and is based on a cross-section sample of Colombian households. Accordingly, a training program for the poor may rely with relative confidence on SISBEN as an efficient targeting method.

- **Second**, given the severe skills disadvantage of the poor, comprehensive training programs that combine different services may work better in improving labor market prospects of trainees from low income households. While there is no rigorous evaluation evidence indicating that certain types of training work better in improving the labor market outcomes of the poor, the analysis of the YEI showed that active employment programs that focus on low-income youth perform better than otherwise. Puerto (2007b) shows that the likelihood of success is at least 47 percentage points higher when programs target youth from low income families than otherwise, suggesting that interventions do have promise for improving the labor market situation of low-income people.

In addition, qualitative evidence from the Jóvenes Programs in Latin America indicates that all forms of workplace training and support services create incentives for participation by poor youth. In a survey of candidates and trainees of Proyecto Joven in Argentina, de Moura Castro (1999) found that poorer candidates were highly attracted by the internships and the fellowships. In fact, 71 percent of the relatively poorer candidates appreciated the practical work experience and 61 percent attached much importance to the program’s fellowship. At the same time, students revealed a strong positive perception of the importance of the internship as a transition to the labor market and their preference for the practical aspects of training. The gains from workplace experiences not only translated into better job skills but, very importantly, they yield non-cognitive benefits, such as discipline, punctuality, and learning to deal with authority.

- **Third**, training programs for the poor need to coordinate with other national or local initiatives to assist the same groups. Coordination enables economies of scale among different social assistance programs. For instance, targeting methods, implementing agencies, and communication and dissemination mechanisms can be shared among different programs, facilitating an efficient use of resources. A training program for the poor in Colombia can build on existing
social assistance strategies, such as the Red Juntos. Juntos is the government’s strategy to achieve the Millennium Development Goals by tackling poverty and improving living conditions of disadvantaged groups and those displaced by the conflict.\(^8\)

The Juntos initiative, with its focus on targeting on the very poor, is an important asset for the government in designing training interventions for the poor. Juntos focuses on families assisted by the Conditional Cash Transfer Program Familias en Acción as well as families displaced by conflict that are registered in the Information System for Displaced Population (RUPD). This targeting gives Juntos a competitive advantage as the platform to provide comprehensive training services to the poor where public and private training institutions strive for high quality and relevant training.

An important element of comprehensive training is the opportunity to provide soft and life skills\(^9\) to disadvantaged individuals. **Training interventions with a strong focus on soft and life skills** aim to provide training on communication, leadership, capacity to work in teams, motivation, and discipline. They are targeted mainly towards unemployed and disadvantaged groups, such as youth.\(^10\) Significantly, a common characteristic of such programs evaluated by the American Youth Policy Forum is their targeting of youth from economically disadvantaged neighborhoods with multiple issues such as substance abuse, criminal offenses, teen pregnancy, and low educational, social, and vocational skills development (Batlle, 2006). Programs with a strong focus on life skills may be financed and managed by the government or by international organizations. For example, Youth Build in the United States is an example of a multi-site national program. On the other hand, others such as Make a Connection (MAC) in Latin America are funded by Nokia and managed by the International Youth Foundation (IYF).

Life skills can be incorporated into training programs in a variety of ways. First, programs may employ a formal curriculum to address life skills training, as seen in the case of the General Electric (GE) project in Mexico. Another method of incorporating life skills training is through experiential programming rather than a through a formal

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8 In particular, Red Juntos aims to (i) improve living conditions of 1.5 million families living in extreme poverty; (ii) adapt the supply of social services to the specific needs of families living in extreme poverty; (iii) strengthen the institutional capacity of local governments; (iv) align and articulate the poverty reduction strategies of the local governments; and (v) ensure 100 percent health and education coverage to Red Juntos’ beneficiaries.

9 The World Health Organization defines life skills as: “abilities for adaptive and positive behavior that enable individuals to deal effectively with the demands and challenges of everyday life. In particular, life skills are a group of psycho-social competences and interpersonal skills that help people make informed decisions, solve problems, think critically and creatively, communicate effectively, build healthy relationships, empathize with others, and cope with and manage their lives in a healthy and productive manner.”

10 A common characteristic of soft and life skills programs evaluated by the American Youth Policy Forum is their targeting of youth from economically disadvantaged neighborhoods with multiple issues such as substance abuse, criminal offenses, teen pregnancy, and low educational, social, and vocational skills development (Batlle, 2006).
classroom-based curriculum, such as team community service and development projects and leadership training efforts. The Make a Connection (MAC) programs in various Latin American countries implement life skills training in this manner.

While no impact evaluations of soft and life skills training interventions are available, promising experiences highlight key necessary initial conditions. Upon examination of several programs with a particular focus on life skills training, one is able to arrive at various necessary initial conditions that must be in place in order for the effective implementation of the program. In particular, the conditions delineated below have been adapted from Hahn, Leavitt, and Lanspery (2006)’s speculative initial conditions specifically in the context of the programs mentioned in Table 4 and discussed in Annex II: (i) financial support, guidance, and supervision, often from international organizations, is necessary for successful procession of the programs; (ii) adequately and appropriately trained teachers are crucial for the effective teaching of various life skills; (iii) adequate capacity building and performance standards are necessary in ensuring that the program operates at its maximum potential; (iv) strong national, state, and local offices that are effective individual entities and have the capacity to effectively cooperate contribute to a program’s success.

Several characteristics of life skills programs appear to be crucial in generating positive outcomes. Glenda L. Partee at the American Youth Policy Forum highlights these factors for success based on evaluation results of approximately 100 effective programs:

- **Implementation factors**: Implementation quality factors such as adequate start-up time; clear communication of goals; sufficient, timely, and sustained resources; strong leadership at the federal, state, and local levels; professional staff development; and effective data use are all necessary in contributing to improving program performance.

- **Quality trainers**: Caring, knowledgeable adults such as teachers, counselors, mentors, case workers, and program directors who understand and care deeply about the participants are crucial for the program’s success. These adults must be knowledgeable, with extensive training and experience, and show, through their time and attention, that they are committed to the participants’ well-being and future endeavors.

- **High standards and expectations of their participants** contribute to successful program outcomes.

- **Integration of community members** such as parents and employers provide additional support for effective program operations.

- **A holistic approach** including a broad set of strategies and services to address the participants’ varying needs is necessary in ensuring that all aspects of the program are effectively targeted.
**Table 4: Addressing employability barriers: Training interventions with a strong focus on soft and life skills**

<table>
<thead>
<tr>
<th>General Description</th>
<th>Target population</th>
<th>Financing/implementing agency</th>
<th>Necessary Initial Conditions</th>
</tr>
</thead>
</table>
| • Life skills programs focus on improving individuals' psycho-social competences and interpersonal skills such as communication, leadership, capacity to work in teams, motivation, and discipline. | • Predominantly unemployed and disadvantaged individuals | • Generally financed and managed by the government or by international organizations  
Examples:  
- Youth Build (US): multi-site national program  
- Make a Connection (MAC): funded by Nokia and managed by the International Youth Foundation (IYF) | • Financial support, guidance, and supervision, often from international organizations  
- Supply of adequately and appropriately trained teachers, trainers, and counselors  
- Adequate capacity building and performance standards  
- Strong national, state, and local offices |
| • Some programs have a strong, explicit focus on life skills training, while others incorporate life skills more as an indirect element of achieving other goals. | • A common characteristic of life skills programs is their targeting of youth from economically disadvantaged neighborhoods with multiple issues such as substance abuse, criminal offenses, teen pregnancy, and low educational, social, and vocational skills development |  |  |
| • Life skills can be incorporated into training programs in a variety of ways.  
- A formal classroom-based curriculum: General Electric (GE) project in Mexico  
- An experiential programming such as team community service and leadership training: Make a Connection (MAC) programs in LAC |  |  |  |

<table>
<thead>
<tr>
<th>Impact</th>
<th>Cost elements</th>
<th>Factors for success</th>
<th>Programs with positive impact</th>
<th>Risk Factors</th>
<th>Programs with negative impact</th>
</tr>
</thead>
</table>
| • Life skills programs are relatively successful in achieving their objectives:  
Examples:  
- Quantum Opportunities Program (QOP) (US): Relative to non-participants, QOP students were more likely to be high school graduates (63% vs. 42%), less likely to drop out of school (23% vs. 50%), more likely to continue to post-secondary education (42% vs. 16%), less likely to become teen parents (24% vs. 38%), more likely to take part in community projects in the six months following QOP (21% vs. 12%).  
- Youth Build (US)  
- 75% of the program graduates (most surveyed between one and seven years after graduation) were in school or earning at least $10 an hour  
- Graduates were far less likely to be involved in drug and alcohol use and criminal activities than prior to program participation | • Youth Build (US): approximately $20,000 per participant, which includes the wages received for work | • Implementation quality factors such as adequate startup time; clear communication of goals; sufficient, timely, and sustained resources; strong leadership at all levels  
- Caring, knowledgeable adults such as teachers, counselors, mentors, case workers, and program directors  
- High standards and expectations of participants  
- Integration of community members such as parents and employers  
- A holistic approach including a broad set of strategies and services to address the participants’ varying needs  
- Participants as resources/community service and service learning  
- Work-based learning opportunities  
- Long-term services/support and follow-up measures of six months to several years | • Quantum Opportunities Program (QOP) (US)  
• Youth Build (US)  
• Make a Connection (MAC)  
• The GE life skills program (Mexico) | • Lack of private sector involvement  
• Ineffective targeting  
• Lack of caring, knowledgeable adults and program coordinators  
• Program that lacks comprehensiveness in design and implementation  
• Poor monitoring and evaluation |  |
• **Participants as resources/community service and service learning** is a crucial element of life skills programs that allows participants to contribute to their communities in positive ways, while developing critical skills necessary for the workplace as well as life in general.

