

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

REGIONAL

SUPPORT FOR YOUTH EMPLOYMENT INITIATIVES IN THE CARIBBEAN

(RG-T2936)

TC DOCUMENT

This document was prepared by the Project team consisting of: Fernando Pavon (LMK/CJA); Laura Ripani (SCL/LMK); Carolina Gonzalez-Velosa (LMK/CCO); Annelie Bellony (SCL/EDU); Sabine Rieble-Aubourg (SCL/EDU); Ethel Muhlstein (SCL/LMK); Tania Gaona (SCL/LMK); Diether Beuermann (CCB/CCB); Sudaney Blair (CCB/CJA); Margie-Lys Jaime Ramirez (LEG/SGO).

Technical Cooperation (TC) Document

I. Basic project data

▪ Country/Region:	Caribbean (CCB)
▪ TC Name:	Support for Youth Employment initiatives in the Caribbean
▪ TC Number:	RG-T2936
▪ Team Leader/Members:	Fernando Pavon, Team Leader (LMK/CJA); Laura Ripani, Alternate Team Leader (SCL/LMK); Carolina Gonzalez-Velosa (LMK/CCO); Annelle Bellony (SCL/EDU); Sabine Rieble-Aubourg (SCL/EDU); Ethel Muhlstein (SCL/LMK); Tania Gaona (SCL/LMK); Diether Beuermann (CCB/CCB); Sudaney Blair (CCB/CJA); Marie Lys Jaime Ramirez (LEG/SGO).
▪ Indicate if: Operational Support, Client Support, or Research & Dissemination.	Research & Dissemination (R&D)
▪ Reference to Request:	Not applicable.
▪ Date of TC Abstract:	21 March 2017
▪ Beneficiary (countries or entities which are the recipient of the technical assistance):	Up to three (3) countries in the Caribbean ¹ .
▪ Executing Agency and contact name (Organization or entity responsible for executing the TC Program)	Inter-American Development Bank (IDB), Social Sector, Labor Market Division (SCL/LMK). Fernando Pavon (LMK/CJA) fernandop@iadb.org ; and Laura Ripani (SCL/LMK) laurari@iadb.org .
▪ IDB Funding Requested:	US\$400,000 Ordinary Capital Strategic Development Program for Social Development (SOC)
▪ Local counterpart funding, if any:	US\$0
▪ Disbursement and execution period:	Disbursement and execution is 48 months
▪ Required start date:	September, 2017
▪ Types of consultants (firm or individual consultants):	Individual Consultants
▪ Prepared by Unit:	Labor Markets Division (SCL/LMK)
▪ Unit of Disbursement Responsibility:	Labor Markets Division (SCL/LMK)
▪ Included in Country Strategy (y/n);	No
▪ TC included in CPD (y/n):	No
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Social inclusion and equality
▪ Alignment to the OC-SDP for Social Development:	(ii) strengthen public institutions' efforts to become more effective and efficient in social programming, group targeting, and social sector project execution

II. Objective and Justification

- 2.1 Caribbean countries are still grappling with the 2008/09 global recession, affected by high debt to GDP ratios, an average economic growth of 0.8% during 2010-2013² compared to 3.6% for rest of the small economies (ROSE)³ countries of comparable size, and low levels of total factor productivity.⁴ Moreover, the performance of Caribbean firms has worsened over time in

¹ This first phase will focus in Barbados, Jamaica and Trinidad & Tobago given the previous work (as described in the Labour Market analysis methodology Annex) in the area including data availability and institutional capacity from counterparts thus allowing a quicker development of the products. A future possible cooperation with the Bank will incorporate additional countries in the Caribbean.

² Commodity-dependent countries like Guyana and Suriname grew on average by over 4% in 2010-2013, while tourism-based and dependent economies like Antigua and Barbuda (-1.3%) and Jamaica (-0.1%) had negative economic growth during the same period. For decades, economic growth of the three tourism dependent countries, The Bahamas, Barbados and Jamaica, has been among the weakest in the region (Caribbean Region Quarterly Bulletin, Private Sector Development in the Caribbean. IDB, 2017).

