

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

**MEXICO**

**SUPPORT TO THE MANAGEMENT AND EVALUATION OF ACTIVE LABOR  
MARKET POLICIES**

**(ME-T1333)**

**TC DOCUMENT**

This document was prepared by the Project team consisting of: David Kaplan (LMK/CME), team leader; Edna Miranda (CID/CME); Ethel Muhlstein (SCL/LMK); Claudia Piras (SCL/GDI); Tania Lucia Gaona (SCL/LMK); and Juan Carlos Perez-Segnini (LEG/SGO).

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ME-T1333

CERTIFICATION

I hereby certify that this operation was approved for financing under the **OC Strategic Development Program for Social Development (SOC)** through a communication dated August 23, 2017 and signed by Mariana Mendoza (ORP/GCM). Also, I certify that resources from said fund are available for up to **US\$300,000** in order to finance the activities described and budgeted in this document. This certification reserves resource for the referenced project until December 13<sup>th</sup>, 2017. If the project is not approved by the IDB within that period, the reserve of resources will be cancelled, except in the case a new certification is granted. The commitment and disbursement of these resources shall be made only by the Bank in US dollars. The same currency shall be used to stipulate the remuneration and payments to consultants, except in the case of local consultants working in their own borrowing member country who shall have their remuneration defined and paid in the currency of such country. No resources of the Fund shall be made available to cover amounts greater than the amount certified herein above for the implementation of this operation. Amounts greater than the certified amount may arise from commitments on contracts denominated in a currency other than the Fund currency, resulting in currency exchange rate differences, represent a risk that will not be absorbed by the Fund.

CERTIFIED BY:

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Sonia M. Rivera  
Division Chief  
Grants and Co-Financing Management Unit  
ORP/GCM

\_\_\_\_\_  
Date

APPROVED BY:

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Carmen Pages-Serra  
Division Chief  
Labor Markets Division  
SCL/LMK

\_\_\_\_\_  
Date

## Technical Cooperation (TC) Document

### I. Basic Information for TC:

▪ Country/Region:	Mexico/CID
▪ TC Name:	Support to the management and evaluation of active labor market policies
▪ TC Number:	ME-T1333
▪ Team Leader/Members:	David Kaplan (LMK/CME), team leader; Edna Miranda (CID/CME); Ethel Muhlstein (SCL/LMK); Claudia Piras (SCL/GDI) Tania Gaona (SCL/LMK); and Juan Carlos Perez-Segnini (LEG/SGO).
▪ Indicate if: Operational Support, Client Support, or Research & Dissemination	Client Support (CS)
▪ Date of TC Abstract authorization:	August 23, 2017
▪ Beneficiary (countries or entities which are the recipient of the technical assistance):	Servicio Nacional de Empleo (SNE) de la Secretaría de Trabajo y Previsión Social (STPS) Mexico– National Employment Service of the Department of Labor, Mexico
▪ Executing Agency and contact name (Organization or entity responsible for executing the TC Program)	Inter-American Development Bank (IDB), Social Sector, Labor Markets Division. Contact name: David Kaplan dkaplan@iadb.org.
▪ Donors providing funding:	OC Strategic Development Program for Social Development (SOC)
▪ IDB Funding Requested:	\$300,000
▪ Local counterpart funding, if any:	\$0
▪ Disbursement period and execution period:	36 months
▪ Required start date:	January 2, 2018
▪ Types of consultants (firm or individual consultants):	Individual consultants and firms
▪ Prepared by Unit:	Labor Markets Division (SCL/LMK)
▪ Unit of Disbursement Responsibility:	IDB Mexico Country Office (CID/CME)
▪ TC Included in Country Strategy (y/n):	Yes
▪ TC included in CPD (y/n):	Yes
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Productivity and innovation; Gender equality and diversity

### II. Objectives and Justification of the TC

- 2.1 Mexico has grown at a moderate pace since the global economic crisis of 2009. Its Gross Domestic Product growth rate was 2.3% in 2016, and while labor informality<sup>1</sup> has decreased, it is still relatively high at 57%<sup>2</sup>, and even higher among independent workers at 78.4% in 2016<sup>3</sup>. Furthermore, there are challenges in terms of incorporating women into the workforce; in 2014 Mexico's 50.1% rate of female labor market participation was well below the regional average of 57.2%, and the wage

<sup>1</sup> According to the official country definition <http://tinyurl.com/y8oaejm>.

<sup>2</sup> Data from Encuesta Nacional de Ocupación y Empleo (ENOE).