• **Work-based learning opportunities** provide participants with “authentic” and “relevant” learning experiences that will aid in their future employment prospects.

• **Long-term services/support and follow-up measures** of six months to several years, provides opportunities for participants to continue relationships with caring, knowledgeable adults and provides a smoother transition for participants into the world of work.

**Best practices, therefore, suggests that skill mismatches can be successfully addressed by integrating a multi-service package of training.** International experiences studied above indicate that training interventions that provide a broad array of services – such as in-classroom training, internships, and job search assistance or on-the-job training, life skills and wage subsidies – tend to improve the labor market prospects of trainees. Quintini and Martin (2006) also stress the advantages of comprehensive interventions in addressing employability barriers in OECD countries. The authors suggest that the integration of services into a combined, comprehensive package seems to work better than separate provision.

**The review of international experiences found a significant gap in best practices to address employability barriers in rural areas.** A program for rural children and youth in difficult circumstances was evaluated in Uganda in 2003 with very positive impacts on earnings of beneficiaries. The Programme for the Promotion of Children and Youth (PCY) in Uganda aimed at creating jobs through income generating activities through a comprehensive training approach that consisted of: (i) promotion in areas of social work, (ii) information and counseling, (iii) training on entrepreneurship and self-employment activities, and (iv) local non-technical skills development, i.e. life skills, reproductive health and HIV/AIDS prevention. PCY also provided interventions for youth in conflict-affected areas and camps for internally displaced persons (Betcherman et al 2007).

**An inherent factor for success in training systems relies on the ability of trainees to signal their acquired skills to employers, i.e. offsetting job search constraints.** As a result, skills certifications have become increasingly important for the market, as a quality assurance mechanism that recognizes and certifies individuals’ skills and competencies. Skills certification is often referred to as competency based certification. Within the context of increasingly diverse modes and pathways of learning, skills certification fulfills various objectives. First, skills certification allows for the recognition of skills and competencies regardless of the way in which they were acquired and educational background. In addition, skills certification allows for individuals’ skills to be compared across the labor market. Finally, skills certification serves as the interface between skills acquired through training or other means, and the skills required to perform a job (Bouder et al., forthcoming). Further, less-
immediate but nevertheless crucial objectives include improved occupational mobility, promotion of lifelong learning, and international and intergenerational comparative analysis (Bouder et al. forthcoming, World Bank 2003, and Armstrong et al. forthcoming).

While skills certification is intended for no particular target population, it provides incentives for individuals who have no completed general level of schooling and/or are engaged in non-formal learning in their acquisition of skills and competencies (World Bank, 2003). Skills certification provides a more flexible, diverse means of having their skills recognized in the labor market for those that are otherwise not able to access the more formal, standard measures of skills certification.

Skills certification mechanisms are mainly government-sponsored. As most established skills certification frameworks and mechanisms occur in OECD countries, they are financed predominantly by their national governments. However, as more and more developing countries are moving towards developing certification frameworks and mechanisms, there has been an increase in donor funding in this area of education reform. For example, the national qualifications framework in South Africa has been mostly funded by the European Union, with additional support from the Canadian government (Allais 2007).

While skills certifications may improve signaling, they need to act in a coordinated and consistent system. National Qualification Frameworks (NQF) for skills certification have been implemented as efficient platforms for the recognition and certification of all skills and competencies. An NQF is defined as a single, coherent, and comprehensive instrument for the classification of qualifications according to a set of criteria for specified levels of learning achieved. It aims to integrate and coordinate national qualifications subsystems and improve the transparency, access, progression, and quality of qualifications in relation to the labor market and civil society (Coles 2008).

The key features that distinguish an NQF from other qualifications systems are that the qualifications are: (i) described in terms of a single set of criteria; (ii) ranked on a single hierarchy of levels; (iii) classified in terms of a comprehensive set of occupational fields; (iv) described in terms of learning outcomes that are independent of the site, the form of provision, and the type of pedagogy or curriculum; and (v) defined in terms of elements, and ascribed a volume in terms of notional learning hours expressed as quantifiable credit.

Furthermore, in principle, qualifications as part of an NQF are designed to be: (i) achieved by accumulation over time (credit accumulation and transfer); (ii) transportable as units of one qualification can be used for other qualifications; (iii) transparent as learners know precisely what learning outcomes they are required to demonstrate to achieve a qualification; and (iv) independent of any specific prior learning program requirements (Young 2005).
The experiences of developed countries in the formulation of NQF highlight the following necessary initial conditions: (i) political willingness of the national government; (ii) legislative basis for the qualifications framework (OECD 2007); (iii) interest and collaboration of various stakeholders, especially a tripartite planning committee of employers, providers, and students (Grubb 2007); (iv) competent and cooperative governmental departments sharing responsibilities in the implementation of the NQF, especially those involved in education and training and in labor market policy (OECD 2007); (v) capable technical management and assessment units/agencies to ensure sound assessment of competencies; (vi) trust between the providers and users of NQFs that have been established over time and give credibility to the qualifications (Young 2005); and (vii) effective communication to the general population for their successful implementation and operation.\[11\]

Despite little evidence on the impact of NQFs, there are major factors that have proven to be instrumental in ensuring the successful implementation of NQFs (Young 2005), such as:

- **Incrementalism:** While an incrementalist approach\[12\] may not appeal to governments who feel a sense of urgency, as in the case of South Africa, a radical break with previous qualifications systems results in greater difficulties. A radical break does not allow practitioners and other involved actors any benchmarks to test the new principles against their experience. Indeed, employing an incrementalist approach will significantly aid in the prevention of polarized positions.

- **Consensus and compromise:** As qualifications can only operate on the basis of trust, consultation processes such as those in the Irish NQF and compromise agreements in New Zealand are crucial. When such processes do not occur, the entire idea of an NQF may lose public and professional credibility. For example, forced compromises over national vocational qualifications in England have prevented them from making greater progress in developing a broader national framework.

- **Building blocks:** As is evident in the SCQF in Scotland, the importance of partial frameworks as building blocks for the establishment of a broader, more comprehensive framework is undeniable. Such building blocks refer to specific levels, such as secondary and higher education, and various sectors, such as academic, vocational, or other industrial sectors.

\[11\] These initial conditions must be carefully considered in conjunction with the political and economic context of the country. It is important to realize that the initial conditions mentioned above are key for the success of NQF in the developed economies of Scotland, New Zealand, and Ireland; which are also geographically and demographically small and fairly culturally homogenous (Young 2005).

\[12\] An example of an incrementalist approach is the Scottish Qualifications Framework, developed through a series of linked reforms, without any complex standard-setting procedures or the development of new qualifications.
### Table 5: Addressing Job Search Barriers: National Qualification Frameworks for skills certification

<table>
<thead>
<tr>
<th>General Description</th>
<th>Target population</th>
<th>Financing/implementing agency</th>
<th>Necessary Initial Conditions</th>
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</thead>
<tbody>
<tr>
<td>• Skills certification is a quality assurance mechanism that recognizes and certifies individuals' skills and competencies.</td>
<td>• Individuals who have not completed general level of schooling and/or are engaged in non-formal learning in their acquisition of skills and competencies.</td>
<td>• Shared responsibility amongst various governmental departments such as the departments of education, labor and industry and trade.</td>
<td>• Political willingness</td>
</tr>
<tr>
<td>• One major mechanism for skills certification = national qualifications frameworks (NQF). An NQF is a single, coherent, and comprehensive instrument for the classification of qualifications according to a set of criteria for specified levels of learning achieved.</td>
<td>• i.e. out of school youth and adults who wish to re-enter the workforce</td>
<td></td>
<td>• Interest and collaboration of various stakeholders (employers, providers, students)</td>
</tr>
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</table>

### Factors for success

<table>
<thead>
<tr>
<th>Successful frameworks</th>
<th>Risk Factors</th>
<th>Less successful frameworks</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Incrementalism: Employing an incrementalist approach rather than a radical break with previous qualifications systems.</td>
<td>• Scottish Credit and Qualifications Framework (SCQF)</td>
<td>• National Qualifications Framework, South Africa</td>
</tr>
<tr>
<td>• Consensus and compromise: Operating on the basis of trust to ensure public and professional credibility.</td>
<td>• New Zealand Qualifications Framework (NZQF)</td>
<td></td>
</tr>
<tr>
<td>• Building blocks: Partial frameworks as building blocks for the establishment of a broader, more comprehensive framework.</td>
<td>• Irish National Qualification Framework</td>
<td></td>
</tr>
<tr>
<td>• Policy breadth: Availability of assessment systems, adequate (re)training of teachers, established sectoral organizations.</td>
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</table>

### Risk Factors

<table>
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<tr>
<th>Less successful frameworks</th>
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</thead>
<tbody>
<tr>
<td>• Political difficulties and interdepartmental tensions arising from shared responsibilities.</td>
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<tr>
<td>• Administrative difficulties faced by new agencies and committees regarding quality assurance, standard setting and assessment.</td>
</tr>
<tr>
<td>• Technical/ professional problems from differences in the language of standards, units, and levels, and value judgments regarding learning and knowledge.</td>
</tr>
</tbody>
</table>
• **Policy breadth:** Various conditions such as the availability of assessment systems, the adequate (re)training of teachers, the existence of established sectoral organizations, and new partnerships are all critical features that contribute to the implementation and operation of an NQF.

Despite their promising impact on labor market prospects of workers, the implementation of NQFs is associated with various difficulties. Young (2005) highlights these problems as follows:

• **Political difficulties** are inevitable, stemming from the fact that the responsibility for an NQF is never housed within one government department, leading to interdepartmental tensions. For example, New Zealand experienced tensions between the Qualifications Authority and the Department of Education regarding power over the school curriculum. New Zealand recognized that some differentiation was necessary, as the principle of similarity could not encompass all types of learning. Furthermore, the New Zealand case reveals a broader political lesson that the more an NQF seeks to be comprehensive the more it can pose a threat to the very government departments that established it.