³ Rest of the small economies (ROSE) refers to countries with populations of less than three million people. *Youth Unemployment and Labour in the Caribbean*, Caribbean Knowledge Series, January 2014.

⁴ Caribbean TFP declined to just over 65% of that of ROSE in the mid-1990s before marginally improving in the run-up to the Great Recession, after which it started falling again and stood at 60% of ROSE by 2010.

terms of employment as average growth in employment during 2010-2013 was 0.33% - outperformed by ROSE benchmark countries - with employment decreasing in 8 out of 12 Caribbean countries.⁵ Such limited growth has primarily affected the youth, as unemployment rates for this segment of the population remain the highest in Latin America and the Caribbean (LAC),⁶ which in turn poses significant challenges when considering that over 60% of the Caribbean's population is under the age of 30 and 20% is in the 15 to 29 age group.⁷ It is estimated that the economic cost⁸ of youth unemployment for the Caribbean in 2006 ranged from 0.7% of GDP in Suriname to 2.5% of GDP in St. Lucia (Caribbean Development Bank, 2015). These estimates, however, only include lost wages and productivity due to unemployment, and not societal costs such as psychological distress, lost opportunities for human capital development, and the costs of risky behaviors such as involvement in crime and unsafe sexual practices.

- 2.2 The low levels of productivity and high levels of youth unemployment in the region are related to several factors, of which one is the skills shortages and mismatches that are prevalent in different countries. While average years of total schooling in the Caribbean stand around the worldwide average for small economies - suggesting that an insufficient education may not be a major constraint in the region, 48.4% of Caribbean firms consider an inadequately educated workforce to be a major obstacle compared to only 25% of ROSE firms⁹ (World Bank Enterprise Surveys, 2010). Moreover, in terms of skills mismatches, a study of private sector demand demonstrates that positions requiring workers with completed vocational training and university degrees account for 27% and 21%, respectively, but only 5% of the local labour force has completed a vocational training programme and only 9% has a university degree.¹⁰ At the same time, private demand for persons with secondary education accounts for 38% of positions, but 54% of the local labour force has a secondary education as its highest education attainment. In terms of skills shortages, 87% of Caribbean firms reported a lack of necessary soft skills¹¹ in individuals trained by local institutions.
- 2.3 In an attempt to look for solutions to their youth unemployment challenges, Caribbean countries have undertaken a variety of efforts in the form of youth programmes and activities to achieve the rapid and efficient workforce integration or re-integration of unemployed and hard-to-employ youth who are at a disadvantage because they dropped out of the educational system or left without having acquired the skills the market demands. In this regard, apprenticeships,¹² as a form of skills development policies proven internationally to be effective in addressing youth unemployment,¹³ have been tried in a

⁵ Productivity, Technology and Innovation (PROTEqIN) Survey, 2014.

⁶ Four Caribbean countries (Jamaica, Barbados, Bahamas, and Belize) face the highest youth unemployment rates within the Latin American and Caribbean region (34.8%, 28.9%, 28.3%, and 21.7%, respectively).

⁷ The United Nations' definition of youth is 15-24 years old. Much of youth policies in the Caribbean, however, see youth as beginning at 15 and ending at 30 years.

⁸ Chaaban (2009) utilized the assumption of equality of adult and youth unemployment rates. A more detailed analysis of Chaaban's methodology and more recent cost estimates for the Region are provided in Chapter 5 of "The Imperative of Youth Employment for Sustainable Development in the Caribbean", CDB, 2015.

⁹ 50% of SMEs consider this issue a major obstacle compared to only 23% of ROSE SMEs. As for large firms, 44% consider it a major obstacle compared to 30% in ROSE large firms.