<sup>3</sup> Defined as not having accounting records for tax purposes.

gap of 33% (after controlling for observable characteristics and sample selection) is the highest in the region<sup>4</sup>. Improving the scope and reach of Mexico's National Employment Service, Servicio Nacional de Empleo (SNE), which currently has a relatively low 3.4% of the economically active population registered in its database, to respond effectively to these challenges will allow more Mexicans to obtain better, formal, more stable, and higher-paying jobs. Additionally, given the fact that the Mexican employment service has always been a model for employment services throughout the region, the improvements supported by this TC will be shared with other countries throughout the region.

- 2.2 The Bank has supported the SNE for 20 years, including the recently approved operation ME-L1258. During this period, the SNE has become the most advanced public employment service in the region. For example, the SNE has increased its labor placements by 42% since 2008, to over 1.2 million workers placed, and has created an online Labor Observatory with data and information about the Mexican labor market which has received more than 5.2 million page views. In 2012, the employment service received an award from the US Treasury Department for their advances in impact evaluations. The focus of IDB collaboration with the SNE thus far has been primarily in programs to promote wage employment. The SNE also administers programs to support entrepreneurial activities, which are a critical component of the SNE activities both in terms of budget and beneficiaries attended. This TC will provide complementary support to accompany ongoing processes for continual institutional improvement that will allow the SNE to maintain on the cutting edge of employment policies.
- 2.3 Several significant areas of opportunity have been identified as part of future Bank technical assistance to its client the SNE. One area of opportunity that has been identified is to improve the SNE's profiling system: the way in which each job seeker is evaluated to determine an efficiently assigned matching service, particularly considering job seeker vulnerabilities. A second area of opportunity that has been highlighted is to modernize the SNE's technological platforms which would allow a more dynamic use of the systems and services the SNE facilitates for both job seekers and employers with jobs to fill. A third, cross-cutting, area of opportunity is related to gender. Several biases have recently been detected that limit the effectiveness of the SNE services for women. For example, an IDB analysis of job postings found that 24% of posted vacancies specifically call for the hiring of a man. It has also been found that, compared with men, women treated by the SNE are less likely to receive, and particularly maintain, formal jobs.
- 2.4 This TC will support the client in these identified areas of opportunity, in addition to supporting the design of impact evaluations that include a comprehensive

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<sup>4</sup> The value corresponds to the women's coefficient utilizing the function of Mincer salaries of minimum ordinary squares, correcting for selection bias, according to Heckman's methodology. The calculation was made using data from ENOE 2014. The IDB has created a list of internal gender indicators from which this data point was taken, which is not available to the public. There is significant publicly available data which corroborates this indicator, albeit less specifically. For example, the World Economic Forum's Global Gender Gap report from 2017 ranks Mexico 124th of 144 countries for gender gaps in economic participation and opportunity; last place of countries in Latin America and the Caribbean considered in the report. Please see: <https://www.weforum.org/reports/the-global-gender-gap-report-2017>.

assessment of all SNE programs (specifically including programs to support entrepreneurial activities) to measure their effectiveness.

- 2.5 This technical cooperation will support the SNE of the STPS to improve its active labor market policies. This technical cooperation will specifically support:
- (i) The strengthening of active labor market policy processes and procedures, particularly labor intermediation, with a transversal focus on gender.
  - (ii) Improvement of Information and Communication Technologies (ICT), leveraging recent technological advances to design improvements to the management and efficiency of the SNE at the lowest cost; and
  - (iii) The evaluation and redesign of training programs to improve their effectiveness, including entrepreneurship training and a transversal focus on gender.
- 2.6 The TC's main objective is to offer client support the SNE by strengthening its effectiveness in new areas particularly related to the three components listed above, which have been identified as particular areas of opportunity by the SNE and the IDB.
- 2.7 As part of the overall strengthening of the effectiveness of the SNE through client support, the TC will support the improvement of the way female jobseekers are supported in both labor intermediation and through improved and integrated evaluation of programs.
- 2.8 The TC will support the client by strengthening active labor market policies, particularly around labor intermediation systems and programs to encourage entrepreneurship that are likely to have larger impacts in rural zones. The Bank's assistance so far has focused on training programs to promote entry into paid employment in formal enterprises. However, in many areas of Mexico, especially rural areas, entrepreneurship is the only viable option because there are few formal enterprises.
- 2.9 Additionally, this TC will promote various activities related to designing technological improvements that will result in increased user satisfaction: development of a methodology to assign services to job seekers more strategically, in addition to a strategy for the technological modernization of the SNE.
- 2.10 Finally, this TC will facilitate an innovative and integrated strategy for the SNE's next impact evaluation which will include entrepreneurship programs. The Bank has supported different impact evaluations of specific programs, which have shown limited effects for individual programs and have not allowed for an inter-programmatic comparison that would provide methods to assess cost-effectiveness<sup>5</sup>. A comprehensive evaluation, combining intermediation services and different training programs, including those that promote entrepreneurship, in a