• **Administrative difficulties** also arise from the uncertainties faced by new agencies and committees concerned with quality assurance, standard setting and assessment. There is an uncertainty regarding responsibilities as well as the difficulty in recruiting personnel with appropriate expertise. Such lack of skills and knowledge can lead to a slowing down of the entire process, as well as a decrease in confidence in the new qualifications.

• **Technical and professional problems of assessment** result from differences in the language of standards, units, and levels to define criteria that apply to very different qualifications, as well as difficulties in value judgments regarding learning and knowledge. Problems with such issues can be lessened by recognizing that language differences and assessment approaches are inevitable, and that common approaches can only be developed over periods of time from shared experience and use, not of tightly specified definitions.

A general underlying difficulty in implementing NQFs is that in an outcomes-based framework, there is often a disconnect between the processes involved such as standard setting and assessment, and the practices of those teaching, training, selecting, and assessing. There needs to be a new basis of trust that relates to outcomes and standards through new forms of partnerships between institutions (Young 2005). Moreover, the process of conforming knowledge and skills to measurable performance indicators may actually have adverse effects on the education and training being delivered. It is thus necessary to be cautious in the implementation of NQFs especially in the context of developing countries with weak education systems to begin with.
CONCLUSIONS

This note aims to provide a review of international experiences of training-related interventions to improve the labor market conditions of the poor. It draws attention to best practices on ALMPs that address employability constraints, highlighting necessary initial conditions and factors for success. Best practices are drawn from impact evaluations and gross outcomes evidence of interventions implemented in developed and middle income economies. It considers training programs on technical and non-technical skills in the following categories: programs with a particular focus on vocational classroom training, programs with a comprehensive approach (multiple services), and those with a strong focus on soft and life skills. In addition, the note studies the benefits of contextualizing training into a national qualification framework that counteracts job search barriers through better signaling.

In Colombia, the poor face several labor market barriers. Skills mismatch is one of the most important barriers and the main focus of this document. The skills mismatch results from a number of factors that not only cause employability constraints but, to some extent, job search barriers and lack of labor demand. Some of the causal factors with great incidence among the poor in Colombia are: (i) inequalities in education services; (ii) limited effectiveness of public training provision; and (iii) regulations that dampen demand for workers, discouraging hiring and recruiting of trainees.

A substantial gap in the access to quality education between the poor and the rest of the population sheds some light on why the poor are not working or why they are working in dead-end jobs. Given the strong association between education and formal employment, among the most important challenges of the Government of Colombia to improve the labor market opportunities for poor workers in the long-run is to improve their access to quality education at the secondary and tertiary levels. At the same time, for those who have already left the formal education system, there may be an important role for providing opportunities for young people to acquire or strengthen technical and “marketable” skills, via certain types of job training, employment services, and improved access to lifelong learning opportunities.

Best practices, critical for Colombia, suggests that successful training experiences result from combining occupational training with other active labor market measures and support services. Training interventions that provide a comprehensive array of services – such as in-classroom training, internships, and job search assistance or on-the-job training and wage subsidies – tend to improve the labor market prospects of trainees. A review of 129 rigorous impact evaluations of training interventions implemented worldwide shows that comprehensive and broader training services have a higher probability of improving employment and earnings than interventions that offer classroom training alone. These broader services also include non-technical skills, such as life and soft skills, which enable individuals to deal

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13 See Puerto and Fares (2008, Forthcoming) for a meta-analysis of worldwide training-related interventions. Similar analyses were undertaken by Betcherman et al (2007) in a sample of youth employment programs.
effectively with the demands and challenges of a working life. The Colombian program Jóvenes en Acción has proven success in integrating different types of training for young workers in a cost-effective manner. This is a foundation the government can build on to design pertinent programs for disadvantage groups.

In addition, demand-driven programs that deliver training in a competitive fashion are crucial for the relevance and quality of the skills delivered. The demand-driven approach goes directly to the heart of employability constraints. It suggests designing courses that are consistent with the skills demanded by employers and implies involving employers in the design and selection of training courses. Linking this approach to an open market of training delivery has shown positive results in ensuring quality and relevance. This is an important challenge for Colombia, where most occupational training supply is in hands of state-managed SENA. Experiences in peer countries, such as Brazil and Chile, have shown significant promising results from applying a competitive bidding system – open to public and private training institutions – where experience and quality of the proposals are the main decisive factors of selection. In addition, active participation of the private sector (including non-governmental organizations) is critical to reach isolated groups, such as rural, indigenous, or displaced populations. It is worth mentioning that recent reforms and government’s efforts, such as the Law 789, Social CONPES 81, and Presidential Decree 249, have created an enabling environment for adopting these principles of competitiveness in training provision; however, progress has still been limited in practice.

Targeting and targeting strategies are key factors for success. Several employment measures suggest that appropriate targeting and targeting strategies are crucial to successfully impact program’s participants. The World Bank’s 2007 Youth Employment Inventory shows that programs oriented towards disadvantaged youth from low income families tend to yield better outcomes than otherwise (Betcherman et al. 2007). Furthermore, careful targeting and screening of potential participants may help to reduce the chances of training dropouts (Jaramillo and Parodi 2003). Evidence from social safety net interventions have shown positive outcomes from different targeting methods, including self-selection, categorical/group selection, and individual assessment.

These factors for success can be, in all likelihood, transferred to training programs with particular focus on the poor. However, it is important to keep in mind some features that become particularly relevant when assisting poor and vulnerable populations: (i) targeting, which is key in designed and implementing training programs for the poor because of its potential for minimizing the risk of ‘creaming’; (ii) a multi-service approach, that addresses simultaneously numerous disadvantages experienced by poor people, from lack of workplace experience to lack of noncognitive skills; and (iii) coordination with other social protection programs for

14 Bosnia and Herzegovina’s EDRP had significant private sector participation in the provision of training, as achieved positive employment outcomes among demobilized soldiers, refugees, war victims, and the disabled.

15 While there is no rigorous evaluation evidence indicating that certain types of training work better in improving the labor market outcomes of the poor, the analysis of the YEI shows that interventions do have promise for improving the labor market situation of low-income people.
the poor, where the may provide important economies of scale to a training program designed for the poor in Colombia.

However, it is important to take into account the capacity of the country and the rigidities of its institutions. In addition to the various characteristics and programmatic factors that are crucial in ensuring successful outcomes, it is essential to highlight the initial conditions necessary for a successful implementation of a program. They include: sufficient government resources for training; adequate supply of high quality training providers (institutions and teachers / public and private); and capable technical management and supervision units that ensure transparency and quality in a ‘competitive’ environment. Furthermore, success also relies on the country’s degree of flexibility of labor market regulations. Evidence from OECD countries suggests that strict employment protection rules hamper the entry of young people into the labor market (OECD 2004). Backing this finding, the Youth Employment Inventory shows that economies with more flexible labor market regulations tend to obtain better outcomes from youth employment programs.16

Adequately designed skills certification mechanisms may effectively complement training interventions by improving signaling for a better integration into the labor market. National Qualification Frameworks (NQF) for skills certification have been implemented as efficient platforms for the recognition and certification of all

16 A meta-analysis of youth employment programs reveals a significantly negative, although very small, coefficient of the employment rigidity index (a composite measure of employment rules on hiring, contracting, and dismissal) in the probability of obtaining positive labor market impacts from ALMPs for young people. I.e. the higher the index, the higher the employment rigidity and the lower the chances of positive impacts (Puerto, 2007b).
skills and competencies. Their results rely greatly on: (i) political and governmental willingness; (ii) strong legislative basis; (iii) active involvement of various stakeholders (in particular employers, providers, and trainees); (iv) coordination at all levels of government and among key public agencies; (v) institutional capacity to ensure sound assessment of competencies; (vi) trust between the providers and users of NQFs; and (vii) effective communication and dissemination to the general population.

**Experiences on implementation of NQFs shed greater light on the design and implementation of the Sistema Nacional de Formación para el Trabajo (SNFT) in Colombia.** SNFT brings together technical, technological, and occupational training providers for a coordinated definition and identification of national strategies and policies to improve the supply, consistency/relevance, and quality of training in the country. International experiences highlight, in particular, the benefits of an incrementalist approach that capitalizes on public and professional credibility. Since a radical break with previous qualifications systems may create greater difficulties, an incrementalist approach may maintain the political will and facilitate testing the new principles against prior experiences. In addition, it is crucial to maintain a fluid dialog among members of the SNFT’s board. As qualifications can only operate on the basis of trust, consultation processes and compromise agreements are key.

**These recommendations on NQFs are relevant if there is a solid commitment in ensuring efficient use of resources and consistent actions among SNFT’s main stakeholders, including SENA.** SENA, a key player in the SNFT, has great responsibility in the successful design and implementation of this competency-based training system. Improving the effectiveness, efficiency, and equity of SENA’s expenditures is, therefore, critical for the system’s success and credibility.
References


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Puerto, Olga Susana. 2007a. Learning from International Experiences, The Youth Employment Inventory; Background paper for the Sierra Leone Youth and Employment ESW, World Bank, Washington D.C.


ANNEX I: KEY DEFINITIONS USED IN THE METHODOLOGICAL FRAMEWORK

Important Definitions … for the sake of clarity\textsuperscript{17}:

Positive and Negative Labor Market Impact:

The primary performance indicators in assessing the impact of a program on the labor market are employment and earnings of participants. Accordingly, a positive impact is reserved for programs that increase employment rates or employment duration, reduce unemployment or unemployment duration, increase the transition out of unemployment, etc.; as well as those that increase the post-program earnings of beneficiaries. A program with positive labor market impact is not necessarily successful. To be specific, programs can have a positive employment impact but not be cost-effective, therefore, these programs cannot be considered successful.

