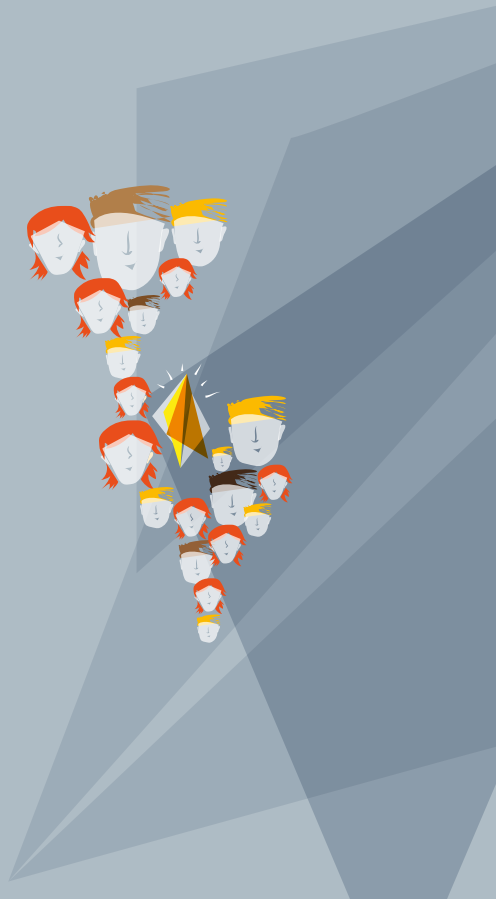


WHAT DO WE KNOW ABOUT
First Job PROGRAMMES
AND POLICIES IN LATIN AMERICA?





YOUTH
and INFORMALITY

WHAT DO WE KNOW ABOUT **First Job** PROGRAMMES AND POLICIES IN LATIN AMERICA?



International
Labour
Organization

Regional Office for Latin America and the Caribbean

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FOREWORD

Youth in Latin America and the Caribbean face especially difficult labour conditions, which are reflected in their high rates of unemployment and informal employment. This situation can be attributed to their lack of experience and training, as well as to economic cycles, which affect them disproportionately. This is especially relevant at a time such as now, when the region is experiencing an economic slowdown whose duration is difficult to predict.

In recent years, a new vision of the reality of youth and their relationship to employment has emerged. Evidence demonstrates that initial labour market integration under favourable conditions increases the possibility of better jobs in the future. By contrast, poor labour market integration becomes a difficult obstacle to overcome throughout an individual's working life.

Youth who seek employment face several negatives, with unemployment rates tripling those of adults. When they finally do find a job, it is frequently an informal one. For example, 60% of young people find work in micro and small enterprises, where informality rates are high.

In light of the magnitude of this problem, several countries of the region have implemented public policies to improve opportunities for youth who first join the labour force. These are crucial for promoting the path toward decent work.

These initiatives, which are designed to promote employment, employability and entrepreneurship among youth, vary by scope and levels of progress.

This report focuses on initiatives that promote employment and employability. Specifically, it explores so-called first job initiatives, which include internship contracts, training programmes, hiring subsidies and special employment arrangements for youth.

The reach and limitations of these initiatives are a subject of debate. This document analyzes recent experiences with first job policies and programmes in Latin America and the Caribbean with a view to contributing to the development of improved public policies in the region.

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1 | Introduction

There is growing academic and political consensus concerning the importance of work paths in conditions that enable individuals – from their youth – to improve their possibilities for social and productive inclusion.¹ This strengthens personal and employment variables, as well as economic and social variables such as growth potential, social cohesion and even democratic governance.

Favourable labour market integration results from the combination of experiences, qualifications and skills with which youth reach the labour market. Therefore, policies to promote decent work among young people should begin at school or even earlier and should include training strategies to accumulate human capital. This is even more important in the current labour market context, where lifetime jobs have practically disappeared, which underscores the need for policies and programmes to help maintain employability throughout the lifecycle. Given the differences among youth as well as the inequality affecting certain groups, such as young women, rural youth and certain ethnic groups, among others, policies and programmes are required that address specific needs in an effort to close gaps.

Many countries of the region have implemented initiatives to promote decent work paths among youth, although scope and progress rates differ. Particularly noteworthy are the initiatives designed to promote employment, employability and entrepreneurship among youth. The region has extensive experience with this type of programme.

For several years now, many of these initiatives have become known as first job programmes, policies or laws. In reality, this term is used to describe a variety of initiatives; nevertheless, all of them aim to change work paths during youth under the premise that first job experiences have an impact on individuals' personal and professional development.

This report focuses on initiatives that promote employment and employability. Specifically, it explores so-called first job initiatives, which include internship/apprenticeship contracts, training programmes, hiring subsidies and special youth employment arrangements.

2 | Youth, first jobs and work paths

Describing the labour market situation of youth is relatively simple: it is problematic, complex and uncertain, particularly for young women.

Structural situation

The analysis of the problem of youth unemployment and young people's appropriate labour market integration has produced a wealth of literature and discussion. Key stylized facts identified include:

- ∨ Youth unemployment rates tend to be much higher, almost triple those of adults.
- ∨ Youths' labour market integration is precarious, with rates of informal employment and jobs without social protection coverage being substantially higher than those among adults.
- ∨ Rates of job turnover and the duration of unemployment are higher among youth than among adults.

¹ The ILO in Latin America has analyzed the importance of work paths (2007, 2010 and 2013).

∩ A large percentage of youth neither study nor work, nor do they search for work, and in some cases do not wish to study.

Table 1 demonstrates that of the 100 million youth in the region, 34% study only, 33% work only, approximately 20% neither study nor work and 12% both study and work. Additionally, earlier ILO studies (2007, 2010, 2013) reported that nearly two of every three youth who work in the region have precarious employment.

TABLE 1. Latin America (18 countries): Work and study of youth aged 15 to 24 years, 2005 - 2011

	2005	2007	2009	2011
Study only	32.9%	33.6%	34.6%	34.5%
Work only	33.5%	33.5%	32.3%	32.8%
Study and work	12.5%	12.8%	12.7%	12.4%
Neither study nor work	21.1%	20.1%	20.4%	20.3%

Source: ILO, based on household surveys of the countries.

Young women have lower employment and higher unemployment rates, and are more likely to have precarious employment than are young men. In terms of education, women are disproportionately represented in the group of youth who neither study nor work and do not seek work. Here issues such as young women's dual role of mother and worker come into play, as does the lack of appropriate mechanisms to conciliate work and family life.

It should be stressed that the problems affecting youth are not exclusive to the region or to the current situation. For example, the high rates of youth unemployment and job turnover and their precarious labour market integration as compared with adults are observed in high-, medium- and low-income countries in different contexts of labour market regulation, and are reported currently as well as three decades ago.

First job and work path

In recent years, a new vision of the reality of youth has emerged from longitudinal studies on employment and labour market integration throughout the lifecycle. Here the focus on the work path in general is important, as is the decent work path promoted by the ILO (ILO 2007, 2010 and 2013). Adequate initial labour market integration leads to better quality jobs in the future. The study of work paths underscores the importance of these first job experiences on the working lives of individuals.

Results of School-to-Work Transition Surveys, (SWTS) allow the retrospective analysis of work paths.² Specifically, this information enables researchers to compare the characteristics of current jobs of youth who had different "qualities" of first jobs. Youth were asked about the characteristics of the jobs they held at the time of the interview, as well as the features of their first jobs. With this data, it was possible to determine whether the quality of youths' first jobs was high or low and then to compare the characteristics of current jobs of groups of youth who had high or low quality first jobs.

² Longitudinal information for the region is insufficient to analyze individual work paths by following the same youth throughout their working life.

SURVEYS OF SCHOOL-TO-WORK TRANSITION

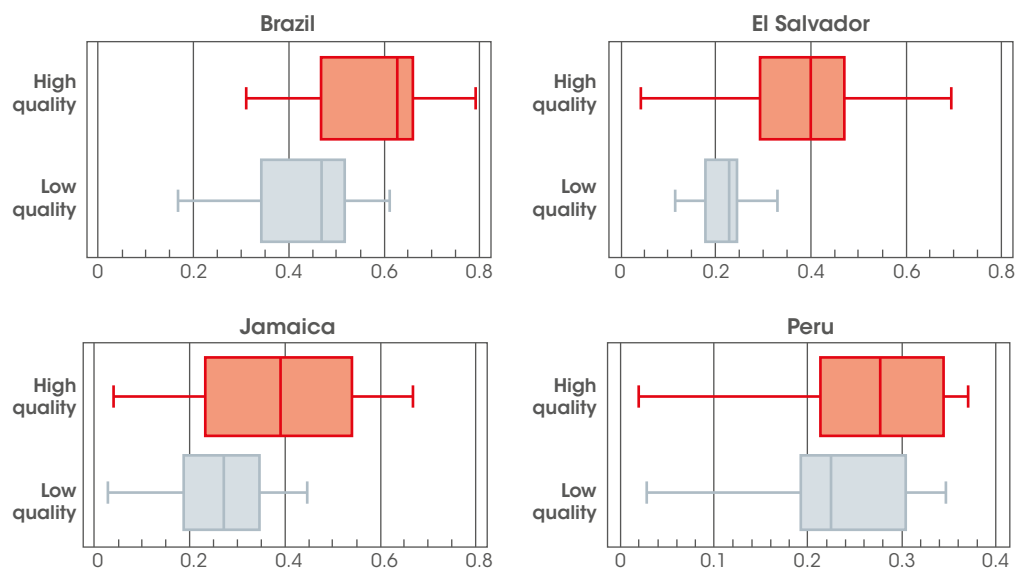
The 2012-2013 School-to-Work Transition Survey (SWTS), was implemented to analyze this transition.

Statistical institutes in several countries around the world surveyed youth aged 15 to 29 years. The survey included longitudinal information on the transition of these youth in the labour market. The study was a joint initiative of the ILO and the MasterCard Foundation.

This report uses data from the surveys of Brazil (2013), El Salvador (2012), Jamaica (2013) and Peru (2013).

The findings indicate that high quality first jobs did indeed lead to better quality subsequent jobs. Figure 1 illustrates the distribution of points of the different dimensions of job quality for those youth with a high quality first job versus those who with a low quality first job in the four countries in the region where youth were surveyed: Brazil, El Salvador, Jamaica and Peru. Each figure demonstrates that the distribution and the median of the points are higher among those who had a high quality first job. The median of this group is approximately 50% higher in Brazil, Jamaica and Peru and nearly double in El Salvador, as compared with those with precarious first jobs

FIGURE 1. Distribution of current job characteristics, by first job characteristics (selected countries)



Source: ILO, based on SWTS data.