¹⁰ Conclusions analyzing data from Barbados, The Bahamas, Jamaica, and Trinidad and Tobago.

¹¹ These include motivation, commitment, responsibility, reliability, and trustworthiness.

¹² Apprenticeships are jobs that include structured on-the-job training combined with a share of related technical off-the-job training, to learn a skilled occupation that is certified and industry recognized upon completion (Fazio et al. 2016).

¹³ In Europe and the United States, apprenticeship systems included within a broader system of lifelong learning allow improving the school-to-work transition (Clark & Fahr, 2002); (Reed, et al., 2012); (Lerman, 2013); (OECD, 2014) and

few countries of the LAC region, including some experiences in the Caribbean.¹⁴ The literature on the effectiveness of skills development policies targeted at the youth highlights the importance of designing interventions that consider the specific situation young people face in their countries' labor markets, their current degree and type of participation and the obstacles they face in becoming fully productive workers.^{15 16} Additionally, the literature has been able to identify elements of success of youth-targeted skills development policies that could be integrated into interventions in the Caribbean. One of these elements, as evidenced by evaluations from training programs in LAC, has been the strong emphasis on employers' active participation to ensure that they are truly demand-driven and to achieve an effective link between education/training and work (CDB, 2015).

- 2.4 In the Caribbean, private sector participation in skills development is limited, as evidenced by the fact that Caribbean firms are less likely to provide formal training for their employees compared to their ROSE counterparts. Overall, 35% of Caribbean firms engaged in formal employee training, while 46% of ROSE counterparts did so (this difference being statistically significant). Finally, the literature suggests that skills development policies should be conceived within a broader, coordinated strategy to strengthen countries' skills development systems. Different sources of analysis suggest that four functional areas are critical for successful skills development systems (Fieldsend, 2016): (i) labor market intelligence - especially with respect to the skills needs of the private sector - is collected systematically and acted upon; (ii) there is an 'unbroken thread' between the skills that employers need and the curriculum content of the education and training that is designed to meet those needs; (iii) the quality of all training provision can be relied upon and consistently meets the highest standards; and (iv) public funding is prioritized for skills training and contributes to a wider investment by society as a whole (including both employers and individuals). International best practice has endorsed the collaboration of all stakeholders - government ministries, training institutions, sectors and unions, youth organizations, youth research and donor organizations - as imperative to establishing a viable framework for these functional areas to be fulfilled and to thus successfully develop and implement skills development policies. In the Caribbean, the lack of coordination and collaboration between these different stakeholders represents an important challenge.
- 2.5 The main objective of the TC is to support the Caribbean's efforts to address the challenges of low productivity and high youth unemployment. Specifically, the TC will contribute to (i) gaining a better understanding of the situation of youth in the Caribbean labor markets; (ii) engaging the private sector so that it can more actively participate in skills development for the youth; and (iii) promoting a systemic and long-term vision for skills development through the development of concrete roadmaps and action plans outlining steps to be taken in the short, medium, and long term and that emphasize the importance of multi-stakeholder engagement.

countries with dual education systems have lower rates and duration of youth unemployment (Quintini & Manfredi, 2009); (Quintini, Martin, & Martin, 2007); (Eichhorst, 2015); (Riphahn & Zibrowius, 2015).

¹⁴ The Bahamas has received investment support from the IDB (BH-L1037) to develop a national apprenticeship program that integrates the 10 core elements of successful apprenticeship programs around the world. See Fazio et al. 2016: *Apprenticeships for the XXI Century: A Model for Latin America and the Caribbean?*

¹⁵ Sector Framework Document, Labor (GN-2741-3).

¹⁶ Caribbean Development Bank (CDB) (2015) Youth are the Future: The Imperative of Youth Employment for Sustainable Development in the Caribbean. <http://www.caribank.org/wp-content/uploads/2015/05/Youth-Study-Imperative-of-Employment-CDB-2015.pdf>.