Cost-effectiveness:

A program is considered cost-effective if the evaluation results indicate that the benefits (e.g., reduced use of social assistance, increased tax gains through participants who found a job, increased earnings, etc) exceed program costs (income support, training material, cost of training, etc.). Since we are relying on available project documentation, specific methodologies used for the cost-benefit analysis can vary.

Successful Interventions:

While impact evaluations facilitate the assessment of the program’s impact on the labor market prospects of trainees, only an analysis of cost-benefit can give an idea of program success. Successful interventions are those that yield a positive labor market impact and are, at the same time, cost-effective.

Non-successful Interventions:

Consistently with the definition above, non-successful interventions comprise those that yield a positive labor market impact but are cost-ineffective, and those that have negative labor market impacts.

\textsuperscript{17} Following Betcherman et al. (2007)
**ANNEX II: TRAINING INTERVENTIONS: EXAMPLES OF SUCCESSFUL, NON-SUCCESSFUL, AND PROMISING EXPERIENCES**

Table A1: Annex Outline

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<tr>
<th>Assessment by Impact by Cost-effectiveness</th>
<th>Examples</th>
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<td>1.1. Successful Programs</td>
<td>Positive LM impact and cost-effective</td>
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<td>1.2. Promising Programs</td>
<td>Positive LM impact but unknown cost-effectiveness</td>
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<td>1.3. Non-successful Programs</td>
<td>1.3.1. Positive LM impact but cost-ineffective</td>
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<td>1.3.2. Negative LM impacts</td>
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<td><strong>2. COMPREHENSIVE TRAINING PROGRAMS</strong></td>
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<td>2.1. Successful Programs</td>
<td>Positive LM impact and cost-effective</td>
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<td>2.2. Non-successful Programs</td>
<td>Positive LM impact but cost-ineffective</td>
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<td>Negative LM impacts</td>
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<tr>
<td><strong>3. SOFT SKILLS TRAINING PROGRAMS</strong></td>
<td>Quantum Opportunities Program (QOP) (United States)</td>
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<tr>
<td>3.1. Promising Programs</td>
<td>Positive LM impact but unknown cost-effectiveness</td>
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<tr>
<td><strong>4. SKILLS CERTIFICATION PROGRAMS</strong></td>
<td>The Scottish Qualifications Framework (Scotland)</td>
</tr>
<tr>
<td>4.1. Promising Programs</td>
<td>Positive LM impact but unknown cost-effectiveness</td>
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</table>
5. REFERENCES (BY TYPE OF PROGRAM)
Vocational Training Programs

Successful Programs, i.e. Positive Labor Market Impact and Cost-Effective

**PLANFOR - National Plan of Professional Education (Brazil)**

PLANFOR is a vocational training program that was introduced in 1996 in Brazil. The program targets marginalized young and adult workers with the following characteristics: (i) unemployed (mainly unemployment benefit recipients and first time job seekers); (ii) workers at risk of unemployment due to firm restructuring and/or macroeconomic policies; (iii) small producers and (iv) self-employed. PLANFOR’s major objective is to establish, over time, permanent vocational training facilities to train or retrain 20 per cent of the economically active population every year. A secondary objective of the program is to improve the employability of the target population.

Significantly, PLANFOR is a demand-driven program, providing training for those skills necessary for work in both the formal and informal sectors. Another notable factor regarding program design is PLANFOR’s strong basic skills components and well-developed materials for the courses. Courses have an average duration of 103 hours per beneficiary. Regarding program implementation, PLANFOR works with a fund overseen by a tripartite committee of government and enterprises. The program also outsources training activities through a state-sponsored bidding processes.

**Table A2: Unit costs of some Vocational Training Programs**

<table>
<thead>
<tr>
<th>Country</th>
<th>Program</th>
<th>Unit Cost</th>
<th>Units</th>
<th>2005 USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S.</td>
<td>National Supported Work Demonstration</td>
<td>$ 6,800 - $9,100</td>
<td>1982 USD</td>
<td>$ 12,132 - $ 16,235</td>
</tr>
<tr>
<td></td>
<td>Summer Youth Employment and Training Program (SYETP)</td>
<td>$ 1,362</td>
<td>1993 USD</td>
<td>$ 2,337</td>
</tr>
<tr>
<td>Brazil</td>
<td>PLANFOR - National Plan of Professional Education</td>
<td>$ 170</td>
<td>2000 LCU</td>
<td>$ 110</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>Government Re-training Program: Guaranteed &amp; Non-guaranteed Jobs</td>
<td>$ 50</td>
<td>2000 LCU</td>
<td>$ 39</td>
</tr>
<tr>
<td>Hungary</td>
<td>Government Re-training Program</td>
<td>$ 500</td>
<td>1996 USD</td>
<td>$ 818</td>
</tr>
<tr>
<td>Poland</td>
<td>Government Re-training Program</td>
<td>$ 997</td>
<td>1996 LCU</td>
<td>$ 498</td>
</tr>
<tr>
<td>Turkey</td>
<td>Government Re-training Program</td>
<td>$ 200</td>
<td>1996 USD</td>
<td>$ 286</td>
</tr>
</tbody>
</table>

*a: The upper bound is the program cost per AFDC (Aid to Families with Dependent Children) participant and the lower bound is the cost for other target groups.*

Indeed, between 1996 and 1998, the program trained 1.5 million workers aged 15-21. With a labor employment rate of approximately 48 percent, half of the trainees found a job in the informal sector. In Minas Gerais, courses with 50 hours of instruction increased wages by approximately R$64 (Rios-Neto and Oliveira, 1998). In Pernambuco, however, training courses did not increase the chances of getting a job (Barros et al., n/d). Impact evaluation results in Rio de Janeiro and Fortaleza showed that training programs had a positive and statistically significant impact on unemployment: those with access to
training were 3-4 percent more likely to be employed six to 12 months afterwards. However, there was no impact on wages of those already employed.

The costs of the program amount to approximately $110 per person, with an average per hour cost estimated at US$2.13 (Table A3 below). The program is cost-effective, as highlighted in Table A3 below: a cost-benefit analysis shows that new jobs for participants need to last more than 17 months for the program to have a net positive benefit.

Table A3: Assessment of labor market impact of selected training programs in Transition and Developing countries

<table>
<thead>
<tr>
<th>Country</th>
<th>Program</th>
<th>Negative or zero impact</th>
<th>Positive Impact on earnings and/or employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>PLANFOR - National Plan of Professional Education</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bulgaria</td>
<td>Government Re-training Program: Guaranteed &amp; Non-guaranteed Jobs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bosnia and Herzegovina</td>
<td>Emergency Demobilization and Reintegration Project (EDRP)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hungary</td>
<td>Government Re-training Program</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Romania</td>
<td>Government (Public Employment Offices) Re-training Program</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Poland</td>
<td>Government Re-training Program</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Czech Rep.</td>
<td>Government Re-training Program</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Turkey</td>
<td>Government Re-training Program</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Puerto (2007)

Promising Programs: Positive Labor Market Impact but Unknown Cost-Effectiveness

Summer Youth Employment and Training Program (SYETP) (USA)

The Summer Youth Employment Training Program was implemented in the United States during the years between 1981 and 1998, with the objective of providing minimum wage summer jobs and some remedial education to disadvantaged youth. More specifically, the program was targeted towards disadvantaged youth aged 14-21 years old. Funded under the Job Training Partnership Act (JTPA), this federal program was intended to provide participants with meaningful work experience, allowing them to acquire or strengthen their job skills. Work experience predominantly focused in the areas of office or clerical work, building maintenance, landscaping, or recreation facilities. The Program began offering remedial educational services in 1986, mainly focusing on math, reading and writing, SAT, vocational training and life skills. Furthermore, the program offered support services in the form of short-term financial assistance to participants.

Indeed, results show that the program increased the total summer job opportunities available to disadvantaged minority youth. For every three SYETP jobs
provided, two youth were employed, who would otherwise not have worked that summer. Notably, during the summer of 1993, participants earned an average of US$810. While the program seemed to substantially increase summer employment rates among disadvantaged youth in areas where jobs are provided, there is no evidence on long-term impacts on employment after participants leave their summer jobs. Finally, the unit costs of the program are calculated to be approximately $2,337, as shown in Table A4-2.2.

**Entra 21 (LAC)**

Entra 21 is an initiative developed by the International Youth Foundation (IYF) with the objective of improving the employability of Latin American and Caribbean youth, ages 16 – 29, focusing on skills training in information and communication technology. The youth profile includes those who are secondary school graduates, unmarried with no dependents, part of households with five or more members, and low income earners. Entra 21 programs are co-financed by the Multilateral Investment Fund of the Inter-American Development Bank. Significantly, important partners include Microsoft Corporation, Lucent Technologies Foundation, Merrill Lynch, and USAID.

Crucial program components are as follows. (1) First, the program emphasizes a demand-driven course content that responds to labor market needs. (2) In addition, Entra 21 programs integrate life skills training with technical training duration of entire cycle averages approximately six months (640 hrs), with 50 percent time of the time allocated to technical skills and other 50 percent for life/job seeking skills and internships.18 (3) Internships are a key component of the training, and they typically occur after the classroom training component. (4) The program incorporates job placement services, which includes information services, setting up interviews, coaching, and outreach to employers. (5) Finally, employer participation is a crucial element of all Entra 21 programs. Employers participate in various activities, namely in acquiring market intelligence and acting as lecturers, internship mentors, and ultimately employers. (6) Other important elements of program components relating to implementation include the outsourcing of training and the creation of partnerships.