High quality: Written employment contract for a period of more than 12 months in the first job / **Low quality:** verbal contract or own-account work or fewer than 12 months in the first job

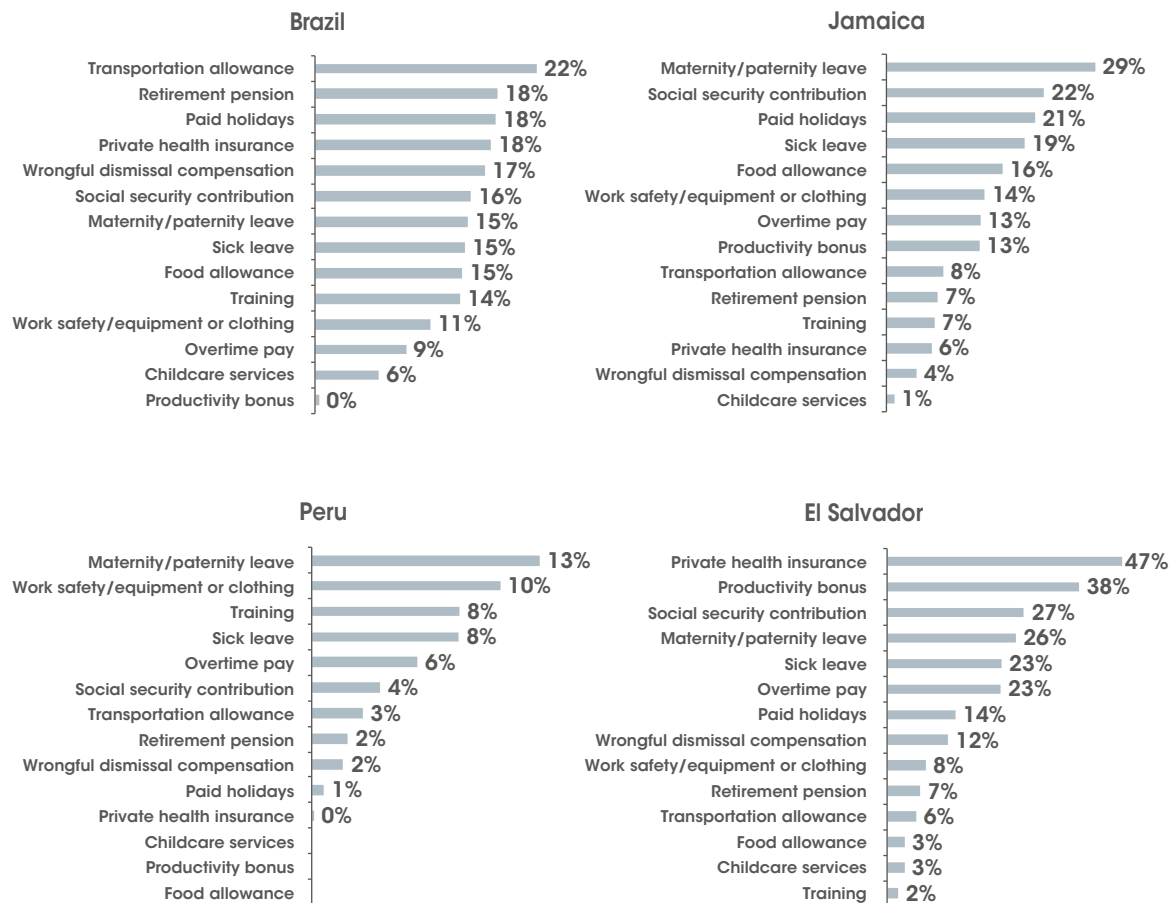
What are these high quality characteristics of the current job? Figure 2 shows the percentage differences or gaps between youth with high quality first jobs as compared with those with low quality first jobs for some benefits of their current jobs, such as health insurance, pensions, maternity leave, paid holidays, access to on-the-job training and overtime pay, among others. Gaps exist for all of these dimensions in favour of youth with higher quality first jobs.

For example, with respect to health care coverage, the gap between youth with high versus low quality first jobs is 17% in Brazil, 22% in Jamaica, 4% in Peru and 27% in El Salvador. In the case of current

jobs with retirement benefits, the gap in favour of those with high quality jobs is: 18%, Brazil; 7%, Jamaica; 2%, Peru; and 7%, El Salvador. Percentage gaps for maternity leave are: 15%, Brazil; 29%, Jamaica; 13%, Peru; and 26%, El Salvador.

The analysis of access to on-the-job training identified gaps of approximately 14% in Brazil, 7% in Jamaica and 8% in Peru, whereas in El Salvador the difference was smaller, at around 2%.

FIGURE 2. Gaps in job benefits between youth with different quality first jobs



Source: ILO, based on SWTS data.

What factors determine a quality first job?

If a quality first job indeed influences future working life, what determines which youth will begin well while others will not? School-to-Work Transition Survey (SWTS) data³ show some links between first job quality and characteristics of youth and their families. Parents' education level appears to be a variable influencing first job quality. In Peru, the mother's level of education is closely associated with a higher quality first job of the youth. In Brazil, parents' education level seems to positively influence first job quality: a large share of youth with a high quality first job have mothers who have at least a secondary school education (25%), whereas among those with a low quality job, a smaller percentage of their mothers completed secondary school (18%). In El Salvador, the education level of both parents has

³ ILO School-to-Work Transition Surveys.

an impact. The rate of secondary school completion of fathers and mothers of youth with low quality first jobs was 6% and 3%, respectively. In the case of youth with a high quality first job, 15% of their fathers and 17% of their mothers had completed secondary school.

In Brazil and El Salvador, significant gaps in terms of job quality exist between residence in urban and rural areas. In those countries, a majority of high quality jobs are concentrated in urban areas but so are a significant percentage of low quality jobs. By contrast, in Jamaica, most high quality jobs are located in urban areas while low quality ones are concentrated in rural areas.

With respect to the youths' characteristics, in general, those who completed their secondary or tertiary education had a better quality first job than those who had completed only primary school or who had not finished secondary school.

Regarding civil status, most young people who had a high quality employment contract were single whereas in Brazil and El Salvador, the majority who were living with a partner had low quality jobs. For all countries, most married youth had high quality first jobs.

In terms of family responsibility, in Brazil and El Salvador, most youth who had a high quality job did not have children whereas in Peru and Jamaica, the opposite was true.

With respect to education, the majority of youth with a high quality first job had completed their studies, at percentages far exceeding those of youth who had dropped out of school. In Brazil and El Salvador, a large share of youth with low quality jobs had dropped out of school whereas in Peru and Jamaica, the majority with low quality jobs had completed their studies.

TABLE 2. Characteristics of family environment and of youth, by quality of the first job contract. Peru, Brazil, El Salvador and Jamaica.

	PERU		BRAZIL		EL SALVADOR		JAMAICA	
	High	Low	High	Low	High	Low	High	Low
Characteristics of family environment								
Father's education level								
Primary	22%	24%	46%	49%	30%	43%	29%	33%
Secondary	52%	58%	23%	13%	15%	6%	40%	36%
Tertiary	14%	7%	7%	4%	14%	1%	4%	1%
No education	1%	3%	8%	15%	10%	20%	0%	3%
Mother's education level								
Primary	29%	40%	55%	60%	63%	57%	21%	25%
Secondary	50%	49%	25%	18%	17%	3%	55%	48%
Tertiary	5%	4%	7%	5%	0%	0%	10%	4%
No education	9%	3%	8%	11%	12%	30%	0%	2%
Area of residence*								
Urban			93%	84%	68%	56%	52%	41%
Rural			7%	16%	30%	41%	45%	58%
Characteristics of youth								
Education level								
Primary	7%	6%	21%	33%	31%	71%	3%	19%
Secondary	77%	81%	57%	57%	62%	28%	83%	75%
Tertiary	17%	13%	22%	9%	7%	2%	14%	5%
Civil status								
Cohabiting	35%	35%	26%	29%	23%	34%	18%	12%
Married	11%	5%	15%	14%	14%	12%	5%	4%
Single	47%	55%	57%	55%	50%	38%	77%	83%
Children?								
Yes	51%	45%	42%	46%	49%	59%	57%	51%
No	49%	55%	58%	54%	51%	41%	43%	49%
Education status								
Currently studies**			21%	24%				
Completed studies	68%	65%	44%	31%	64%	37%	87%	70%
Dropped out of school	32%	35%	35%	45%	36%	63%	13%	29%

Source: ILO, based on SWTS data.

*Does not include Peru because only urban areas are considered in that country.

**Except Brazil, which does not consider young people who are currently studying.

3I A preliminary review of first job initiatives in Latin America

For several years now, the countries of the region have used the term “first job” to describe initiatives to promote wage employment among youth. These initiatives differ in terms of conception, design, implementation and coverage. They have specific features tailored to the countries where they are implemented. Therefore, there is no single type of first job initiative.

In the region, “first job initiative” has been used to refer to a least four broad types of initiatives to promote youth employment:

- ↳ Training and job placement programmes, which are available in several countries, with variations;
- ↳ Training contracts, which include internship/apprenticeship contracts (Brazil, Chile, Colombia, Mexico, Honduras, Paraguay, Peru);
- ↳ Hiring subsidies, including initiatives that complement wages or that offer tax or social security exemptions (Argentina, Brazil, Chile, Colombia, Mexico, Panama); and
- ↳ Special employment arrangements for youth (such as the first job laws of Uruguay and Paraguay, and initiatives that were not implemented, such as those of the Dominican Republic and Peru).

Most initiatives to promote youth employment have been systematized in two inventories available for the region. The first is the Youth Employment Inventory (YEI), compiled by Betcherman et al (2007), which covers the period 1990-2007. The second is an update of initiatives in Latin America and the Caribbean developed by Veza (2014), which covers the period 2008-2013.

There were 68 initiatives listed in the YEI to 2007, whereas the Inventory for Latin America and the Caribbean registered 65 initiatives to 2013, both new ones and modifications of earlier initiatives. The systematized information in both inventories reveals that few initiatives have been rigorously evaluated (with control groups) or have undergone cost-benefit analyses (Puerto, 2007; Veza, 2014). More recently, the ILO (2015) has introduced some initiatives to promote youth employment in the region, with an emphasis on the creation of formal jobs.

TABLE 3. Type of first job initiatives

Type	Examples	Description
Training contracts	<ul style="list-style-type: none"> ↳ Intern Law (Law 10.997), Brazil (2000) ↳ <i>Aprendices</i> Programme, Chile (2000) ↳ Training contract in Law 4.951/13, Paraguay (2013) ↳ Types of on-the-job training for graduates and in enterprises, in Law 19.133, Uruguay (2013) 	<ul style="list-style-type: none"> ↳ Special contracts for promoting on-the-job training. Youth do not establish a labour relationship with the enterprise if they are enrolled in a vocational training institute or other training centre. ↳ These contracts emphasize the educational nature of youths’ job duties. ↳ Some countries require enterprises to hire a minimum quota of interns (Brazil, Colombia, Paraguay) whereas others allow for voluntary internship contracts (Mexico, Peru). ↳ Some recent initiatives offer wage subsidies for enterprises that hire interns (Paraguay, Uruguay).

(continues...)

Type	Examples	Description
On-the-job training programmes	<p>Since the mid-1990s:</p> <ul style="list-style-type: none"> ↳ Training programmes following the <i>Jóven</i> model: classroom training and internships in enterprises (Argentina, Colombia, Chile, the Dominican Republic, Peru, Uruguay) ↳ Training programmes following the PROBECAT model: training in enterprises (Mexico, Honduras) <p>New initiatives:</p> <ul style="list-style-type: none"> ↳ <i>Jóvenes con Más y Mejor Trabajo</i>, Argentina (2008) ↳ <i>Chile Califica</i>, Chile (2002) ↳ <i>Más Capaz (+Capaz)</i>, Chile (2014) 	<ul style="list-style-type: none"> ↳ In general, these programmes are managed by the Ministries of Labour. ↳ Programmes target vulnerable youth with little or no work experience and limited job skills. ↳ These offer three to six months of technical training. The <i>Jóven</i> model includes a classroom training phase provided by public and private training institutes, as well as an internship phase in an enterprise, each for an average of three months. In the PROBECAT model, enterprises are responsible for training. ↳ Programmes emphasize the role of demand for skills in the productive sector. In the <i>Jóven</i> model, training entities are usually responsible for establishing partnerships with enterprises to guarantee the implementation of internships. In the PROBECAT model, the programme is responsible for linking beneficiary youth with enterprises. ↳ New initiatives focus on developing soft and life skills and promoting entrepreneurship.
Employment subsidy programmes	<ul style="list-style-type: none"> ↳ National First Job Incentive Programme (PNPE, Brazil, 2003) ↳ <i>Primer Empleo</i> (First job), Mexico (2007) ↳ Law of Formalization and Job Creation, Colombia (Law 1429, 2010) ↳ <i>40,000 Primeros Empleos</i> (40,000 First Jobs Programme), Colombia (2015) ↳ Youth Employment Subsidy, Chile (2009) ↳ Social Benefit Subsidy for Youth, Chile (2008) ↳ PROJOVEN, Panama (2015) 	<ul style="list-style-type: none"> ↳ These promote youth employment through hiring subsidies. ↳ Normally, the subsidy is for enterprises (Brazil, Mexico, Panama), but in some cases youth also receive subsidies (Chile). ↳ Subsidies can cover part of the salary (Brazil, Chile, Panama), social security payments or other contributions the enterprise is responsible for (Colombia, Chile, Mexico). ↳ In some programmes (<i>Primer empleo</i> of Mexico and <i>40,000 primeros empleos</i> of Colombia), the subsidy is delayed to encourage youth to remain in the job.
Special employment arrangements for youth	<p>Minimum wage:</p> <ul style="list-style-type: none"> ↳ Chile, Costa Rica, Paraguay <p>Employment:</p> <ul style="list-style-type: none"> ↳ Law 4.951/13 on youth employment, Paraguay (2013); ↳ Law 19.133 on the promotion of decent work among youth, Uruguay (2013). 	<ul style="list-style-type: none"> ↳ In Paraguay and Uruguay, new legislation was enacted in 2013 to introduce special hiring practices for young workers. Specifically, formal first job contracts were introduced. These target young people with little or no formal work experience. ↳ Wage subsidies are also provided to encourage enterprises to hire young workers. ↳ Similar initiatives in the Dominican Republic, Peru and Nicaragua failed due to the lack of prior consensus with social actors.