- 2.6 In terms of potential use of results and sustainability, one of the objectives to be achieved is the strengthening of the dialogue with the countries' key stakeholders in the skills development system with a perspective to originating new operations. Thus, it is crucial to develop concrete action plans for the beneficiary countries that will consist of roadmaps on the topic of skills development and training for employment at a systemic level; in-country workshops with high-level stakeholders to validate the feasibility of the action plans and roadmaps; and the design and implementation of pilot projects to materialize agreed-upon elements contained in the action plans and roadmaps. The products entailed in this TC could enable the beneficiary countries through the Skills Action Plan and Roadmap to develop labor market interventions that are critical to address youth unemployment in the beneficiary countries.
- 2.7 The execution of the TC will take into consideration Regional Strategies and ongoing projects that might be relevant for the studies, action plans and policy dialogues to be more cohesive in the future implementation of the products/results. In the Bahamas, the products enabled through the high-level forum and workshops and the development of the Skills Action Plan and Roadmap through RG-T2611 has resulted in a request from the GoBH to obtain loan financing (BH-L1037) for a series of labor market interventions that are critical to address youth unemployment in the country. Specifically, it created a space for collaboration between the private and public sectors, which is currently being translated into a pilot apprenticeships program that will help develop the skills of the youth and contribute to a reduction in unemployment. In Barbados, under the Skills for the Future Program (No.2739/OC-BA) which supports the GOB's Human Resource Development Strategy through improving the quality and relevance of Secondary Education and the effectiveness of Technical Vocational Education and Training (TVET), a LMI survey is currently being deployed and will help provide rich and current data to inform the proposed objectives of this TC. Under, another loan Strengthening Human and Social Development in Barbados (No. 3542/OC & 3542/CH-BA) youth unemployment is also being addressed as Component 2 targets vulnerable youth through the services of the public employment system and the technical training institutions. Notably, there is also keen interest to collaborate with experienced countries such as Government of Korea, the UK, Australia, and Austria.
- 2.8 **Strategic alignment.** The TC is aligned with Ordinary Capital Strategic Development Program for Social Development (SOC) (GN-2819-1) to strengthen public institutions' efforts to become more effective and efficient in social programming, group targeting, and social sector project execution. The TC is consistent with the Update to the Institutional Strategy (UIS) 2010-2020 (AB-3008) and is aligned with the development challenge(s) of: (i) social inclusion and equality; and (ii) productivity and innovation, through CRF Country Development Results. The TC is also aligned with the priorities of the sector strategy "Social Policy for Equity and Productivity" (GN-2588-6) as it contributes towards effort to promote higher labor market productivity among youth. The TC is consistent with the private sector development priority area of the IDB Country Strategy (CS) for IDB member countries in the Caribbean and the IDB Sector Framework Document for Labour (GN-2741-7). It contributes to the goal of the SFD to assist the region's young people, the unemployed, underemployed or hard-to-employ make the transition to work faster, more effectively, and with better earnings prospects (5.3 A). It is consistent with SFD's mandate to: design of interventions which are evidence-based and draw on existing knowledge and

where no prior knowledge is available, the groundwork will be laid for knowledge generation to inform future operations.

- 2.9 Finally, the TC is also consistent with the action agenda to address Youth Unemployment in the Caribbean as proposed by the Caribbean Development Bank (CDB).¹⁷ Specifically, the components under this TC are aligned with the following action items: (2) Align current youth policies and programmes with addressing youth unemployment, (4) Organize national multi-stakeholder steering committees, (6) Job Creation Initiative; and (8) Skills for Employment and Entrepreneurship.