Evaluation results show that 19,332 youth have been trained with an 11 percent dropout rate and 54 percent placed in jobs. Significantly, 55 percent of the beneficiaries are female, 40 percent of the participants have re-entered school, and the program resulted in a 92 percent employer satisfaction rate. More than 80 percent of participants work with formal contracts, 75 percent receive benefits, 80 percent earn at least minimum wage, and 28 percent earn 50 percent or more than minimum wage. Indeed, Entra 21 participants compare favorably with youth in general, as they report a high level of satisfaction.

Notably, El Salvador, Dominican Republic, Peru, Panama, Colombia, Paraguay, Bolivia, and Brazil show positive “gross” impacts in employability of participants, with estimated job placement rates ranging from 68 per cent in Peru to 41 per cent in

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18 Although entra 21 employs a comprehensive approach, it is more heavily focused on training than the other comprehensive programs, and does not incorporate support services such as the well-known comprehensive Jovenes programs.
Paraguay. Furthermore, benefits appear to be distributed equally among participants although male participants had stronger outcomes in some contexts. In Panama, 34 percent of the female participants obtained a job, compared to 64 percent of male participants. In Sao Paulo, Brazil, however, both genders obtained the same placement rate. Furthermore, evaluation results show that regarding earnings effects, average monthly wages were at least as high as the minimum wage in Peru, Bolivia, Dominican Republic, Panama, Paraguay and Brazil.

Regarding program costs, the unit cost per youth ranges from approximately $943 to $1,453, with the cost per hour ranging from $1.10 to $1.55. The benefit/cost ratio shows that there is $1.67 to $2.82 of benefit per dollar invested. Another crucial finding is that 66 percent of the program participants improved their labor situation over a 14 month period, mainly in improved employment conditions. In addition, there was a great and diverse level of effort to involve businesses for internships and contracts.

NON-SUCCESSFUL PROGRAMS: COST-INEFFECTIVE PROGRAMS AND THOSE WITH NEGATIVE LABOR MARKET IMPACTS

**Positive Labor Market Impact But Cost-Ineffective**

*Government Re/Training Program (Poland)*

The Government Re/Training Program in Poland, financed by the government of Poland, was implemented during the years of 1995 and 1996. Its general objective was to address problems of structural unemployment by providing the unemployed with updated and additional skills and knowledge. Focusing more on institution-based training, the program provided occupational skills retraining in those areas of skills shortages for a duration of 12 months maximum. Furthermore, unemployed workers received additional short-term job skills training to better equip them in filling job openings in the region. Also, training contracts were not performance-based, but rather were subject to a public procurement process. Notably, program incorporated several incentives for the participants. First, participants received a stipend, which had a 15 percent premium over the UC benefit paid from the Labor Fund. In addition, participants that dropped out of the course had to reimburse the training costs.

The costs for the program can be considered on several levels. The approximate unit cost per participant was calculated to be US$498 (Puerto, 2007). In terms of costs to society and the government, the direct cost of operating the program per participant was 907 Polish zlots (Zl) or approximately US$309 (1996 USD) and the administrative cost of the program per participant was 90Zl or approximately US$31 (1996 USD). There are no costs to individual participants, except for those participants that left a course before completion and had to reimburse the training costs. Regarding the cost-effectiveness of the training program, benefits to society occur in the form of increased earnings of 671Zl or about US$228 (1996 USD) per participant. However, for the government, the costs generally appear to exceed the benefits. For the national government, the unemployment compensation saved was -288Zl or approximately US$-98 (1996 USD) and tax revenue from increased earnings was 134Zl or about US$46 (1996 USD). For the National Labor
Office of Ministry, the unemployment compensation saved was -288Zl or approximately US$ -98 (1996 USD) per participant.

**Negative Labor Market Impacts**

**Promotion Of Training Programs In The Private Sector (France)**

The promotion of training programs in the private sector in France was directed towards unemployed youth during the years of 1984-1997. The programs included classroom instruction as well as an on-the-job training component in order to increase labor market experience and human capital. In particular, the French apprenticeship system incorporated part-time work in firms, complemented by part-time instruction in a public training center. The applicant had the responsibility of finding a firm that is authorized to hire apprentices, as well as registering in a training center for apprentices. The general length of contract is two years, with some variation. Furthermore, the training focuses on general as well as occupation-specific elements. Apprentices also earn wages, and they may be hired at the end of the program by the firm under a fixed-term labor contract or a long-term labor contract.

Results show that these training programs had no effect on post-training wages or employment probabilities unless they had a large training content. Significantly, however, on-the-job-training programs provided by the private sector yielded better results than those provided by the public sector. Also notable is the fact that while individual participants bore no costs for the programs, for people younger than 25 years old, training schemes were basically the only way of receiving benefits.

**Servicio Nacional de Aprendizaje - SENA (Colombia)**

SENA is a public institution and national training system in Colombia that exists since 1957 and is funded through a payroll tax on all formal employment. With the general objective of contributing to the technical education and skills upgrade of Colombian workers, SENA provides necessary vocational training to disadvantaged and unemployed individuals striving to improve their labor market prospects (the young and the unemployed figure prominently in this group), as well as the middle-income workers desiring to upgrade their skills.

SENA finances and provides close to one-quarter of all trainees in Colombia. The institution serves a wide range of markets – from large cities with highly competitive training providers to small towns that are unable to attract private training enterprises. SENA is widely appreciated for its coverage of poor workers in these various areas. In fact, SENA is popularly known as the University of the Poor because of its free or low-cost courses and because it trains a disproportionate number of poor students. Support for the institution is strong not only among workers but also among employers. A surprising 70 percent of employers who do not use SENA view it as a beneficial social transfer (SENA, 1997). With its wide reach and extensive resources coupled with its reputation as an honestly run and financially solid public institution, SENA now has a powerful voice in the area of training and in the promotion of innovations. It also has the
authority to summon private firms and public institutions to discuss sectoral and multi-sectoral training issues. However, critics have raised the question of whether SENA’s resources could be used more efficiently and effectively.

While there is strong political support for the continued existence of SENA and its mission (to which the President has made a personal commitment), few politicians and interests groups are deeply committed to the way in which SENA resources are currently being used. In fact, many of them are keen to make some changes. Among firm owners, on the one hand, only 2 percent want to maintain the status quo by which all job-training resources are controlled by SENA and spent on their existing programs. On the other hand, a majority of the firm owners believe that it should improve its targeting to the unemployed (62 percent) and the poor (59 percent), and increase its support to micro and small firms (57 percent).

A survey commissioned for this report from the Colombian think tank Fedesarrollo shows that Colombia’s private firms see SENA as less efficient than private providers and lacking the incentive and ability to adjust to changes in technology and the economic environment. This finding is important in the context of Colombia’s greater economic openness and the changes that are emerging as a result of this.

Results from Gaviria and Nuñez (2003) indicate that SENA’s programs do not appear to improve the labor market outcomes of participants. Indeed, the impact on earnings is negative, and the impact on the probability of employment is very low. Participation lowers earnings 0.13 times the minimum wage or $44,000. Furthermore, the direct cost per semester of a training course in SENA can be estimated to be $1,027,700, which is almost US$890 for the short courses and $1,090,000 or almost nearly US$944 for the long courses.19

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19 Long courses refer to professional training courses provided to youth job-seekers, and short courses refer to courses providing skills upgrading for workers.
More Comprehensive Training Programs

Successful Programs, i.e. Positive Labor Market Impact and Cost-Effective

*The Jóvenes Programs: Jóvenes en Acción (Colombia)*

Jóvenes en Acción in Colombia was a unique training program that reached 80,000 disadvantaged youth over four cohorts during the years 2002-2005. More specifically, the program targeted young people between the ages of 18 and 25 years of age, who were unemployed and whose families were in the lowest two deciles of the income distribution living in urban areas of the seven largest cities of the country. Significantly, the training program consisted of both classroom and on-the-job training, each for a duration of three months. Classroom training was provided by legally registered training institutions that had to exhibit financial solvency and compete in a competitive bidding process. In 2005, 118 training institutions offered 441 types of courses to 989 classes with 25,616 individuals. On-the-job training was provided by legally registered companies, and most internships were offered by companies in the manufacturing, retail and service sectors. The program provided a stipend of $2.20 per day for most participants and $3.00 per day to women with children under seven years of age, during the entire six months.

The impact evaluation results reveal that this training program increased earnings, the probability of employment, days and hours worked, the probability of having a formal job, and the probability of having a job with a written contract for women. For men, however, the program only increased earnings, the probability of having a formal job, and the probability of having a job with a written contract. However, most significantly, the program increased earnings for both men and women by 18 percent and 35 percent respectively. Furthermore, the program increased the probability of obtaining a formal sector job and a written contract for both women and men by approximately 0.05 and 0.07, respectively. However, results also show a reduction in tenure for both women and men, as they experience some loss in work experience due to the time spent in classroom training.

In determining the cost-effectiveness of the program, two scenarios are considered. At a discount rate of 2 percent a year, and the assumption that the growth rate of earnings is not affected, there is a gain of about 10 million Colombian pesos or US$4,900 for women and about seven million Colombian pesos or US$3,600 for men. Under the more conservative scenario that allows the gains to depreciate at a rate of 10 percent, the gains are approximately US$1,500 for women and US$1,100 for men. The

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20 The Jóvenes Programs have represented a prototypical model of a multi-service intervention to improve youth employability and human capital in Latin America and the Caribbean since 1991. With the emphasis on demand, the model targets disadvantaged young workers, ages 16-29, with vocational training and numerous support services. The model was replicated in several countries across the region – first Chile and subsequently Venezuela, Argentina, Paraguay, Peru, Colombia, Panama, and the Dominican Republic (Betcherman et al. 2007)

21 This evaluation pertains to the last cohort in 2005, in which individuals were randomized into the program.
direct administrative cost of the training program was US$875 per person. Furthermore, the cost of lost employment due to training was one and half months for women and three months for men. However, because both women and men received a stipend during training, the opportunity costs are less than foregone earnings. Thus, one arrives at a total cost of US$875 for women and US$924.7 for men. Under the first scenario of permanent gains, the net gains for women are of almost $4,015 and about $2,661 for men. Under the second scenario that allows for depreciation of these gains, the net benefits are $605 for women and $160 for men. Another method of determining the cost-effectiveness of program is to estimate the internal rate of return, which equates costs and benefits. Under the first scenario, the internal rate of return is 25 percent for women and 16 percent for men. Under the second scenario, the internal rates of return for women and men are 13.5 percent and 4.5 percent, respectively. Thus, the net gains and rates of return for participants show that the training program was a success.