Source: ILO.

Figure 3 demonstrates that most of the programmes associated with active labour market policies, mainly those of training and job placement implemented between 2008 and 2013, were launched beginning in 2006. Most programmes in implementation until 2013 were launched in 2008, 2009 or 2011.

FIGURE 3. Countries with active national programmes, 2008-2012, by year of establishment

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
URU	BRA	CHI			COL	PAN	BRA	COL	ELS	ARG	BRA	ARG	BOL	URU	BRA	URU
	CHI									BRA	COS	BRA	COS		CHI	
	PER									HON	MEX	CHI	ECU		COL	
												DOM	HON		MEX	
												GUA	NIC		URU	
												URU	PAR			
													PER			

Source: Inventory 2008-2013, Veza (2014). Note: Honduras, Chile and Mexico implemented two national programmes in 2006, 2008 and 2011, respectively.

Using the past decade as the reference period, some relevant trends in youth employment initiatives include:

- ∨ Beginning in the past decade, several countries have revised regulations for training contracts (given that they have existed for many years) or they have introduced changes to promote their use. This trend focuses on the hiring of young workers. Nevertheless, there is little emphasis on the training component, which is the reason for their existence. Several countries have introduced subsidies for hiring interns/ apprentices to encourage enterprises to hire young people.
- ∨ Initiatives for technical or vocational training have begun to emphasize the development of soft and life skills. Employers value these skills but report that it is difficult to find young workers with adequate levels of leadership, creativity, perseverance, problem-solving and decision-making skills, among others.
- ∨ Self-employment and entrepreneurship are on the rise. In some cases, vocational training programmes are incorporating entrepreneurship training, promotion of business plans and enterprise development services.⁴
- ∨ Subsidies to promote hiring of young workers have become more common over the past decade. In Brazil, Chile, Colombia and Panama, these subsidies seek to encourage hiring of interns/ apprentices. In some countries, including Chile (in a different programme from the one previously cited) and Mexico, subsidies are used to stimulate demand for young workers to promote their formal labour market insertion.
- ∨ More recently, legislative initiatives known as first job laws have been developed to promote youth employment. To this end, youth labour contracts or special programmes for young workers have been introduced that involve lower labour costs, particularly non-wage costs, in an effort to stimulate the demand of enterprises for this group of workers.

The remainder of this section presents the key aspects of paid first job initiatives, highlighting some experiences implemented in the region over the past 10 years.

⁴ This study did not review initiatives designed to promote entrepreneurship or self-employment.

3.1 | Training contracts

Training contracts are mechanisms to promote and facilitate dual training, such as that offered by vocational training institutes, as well as on-the-job training in enterprises.

Vocational training services became available in Brazil and Argentina in the 1940s and spread to other countries of the region in the 1960s and 1970s. These services are the predecessors of strategies to increase employability in the region (SENA in Colombia, SENAI and SENAC in Brazil, SENATI in Peru, SENSE in Chile, SNPP in Paraguay, INA in Costa Rica, INAFORP in Panama and INFOTEP in the Dominican Republic). They were created in response to the demand for workers in the productive sector and the expansion of the manufacturing sector. These services are characterized by their tripartite administration in which employers' and workers' representatives participate independently from the ministries of Labour or Education. They are funded by payroll taxes of the productive sectors they serve. Unlike formal education, these services provide training that closely responds to the needs of the productive sector. Vocational training services fulfill a dual role: on the one hand, they train the workers that productive sectors need; and on the other, they serve as an educational alternative for low-income youth without access to tertiary education. Some of the more recent youth employment initiatives are implemented through or in coordination with vocational training programmes.

Although experiences with training contracts vary considerably in the region, they do share some common characteristics (ILO, 2013). Training contracts are established for specified periods, ranging from six months to two years, and are considered trial periods. They also establish minimum and maximum ages (usually between 18 and 29 years) and basic obligations for both employers and trainees. They do not differentiate between the sexes. Generally, they establish a model contract or mandatory clauses that individual contracts must include. They offer some social benefits, usually pay less than the minimum wage and include new clauses of termination or establish special severance arrangements. They require enterprises to issue certificates and to register workers.

Training contracts present some risks that can limit their applicability (IDB, 2013). A key risk factor is the possible misuse of these contracts. Given that they establish salaries or wages below the minimum wage and generally do not offer full social benefits, employers may misuse these contracts to obtain inexpensive labour. Therefore, an effective monitoring, supervision and oversight system is needed. In Mexico and Chile, social security institutes are responsible for this system.

Scale presents another risk. Enough internships/apprenticeships must be created, which may constitute a limitation given that only formal enterprises may participate. Brazil, Colombia, Costa Rica and Paraguay have made it mandatory for (formal) enterprises to have a minimum quota of trainees on their payroll and establish hiring caps, usually 20% of the payroll of the enterprise, or require 20 permanent staff members for every two interns/apprentices. In Colombia, enterprises do not have to hire the minimum quota of trainees, but they must pay SENA (the National Training Service) the equivalent of the cost of contracting the interns/apprentices that were not hired. In countries such as Chile and Mexico, hiring of interns/apprentices is voluntary for enterprises and is promoted through a variety of subsidy mechanisms. Brazil and Paraguay combine mandatory hiring of interns/apprentices with subsidy mechanisms, as discussed later in this report.

Perhaps the main risk is guaranteeing the quality of training. The major challenge of training contracts is ensuring that they provide quality training to youth. To this end, it is necessary to establish minimum standards and to move toward systems of certified labour skills so that the training and skills obtained can be portable to workers' different jobs, and at the same time will be recognized by all employers as valid. Some countries have already implemented evaluation or certification strategies with the appropriate agencies (ILO, 2013). For example, Colombia, Costa Rica and Panama use professional aptitude certificates; Brazil issues professional qualification certificates; and Argentina, the Dominican Republic, Paraguay and Uruguay provide training certificates.

In the late 1990s, several countries of the region began to introduce new legislation to regulate training contracts. While these contracts have existed for many years, the new laws view them as employment promotion mechanisms. In some cases, the legislation establishes subsidies for hiring of youth while in others, training contracts are part of reforms for labour flexibility to reduce enterprises' labour costs.

TABLE 4. Training contracts

Initiative	Description	Target population / results
Intern/Apprentice Law (Law 10.997), Brazil (2000)	<ul style="list-style-type: none"> ∟ Introduces a special employment contract for youth, with a maximum duration of two years. ∟ All medium-sized and large enterprises are obligated to hire interns/apprentices, assigning between 5% and 15% of their payroll to these positions ∟ Offers a subsidy to employers for contributions to the time-of-service compensation fund. ∟ SENA and SENAI are responsible for certifying the job skills acquired by interns/apprentices. ∟ Remuneration of interns/apprentices cannot be less than the hourly minimum wage. 	<p>Target population: Youth aged 14 to 24 years enrolled in school, a vocational training institute or other accredited training institution.</p> <p>During the period 2000-2010, the law had 837,000 beneficiaries.</p> <p>Results of an impact assessment show that beneficiaries are more likely to obtain a formal job, particularly permanent positions. The assessment also found a small but positive impact on wages.</p>
Apprentices Programme, Chile (1998)	<ul style="list-style-type: none"> ∟ Training contracts were for a minimum of six months and a maximum of two years. ∟ The dual or alternating model was used. Enterprises must develop and implement a training programme. Participating enterprises could request that a technical training entity develop and implement the programme. ∟ Enterprises received a subsidy equal to 50% of the minimum wage to cover hiring costs. Additionally, enterprises received a subsidy to finance training activities for the interns/apprentices. ∟ The programme was implemented until 2013. 	<ul style="list-style-type: none"> ∟ Target population: Youth aged 15 to 21 years. Coverage could be extended to 24-year-olds in the case of disability.
Training contracts in Law 4.951/13, Paraguay (2013)	<ul style="list-style-type: none"> ∟ Training contracts are for a minimum of six months and a maximum of 12 months. ∟ These contracts can only be used once by youth for each trade they engage in. ∟ Intern/apprentice remuneration must be at least the minimum wage. ∟ Employers can receive a wage subsidy of up to 35% of the current minimum wage. 	<ul style="list-style-type: none"> ∟ Target population: Youth aged 18 to 29 years, with an emphasis on young men in the poorest 20% of the population and young women in the poorest 30%; youth with children in the poorest 30% of the population; and workers who were previously employed in domestic service.

(continues...)

Initiative	Description	Target population / results
On-the-job training programmes for graduates and in enterprises, in Law 19.133, Uruguay (2013)	On-the-job training for graduates: <ul style="list-style-type: none"> ↳ Contracts of at least six months and no more than one year. ↳ Trainee remuneration must be at least the minimum wage. ↳ Youth can only use these contracts once. ↳ Wage subsidy of at least 25% of the current base wage of 10,800 pesos. Training in enterprises: <ul style="list-style-type: none"> ↳ Maximum of 60 hours. ↳ No remuneration is established. ↳ Youth can only use these contracts once. ↳ No subsidy. 	<ul style="list-style-type: none"> ↳ Target population: a) Youth up to age 29 years who have graduated from vocational training institutes; b) Youth aged 15 to 24 years enrolled in school, training or technical training for training in enterprises.

Source: ILO.

Some experiences

Intern/Apprentice Law in Brazil

In Brazil, Law 10.997 of 2000, known as the Intern/Apprentice Law (modified in 2005 by Decree 5.598) introduced a special employment contract for youth in the form of an internship/apprenticeship for a maximum two-year period. The law mandates that all medium-sized and large enterprises must hire interns/apprentices between the ages of 14 and 24 years, and stipulates that between 5% and 15% of their payroll must be reserved for these positions.

The law establishes a subsidy for the hiring of interns/apprentices in the form of a discount on the payments enterprises make to the time-of-service compensation fund in the case of worker dismissal. Employers must deposit 8%-8.5% of regular workers' wages in their individual accounts; this percentage is reduced to 2% in the case of interns/apprentices. Additionally, layoff or dismissal costs are not included for the termination of the internship/apprenticeship contract or in the case the intern/apprentice is terminated before the end of the contract period. Termination costs are equal to 40%-50% of the total amount in the compensation fund, thus the law provides a strong incentive for hiring interns/apprentices.

To participate, interns/apprentices must be enrolled in school if they have not completed their formal education or in a vocational training institute, such as SENAI or SENAC, or another accredited training institute. SENA and SENAI are the entities responsible for certifying the job skills acquired by interns/apprentices. The law establishes a maximum of six-hour workdays to enable trainees to complete their studies or receive classroom instruction at the vocational training institutes. Employers must pay interns/apprentices at least the hourly minimum wage.

