



1. Project Data :
OEDID: L3542
Project ID: P007724
Project Name: Labor Market and Productivity Enhancement Project
Country: Mexico
Sector: Employment
L/C Number: L3542-ME
Partners involved : None
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2. Project Objectives, Financing, Costs and Components :

- To assist the Government of Mexico in promoting private sector -led growth and in easing the costs of labor mobility and labor market adjustment.

Objectives:

- Increase the productivity and competitiveness of micro, small and medium -sized enterprises.
- Reduce costs incurred by employees and employers of hiring and job search, and providing education and training opportunities for displaced and unemployed workers, with special attention to women .
- Improve the availability, timeliness and dissemination of labor market information and, more broadly, the capacity to monitor labor market changes and to design, evaluate, and implement relevant policies and programs in the sector.

Components:

- Productivity Enhancement, supporting activities aimed at increasing productivity and competitiveness of micro, small, and medium sized enterprises (MSMEs):
 - Improves the coverage of a pilot in-service training program (CIMO) under the Manpower Training Project;
 - Strengthens coordination between CIMO and other institutions rendering support to MSMEs;
 - Promotes the gradual privatization of CIMO by increasing the involvement of enterprise associations in its financing and operation.
- Labor Market Adjustment, improving the coverage and efficiency of State Employment Services (SEEs) and provide education and training opportunities for displaced workers through :
 - Strengthening the operation and management of the SEEs, and improving the quality and availability of information on local and regional labor markets;
 - Providing improved retraining for approximately 300,000 displaced and unemployed workers meeting stringent selection criteria;
 - Introducing, on a pilot basis, an education and training program for under -qualified rural migrants who are ineligible for the regular retraining program .
- Information Policy and Institutional Strengthening, improving the availability, timeliness and dissemination of labor market information, and strengthen institutional capacity to design, operate and evaluate labor market policies and programs, including:
 - Supporting the development of an information system and the undertaking of in -depth surveys to provide a basis for periodic and systematic labor market data generation and analysis;
 - Promoting an extensive program of studies and research on labor market issues, programs and policies;
 - Fostering regular publication and dissemination of labor market information;
 - Instituting a systematic framework for program evaluation;
 - Strengthening STPs (Secretariat of Labor and Social Welfare) management and technical capacity through human resource development and modernization of data management system .

Costs. Appraisal estimate: \$174.0 million
 Actual: \$ 174.0 million

3. Achievement of Relevant Objectives :

Coverage and scope of the CIMO was improved, as was coordination between CIMO and other institutions rendering support to enterprises. Strengthening of the SEEs was achieved, and the quality and availability of information on local and regional labor markets was improved. Improved re-training for displaced and unemployed workers was provided, and a pilot for an education and training program was introduced for under-qualified rural migrants.

4. Significant Achievements :

Some of the targets were extensively surpassed. For example, under Productivity Enhancement, program coverage increased from 29 existing Regional Productivity Support Units to 62 units and sub-units and promoters increased from 89 to 206. Under Labor Market Adjustment, 65 (compared with a targeted 32) Executive Committees of Employment Services were established to complement the Labor Retraining Program. Since 1993, these committees, together with the SEEs, served almost 2.5 million job seekers, advertised about 2 million vacancies and resulted in employment of almost 600,000 workers. These numbers represent respectively, 132%, 99% and 93% of the original goals. Under the Project of Local Initiatives for Unemployment and Temporary Jobs (PROBECAT), from 1992 to 1997, the annual number of fellowships granted went from 42,000 to over 500,000 workers--more than a ten-fold increase. In Information, Policy and Institutional Strengthening: An information system was developed to handle data on employment, salaries and benefits, education, training, and technology, as well as on collective bargaining agreements and other information relevant to labor market regulations. The evaluations of the major programs (CIMO, PROBECAT, and PILEOT), resulted in many analyses and findings, but there were weaknesses in the administration of research.

5. Significant Shortcomings :

The CIMO study (from the 1995 survey) indicated that the enterprises assisted by the program showed lower gains in labor productivity and value-added when compared with the control group. It should be noted, however, that the surveys on which these results are based were taken in 1995, when many changes in program design were still to be made. The proposed gradual privatization of CIMO in financing and operations was not realized. Private sector contributions to CIMO were lower than the targets initially proposed (44% of total costs compared to a goal of 85% for training costs and 60% for technical assistance). The ambitious plan of transforming enterprise modernization had not been achieved at project completion. Studies gave, in many instances, only tentative results because of methodological flaws.

6. Ratings :	ICR	OED Review	Reason for Disagreement /Comments
Outcome :	Highly Satisfactory	Satisfactory	Some of the objectives were only partially met or not fulfilled at all. Promotion of the gradual privatization of CIMO through increased participation of enterprise associations in program financing and operations, did not materialize, although substantial cost-sharing was achieved. Private sector contribution to CIMO, although substantial, was lower than the target originally proposed. The plan to transform enterprise organizations into centers of enterprise modernization and a reservoir of technical expertise proved difficult to achieve. Although many of the studies provided guidance for improvements in program and research designs, in some instances, methodological flaws clouded the analysis and conclusions. Investment in stronger and more diverse technical assistance to carry out the research program would have been worthwhile.
Institutional Dev. :	Substantial	Substantial	
Sustainability :	Likely	Likely	
Bank Performance :	Highly Satisfactory	Satisfactory	The ICR states that on hindsight, it would

			<p>have probably been better if the Bank team had stronger research expertise available throughout the project implementation period. Such expertise was made available in a rather sporadic manner.</p> <p>Because evaluation and research on the programs under this project constituted the third major component, the Bank should have been able to foresee the need for a higher and more consistent level of expertise in this area.</p>
Borrower Perf. :	Highly Satisfactory	Satisfactory	<p>The ICR states that difficulties were encountered in the implementation of the ambitious research and survey program. Although capable Mexican institutions and individual consultants with recognized expertise were used, they were not necessarily experienced in the novel methodologies that had been proposed for the study of program impact on the labor market. Consequently, there were problems in the execution of several studies, ambivalence as to the interpretation of terms of reference agreed with the Bank, difficulties in preparing study protocols and in identifying appropriate consultants. All these problems resulted in tentative conclusions and unclear interpretation of the results of some of the studies.</p>
Quality of ICR :		Satisfactory	

7. Lessons of Broad Applicability :

The ambitious research and survey program proved difficult to carry out. Although the STPS ensured the participation of capable Mexican institutions and individual consultants with recognized expertise, their lack of experience with novel research methodologies proved to be a serious constraint. Better research outcomes could have been achieved if experts were used in the definition and execution of complicated studies, and if wider competition among qualified institutions had been encouraged prior to the selection of consultants. This is particularly important for research requiring various kinds of expertise and hands-on experience with especially difficult evaluation studies. Finally, the administration of the project should have provided more effective follow-up of studies to ensure an acceptable final product in all cases.

8. Audit Recommended? Yes No

9. Comments on Quality of ICR :

Well-balanced in quantity and quality of information regarding achievements and shortcomings; however, considering the shortcomings outlined in the ICR, a self-rating of highly satisfactory for both Bank and Borrower performances is too generous.