Table A4: Impact and cost-benefit results if the Jóvenes Programs in Latin America and the Caribbean

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentina: Proyecto Joven</td>
<td>10% (women)</td>
<td>10% (monthly wages)</td>
<td>NPV&gt;0 if 12 years of positive benefits (DR = 5%)</td>
</tr>
<tr>
<td>Chile: Chile Joven</td>
<td>21% (individuals younger than 21 years old, women)</td>
<td>26%</td>
<td>NA</td>
</tr>
<tr>
<td>Colombia: Jóvenes en Acción</td>
<td>5% (women)</td>
<td>18% (men); 35% (women)</td>
<td>IRR = 4.5% (men); 13.5% (women)</td>
</tr>
<tr>
<td>Dominican Rep.: Juventud y Empleo</td>
<td>Not significant</td>
<td>10%</td>
<td>NPV&gt;0 if 2 years of positive benefits (DR = infl.)</td>
</tr>
<tr>
<td>Peru: ProJoven</td>
<td>6% (placement)</td>
<td>18% (hourly)</td>
<td>NPV&gt;0 if 7 years of positive benefits (DR = 5%) IRR &gt; 4%</td>
</tr>
<tr>
<td>Panama: PROCAJOVEN</td>
<td>Overall not significant; 10-12% (women and Panama city residents)</td>
<td>Overall negligible; 38% (women); 25% (Panama city residents)</td>
<td>NPV&gt;0 if 1 year of positive benefits (IR=DR)</td>
</tr>
</tbody>
</table>

Notes: NPV: Net present value; DR: Discount Rate; IR: Interest rate; IRR: Internal Rate of Return
Sources: Puerto (2008) and Ibarraran and Rosas (2008)

The Jóvenes Programs: PROCAJOVEN (Panama)

PROCAJOVEN was a training program financed by the government of Panama and the IADB between the years of 1992 and 2004. The program had a general objective of improving labor market prospects for jobless youths and disadvantaged groups. For this program, training institutions had the responsibility of providing demand-driven training in addition to job orientation and job placement activities. They also had to detect and select the potential beneficiaries. In particular, PROCAJOVEN considered two modalities. The Insertion Modality (MI) provided short-term training for 7,000 low-income, less educated, and unemployed or underemployed youth who were 18-29 years old. The classroom training component incorporated two phases: job readiness skill and technical training of 120 and 150 hours, respectively. This classroom training element was then followed by 172 hours of internship in a firm. The Transition Modality (MT)
focused on the transition of first-time job seekers who were secondary education graduates aged 16-23 years old. This modality provided job readiness skills as well as a longer internship of 344 hours. Significantly, both courses followed the same procedure of employing a competitive public bidding process and requiring training institutions to provide a letter from a firm interested in providing internships to ensure relevance of the courses.

The impacts of this program are generally modest and very heterogeneous. While neither the program nor either modality had a significant impact on employment rates of the participants, upon disaggregating by gender and region, the program has positive impacts on women and residents of Panama City both for the entire sample as well as when differentiated by modality. The Insertion Modality (MI) has a marginally significant impact on the employment rates of women and a significant impact on the residents of Panama City. The Transition Modality (MT) has a large and significant impact on the women as well as women from provinces other than Panama City. Notably, the Transition Modality (MT) has a greater significant impact than Insertion Modality (MI). Regarding monthly labor earnings, the program did not have a high and significant impact on the labor earnings of participants. However, upon disaggregating by gender and region, results show that the program had again significant impacts on women and Panama city residents. Differentiating by modality, the Insertion Modality has similar results while the Transition Modality does not exhibit significant impacts for any particular group of participants.

Furthermore, the costs for the program can be broken down as follows. The total cost for the Insertion Modality (MI) and the Transition Modality (TI) was US$611 and US$395 respectively. These costs include a direct transfer to participants of US$255 for transportation and meals. In order to shed light on the cost-effectiveness of the program and whether the program generated sufficient benefits to account for its costs, it is necessary to compare the benefits arising from the program, namely a positive impact on employment rates and no impact on wages, with costs. Considering these costs excluding transfers and assuming an interest rate equal to the discount rate, the results show that overall the costs are recovered in 12.6 months. Significantly, the recovery time for women in the transition modality (MT) was merely three months.

The Jóvenes Programs: Programa Juventud y Empleo, programa de capacitación y modernización laboral (Dominican Republic)

With financial support from the IADB in 1999, the Government of the Dominican Republic designed and implemented the first phase of Juventud y Empleo in 2001, lasting until 2006. With the objective of improving the employability of the lowest income deciles of the working age population, the program targeted unemployed and disadvantaged out-of-school youth between the ages of 16-25. This demand-driven program provides technical and life skills, supplemented by private sector internships. The program consists of two components: (1) a three-month period of coursework on

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22 This evaluation covers beneficiaries from the second cohort who received training in early 2004.
23 Individuals’ education level must not be higher than high school.
technical and life skills in qualified training institutions; and (2) two-month internships or on-the-job training experience in private sector firms. The various elements of skills training were intended to strengthen individuals’ life skills such as their self esteem and work habits, in addition to improving the individuals’ technical and vocational skills, matching the needs of local employers.

Significantly, the Ministry of Labor outsourced the provision of training services to private sector training institutions through a competitive bidding process. The National Institute of Technical and Professional Training (Instituto Nacional de Formación Técnica Profesional - INFOTEP) is responsible for the evaluation and revision of the proposals from all potential training providers, as well as the supervision of the training courses. The program did not pay beneficiaries, but provided a stipend for basic expenses up to a maximum of 50 Dominican Pesos (approximately US$2) per day.

Evaluation results show that the there is no impact of the program on the employment rate of participants. The results remain the same even upon disaggregating the results by gender, age, education and region. However, the point estimates are positive and economically significant for the youngest age group (17-19 year olds), and for those in the East and Santo Domingo regions. Regarding impacts on earnings, beneficiaries’ monthly total labor earnings of RD $484 were 17 percent higher than the control group. While a seemingly large effect, it is an imprecise estimate, reflecting the small samples sizes and the variability in earnings. Differentiating by subgroups, earnings effects are greater for the youngest age group, residents of Santo Domingo, and those beneficiaries with some secondary education. Notably, there is a marginally significant impact of 10 percent on the hourly wages of participants. Furthermore, the evaluation finds no significant impact of training on employability.

Regarding the cost effectiveness of the program, the costs of the program will be recovered in two years; the program will “pay for itself” if the impacts are maintained for at least two years. To further elaborate, the costs to the government for the program amount to approximately US$330 per course per beneficiary. Significantly, the average net impact on monthly income for employed trainees is about US$38. With zero employment effect, an employment rate of 55 percent, and a discount rate equal to the inflation rate, this investment would be recovered in two years.

New Deal for the Young Unemployed (UK)

The New Deal for the Young Unemployed was introduced in 1998 with the objective of improving the longer-term employability of youth between the ages of 18-24 and aiding them in their job search. More specifically, the program targets those youth, that have been unemployed and claiming unemployment benefit (jobseeker’s allowance)

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24 57 percent of the beneficiaries versus were employed versus 56 percent of the control group were employed at the time of the follow-up survey.
25 There is a 21 percent impact for those with some secondary education versus a 9 percent net impact for people with only primary education.
26 Defining employability as the likelihood of getting a job if unemployed or the likelihood of remaining employed once that status is acquired, a dynamic random-coefficient logit model was estimated.
for at least six months. Participation is mandatory for this target population, and those refusing to participate risk losing the rights to program benefits.

The program comprises several stages. With the objective of developing an individually tailored plan for improving the jobseeker’s employability, the first stage called “Gateway” lasts for a period of four months, consisting of intensive job-search assistance and short basic skills courses. Notably, individuals are assigned to a personal advisor with whom they meet at least once every two weeks. If individuals are still on jobseeker’s allowance upon completion of this initial period, they are able to choose one of the following options: (1) subsidized work with a prospective employer for six months, with training for at least one day a week, receiving £60 per week in addition to a £750 training subsidy; (2) enrollment in a full-time education or training course, receiving an equivalent amount of jobseeker’s allowance for up to twelve months; (3) work in the voluntary sector for up to six months with a wage or allowance at least equal to social assistance in addition to £400; or (4) work with the Environmental Task Force, for up to six months, with a wage or allowance at least equal to social assistance in addition to £400. Finally, for those individuals who have not been able to find employment after this period, the “follow through” stage provides them with further intensive job search assistance for up to 13 months.

Evaluations of the New Deal show that young unemployed men are approximately 20 percent more likely per period to gain employment as a result of the program. Such results are partly due to subsidized jobs, and partly (20 percent of the total effect) due to the “Gateway” effect of enhanced job search assistance. Regarding program costs, the total social cost amounts to about £68m. The unit cost of the program was calculated to be approximately $ 950 - $1.653 (Puerto, 2007). Cost-benefit analyses show that there is an annual net social benefit of about £57m (Van Reenen, 2003)27. Such results suggest that the program is cost-effective and worth continuing. Significantly, the job search assistance component of the program is more cost effective than the other elements as there is no subsidy involved.