Corseuil et al (2012) evaluated the impact of the Intern/Apprentice Law on employment and income indicators, comparing trainees who benefitted from the law with other temporary workers. The assessment used data from administrative records from 2000-2006. The study confirmed that interns/apprentices were more likely to obtain a formal job after completing their contracts. Specifically, it found that youth with internship/apprenticeship contracts were more likely to find formal, permanent jobs than other youth who had other types of temporary work contracts. The evaluation also reported improvements in labour income of young interns/apprentices, although this effect was weak.

Apprendices Programme / Training Plans - Chile

The National Training and Employment Service (SENCE) implemented this programme of the Ministry of Labour and Social Protection from 1998 to 2013. Initially, it was known as the *Planes de*

Aprendizaje Programme. It granted subsidies to enterprises to create incentives for hiring youth as interns/apprentices. The objective was to promote training of youth up to age 21 to acquire the skills demanded by the productive sector and to ensure their adequate labour market integration. Youth aged 15 to 21 years were eligible; in the case of disability, the maximum age was 24 years.

All enterprises formed as legal entities could participate in the programme, as long as they had not violated labor, tax or social security laws. Additionally, they had to prove that they were paying all outstanding debts at the time of their establishment. Only job placement and/or employment institutions were exempted from these conditions. A salient feature of the programme was that enterprises could register online to participate.

Internship/apprenticeship contracts could be for a minimum of six months and a maximum of two years. Under the contract, the intern/apprentice was obligated to provide services to an employer in accordance with a training plan. In exchange, the intern/apprentice received training in a qualified trade from the enterprise, as well as a salary not less than the monthly minimum wage.

With programme funds, enterprises could hire interns/apprentices comprising up to 10% of their permanent payroll during the 12 months prior to the signing of internship/apprenticeship contracts, excluding the interns/apprentices already on staff. When the payroll consisted of 20 or more workers, the programme provided subsidies for a maximum of two interns/apprentices.

The programme used the dual or alternating training model. On-the-job training and other enterprise training activities helped develop job skills. Enterprises had to develop and implement an internship/apprenticeship plan. The intern/apprentice was required to have a coach, tutor or mentor in the enterprise, who was responsible for supervising the training process and skills acquired as per the plan. Enterprises could also contract technical training entities accredited by SENCE to develop and implement the training plan tailored to the job duties performed by the interns/apprentices.

The subsidy programme for hiring interns/apprentices had two components. One was the direct subsidy to the employer to complement the remuneration of interns/apprentices, equivalent to 50% of the minimum monthly wage for a maximum of 12 months, as long as the internship/apprenticeship contract established a salary of between one and two times the minimum wage. The other was a direct subsidy to the employer to finance training activities provided to interns/apprentices in the enterprise or to cover their training costs in technical training institutes. The subsidies totaled a maximum of 10 monthly tax units and were disbursed once for each intern/apprentice.

Internship/apprenticeship contracts in first job laws of Uruguay and Paraguay

In **Paraguay, Law 4.951/13** on youth employment introduced several contractual arrangements for youth, among them the internship/apprenticeship contract. These could have an effective period ranging from six to 12 months and established the possibility of a wage subsidy of up to 35% of the minimum wage in effect.

The law establishes that trainees can benefit just once from an internship/apprenticeship contract for each trade performed. The law is not specific, for which reason the reference to trades may pose a risk. While a youth could develop several trades to acquire skills to improve employability, in practice, enterprises could continue to employ the youth as an intern/apprentice by changing the name of the job he or she performed in an attempt to reduce labour costs, to the detriment of training.

The law also introduced labour training agreements to promote vocational training and on-the-job training agreements for students or graduates of training institutes. Youth aged 18 to 29 years are eligible. The objective of both contractual arrangements is to promote the acquisition of knowledge and skills. Vocational training is not paid whereas on-the-job-training agreements establish that remuneration must be at least 60% of minimum wage. While these programmes include subsidies, they do not cover health insurance, social security benefits or time-of-service compensation.

In the case of vocational training agreements, enterprises must develop an annual training plan that establishes the occupations to be covered, the timeframes adapted to the occupations and the requirements for obtaining a training certificate. The enterprise is responsible for evaluating and certifying the youth's performance. This raises the question of how many enterprises have the effective capacity to develop and implement plans that guarantee training quality. In the case of on-the-job training, the enterprise and the youth sign an agreement in which the school or training institute can also intervene. The agreement stipulates that the enterprise must provide conditions to enable the beneficiary to engage in productive tasks associated with training. It does not mandate the enterprise to implement evaluation and certification procedures.

In **Uruguay, Law 19.133** introduces on-the-job training in enterprises and internships/apprenticeships for graduates. On-the-job training can be used in the context of education, training and/or vocational training proposals or courses. To this end, the training institute and the enterprise sign an agreement on the working conditions of the youth, which must be approved by the Ministry of Labour and Social Security.

The law stipulates that on-the-job training cannot exceed 60 hours or represent more than 25% of the course hours in which the youth is enrolled. Enterprises are required to contribute to training during the contract and to provide a certificate confirming the participation of the youth, the duties or activities performed, as well as a performance evaluation.

The law states that work performed as part of training in the enterprise does not necessarily have to be paid. Unlike other contractual arrangements considered in the law, this training contract does not cover social security contributions. In practice, this constitutes a hiring subsidy that is covered by the young workers in exchange for the training they receive.

Internships/apprenticeships for graduates are designed to help graduates of training institutes to secure a first job in the field in which they received a training certificate. Youth up to age 29 years can participate. Internships/apprenticeships are for periods of six months to one year. In this case, youth receive remuneration of no less than the minimum wage, as well as health insurance and social benefits. The law also establishes a wage subsidy for hiring interns/apprentices.

3.2I Youth job training programmes

Youth job training programmes began in the 1990s in the region in response to the high youth unemployment rates and youths' inadequate labour market integration in low quality jobs. To develop these programmes, ministries of Labour established offices or implementing units with budgets financed with public funds and in some cases with financial and technical support from multilateral or cooperation agencies.

The assessment justifying these programmes reveals that many youth have deficient training and that their human capital accumulation is insufficient for finding employment, particularly quality jobs. Additionally, labour market difficulties, especially a lack of information, limit youth and enterprises in matching workers with suitable jobs. In response, these programmes provide job training for young people through vocational training services, and facilitate linkages between workers and employers through job placement services.

Since the 1990s, many vocational training programmes have been implemented in the region, nearly all of which have followed two intervention models (González, Ripani and Rosas, 2012). One is the *Chile Joven* Programme. This model offers vocational training courses with a first phase of classroom instruction in training institutes and a second phase of internships/apprenticeships in enterprises.

The programmes organize public bids to select institutes to provide the training. The selection criteria include the institutes' ability to offer quality training services as well as their proven contact with

enterprises that are willing to offer internships/apprenticeships to beneficiary youth. The programmes are responsible for the initial selection process to identify youth belonging to low-income sectors or those living in poverty. A proxy means test is used to identify the characteristics of the youth and their families. The selected young people are then sent to the training institutes, which carry out a final selection for the available spaces in the courses.

Normally, the programmes offer a stipend to beneficiaries during the classroom training phase while enterprises offering internships/apprenticeships cover remuneration, which is usually less than the minimum wage, as well as health care coverage. The key characteristic of these programmes is that the courses offered are designed in response to demand for labour, determined by the interest of enterprises in offering internships/apprenticeships to youth.

The second model is of dual training, based on the PROBECAT experience in Mexico. In this model, all training is offered in enterprises through internships/apprenticeships for periods ranging from one to three months. Government programmes or agencies are responsible for identifying vacancies in enterprises through employment services such as in Mexico or with the support of business organizations, such as in Honduras. Unlike the programmes that follow the *Chile Joven* model, PROBECAT-type programmes are permanently implemented in an open process throughout the year. The programmes also carry out an exhaustive selection of those who apply for training since the goal is for the youth to become regular employees of the enterprises following the internships/apprenticeships. To this end, the selection process seeks to identify youth with the profile required for the job vacancies in the enterprises. During the training period, the enterprise is not required to pay the interns/apprentices; however, it does agree to hire a percentage of the interns/apprentices once they complete their contracts. The programmes offer a stipend to cover food and transportation costs of participating youth during the training period.

More recently, several youth job training programmes have incorporated components in addition to the traditional classroom instruction at a training institute and the internship or on-the-job training in an enterprise. Among the most common new components are those to promote the development of soft skills and entrepreneurship.

There is accumulated --although not always solid-- evidence on the impact of youth job training programmes (Puerto, 2007; Ibararán & Rosas, 2009; González, Ripani and Rosas, 2012; Dema and Sanz, 2012). Several of the programmes implemented in the region over the past two decades have undergone impact evaluations, which have contributed to generating evidence of what works and what does not (Chacaltana et al, 2002; Puerto, 2007; Dema and Sanz, 2012). Some of the programmes inspired by the *Chile Joven* model included impact evaluations in their design.

TABLE 5. Youth job training programmes

Experience	Description	Target population / results
<i>Youth con Más y Mejor Trabajo, Argentina (2008)</i>	Strategy to improve labour market access by promoting the completion of formal education, development of professional profiles, acquisition of job skills through technical training and internships, development of entrepreneurship, and labour market integration.	Target population: Unemployed youth aged 18 to 24 years who have not completed their formal education. In 2012, the programme had 286,000 beneficiaries.
<i>Chile Califica, Chile (2002)</i>	Training and continuing education programme to promote job skills, linking basic education with technical and job training. It included: <ul style="list-style-type: none"> ↳ Levelling courses ↳ Training and certification for employment ↳ Development of an information system for education and ongoing training. <p>Implemented until 2010.</p>	Target population: Working-age population. 33,462 basic education certificates were issued, as were 76,104 secondary school certificates. Through a tax exemption mechanism, 2.2 million workers received on-the-job training or through a technical training entity. Vocational guidance services were provided to 645,000 beneficiaries.
<i>Más Capaz (+Capaz), Chile (2014)</i>	Programme for technical training, crosscutting skills and job placement to improve employability of youth.	Target population: Men aged 18 to 29 years; women aged 18 to 64 years; and disabled men and women aged 18 to 40 years. Targets the most vulnerable 60% of the population, according to the Social Protection Record, and with social security contributions equal to or less than 50% over the 12 previous months. The programme is expected to benefit 423,000 people between 2014 and 2018.

Source: ILO.

The first impact evaluations of youth job training programmes in the region were quasi-experimental studies with intervention and control groups and data on pre- and post-participation in the programme. Overall, the evaluations demonstrate that the programmes had an impact from six months to two years following training. Evaluation results indicate that youth job training programmes promote employment and improve both income and quality of jobs of their beneficiaries. A key result is that the programmes generate impact when beneficiaries complete the training phase in an enterprise. Another relevant finding is that the positive effects tend to dissipate over time. Additionally, this type of programme is effective when macroeconomic conditions are favourable and enterprises create jobs, but less so during a recession. Outcomes of the different programmes also vary. The effects on employment and employment quality tend to be greater for men than for women while effects on income tend to favour women more. Impact also tends to be more significant for youth who are less vulnerable.

These quasi-experimental evaluations have generally found significant impact of training programmes on indicators of employment or income and of employment quality. Nevertheless, the programmes tend to offer short-term training courses. This raises the obvious question of whether such short-

term training can effectively generate such significant impact. This casts doubt on the credibility of the results, particularly in terms of the potential limitations of quasi-experimental research to resolve problems of bias in estimating training effects.