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<sup>5</sup> See, for example, 2015 impact evaluation of the SNE's Work Training Grants (*Bécate*) sub-program [https://www.gob.mx/cms/uploads/attachment/file/92049/InformeFinalBe\\_cate\\_20151208\\_v.2.0.pdf](https://www.gob.mx/cms/uploads/attachment/file/92049/InformeFinalBe_cate_20151208_v.2.0.pdf) and 2010 impact evaluation of the Formal Employment sub-program and 5 modalities of *Bécate* <http://www.transparenciapresupuestaria.gob.mx/work/models/PTP/programas/sed/evaluaciones/2010/14s043cim10.pdf>

single evaluation, will promote a resource allocation consistent with the effectiveness of each program, and encouraging the inclusion of marginalized groups such as women into the formal labor market through SNE services.

- 2.11 The proposed TC is aligned with the Bank's Updated Institutional Strategy (UIS) 2010-2020 (AB-3008) and its accompanying Second Revised Version of the Corporate Results Framework (CRF, GN-2727-6) as it contributes to the strategic policy objective of (i) social inclusion and equality; and (ii) productivity and innovation, through CRF Country Development Results. Additionally, the TC is in line with the sectoral priorities of access to formal employment (section V, dimension 1, page 41) of the Labor Sector Framework Document (GN-2741-7). The TC is also consistent with the objectives of the of the Ordinary Capital Strategic Development Programs for Social Development (GN-2819-1) and, in particular, with its objectives iii (support IDB and clients to foster social inclusion, gender equality, and diversity through projects and programs) and iv (promote social inclusion, gender equality, and diversity in member countries). The TC is consistent with the priority areas for Bank action in the IDB Mexico Country Strategy 2013-2018 document, specifically aligned with its priority area of productivity within section (c) related to the strategic objective of improving productive workforce integration in quality jobs.

### **III. Description of activities/components and budget**

- 3.1 This TC will be financed with US\$300,000, from the OC Strategic Development Program for Social Development (SOC) to be executed over 36 months. SOC funding is non-reimbursable.
- 3.2 **Component 1: Strengthening active labor market policy processes and procedures.** Individual and firm consultancies will be financed to design:
- (i) The development of a proposal for an instrument to allocate the services of the SNE to jobseekers in a cost-effective manner. With the support of the IDB, SNE has developed a wide range of services, but it needs to improve its targeting system;
  - (ii) The development of an organizational improvement strategy, including a results-based management scheme; and
  - (iii) A strategy to reduce gender biases to improve services provided to women.
- 3.3 **Component 2: Improvement of Information and Communication Technologies (ICT).** Individual and firm consultancies will be financed to develop:
- (i) A strategy for updating and maintaining the technological infrastructure and IT systems;
  - (ii) A strategy for the cloud transfer of databases and information processing;
  - (iii) A strategy to improve the user experience and strengthen business intelligence; and
  - (iv) An ICT strategy that enhances the capabilities of the SNE and establishes, among other things, a system of governance that regulates the capture, processing, validation, analysis and consumption of data and information.

**3.4 Component 3: Evaluation and redesign of skills training programs to improve their effectiveness.** Individual and firm consultancies will be financed to develop:

- (i) Process evaluations and proposals for improvement of job training programs that have not been evaluated before, especially programs to support entrepreneurship; and
- (ii) Design an impact assessment in an integrated manner.

**Indicative Budget (US\$)**

Activity / Component	Description	IDB Financing (SOC)	Total Financing
<b><i>Component 1: Strengthening active labor market policy processes and procedures.</i></b>			
Consultants: Individuals and firms	Develop: (i) proposal for an instrument to allocate the services of the SNE to jobseekers in a cost-effective manner; (ii) the development of an organizational improvement strategy, including a results-based management scheme; and (iii) a strategy to reduce gender biases to improve services provided to women.	<b>\$50,000</b>	<b>\$50,000</b>
International exchanges to facilitate the transfer of knowledge between SNE personnel and their counterparts in employment services in other countries	Meetings and exchanges with technical experts	<b>\$10,000</b>	<b>\$10,000</b>
Diffusion and communication for studies	Workshops/ technical notes / materials / meetings	<b>\$10,000</b>	<b>\$10,000</b>
Miscellaneous	Unforeseen expenses	<b>\$4,000</b>	<b>\$4,000</b>
<b>Subtotal Component 1</b>		<b>74.000</b>	<b>74.000</b>
<b><i>Component 2: Improvement of Information and Communication Technologies (ICT)</i></b>			
Consultants: Individuals and firms	Develop: (i) a strategy for updating and maintaining the technological infrastructure and it systems; (ii) a strategy for the cloud transfer of databases and information processing; (iii) a strategy to improve the user experience and strengthen business intelligence; and (iv) an ICT strategy that enhances the capabilities of the SNE and establishes, among other things, a system of governance that regulates the capture, processing, validation, analysis and consumption of data and information.	<b>\$110,000</b>	<b>\$110,000</b>
International exchanges to facilitate the transfer of knowledge between SNE personnel and their counterparts in employment services in other countries	Meetings and exchanges with technical experts both for the purpose incorporating international best practices into SNE and for positioning the SNE as a leader of the topic among employment services throughout the world.	<b>\$20,000</b>	<b>\$20,000</b>
Diffusion and communication for studies	Workshops/ technical notes / materials / meetings	<b>\$20,000</b>	<b>\$20,000</b>
Miscellaneous	Unforeseen expenses	<b>\$3,000</b>	<b>\$3,000</b>
<b>Subtotal Component 2</b>		<b>153.000</b>	<b>153.000</b>
<b><i>Component 3: Evaluation and redesign of skills training programs to improve their effectiveness.</i></b>			