Non-Successful Programs: Non-Cost-Effective Programs and Those with Negative Labor Market Impacts

**Positive labor market impact but cost-ineffective**

*Job Corps (USA)*

Job Corps is a national program, administered by the United States Department of Labor, that began in 1964 with the objective of teaching eligible young adults the necessary skills to improve their employability and independence, and place them in meaningful jobs or further education.28 Significantly, this program is committed to offering out-of-school, severely disadvantaged 16-24 year old youth a safe, drug-free,

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27 While Van Reenen’s study appears to be the most robust study, it should be noted that other studies estimate higher net benefits of £100m (Layard 2000).

28 This evaluation covers the period of 1995-1996, with a follow-up period until 1998.
educational environment. Participants enroll in a 30-week course to learn a trade, earn a high school diploma or GED, and receive assistance in finding employment. The life cycle for participants is as follows: Outreach and Admissions (OA), Career Preparation Period (CPP), Career Development Period (CDP), and Career Transition Period (CTP). Participants receive a monthly allowance during their training in addition to career counseling and transition support for up to 12 months after graduation.

Regarding program impacts, evaluations based on administrative data show that Job Corps has no impacts on employment or earnings for the full sample after the four-year period covered by the survey. The program had no statistically significant beneficial earning impacts in the post-survey period for any subgroup. However, individuals in the 20-24 age group and those with a high school credential at program application experienced positive earnings gains, which persisted during the post-survey period. According to Social Security data, in 1998, those randomly selected for the program earned $220 more on average than those who were not able to participate. Notably, the earnings gain for 20- to 24-year-olds, who comprise about 25 percent of the Job Corps participants, was twice as large.

Job Corps serves more than 60,000 new participants every year at a cost of about $1.5 billion, which is greater than half of all the funds spent by the U.S. Department of Labor on youth training programs. Unit costs estimates of the program amount to approximately $17,151 (Puerto, 2007). An initial cost-benefit analysis based merely on survey data demonstrates that benefits exceed costs by $17,000 from society’s perspective. However, this analysis assumes that the impacts on earnings in the observation period would persist without decline throughout the remainder of the average participant’s working lifetime. Thus, further analysis without this assumption and upon adjusting for non-response bias and over-reporting of hours, implied costs exceed benefits by $10,200 per participant. Such results, which assume that earnings impacts will not persist but decay rapidly, are more consistent with administrative data. Notably, however, Job Corps may be cost-effective for the 20- to 24-year-olds at program application whose earnings impacts persisted during the post-survey period.

**Negative Labor Market Impacts**

**Youth Service Canada (YSC)**

Youth Service Canada (YSC) is a national program that strives to provide under employed and unemployed, out-of-school youth with work experience through community service projects. Most of the target beneficiaries fall between the ages of 15-30 and must be legally entitled to work in Canada. Projects are run by sponsor non-profit organizations upon having their proposals approved by Human Resources Development Canada. These sponsor organizations aid youth with career development,

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29 The estimated impacts in years 5 to 7 after random assignment are all close to zero and statistically insignificant.
30 $5,804 for the treatment group versus $5,584 for the control group
31 The benefits to society are only $500 lower than program costs.
32 This evaluation covers the period of 1994-1997.
improving employability, and making a successful transition to the labor market or return to school. Furthermore, YSC may provide participants with a weekly stipend, a completion grant, or a combination of the two to amount to compensation that is no greater than $10,000 per project participant.33

Significantly, the objectives of this comprehensive program are as follows: (i) acquire real work experience; (ii) learn and enhance transferable job-related skills; (iii) develop personal qualities and skills such as self-esteem, self-reliance, leadership, communication and teamwork; (iv) contribute to their community and country; (v) promote knowledge and awareness of community issues. Indeed, the project appears to have accomplished several desired social development objectives. Most significantly, participants had greater confidence regarding how to find a job. According to the opinion of project sponsors and participants, Youth Service Canada’s emphasis on career planning and job search techniques seemed to have paid off.

However, upon examining the impact of the program, Youth Service Canada had no statistically significant effect on annualized earnings, weekly wage, hours worked per week, or annual social assistance benefits. In the short run, program participants spent less time in the labor market and less time employed than would have been the case without the participation in the program. There was a statistically significant increase in post-program time spent in school or in training, and employment insurance benefits were C$183 lower per year as a result of participation in YSC. Finally, the cost of the program to society is C$8,277, which is slightly higher than other similar programs. Unit costs of the program are calculated to be approximately $8,169 (Puerto, 2007).

**Soft Skills Training Programs**

*Promising Programs: Positive Labor Market Impact But Unknown Cost-Effectiveness*

*Quantum Opportunities Program (QOP) (United States)*

The Quantum Opportunities Program was a multi-service training program first implemented in 1989 and still active, with the objective of improving the life skills of disadvantaged, low-income high school students in four large cities in the United States.34 The program incorporates life skills training, academic help, tutoring, mentoring, community service, and financial incentives with the objective of increasing graduation rates, decreasing pregnancy rates, and decreasing violent behavior rates. The target population consists of those youth who are at risk of dropping out of school and also those who receive assistance from the government.

Rigorous randomized evaluation results from 1994 highlighted the program’s positive impacts on various fronts. Relative to non-participants, QOP students were more

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33 Human Resources Centers of Canada may either transfer the administration of the completion grant to sponsors or maintain it themselves.
34 Although QOP may be seen as a comprehensive program, this paper classifies it under this scheme (programs with a strong focus on life skills) due to its large life skills element.
likely to be high school graduates (63 percent vs. 42 percent), less likely to drop out of school (23 percent vs. 50 percent), more likely to continue to post-secondary education (42 percent vs. 16 percent), more likely to attend a four-year college (18 percent vs. 5 percent), more likely to attend a 2-year institution more often (19 percent vs. 9 percent), less likely to become teen parents (24 percent vs. 38 percent), and more likely to take part in community projects in the six months following QOP (21 percent vs. 12 percent).

Key features of the program included financial incentives for participants and staff. Students received stipends for participation in program activities, ranging from $1 to $1.33 per program hour, in addition to bonuses of $100 for every 100 program hours upon completing program activities. Furthermore, the program awarded matching amounts in accounts that could solely be used for post-program activities such as college and training. Other contributing factors include competent and caring adults, the fostering of a sense of community, early targeting (at age 13, 14, or 15), and multiple services focusing on basic skills in addition to life and social skills. Furthermore, a cost-benefit analysis implies that for every dollar spent, there is a gain of $3.68 in public benefit under the assumption that college students finish their education.

Youth Build (United States)

Founded in 1990, Youth Build targets unemployed and undereducated young people aged 16-24 to work towards obtaining their GED or high school diploma while learning construction skills by building affordable housing for homeless and low-income people. The program emphasizes life skills such as leadership development, civic engagement, community service, and the establishment of a positive mini-community of adults and youth committed to each other’s success.

Results from “Life after Youth Build,” a study of almost one thousand alumni of the program, participation has substantial positive correlations with positive employment and education outcomes of its graduates. For instance, 75 percent of the program graduates, most surveyed between one and seven years after graduation, were in school or earning at least $10 an hour and attribute these changes to the program. Many of the others were in job training, working for lower wages, and/or taking care of children or other family members. Moreover, its graduates were far less likely to be involved in drug and alcohol use and criminal activities than they were prior to participation in Youth Build (Hahn and Leavitt, 2004).

Indeed, there are several key factors crucial to Youth Build’s design and implementation. First, the program allows participants to work towards a high school diploma and college, provides skills training toward decent paying jobs, and an immediate visible role and reputation contributing to society. Furthermore, the program provides financial support in the form of stipends or wages, in addition to social support through personal counseling, positive peer support, and a mini-community. Other key factors include leadership development and civic education, linkages and placements with colleges and employers, and support after graduation. Significantly, Youth Build proves to be effective with gang members because the program provides a sense of
belonging, assistance in resolving conflict, and an opportunity to earn money legitimately.

Costs of the program amount to approximately $20,000 per participant, which includes the wages received for their work.

**Make a Connection - MAC (World)**

Make a Connection (MAC) is a life skills program introduced in 2000, funded by Nokia and managed by the International Youth Foundation with the objective of improving young people’s educational opportunities and life skills necessary to succeed in today’s society. MAC programs are operating in 17 countries: Brazil, Canada, China, the Czech Republic, Finland, Germany, Hungary, the Republic of Korea, Mexico, Peru, the Philippines, Poland, Russia, South Africa, Thailand, Turkey, and the United Kingdom. MAC programs target 12 essential life skills: communication, conflict resolution; contribution; cooperation; creative thinking; critical thinking; decision-making; empathy; managing emotions; respect; responsibility; and self-confidence. These 12 skills are targeted in a variety of ways ranging from community service efforts to digital art projects.

Pilot findings employing an Outcomes Measurement System (OMS)\(^{35}\) show that all MAC programs produced some, and often many positive outcomes for participants in their life skills as well as improved community engagement, school performance, employability, and attitudes in achieving future goals. First, 95 percent of participants in 12 countries stated that their life skills had improved as a result of participating in the program. In particular, cooperation, self-confidence, and creative thinking were three life skills most frequently cited by participants. For programs that emphasized volunteerism, 72 percent of participants continued their involvement in volunteer projects upon program completion. Furthermore, the program contributed to positive educational outcomes: in nine countries, an average of 43 percent of students reported achieving improved grades; in ten countries, an average of 50 percent of students reported working harder in school; and in 11 countries, an average of 66 percent of the participants reported that they now think they can reach a higher level of education. Significantly, participants attribute such improvements to their participation in the program. In addition, MAC programs appear to have contributed to increasing participants’ confidence regarding their future: in 10 of the countries, an average of 74 percent of the participants stated that their project was “excellent” or “very good” in helping them prepare for a better life, while 66 percent said that it was “excellent” or “very good” in giving them confidence to deal with challenging situations. Although such results are merely preliminary, they nevertheless shed light on the effectiveness of programs emphasizing life skills.