More recently, and in response to doubts concerning the validity of the evidence generated by quasi-experimental studies, several countries of the region have carried out new evaluations of the programmes using a randomized design. In recent years, researchers have assessed government training programmes such as *Jóvenes en Acción* of Colombia (Attanasio, et al, 2011), PROJOVEN of Peru (Díaz and Rosas, 2015), and *Juventud y Empleo* of the Dominican Republic (Card et al, 2011; Ibararán, et al, 2014), as well as private initiatives, such as *Entra21* in Argentina (Alzúa et al, 2014). Although some of the expected effects were identified, evidence from this new research is less encouraging than that from quasi-experimental studies. On the one hand, the impact on employment found in previous studies disappeared. On the other, although the programmes were found to affect quality of employment and income, the impact was considerably less than that identified in the quasi-experimental studies.

In addition to the differences with earlier studies, the randomized studies found -- using a cost-benefit analysis of the interventions -- very low and even negative rates of return on youth job training programmes.

Based on the experiences and lessons of the *Joven* model, new initiatives were launched to promote employability, which can be called integrated models. With this new generation of initiatives, the region has begun the transition from programmes to strategies or policies of lifelong technical or vocational training, with an emphasis on training quality and its recognition through skills certifications, and with information systems on the outcomes and profitability of training.

These strategies or policies integrate a variety of dimensions of actions as well as diverse contexts and actors. Therefore, a broader vision of employability goes beyond on-the-job and vocational training and job placement to include the relevance of promoting more general life skills, with an emphasis on the development of soft skills. Moreover, there is a trend toward integrating technical standards and regulation in training components, as well as evaluation and recognition of training through systems to certify labour skills. Additionally, they integrate inter-sectoral actions, for example, with joint activities of the ministries of Labour and Education, as well as link regulatory agencies and local governments, which have begun to manage policy implementation.

The most representative experiences of this new type of initiative include *Jóvenes con más y mejor trabajo* of Argentina, and *Chile Califica* and *Más Capaz* of Chile.

Some experiences

Jóvenes con más y mejor trabajo - Argentina

The *Jóvenes con más y mejor trabajo* (JMyMT) Programme of the Ministry of Labour, Employment and Social Security (MTESS) is part of a comprehensive strategy to improve labour market access by promoting the completion of formal education, development of professional profiles, acquisition of job skills through vocational training and internships, job placement services and development of enterprises.

The target population is unemployed youth aged 18 to 24 years who have not completed their formal education.

The JMyMT offers the following services: vocational guidance; training for the certification of primary or secondary school studies; vocational training courses; training and guidance for establishing independent enterprises; qualifying internships; certification of job skills; guidance for job seekers; job placement services; and, financial incentives for microenterprises and small enterprises.

Training services are complemented by economic assistance to encourage youth to remain in the programme and fulfill objectives. This economic assistance includes, among others, stipends conditioned on enrolment in school or vocational training, additional incentives such as start-up capital for establishing enterprises, and subsidies for internships/apprenticeships and labour market integration.

A salient feature of this strategy is that it is implemented through local governments, which manage the employment services. These services offer contacts, guidance and referrals to specific services or benefits that are most suitable for each beneficiary. This is important given that not all youth have the same conditions and needs, for which reason an assessment can help refer youth to the services that best respond to their characteristics and specific needs.

According to MTESS data, between June 2008 and December 2011, more than 438,000 youth participated in the programme, of which 380,000 received economic aid and some of the other benefits offered. Some 265,000 youth participated in workshops for vocational guidance or labour market integration, and 275,000 participated in activities to complete primary or secondary school education. Between 2008 and 2012, 230 municipalities in 23 provinces implemented the JMyMT.

Educación y Capacitación Permanente - Chile Califica

This government training and continuing education system develops job skills and links basic education with vocational and job training to facilitate the transition of workers among jobs without losing or depreciating their accumulated human capital. This programme was implemented between 2002 and 2008, with the participation of the ministries of Education, Labour and Social Protection and that of Finance.

Although the programme's target population was the working-age population, the emphasis was on youth and the poorest sectors of the population that needed to improve their job skills as well as their literacy and education levels.

Programme components included: a) flexible study programmes for those who had not completed their formal education, with evaluation and certification mechanisms; b) training and certification for employment, including vocational training schedules and development of a national skills framework with technical standards for recognizing job skills acquired throughout life; and c) an information system for training and continuing education, including labour market information and new strategies for vocational and employment guidance.

An evaluation of the programme's design and implementation (Santiago Consultores Asociados, 2009) confirmed the programme's considerable reach. In the component of evaluation and certification of education levels, more than 200,000 modules of basic education leveling were developed, as were 417,000 for secondary education. The programme issued 33,462 basic education certificates and 76,104 secondary education certificates. With respect to vocational training, 647 courses on job skills were offered to 15,336 participants and 1,036 courses on employability skills were attended by 19,861 participants. Through SENCE tax credits, 88,287 training courses were authorized, benefiting nearly 2.2 million workers. With respect to assurance of training quality and development of training schedules, 1,373 specialities were accredited out of a total of 1,908 evaluated, as were 919 establishments of the 1,352 evaluated. In terms of vocational guidance, between 2003 and 2005, 259 guidance plans were developed, which 1,336 guidance counsellors used to assist more than 645,000 beneficiaries in 1,249 establishments.

Más Capaz (+Capaz) - Chile

The *Más Capaz* Programme was established in 2014 and is implemented by SENSE. The objective is to support access to and permanence in the labour market of women, youth and the disabled who are in a situation of social vulnerability, through vocational training, crosscutting skills and job

placement to promote their employability. For women, the programme also offers an entrepreneurship skill development and technical assistance component. Additionally, the programme has components for education leveling and continuation of studies for a percentage of beneficiaries.

The programme has three target populations: men aged 18 to 29 years; women aged 18 to 64 years; and disabled men and women aged 18 to 40 years. The programme targets the economically vulnerable population, defined as individuals belonging to the most vulnerable 60% of the population according to the Social Protection Record, and with limited participation in the labour market, defined as social contributions equal to or less than 50% over the previous 12 months.

In terms of promotion of employability, the programme offers training and job placement services, as well as certification of job skills. Training programmes are between 180 and 300 hours (classroom time and internships). Job placement services seek to find formal jobs for beneficiaries. The job skill certification component evaluates job skills through the National Job Skill Certification System for a percentage of individuals with training from previous work experience.

This skill certification component is perhaps the most innovative part of the programme and has used lessons from previous experiences in the region, which point to the importance of certification and portability of job skills. Thus, *Más Capaz* can be considered a new generation of programmes designed to promote employability.

During 2014, the programme was implemented in pilot phases in seven regions. By 2018, it is expected to benefit 423,000 people in 15 regions of the country.

3.31 Employment subsidy programmes

Several countries of the region use wage subsidies to promote youth employment. In these programmes, enterprises are responsible for job creation and hiring procedures, with hiring costs shared with the government. Wage subsidies are proposed as an effective response to problems of high levels of unemployment or long-term unemployment of certain segments of the labour force, particularly for groups with low income, low skills levels and limited work experience.

The goal of a wage subsidy programme for youth is to reduce the costs enterprises incur when hiring this group of workers. Subsidies should stimulate demand for these workers and thus increase their employment and wage levels. In the region, these programmes generally target vulnerable youth.

The impact of a wage subsidy for hiring youth on employment and wages depends on the level of sensitivity to wages of the labour supply and demand of this group of workers. From a simple static approach, the more sensitive the supply of young workers is, the greater the impact of the subsidy on employment levels and the lower the impact on wages. When demand is more sensitive to wages, the effects on employment and wages will be greater. However, the impact of subsidy programmes also depends on how they are designed and implemented. They tend to be more effective when enterprises participate more actively or when this programme is widely publicized among eligible employers and therefore does not generate stigma effects in the target group of youth. Another key consideration is how comprehensive the subsidy programme is, which depends on the government's fiscal capacity.

The potential impact of wage subsidies is restricted to the period in which they are in effect. For impact to be sustainable, the wage for young workers must be adjusted continually, or, in a better scenario, youth must increase their job skills to improve their employability, which will enable them to obtain higher paid, more stable jobs.

A variety of wage subsidy programmes have been implemented in the region: as refunds of social security payments, such as in Mexico; as credits or fiscal or parafiscal exemptions, such as in Colombia; or through direct payments to enterprises, such as in Brazil and Chile. In general, subsidies

are provided to enterprises, such as in the programmes in Brazil, Colombia and Mexico. However, in Chile for example, part of the subsidy is given to the young beneficiaries, either as part of their wages or as contributions to their pension funds.

Only Chile has carried out an impact evaluation of the wage subsidy mechanism. As discussed below, positive effects have been recorded in terms of increased employment rates and insertion in the formal labour market.

TABLE 6. Employment subsidy programmes

Experience	Description	Target population / results
National programme to promote first jobs, PNPE, Brazil (2003)	<p>The government established a fixed subsidy of R\$ 1,500, which was disbursed in six bi-monthly quotas of R\$ 250 for fulltime positions, and a proportional amount for part-time jobs.</p> <p>The programme was implemented until 2007.</p>	<p>Target population: Youth aged 16 to 24 years who were involuntarily unemployed and fit the following profile: (i) no previous work experience, (ii) members of families with a per capita monthly income below half the minimum wage, and (iii) enrolled in primary or secondary school or attending youth or adult education classes.</p> <p>The programme had 600,000 beneficiaries.</p>
40,000 primeros empleos, Colombia (2015)	<p>The government provides a subsidy to enterprises that hire young programme beneficiaries. The government covers these workers' wages and social obligations, and provides a six-month transportation subsidy. Participating enterprises must agree to continue to employ 60% of the youth hired for an additional six months.</p>	<p>Target population: Youth with (i) a secondary school diploma, (ii) graduates of intermediate degree programmes, (iii) university graduates, as long as they lack work experience.</p> <p>The programme has guaranteed financing for 2015.</p>
Youth employment subsidy, Chile (2009)	<p>The government provides a subsidy of up to 30% of the wages paid to the youth. Twenty percent is given to the worker and 10% to the enterprise. The subsidy is equal to 30% of a minimum wage and is progressively reduced as the youth's salary increases. The subsidy is removed when the youth's monthly salary reaches 360,000 pesos.</p>	<p>Target population: Youth aged 18 to 24 years belonging to the most vulnerable 40% of the population, with monthly income of less than 360,000 pesos or its annual equivalent.</p> <p>In 2009 and 2010, an average of 47,000 and 52,000 youth per month, respectively, received the subsidy.</p> <p>An impact evaluation demonstrated that the subsidy programme increased the employment rate and the labour force participation rate of the young beneficiaries.</p>

(continues...)

Experience	Description	Target population / results
Pension subsidy for young workers, Chile (2008)	The government provides a subsidy equal to 50% of a pension fund payment, calculated on the monthly minimum wage. The subsidy is directly deposited into the private pension fund account of the youth. The subsidy is offered for a maximum of 24 pension fund payments.	Target population: workers aged 18 to 35 years who earn less than 1.5 times the minimum wage, with fewer than 24 payments made to their private pension funds. In 2010, the programme had nearly 67,000 beneficiaries.
Primer empleo, Mexico (2007)	The government subsidizes contributions of the employer to the Mexican Social Security Institute. Employers may receive the subsidy for a maximum of 12 social security payments. The subsidy is on a sliding scale based on the minimum wage for contribution (SBC): <ul style="list-style-type: none"> ⊃ 100% for SBC less than 10 times the minimum wage; ⊃ 60% for SBC between 10 and 14 times the minimum wage; ⊃ 20% for SBC between 14 and 20 times the minimum wage; ⊃ 10% for SBC 20 times above the minimum wage. The subsidy is disbursed with a three-month delay and for as long as the worker remains at the enterprise.	Target population: Workers without previous formal job experience or with limited formal insertion in the labour market.
PROJOVEN, Panama (2015)	The government pays enterprises a subsidy to hire interns/apprentices. After the internships, enterprises are expected to hire at least 50% of the participating youth. Enterprises must develop a training plan.	Target population: Youth (minimum age of 17 years) in the last year of technical and vocational programmes, in good academic standing. The programme is expected to benefit 1,000 youth in 2015. In subsequent years, and depending on the results of the first year, the programme may be expanded to include all youth who receive technical/vocational degrees annually (currently some 11,000 youth).