III. Description of activities/components and budget

- 3.1 **Component 1. Analysis of Labor Markets for the Youth (US\$20,000).** Analysis of the current situation of labor markets for youth in up to three countries using data from the Labor Markets and Social Security Information System Database (SIMS)¹⁸, national census data and household, enterprise, and living conditions surveys where available. A standard methodology will be used in each country to allow for comparisons across countries. Gender based educational and occupational segregation will be estimated among the economically active population of Caribbean countries (Barbados, Jamaica and Trinidad and Tobago) using quarterly rounds of the Labor Force Surveys (LFS) between years 1991 and 2016. In addition, for Trinidad and Tobago, we will also estimate segregation in the labor market. These estimations will be conducted using standard measures of segregation that include the Duncan Index, Karmel Maclachlan index and Gini coefficient following the approach taken by Borghans and Groot (1999). In addition, using the same databases, standard Mincer models will be applied to estimate returns to education and then wage gaps at the mean as well as disaggregated wage gaps by educational level and occupational category will be calculated with a particular focus on quantile level heterogeneity as proposed by Koenker and Basset (1978). For further details see Labour Market analysis methodology Annex.
- 3.2 **Component 2. Private Public Partnerships for Skills Development by Sector (US\$70,000).** The proposal will identify one sector per country (up to three countries) already linked to the countries' overarching development strategy and that has a high potential to create good quality jobs (formal) and that pay above the average of the country. The sector will be analyzed through the following: (i) current and future economic importance for the country (i.e. imports, exports, investment attraction opportunities, etc); (ii) mapping of current sector-based arrangements per country; (iii) using desk research, an overview of occupations/job roles and skills requirements for the sector and potential career paths for the youth; (iv) analysis of the future of work in the identified sectors and occupations/roles due to advancements in technology and changing ways of working e.g. telework etc.; (v) stakeholder analysis for each sector in each of the selected countries; (vi) lessons learned from previous private sector engagement experiences in skills development in each of the countries (if available); and finally, (vii) based on all of the

¹⁷ CDB (2015) Youth are the Future: The Imperative of Youth Employment for Sustainable Development in the Caribbean.

¹⁸ The SIMS, created in 2015, is the main source of information on labor markets in LAC and uses as its basis countries' labor force surveys. It contains over 70 indicators on labor markets and social security for a period that spans from 1990 to the present, depending on the indicator. Data is in a time-series format.

above, a proposed strategy for Private Public Partnerships to promote skills development for the youth.

- 3.3 Component 3. Skills Roadmaps and Action Plans and Pre-Design of Skills Development Programmes for the Youth (US\$300,000).** The development of roadmaps and action plans for skills building for the youth based on a diagnostic of countries' skills development systems,¹⁹ with focus on the design, enhancement, and/or implementation of national apprenticeship and/or other types of skills development programs. Multi-stakeholder engagement (government ministries, training institutions, sectors and unions, youth organizations, youth research and donor organization) will facilitate the development of: (i) skills roadmaps and action plans to produce system-wide changes in countries' skills systems with concrete steps in the short, medium, and long terms; and (ii) pre-designs of apprenticeship and/or other skills development programmes that will consider governance, funding and incentives, quality assurance, curriculum design and delivery, and certification aspects.^{20 21} Different stakeholder workshops will be held to gather inputs and validate proposals.²²

Budget

- 3.4** The total amount of funding requested is US\$400,000, from Ordinary Capital Strategic Development Program for Social Development (SOC), showing allocations for each component per the budget below.

Indicative Budget (US\$)

Activity/Component	Description	Ordinary Capital Strategic Development Program for Social Development (SOC)
Component 1: Analysis of Labor Markets for the Youth		
1.1 Analysis of labor markets for the youth	Development of analysis of situation of labor markets for the youth in up to 3 countries	\$20,000
Component 2: Private Public Partnerships for Skills Development by Sector		
2.1 Development of Public-Private Partnerships for Skills Development for a Sector	Design of Public-Private Partnerships for Skills Development in concrete sectorial pilot projects to promote the active participation of employers in skills development in up to 3 countries	\$70,000
Component 3: Skills Roadmaps and Action Plans and Pre-Design of Apprenticeship Programmes for the Youth		
3.1 Development of Roadmaps and Action Plans	Development of Roadmaps and Action Plans for skills building for youth and pre-	\$250,000

¹⁹ LMK has developed a diagnostic tool that uses as its basis 5 functional categories of a skills system, which include: (i) identification of private sector skills needs; (ii) budget planning and fund assignment; (iii) curriculum development based on qualification and certification of competences; (iv) quality assurance mechanisms; and (v) adequate regulatory frameworks.