\(^{35}\) The Outcomes Measurement System consisted of three components: (1) 11 programs participated in a prospective study, administering surveys to participants at three separate points of the program (at baseline, at program completion, and several months after completion of or further involvement in the program). (2) Seven programs administered a single retrospective survey to participants who had already completed the program or had been in the program for a long period. (3) Two programs participated in an in-depth study, involving learning through visits, deeper analysis of context, and special efforts such as interviews with managers about program implementation.
The GE life skills program (Mexico)

The GE Mexico program employs a life skills curriculum delivered over a period of approximately two to five months. The target population of the program is youth in the 14-18 age range who are either not in school or in school but at risk of negative educational outcomes such as dropping out.

Preliminary pre and post intervention survey results for two separate rounds of enrollments show positive life skills results. More specifically, results from the first round show statistically significant positive changes in average levels for all 12 measured life skills; the second round shows significant positive changes for 10 to 12 of the life skills. The program proved to be equally effective in improving life skills for in-school as well as out-of-school program participants.

Furthermore, results from a modest comparison group research study involving treatment and control groups show that while the life skills of the control group remain essentially unchanged, those of the treatment groups increased significantly for all 12 life skills. Notably, improvements in life skills may arguably be correlated with ideas and confidence about the future. 65 percent of the participants, compared to merely 11 percent of the comparison group members, reported that their ideas about the future had changed “a lot” during the period between the baseline and second survey. In addition, 54 percent of the program participants, compared to 6 percent of the comparison group, felt that they could attain a better job in the future.

Finally, a follow-up survey of alumni of the Mexico GE Life Skills program six months or more after program completion reveal positive findings. For example, 97 of 98 graduates of the Educacion Civica\(^{36}\) program were still in school, albeit the estimated 50 percent drop out rates in the age group at the school where the program is administered. Approximately 74 percent felt that they were performing better in school than at program inception, while merely 4 percent felt that they were not performing as well. Moreover 15 percent of the program completers were also working at the time of the follow-up survey. Follow-up survey results of Cauce\(^{37}\) graduates also show promising effects of the program. Of the 23 of 34 participants who were in school when the program began, 18 were still in school, four were working full-time, and one had dropped out of school at the time of the follow-up survey. Of the 11 who were not in school at program inception, seven had returned to school at the time of the follow-up survey.

\(^{36}\) Educacion Civica serves an in school population of youth aged 15-18 at risk of leaving school and other poverty-related issues.

\(^{37}\) Cauce serves an at-risk youth population who are mainly in school, but experience troubling behaviors and poor academic performance. The program also includes street youth and gang members.
Skills Certification Programs

Promising Programs: Positive labor market impact but unknown cost-effectiveness

The Scottish Qualifications Framework (Scotland)

The Scottish experience in implementing a National Qualification Framework (NQF) emphasizes the importance of continuous development on past experience. The Scottish Qualifications Framework (SCQF) emerged from a series of developments in higher education (HE), vocational education and training (VET), and general education requirements from the 1980s onwards. VET reforms in the 1980s introduced a modular/unitized system based on learning outcomes and competencies, the concept of credit, and a levels framework for occupation-based qualifications. HE reforms included a CAT system based on learning outcomes, credit points, and qualification levels. Finally, school qualification reforms in the 1990s also incorporated unit-based courses and a framework of levels for progression. (McKerracher, 2008). There are four crucial features of the Scottish approach in implementing their NQF framework that are highlighted below (Young, 2005):

(i) Incrementalist approach: The SCQF developed through a series of linked reforms, without any complex standard-setting procedures or the development of new qualifications.

(ii) Policy breadth: The “success” of the implementation of the SCQF was dependent on several other changes such as staff development programs that were not directly linked with the NQF.

(iii) University leadership: Significantly, during the later stages, SCQF developments were led by universities. Unlike New Zealand and South Africa, such leadership prevented the development of any major gaps in the process and potential associations with low esteem.

(iv) Maintenance of autonomy by involved stakeholders: The implementation process was characterized by various organizations with the willingness to collaborate with each other while maintaining their autonomy. The SCQF has no bureaucracy unlike the cases of New Zealand, England, and South Africa.

Furthermore, evaluation results of the initial impact of the SCQF commissioned in 2004 shed greater light on the effectiveness of such qualifications frameworks (Scottish Executive Social Research, 2005).

(i) Within the higher education (HE) sector, the SCQF has shown considerable impact, mostly in furthering earlier developments such as with SCOTCATs and modularization. More specifically, the framework has impacted curriculum development and review, validation, admissions arrangements and

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38 The evaluation has mainly employed qualitative approach, with a purposive sampling framework and multiple phases. The fieldwork consisted of 69 interviews: 20 with key informants and representatives of national organizations; 5 with UK informants; 34 with staff from further and higher education institutions; 5 with employers; and 4 with professional bodies.
program planning.

(ii) Within the further education (FE) sector, the SCQF had more limited impact as curriculum development occurs mostly under the responsibility of the SQA. However, it enabled changes associated with mapping of provision, and planning of provision and progression.

(iii) Furthermore, within the FE sector, the SCQF had an influential role in shaping larger developments through which more FE staff became involved with the use of the framework.

(iv) There was, however, limited evidence of change that could be directly attributed to the SCQF upon differentiating amongst the specific contributions of the sub-frameworks.

(v) There was also little evidence of progress with regard to vocational and work based qualifications, which was partly attributable to attempts to undertake these developments in a UK context.

The New Zealand Qualifications Framework (New Zealand)

The New Zealand Qualifications Framework (NZQF) provides another very different picture of the process of implementing an NQF. In contrast to the early developments of an outcomes-based framework for specific issues as in the SCQF, the policy makers for the NZQF began with a “grand design” that only later they realized had to be “rolled back.” Notably, however, the NZQF encompassed many features of the “ideal” type of NQF highlighted above. The NZQF also provides crucial lessons for those countries seeking to introduce NQFs. Such key features are highlighted below (Young, 2005):

(i) The establishment of a new and powerful national organization such as a national qualifications authority: In the case of New Zealand, the political nature of their NQF implementation was largely influenced by the establishment of the New Zealand Qualifications Authority (NZQA).

(ii) Early developments in the implementation process involved direct confrontations between the New Zealand Qualifications Authority (NZQA) and its opponents in the schools and universities. Such issues resulted in significant compromises and the recognition of the specific needs of various sectors.

The Irish Qualifications Framework (Ireland)

Also hailed as a model of “successful” implementation, the Irish NQF is one of the most recent examples. The key features of the system are summarized below (Young, 2005):

(i) Outcomes-based approach: The qualifications are defined independently of any specific learning sites.

(ii) However, initially, the framework was not based on units and credits and its remit does not include schools or universities.

(iii) The roots of the framework lie in the expansion of the increasingly differentiated vocational, further, and adult education sectors.
(iv) Incrementalist approach: Like the SCQF in Scotland, the Irish NQF builds on previous experience, without a significant break from the past.

(v) Balance of power: The Irish NQF strives to maintain enough power so as to stimulate innovation and yet not undermine local initiatives.

(vi) The Irish NQF explicitly promotes a broad view of lifelong learning and works to facilitate learning outcomes.

**The South African National Qualifications Framework (South Africa)**

The South African National Qualifications Framework, formally established in 1995, was notably the first act of the democratic post-apartheid parliament. While introduced with the aim of transforming education and training in South Africa, the framework is associated with several major issues (Allais, 2007), including:

(i) Extremely narrow, specified competencies and qualifications specifications for each qualification lends a complex framework that is difficult to implement and manage

(ii) Such over-specified outcome statements steer the focus away from curriculum design, often ignoring the nature of curriculum knowledge

(iii) Outcomes-based qualifications often fail to recognize the education that is acquired in institutions and cannot be disaggregated on the basis of lists of performance statements

There are further issues characterizing the South African NQF that are highlighted below (National Qualifications Authority of Ireland, 2006):

(i) Complex and confusing structure

(ii) Uncertainty and confusion about the respective responsibilities of the South African Qualifications Authority, government ministers and departments.

(iii) Perception among stakeholders of a lack of leadership at all levels.

(iv) No clear coordinating body for standards setting and quality assurance.

(v) Implementation difficulties regarding access, progression, and redress.

(vi) Lack of clear and flexible leadership and stakeholder involvement based on trust.

**Lifelong Learning and Training Project (Argentina)**

The Lifelong Learning and Training Project in Argentina is a World Bank project with the objective of improving the lifelong learning and competency-based training system for disadvantaged adults in enhancing employability and career ladder opportunities. While there exists no evidence of the success of the project as of yet, it sheds considerable light on the complex nature of establishing competency-based standards and qualifications frameworks.

Indeed, one key component of the project involves that of expanding and strengthening competency-based training and certification. In an effort to achieve this
objective, the project first aims to establish competency-based certification in 30 key sectors over the next five years, registering 300 competency-based standards in approximately 120 occupations. Further necessary subcomponents involved in this process include competency normalization activities by participating sector organizations to (a) ensure and monitor the processes leading to the definition, validation, and registration of competency-based standards for selected occupations, (b) train and certify evaluators, and (c) register Assessment Centers that will measure and assess individual attainment by the competency-based standards. Another necessary subcomponent is that of promoting effective demand and developing capacity for competency-based training, assessment, and certification. The final subcomponent involves registering and accrediting Certification Organizations that would award individuals with recognized certificates as well as accredit the Assessment Centers.

In addition to establishing competency-based certification, the project seeks to align training with the competency-based approach and strengthen professional training institutes. Finally, the project aims to support the actual training, assessing, and certifying the workers according to competency-based standards.

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**Skills Certification Programs**