Source: ILO.

Some experiences

National programme to promote first jobs (PNPE), Brazil

The National Programme to Promote First Jobs (PNPE) was implemented between 2003 and 2007, benefiting more than 600,000 youth. Its objective was to promote job creation for youth or train them for the labour market and alternative jobs to generate income. It also focused on improving youths' employability through on-the-job training.

The programme was designed for youth aged 16 to 24 years who were involuntarily unemployed and who had not been previously employed, who were members of families with per capital monthly income of below half the minimum wage, and who were enrolled in primary or secondary school or in youth or adult education courses.

The PNPE established a fixed subsidy of R\$ 1,500, which was disbursed in six bi-monthly quotas of R\$ 250 for fulltime positions and a proportional sum for part-time jobs. To participate, enterprises were required to make social security payments and maintain the level of employment after signing an agreement with the programme. Additionally, caps were established on the number of young workers for which enterprises could receive subsidies. Enterprises with up to four workers could receive subsidies for one youth only; those with between nine and 49 workers could receive subsidies for two youth; and enterprises with 50 or more workers could receive them for the equivalent of 20% of the workers on their payroll.

Law of Job Creation and Formalization, Colombia

Colombia's Law of Job Creation and Formalization (Law 1429) has been in effect since 2010. It is also known as the First Job Law of the Ministry of Labour.⁵ The law is for small enterprises that have recently been formed or that already existed but operated informally. The objective of the law is to promote the formalization of enterprises by providing tax and parafiscal benefits; it also offers tax breaks for the hiring of new workers.

With respect to the formalization of enterprises, the law introduces the progressive payment of income taxes, parafiscal obligations, business registration and other taxes. For income tax, parafiscal obligations and other payroll contributions (SENA, ICBF, Family Compensation Funds, FOSYGA health coverage), the law exempts enterprises from payments during the first and second year. In Year 3, the enterprise must pay 25%; 50% in Year 4; 75% in Year 5; and 100% beginning in Year 6. Progressive payments are also established for business registration (exemption in Year 1; 50% in Year 2; 75% in Year 3; and 100% beginning in Year 4), as well as for the payment of industrial, sales and other taxes (the responsible agencies determine the progressive tax rates).

In terms of employment promotion, the law establishes that enterprises that create new jobs can use the contributions to SENA, ICBF, the Family Compensation Fund, the FOSYGA health payment and the Minimum Pension Guarantee Fund as a tax discount for calculating income tax. Contributions must be paid in order for discounts to be applied. Workers replacing previously hired personnel cannot benefit from the discount. Enterprises are eligible if they hire new personnel from several groups: youth up to age 28; displaced, reintegrated or disabled individuals; women over age 40; and individuals with income below 1.5 times the minimum wage.

While youth form one of these beneficiary groups, the law encourages the hiring of a wide range of individuals. Thus, this is not strictly a first job law for youth. Additionally, the law does not establish any special type of employment contract for young people or for any of the other beneficiary groups of the law.

The impact of Law 1429 is evident in overall statistics of employment trends. Nevertheless, it is difficult to clearly establish how many jobs were created as a result of the law and specifically how many jobs for youth. While the records indicate that 6,000 enterprises benefiting from the law have requested tax credit, there is no evidence to confirm that these enterprises hired youth. Additionally, the reduction in business registration costs established in the law is generally too low to have a significant impact on employment.

⁵ Although Law 1429 does not explicitly use the term "first job," in the informational documents for its potential beneficiaries, it is referred to as the First Job Law. See: <http://www.mintrabajo.gov.co/employment/abece-ley-of-primer-employment.html>.

40,000 Primeros Empleos Programme, Colombia

In April 2015, the Colombian government launched the *40,000 Primeros Empleos* Programme.⁶ This programme offers a government subsidy to enterprises that hire youth. The government covers the remuneration and social obligations of these workers, and provides a six-month transportation subsidy. The beneficiary enterprise agrees to keep at least 60% of the youth hired through the subsidy programme on payroll for a minimum of six additional months. The programme has no restrictions regarding occupations or type of training institute the youth attended. However, it does apply only to formal enterprises in the private sector.

The programme is part of the public job placement service for youth. The programme targets youth with a secondary school diploma, those with intermediate degrees and those with university degrees, as long as they lack work experience. This is verified in the administrative records of social security and pension contributions. Priority is given to youth who have graduated but still lack work experience, particularly those who graduated six or more months earlier.

Enterprises interested in participating in the programme can inform the job placement agency of vacancies only if the positions meet certain quality criteria. These include: characteristics of the enterprise, including the ratio of vacancies to total jobs and whether the enterprise has social responsibility certification; how closely jobs and training activities are matched; and the willingness of the enterprise to train personnel, considering how dynamic on-the-job training processes are and whether enterprises have training plans for their workers. There is a maximum number of vacancies that can be registered with the service, which is determined by the normal range of operations of the enterprise.

The job placement service selects beneficiaries by matching vacancies with young job candidates. The service sends the enterprise the most qualified candidates, after which the enterprise implements its regular personnel selection and hiring procedures. The job placement service sends up to three job candidates for each vacancy to the enterprise. If none are hired, the enterprise is no longer eligible to participate in the programme.

At the operational level, a framework agreement is signed between the Family Compensation Funds, which are responsible for programme funding, and the participating enterprises. An employment contract is drawn up between the enterprise and the youth hired. The programme is responsible for monitoring the contract using the instruments stipulated in the framework agreement. The subsidy is disbursed in two payments, the first corresponding to 50% three months after verifying payroll information and a statement from the youth's mentor, which can be his/her boss or direct manager. The remainder is disbursed after 12 months. In the interim, the programme verifies the contract at six months, although no disbursement or advance is transferred at that time.

Youth Employment Subsidy (SEJ), Chile

The *Youth Employment Subsidy (SEJ)* was created in 2009 by Law 20.338 and is implemented by the National Training and Employment Service (SENCE), in collaboration with the Social Protection Institute and the Internal Tax Service. Its objective is to increase employment rates of youth aged 18 to 24 years, as well as this group's income and formality rates.

The SEJ provides a subsidy of up to 30% of the youth's wages. The worker is given 20% of the subsidy while the enterprise receives 10%. The subsidy is equal to 30% of a minimum wage and is progressively reduced as the youth's salary increases, ceasing when the monthly salary reaches 360,000 pesos.

⁶ The programme was officially launched on 25 April of this year.

The SEJ targets youth aged 18 to 24 years belonging to the most vulnerable 40% of the population, with an income of less than 360,000 pesos monthly or 4,320,000 pesos annually and who are up-to-date on mandatory social security payments. These workers receive the subsidy between the ages of 18 and 24 years. Beginning in 2011, the subsidy could be discontinued if the youth had not completed secondary school by age 21.

Enterprises and youth apply for the subsidy independently, either in person or online through the special SEJ web portal.

Programme beneficiaries may choose to receive the subsidy in a sight deposit or checking account, or in person through an office service. They may also opt to receive the subsidy monthly or as an annual lump sum. Enterprises receive the subsidy through monthly deposits in their sight deposit account as long as they are up-to-date with their social security contributions for workers.

An impact evaluation conducted by the University of Chile's Microdata Centre (University of Chile, 2012) using data from administrative records and the discontinuity method, found that SEJ increases employment and labour participation rates. These positive outcomes were observed for both men and women, for all ages between 18 and 25 years. However, the study found that the positive effects declined between July 2009 and December 2010, particularly for youth aged 18 to 22 years.

Pension Subsidy for Young Workers, Chile

This subsidy was established in 2008 by Law 20.255 and has two components: a subsidy for pension payments for young workers; and a hiring subsidy for enterprises that hire youth.

The pension subsidy is designed to increase pension funds of young workers. It is for youth aged 18 to 35 years who earn less than 1.5 times the minimum wage and who have made at least 24 consecutive or non-consecutive payments to their private pension fund (AFP). The government establishes a subsidy equal to 50% of a pension payment, calculated on a monthly minimum wage. The subsidy is deposited directly into youths' individual capitalization accounts in their AFPs. Young workers can receive this subsidy for a maximum of 24 pension payments.

With respect to the hiring subsidy, the government grants this subsidy to each participating employer for each worker aged 18 to 35 years. This subsidy is equal to half of a pension fund payment, calculated on the monthly minimum wage. The subsidy is issued for the first 24 payments that the worker makes to the AFP, either consecutively or non-consecutively. To access this subsidy, employers must be up-to-date with pension payments of their workers.

Eligible young people and enterprises can receive both the pension subsidy for young workers and the youth employment subsidy. This serves as a stronger incentive for hiring youth.

The Primer Empleo Programme, Mexico

Mexico's *Primer Empleo* Programme was launched in 2007 and is managed by the Mexican Social Security Institute (IMSS). Its objective is to promote formal job creation by subsidizing social security contributions that employers make to the IMSS.

Although the programme does not specifically target youth, by assisting workers without formal job experience or limited insertion in the formal labour market, eligibility conditions cover this group. In the original programme design, workers who had not registered as permanent workers in the IMSS were eligible. Beginning in 2008, eligibility was extended to previously registered workers who had not worked for the same employer for more than nine consecutive months. In late 2011, eligibility was again modified to include workers who previously had permanent work and were registered with the IMSS as long as they had not worked for the same employer for more than nine consecutive months beginning in March 2008.

To participate, employers must be registered with the IMSS, be involved in economic activities with a production cycle of no less than 12 months, and have an electronic signature and a bank account where the subsidy can be deposited.

Employers can receive the subsidy only when they create new permanent jobs. Employers can only register eligible workers who increase their payroll of permanent workers. An employer that hires permanent workers within the eligible group but reduces its overall payroll cannot register eligible workers in the programme. Neither can an employer register new eligible workers if the employer hires new eligible workers to replace ineligible permanent workers, maintaining the total number of workers at the enterprise. This helps promote job creation and discourage replacement of ineligible permanent workers.

To receive the subsidy, employers must be up-to-date with their social security contributions and their obligations with federal fiscal authorities. Originally, this requirement was necessary when the employer registered with the programme. Beginning in 2008, however, to promote programme access, this rule was modified to require enterprises to fulfill these obligations only before requesting the subsidy payment.

The subsidy is applied on a sliding scale of the base wage contribution (SBC) of the new workers. Employers receive a subsidy equivalent to 100% of the social security contributions when they hire new workers with a SBC that is less than 10 times the minimum wage; 60% for workers with a SBC between 10 and 14 of the minimum wage; 20% for workers with a SBC between 14 and 20 times the minimum wage; and 10% when hiring new workers with a SBC that is 20 or more times the minimum wage. Employers may receive the subsidy for a maximum of 12 IMSS payments.

Employers receive the subsidy monthly but with a delay and for as long as the worker remains employed. Employers may request the monthly payment of the subsidy beginning three months after registering the eligible worker. Over time, this period has been reduced, from 10 months initially to four months after the first programme reform in late 2007, to three months following the modification in late 2011. This encourages permanent hiring for longer periods and reduces turnover of eligible workers.

According to IMSS administrative records, during the first year of programme implementation, some 11,000 enterprises participated, which registered just over 15,000 workers. In late August 2011, more than 22,000 participating enterprises had registered 83,081 workers.

PROJOVEN, Panama

This programme of the Ministry of Labour and Labour Development (MITRADEL) was established in 2015. Its objective is to facilitate a good beginning to youths' working life, promoting their employability through internships in enterprises, and skills and attitude training that facilitate their adequate access to the world of work.

The programme targets youth in the last year of technical and vocational programmes who are at least 17 years old by January of the year the internship/apprenticeship begins. To participate, youth must be in good academic standing.

Interested enterprises must develop a training plan, which is evaluated and approved by the programme, and must assign a mentor who will be responsible for implementing the plan. Enterprises receive a government subsidy for hiring interns/apprentices. They are expected to hire at least 50% of the young workers once their contracts have ended. The programme promotes on-the-job training of youth and reduces enterprises' hiring costs.