Activity / Component	Description	IDB Financing (SOC)	Total Financing
Consultants: Individuals and firms	Develop: (i) process evaluations and proposals for improvement of job training programs that have not been evaluated before, especially programs to support entrepreneurship; and (ii) design an impact assessment in an integrated manner.	\$50,000	\$50,000
International exchanges to facilitate the transfer of knowledge between SNE personnel and their counterparts in employment services in other countries	Meetings and exchanges with technical experts	\$10,000	\$10,000
Diffusion and communication for studies	Workshops/ technical notes / materials / meetings	\$10,000	\$10,000
Miscellaneous	Unforeseen expenses	\$3,000	\$3,000
<b>Subtotal Component 3</b>		<b>73,000</b>	<b>73,000</b>
<b>Total</b>		<b>\$300,000</b>	<b>\$300,000</b>

3.5 Supervision of this TC will be carried out by CID/CME. The designated focal point and sector specialist responsible for execution will be LMK/CME Senior Specialist in Labor Markets.

#### IV. Executing agency and execution structure

4.1 The Mexican federal government, through the Finance Ministry (SHCP) on behalf of the Ministry of Labor (STPS) has requested that the Bank execute this Technical Cooperation in its request letter (see annexes). The Labor Markets Division (SCL/LMK) has the relevant background, skills, and technical experience to carry out this technical cooperation, in addition to a long record of accomplishment of support with STPS and the SNE).

4.2 **Procurement.** The Bank will contract the services of individual consultants, consulting firms and different consulting services, in accordance with the policies and procedures in force in the Bank. To this end, Section AM-650 of the Administrative Manual "Complementary Work Force" will be applied to individual consultants, the Policy for the Selection and Contracting of Consulting Companies for Operational Work Executed by the Bank (GN-2765-1) and its operational guidelines (OP-1155-4) and the IDB's institutional procurement policy GN-2303-20 for different consulting services.

4.3 SCL/LMK will be responsible for the direction, supervision, monitoring and coordination of the TC, in active coordination and consultation with the SNE. No contracts or activities will be conducted without the consensus of SNE in order to guarantee that the end results are appropriate to the needs of the SNE and can be implemented in the short or medium term. SCL/LMK will submit annual reports and a final report to the donor.

4.4 **Sustainability.** This TC is designed to support the Bank's client the SNE primarily through activities related to strategy, planning, and design in priority areas of opportunity (active labor market policies, information and communication technology, and integrated evaluation of programs) that have been identified by the

SNE. Based on these diagnostic and planning documents, which will take into consideration the SNE's capacity, the SNE will have the resources and technical capacity to choose when and how to implement these plans. The products of this TC will serve as institutional references in a sustainable manner. No study or intervention will be conducted without the opinion of the SNE that the process can lead to an internalization of the knowledge into the day-to-day operation of the SNE.

## **V. Major issues**

- 5.1 There is a risk of a change of priorities with the new administration in December 2018. Considering that the IDB has supported the SNE since 1997, including three changes of party in the federal government, this risk is not considered to be high. This risk will be mitigated through a close dialogue with the technical and political team of the new government to ensure the continuity of the technical dialogue and the IDB's support.

## **VI. Exceptions to Bank policy**

- 6.1 None.

## **VII. Environmental and Social Strategy**

- 7.1 Due to the nature of this TC, we do not expect it to have any significant negative social or environmental impact. Therefore, it has been classified as category C. See safeguards [SPF](#) and [SSF](#).

### **Required Annexes:**

- [Request from the client](#)
- [Results Matrix](#)
- [Terms of reference for activities/components to be procured](#)
- [Procurement Plan](#)