²⁰ The model and pre-design of the apprenticeship programs will incorporate the 10 core elements contained in *Apprenticeships for the XXI Century: A Model for Latin America and the Caribbean?*

²¹ A skills roadmap and action plan has been developed for The Bahamas and has served as a platform to develop a National Apprenticeship Programme to address the country's high youth unemployment levels, to be implemented as of 2017.

²² The establishment of PPPs in specific sectors/industries in beneficiary countries entailed in component 2, such as Sector Skills Councils will enable the efficient implementation of the activities entailed within the Skills Action plan from component 3. Specifically, the products collectively can be tailored to create space for collaboration between the private and public sectors, which could be vessels to implement key skills development programs that will help develop the skills of the youth and contribute to a reduction in unemployment.

Activity/Component	Description	Ordinary Capital Strategic Development Program for Social Development (SOC)
and Pre-Designs of Skills Development Programmes	designs of skills development programmes in up to 3 countries	
3.2 Communications Strategy	Development of a communications strategy to target key stakeholders	\$20,000
3.3 Stakeholder workshops	Stakeholder workshops for Skills Roadmap and Action Plan validation	\$30,000
Contingencies		\$10,000
TOTAL		\$400,000

IV. Executing agency and execution structure

- 4.1 The IDB, through the Labor Markets and Social Security Division (SCL/LMK), will execute this technical cooperation, to facilitate the execution. The Labor Markets Division (SCL/LMK) will be responsible for the direction, supervision and coordination of this TC.
- 4.2 The Bank will coordinate its work extensively with the different Caribbean Governments and benefitting entities. This execution scheme is proposed for the following reasons: (i) the Labor Market Division has technical expertise in labor market programs, based on international best practices; and (ii) LMK has the capacity and experience within the Region to manage the administrative burdens, particularly in the identification and contracting of international experts.
- 4.3 The team leader, Fernando Pavon (fernandop@iadb.org) will be responsible for the execution and expenditure management, with alternate team leader, Laura Ripani (laurari@iadb.org).
- 4.4 **Procurement.** The Bank will contract individual consultants, consulting firms and different consulting services in accordance with current Bank procurement policies and procedures. Specifically, Section AM-650 of the Administrative Manual "Complementary Workforce" will be applied in the case of individual consultants and the Policy for the Selection and Contracting of Consulting Firms for Bank-executed Operational Work (GN-2765-1) and its operational guidelines as well as the Corporate Procurement Policy (GN-2303-20) will be applied for different consulting services. Single Source Selection will be used as the procurement method for the individual consultant to undertake the analysis of labor markets for youth (US\$20,000) as a continuation of the methodology currently being implemented (described in annex) for component 1.

V. Major issues

- 5.1 A possible risk is delays in TC execution due to insufficient integration, coordination and communication among government entities and strategic partners. To mitigate this risk, the team as part of the activities associated with different TCs in the beneficiary countries will embark in a consultation process with key players to identify "champions" both in the public and private sectors.

VI. Exceptions to Bank policy

- 6.1 There are no exceptions to Bank policy.

VII. Environmental and Social Strategy

- 7.1 Due to the nature of this TC, it is not expected that it will have significant negative environmental or social impact. The ESG classification for this operation is [C]. Please see safeguards [SPF](#) and [SSF](#).

Required Annexes:

Request from the client (not applicable for R&D)

[Results Matrix](#)

[Terms of reference for activities/components to be procured](#)

[Procurement Plan](#)

Optional annex:

[Labour Market Analysis Methodology](#)