The operational plan requires the signing of an agreement between the enterprise and MITRADEL and between the enterprise and the intern/apprentice. Internships/apprenticeships cannot begin

until these agreements have been signed. This helps prevent non-compliance by MITRADEL and the enterprise, thereby protecting potential workers.

The programme is responsible for matching beneficiaries with the enterprises, evaluating the characteristics of the youth registered and of the vacancies in the enterprises in an effort to guarantee the relevance of prior training and training in the enterprise.

Before beginning internships/apprenticeships, youth must participate in a “skills for life and work” workshop, which covers subjects such as self-esteem, communication, teamwork, values, conflict resolution, on-the-job training and a commitment plan, as well as advice on occupational safety and use of equipment. Following the workshop, youth receive information about the enterprise where they will complete their training.

Internships/apprenticeships are for three months. Beneficiaries receive economic support equivalent to 300 balboas monthly for the duration of the contract. Enterprises are responsible for paying the beneficiaries but are subsequently reimbursed by the programme. Enterprises may pay additional compensation to interns/apprentices at their discretion, in addition to the economic support provided by the programme.

For the 2015-2016 period, the programme is expected to have some 1,000 beneficiaries. Based on the results of the first year of implementation, the number of beneficiaries is expected to rise to a total of 11,000 annually, which is equivalent to the number of graduates of technical and vocational programmes.

3.4I Special labour programmes for youth

The region has also established special programmes for youth in an effort to promote their labour market insertion. There are at least two types of special regulations or laws for youth, one associated with special minimum wage programmes, and the other with special labour programmes that introduce legislation to encourage the hiring of young workers.

A. Special minimum wage programmes

In the region, regulatory initiatives have been implemented that regulate special minimum wage programmes for young workers (Marinakakis, 2007). Causes of youth unemployment include the high level of the minimum wage given young workers’ productivity levels. It has been argued that the minimum wage is an obstacle for hiring young workers, who have low productivity levels and little or no work experience. Generally, when the minimum wage is higher than the equilibrium wage, enterprises hire fewer workers than they need, contributing to unemployment. The general minimum wage can disproportionately affect youth given that this group of workers has the lowest level of labour productivity. If the minimum wage is very high in relation to average productivity of youth, unemployment will disproportionately affect this group.

Chile has a special minimum wage for youth under age 18 years, called “sub-minimum,” which is equal to 75% of the general minimum wage. **Costa Rica** also has a special minimum wage system for youth up to age 18, which is 50% of the minimum wage during the first year of the employment contract, 75% during the second year and 100% during the third. In **Paraguay**, youth up to age 18 receive 60% of the general minimum wage as long as they perform activities that differ from those of other workers.

Although no rigorous evaluations have been carried out on the impact of these special minimum wage programmes, available data indicate that they are neither effective nor relevant, particularly because youth are overrepresented in the group of wage earners of the private and public sectors, which are required to comply with minimum wage legislation (ILO, 2013).

B. First job laws or special youth employment programmes

For the past decade, some Latin American countries have opted for legal initiatives to promote youth employment, whether by introducing special youth employment programmes or through legislation on first job employment contracts. In the **Dominican Republic** and **Nicaragua**, first job draft legislation was introduced, but the necessary consensus was not reached to pass these bills. **Paraguay** and **Uruguay** passed first job laws in 2013, whereas **Peru** enacted a law for a special youth employment programme in 2014. Nevertheless, in Paraguay, regulations for the law were not implemented until February 2015, thus it has not been enacted in practice. In Peru, the law was repealed due to the lack of consensus among social actors.

The logic behind these legal initiatives is that to promote employment of youth with little or no job training and without work experience requires reducing labour and wage and/or non-wage costs to create an incentive for enterprises to hire youth. In practice, this implies reducing or eliminating several of the benefits that labour law guarantees to all workers.

The arguments in favour and against these initiatives largely centre on whether the special employment programmes for youth restrict benefits or labour rights by reducing labour costs, and whether this reduction is an effective incentive for increasing demand for young workers. On the one hand, in practice, youth who do not join the labour force or that do so only in precarious or informal jobs, whether voluntarily or involuntarily, clearly do not enjoy any employment benefits given that they cannot access them if they are unemployed or work only informally.⁷ On the other hand, labour law institutionalizes a series of labour rights to which all workers with formal employment have access and special programmes restrict these rights.⁸ Which situation is better? Ideally, youth should have access to high quality jobs that comply with all obligations established by law.

Another sensitive issue is whether this type of legislation is discriminatory or whether it introduces elements of discrimination. Some critics question whether these laws guarantee equal access to employment and equal pay for the same work. If youth hired under these programmes perform the same or similar tasks to those carried out by older workers, it is reasonable to ask how differential remuneration or non-salaried benefits can be justified. This discussion should also consider the objective of the special programmes. If the goal is labour market insertion only, it is difficult to defend differentiated remuneration or benefits. Nevertheless, if training and work experience are objectives, then hiring of youth can be viewed as having an investment period that justifies these variations. To this end, it is crucial that the training and experience component is fulfilled, is effective and of quality and can be verified by others to enable youth to improve their employability. The systems for certifying job skills should be an inherent part of these initiatives.

Equally sensitive is the issue of the potential replacement of adult workers by young workers or those not covered by youth employment legislation. If reductions in relative wages are sufficient to influence relative demand for some workers over others, these programmes create incentives to replace workers with those who cost less. Workers' representatives have expressed concern about this type of legislation since it may be applied for the sole purpose of reducing costs of the enterprise, and thus contribute to the increased precariousness of employment. Thus, it is crucial to establish guarantees that impede the reduction of the payroll prior to participation in the programme, as well as caps on the number of youth who can be hired under these programmes. The duration of special contracts for youth should

⁷ Take, for example, the situation of young unpaid contributing family workers who contribute to their families' subsistence activities. It is clear that under these conditions, it is unlikely that they will aspire to a basic wage or social security benefits.

⁸ A separate discussion is whether the benefits or labour rights established in the labour law of Latin American and Caribbean countries are influenced by the development conditions of the countries and by their capacity for complying with and enforcing them.

be stipulated, and attention should be paid to the number of times the same youth can be hired under a special programme. In practice, the real problem is the legal authority's capacity for effectively monitoring and enforcing the law. This is a major issue since this capacity tends to be limited in the countries of the region.⁹

The need for social dialogue is equally important. Based on the experiences of the Dominican Republic, Paraguay and Peru, social dialogue appears to be a key factor in facilitating consensus, legitimizing processes and guaranteeing the sustainability of this type of initiative.¹⁰ Nevertheless, authorities should consider who can or should bring the voice of unemployed youth, those with precarious jobs or those who do not study or work or seek work, to social dialogue mechanisms. Youth secretariats or similar agencies existing in several countries of the region can be a starting point for promoting the organization of these youth, who generally have no voice in the system.

There is no guarantee that these initiatives can achieve the expected results. From a theoretical standpoint, wage and/or non-wage labour costs are limiting when the worker's productivity is low in relation to those costs, or when the enterprise's productivity level is insufficient to cover them. Specifically, non-wage labour costs can be viewed as an allocation of the annual remuneration the worker receives. Accordingly, the key to stimulating demand is improving productivity, both of the worker and of the enterprise. Empirical evidence is inconclusive as to whether the reduction in non-wage labour costs implies an increased demand for workers.

While this type of legislation can contribute to the formalization of enterprises and the reduction of non-wage labour costs, at best it should be viewed as one of several strategies required to promote formalization. It is more important to promote the sustained increase in enterprise productivity. This is what ultimately determines the possibility of paying taxes and complying with the regulations, permits and procedures that formality entails, all of which constitute a significant burden.

An alternative way to design legal strategies of this type may be to concentrate on the idea of a formal first job, defined as registered employment on the payroll of an enterprise, and to link it with on-the-job training. If in fact youth have limited skills, deficient vocational training and no formal job experience, first job legislation can serve to establish mechanisms for acquiring work experience.

In this context, first job legislation should basically cover youth who have never held a formal job and should establish an appropriate plan for obtaining formal employment that enables young people to learn and accumulate experience on the job and that at the same time facilitates their hiring as an intern/apprentice, which could additionally allow and encourage them to complete secondary school.

This should be a temporary arrangement for the participating youth, with an established maximum period, regardless of the enterprise where the internship/apprenticeship takes place. The maximum period should be established for total employment on the payroll of enterprises and should only be implemented if internships/apprenticeships are created in addition to the positions currently on the payroll. It could even include a government subsidy. With respect to the internship/apprenticeship contract, labour costs should comply with minimum wage law and offer health benefits, which may be subsidized given that the contract is contributing to job readiness and the accumulation of the youth's human capital. Verification and monitoring of adequate compliance with the law are crucial. This involves preparing the systems and services of the labour authority, which may prove a challenge

⁹ Specifically, systems should be in place to monitor the labour situation of each youth over time. This task is facilitated in cases where automatic payroll reporting systems already exist. In these cases, the challenge is to establish the necessary adjustments to enable monitoring.

¹⁰ The discussion of this type of legislation can easily become "politicized" and used by certain groups or coalitions for their own interests. Politicization is indeed one of the major challenges to be addressed. Social dialogue processes can help avoid this practice.

in environments where informal employment is high and the labour authority's oversight capacity is limited.

Additionally, youth have high levels of job turnover, inactivity and unemployment. Most first job laws or existing special programmes focus exclusively on labour market insertion but do not consider permanence in a job. One alternative to consider is delaying subsidy disbursement, in the manner of *Mexico's Primer Empleo* Programme.

Some experiences

Currently, two countries of the region have special laws to promote youth employment, both of which were enacted in 2013.¹¹ **Paraguay** passed Law 4.951/13 on insertion of youth in the labour market. **Uruguay** passed Law 19.133 on promotion of decent work among youth.

The laws of Uruguay and Paraguay introduce several hiring practices to promote youth employment. Tables 7 and 8 list the main characteristics of these hiring systems. The innovative feature of both of these laws is the first job or first employment experience contract.¹²

In **Paraguay**, first job contracts cover youth aged 18 to 29 years only if they have been deemed economically vulnerable, are disabled, have children under their responsibility, are heads of households classified as vulnerable or previously worked in domestic service. In Uruguay, the first employment experience contract covers only youth aged 15 to 24 years who have no previous formal work experience.

In **Uruguay**, first employment experience contracts must be for six months to one year and can be used just once by the youth. The law in Paraguay does not establish caps on the duration of first job contracts, but it does stipulate that these contracts can be used only once.

In both countries, the first employment experience/first job contract stipulates that the young worker should receive remuneration of not less than the minimum wage. Additionally, these contracts are covered by benefits established in general legislation.¹³

¹¹ The law in Paraguay was not regulated until February 2015.

¹² Internship/apprenticeship contracts and on-the-job training arrangements were discussed in Section 3.1.

¹³ In Paraguay, the pension contribution is lower than that established for other workers.

TABLE 7. Youth hiring arrangements of the First Job Law of Paraguay

Method	Ages, requirements and conditions	Duration	Remuneration	Severance Indemnity Fund (CTS)	Health coverage	Pension coverage	Trial period	Wage subsidies
On-the-job training agreement (internship in the enterprise)	18-29 years old	No specified timeframe. Can be used just once.	No	No	No	No	1 month	No
On-the-job training	18-29 years For students or graduates	Duration of no less than 80 hours nor more than 180 hours. Can be used just once.	No less than 60% of the minimum wage	No	No	No	1 month	No
Work scholarship	18-29 years Only for targeted groups: <ul style="list-style-type: none"> ↳ Disabled individuals ↳ Youth belonging to the poorest 20% of households ↳ Women belonging to the poorest 30% of households ↳ With children under their responsibility and in the poorest 30% of households ↳ Workers previously employed in domestic service 	Duration not specified. Can be used just once.	No less than 100% of the minimum wage	Yes	Yes	Yes (9% of the wage)		Maximum subsidy of 75% of remuneration
First job contract		Eight hours daily or up to 48 hours weekly. Duration not specified. Can be used just once.	No less than 100% of the minimum wage	Yes	Yes	Yes (9% of the wage)	Up to 90 days	Maximum subsidy of 35% of the minimum wage for contracts of more than eight months. Subsidy is provided for 12 months.
Internship/Apprenticeship contract		Minimum duration of 6 months and maximum of 12 months. Can be used just once for each occupation.	No less than 100% of the minimum wage	Yes	Yes	Yes (9% of the wage)		Maximum subsidy of 35% of minimum wage.

Notes: Enterprises can hire beneficiaries under an on-the-job training or internship/apprenticeship contract and subsequently hire them under a first job contract if they meet eligibility requirements. The on-the-job training contract can be preceded by a three-month work contract with remuneration of no less than 100% of the minimum wage.
Source: ILO, based on the text of law.

TABLE 8. Youth hiring arrangements of the First Job Law of Uruguay

Method	Ages, requirements and conditions	Duration	Remuneration	Severance Indemnity Fund (CTS)	Health coverage	Pension coverage	Trial period	Wage subsidies
First work experience contract	15-24 years Without formal work experience	No less than 6 months nor more than one year. Can be used just once.	No less than 100% of the minimum wage	According to current law	Yes	Yes	No more than 1 month	Up to a maximum of 25% of the base wage of 10,800 pesos
Internships for graduates	Youth up to age 29 years Graduates of training institutes	No less than 6 months nor more than one year. Can be used just once.	No less than 100% of the minimum wage	According to current law	Yes	Yes	No more than 1 month	Up to a maximum of 15% of the base wage of 10,800 pesos
Protected employment for youth	Youth up to age 30 years. Participants in social programmes and those belonging to vulnerable households.	No less than 6 months nor more than 18 months. Can be used just once.	No less than 100% of the minimum wage	According to current law	Yes	Yes	No more than 1 month	Partial wage subsidy as established in the Objetivo Empleo Programme
Internships in enterprises	From age 15 years. Participants in an education programme, training or vocational courses.	Up to a maximum of 60 hours or 25% of training course hours. Can be used just once.	Does not establish remuneration (Youth must be covered by the government Insurance Bank)	According to current law	No	No	No more than 1 month	No

Notes: The base amount for calculating subsidies is updated in January of each year in accordance with the Average Wage Index.
Source: ILO, based on text of law.

Additionally, employers receive subsidies for hiring youth under first job contracts in both countries. In Paraguay, the subsidy totals 35% of the minimum wage and can be applied for a maximum of 12 months as long as the contract is for at least eight months. In Uruguay, the subsidy is for a maximum of 25% of 10,800 pesos. In that country, the Ministry of Labour and Social Security is responsible for determining the specific amount based on the socioeconomic situation, period of employment and submission of training plans by the enterprise.

In both cases, the law establishes that enterprises must be up-to-date with their social security contributions or other tax obligations. Additionally, both countries establish caps on staff hiring. Under the youth employment contracts, a maximum of 20% of enterprises' permanent payroll can be hired under these laws.

The law in Uruguay specifies that enterprises cannot reduce the size of their payrolls. Specifically, the law states that enterprises may not have reduced the payroll during the 90 days prior to hiring or during the effective period of the minimum wage with respect to workers who carry out the same or similar tasks that the youth will perform.

Both laws introduce a mechanism to recognize enterprises that hire youth under a variety of contractual arrangements. This is a seal or mark that distinguishes participating enterprises and gives them certain advantages. For example, in Uruguay, the law establishes that in public tenders where bids are comparable, recognized enterprises will be favoured.

In Uruguay, the law covers adolescents aged 15 to 18 years and stipulates that they are protected against performing duties that are dangerous or cause physical, spiritual or moral harm. It prohibits all work that does not allow young workers to enjoy wellbeing in the company of their families or that interferes with their education.

There is still no evidence to determine the impact of these laws. Nevertheless, questions have been raised concerning the institutional capacities of the entities responsible for guaranteeing the adequate use of the contractual arrangements introduced by these laws. Moreover, they raise questions regarding the capacity of participating enterprises to fulfill the requirements established, particularly in the case of internship/apprenticeship contracts and training agreements. For example, it is valid to question how many enterprises are capable of developing on-the-job training programmes that guarantee relevant, quality training, as well as of implementing evaluations and certifying labour skills. Regarding the latter, one concern is how to ensure that the certificates are recognized as valid credentials by other enterprises.

THE PROCESS IN PARAGUAY

The adoption of Law 4.951/13 entailed a long process dating back to 2002, when Law 1.980/02, also known as the First Job Law, was passed to promote youth employment in Paraguay. Unlike the new law, this first version was much more restrictive in terms of employment benefits. Nevertheless, the law was never in force as it was not regulated. It was in conflict with other laws and regulations in effect, such as that of social security. Additionally, union groups in the country opposed the law because they believed it was not in the interest of workers.

During the government administration of President Lugo, problems of youth employment again came to the forefront and a tripartite dialogue began with the government, business organizations and workers' representatives, with support from the ILO. This dialogue had two results.

First, consensus was achieved for a youth employment policy, which became a presidential decree. However, the decree was passed just before the fall of the government, for which reason little or none of this policy was ever implemented.

The second result was the renewed discussion of a new first job law. The previous law was reviewed and proposals were considered for developing a new law that would overcome the limitations of the previous experience and effectively manage to promote youth employment. Nevertheless, workers' representatives felt that the initiative could make employment more precarious, for which reason they left the dialogue table. Thus, it became a government initiative exclusively. During the transition to the government of President Franco, Law 4951 on insertion of youth in the labour market was passed in 2013. The objective of this law is to promote formal employment among youth aged 18 to 29 years.

The new law is based on incentives for formal job creation, with an emphasis on training and job readiness. It introduces five types of contracts: vocational training, internship, work scholarship, formal first job and training contracts. The government promotes hiring of young workers through a wage subsidy. Additionally, the law considers the verification of work conditions. Nevertheless, regulations for Law 4.915/13 were not passed until February 2015, for which reason it has yet to be implemented.

THE PROCESS IN PERU

Peru has also attempted to enact new legislation to promote youth employment. In late 2014, the government developed a bill known as the “Law to promote youth access to the labour market and social protection.” The law was adopted by the Congress in December 2014 and its regulations were passed in January 2015. However, the lack of social support and consensus led to the repeal of the law in February 2015, before it entered into effect.

The law targeted youth aged 18 to 24 years who had never been on the payroll or who had not been on the payroll for at least 90 days. The law established a special voluntary labour programme for youth for a five-year period. The youth hired under this arrangement would have an employment contract on the payroll for a minimum of one year, and the enterprise could only hire a maximum of 25% of its payroll under this system. The programme exempted the employer from paying holiday, life insurance, complementary work risk insurance and bonuses, and reduced vacation time from 30 to 15 days annually. Additionally, in the case of microenterprises, the government would subsidize 100% of social security contributions for health for a one-year period, and in the case the enterprise trained the youth, the enterprise would be given an income tax credit equivalent to a maximum of 2% of its payroll.

This law was designed to promote hiring of youth in large, medium and small enterprises. From the standpoint of non-wage labour costs, it is evident that the youth labour programme was only attractive to small, medium and large enterprises. Non-wage labour costs of the youth employment programme are 26.9% of gross wages versus 69.6% in the general system and 41.3% in small enterprises. Therefore, the youth programme saved labour costs in those enterprises. By contrast, in the case of the microenterprise programme, non-wage labour costs are 7.3% of wages before taxes, so the youth programme would increase non-wage costs for these enterprises, even with the 12-month government subsidy of social security contributions, equal to 9% of wages in the youth programme.

However, the reduction of non-wage labour costs threatens labour rights. This is a serious issue, although one of varying degrees. On the one hand, informal workers do not enjoy most if any labour rights, not even the minimum wage. In this context, access to jobs under the youth programme would allow access to a wage floor equivalent to the minimum wage, the right to 15 days of annual paid holiday, as well as health and pension coverage. However, the programme did not guarantee all labour rights. Additionally, a key question is whether the reduction in non-wage labour costs generates incentives for formally hiring workers. In the case of microenterprises, which already have a much more restrictive system than that of the youth programme, this is clearly not the case. This explains why, of the nearly 3.5 million microenterprises in Peru, just 230,000 are registered in the electronic payroll system.

4I Conclusions

The first job and its work conditions largely determine the employment and personal paths of young people. A formal, quality first job with good working conditions improves working conditions in subsequent jobs by at least 50%. This advantage intensifies with age.

Thus, generating conditions for an adequate first job is important for economic, labour and social policies. In many cases, the quality of first jobs is determined by the social, productive and family environment, level of education and the existence of idiosyncratic shocks (maternity, dropping out of school, etc.), among other variables. Accordingly, employability policies should begin not when youth drop out of school or find their first job, but earlier, with interventions to improve the quality of basic education, guarantee the completion of formal schooling and promote job readiness. Policies are also needed to contribute to the expansion of the productive sector and to improve conditions in the social and family environment.

Increasingly, many countries are opting for initiatives designed to strengthen the first job experience, with an emphasis on wage employment. Although most are known as first job programmes, there is considerable variation among them. This report found that first job initiatives are associated with at least four types of initiatives: training, subsidies, internships/apprenticeships and special programmes. The review of these experiences led to some conclusions that may be of use for policymaking.

With respect to the objective of these initiatives, outcomes tend to be more frequently associated with the long term, such as in the work path, than with short-term variables, such as unemployment and informal employment. Unemployment, informal employment or similar variables should be addressed with comprehensive programmes that go beyond the limits of what a first job initiative can aspire to, no matter what its scope. While such initiatives can influence these variables, they also depend on several other factors.

Por otro lado, una constatación de utilidad para todo tipo de experiencia es que en la juventud, hay una elevada intermitencia entre empleo y desempleo, y al interior del empleo, entre ocupaciones. Por tanto, se requieren estrategias que permitan sostener o mantener la experiencia en el puesto de trabajo y no solo facilitar la inserción laboral. Aquí las iniciativas previas al primer empleo, como la educación básica y la capacitación son de alta utilidad. En otros casos, la integración de esquemas de subsidio al empleo con programas de formación y pasantías, combinados con mecanismos de selección y supervisión encargados de garantizar el aspecto formativo de las pasantías, así como con mecanismos de certificación de competencias laborales parece una alternativa a explorar en más detalle.

En el caso de los programas de primer empleo, basados en subsidios a la contratación, que se han multiplicado en tiempos recientes, estos pueden diseñarse para promover la permanencia en el puesto de trabajo por un lapso suficiente para generar mejoras en la empleabilidad de los jóvenes. Los mecanismos de selección y supervisión deben enfocarse en la pertinencia y calidad de la formación que pueden ofrecer las empresas, de manera que los jóvenes realmente adquieran competencias laborales que mejoren su perfil profesional. Por su parte los mecanismos de certificación –de la experiencia y de las competencias– pueden facilitar las transiciones entre empleos al permitir que los jóvenes acumulen experiencia verificable y que acrediten sus competencias ante nuevos empleadores a lo largo de sus itinerarios laborales.

La efectividad de los regímenes laborales especiales para jóvenes está aún por verse. Aunque se ha intentado en varios países, la experiencia de la región es que este tipo de iniciativas no han prosperado. En cualquier caso, si algo hemos aprendido de estas experiencias es que cualquier iniciativa de este tipo debe estar basada en un contexto de diálogo social; que se debe tener cuidado en no generar incentivos equivocados con posibles efectos de desplazamiento o sustitución de un tipo de trabajador por otro y en evitar posibles tratos discriminatorios contra los jóvenes.

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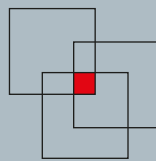


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