**Technical Cooperation (TC) Document**

1. **Basic Information for TC:**

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| * Country/Region: | Mexico/CID |
| * TC Name: | Support to Mexican labor market policies |
| * TC Number: | ME-T1392 |
| * Team Leader/Members: | David Kaplan (LMK/CME), team leader; Edna Miranda (CID/CME); Ethel Muhlstein (SCL/LMK); Claudia Piras (SCL/GDI); and Esteban de Dobrzynski (LEG/SGO). |
| * Indicate if: Operational Support, Client Support, or Research & Dissemination | Client Support (CS) |
| * Date of TC Abstract authorization: | February 22nd, 2019 |
| * Beneficiary (countries or entities which are the recipient of the technical assistance): | Mexico, through the Ministry of Labor and Social Security |
| * Executing Agency and contact name (Organization or entity responsible for executing the TC Program) | Inter-American Development Bank (IDB), Social Sector, Labor Markets Division (SCL/LMK). David Kaplan, [dkaplan@iadb.org](mailto:dkaplan@iadb.org). |
| * Donors providing funding: | OC Strategic Development Program for Social Development (SOC) |
| * IDB Funding Requested: | $250,000 |
| * Local counterpart funding, if any: | $0 |
| * Disbursement period and execution period: | 36 months |
| * Required start date: | July, 2019 |
| * Types of consultants (firm or individual consultants): | Individual consultants and firms |
| * Prepared by Unit: | Labor Markets Division (SCL/LMK) |
| * Unit of Disbursement Responsibility: | IDB Mexico Country Office (CID/CME) |
| * TC Included in Country Strategy (y/n): | Yes |
| * TC included in CPD (y/n): | Yes |
| * Alignment to the Update to the Institutional Strategy 2010-2020: | Productivity and innovation; Gender equality and diversity |

1. **Objectives and Justification of the TC** 
   1. Mexico has grown at a moderate pace in the past twenty years. Its Gross Domestic Product growth rate was 2% in 2017[[1]](#footnote-1) and total factor productivity grew, on average, at a negative rate between 1991 and 2017. This economic environment is affecting the labor market: informality[[2]](#footnote-2) is relatively high, reaching 56.6%[[3]](#footnote-3) of the workforce, and only 52.85% of workers are classified as having sufficient salary in the IDB’s Better Job Index. Low wages are particularly a problem for young people, with only 17.19% of the workforce earning a sufficient wage (the second worst figure in Latin America, only better than Honduras). It is worth noting the case of the 2.3 million domestic workers, 97.6% of them are employed informally. Furthermore, about 1.7 million Mexican youth between 18 and 29 years old neither work nor study.[[4]](#footnote-4)
   2. The Mexican Government is taking actions to improve labor market’s outcomes and to enhance labor conditions of women, and vulnerable groups of workers such as migrants, disabled, and domestic workers. During its first months, the newly elected Mexican Government sent a reform on labor justice to Congress and decided to increase the minimum wage. Additionally, the Supreme Court ruled in favor of domestic workers’ right to social security, which is an important step forward to change the actual legal framework that pushes many domestic workers to informality. Finally, one of the Government’s flagship programs is “Youth Building the Future” (JCF), a national conditional cash transfer program directed to young people who are not working or studying. This is the second largest social program in the country and its objective is to connect young people with firms to receive training, gain experience, and improve their odds of finding a job. These initiatives have the potential to improve labor market outcomes in Mexico, but technical assistance appears to be crucial to ensure positive impacts.
   3. On the one hand, the implementation of JCF entails major changes in the Ministry of Labor’s (STPS) operation and structure. The scope of the program poses important challenges in terms of implementation and infrastructure that may compromise its impact. It requires the development of a robust operation model —including its connection with the National Employment Service (SNE), functionalities of the program’s technological platform, and evaluation mechanisms. Furthermore, the SNE needs to reinforce its operational capacity to ensure it will be able to assist JCF beneficiaries to find a job. On the other hand, Mexico is still many steps away from having a legal framework that protects domestic workers from informality. A viable model for these worker protections in the country must be developed and political support has to be built across different stakeholders.
   4. The Bank has supported the STPS for 20 years, particularly the SNE, including the recently approved operation ME-L1258. During this period, the SNE has become the most advanced public employment service in the region. For example, the SNE has increased its labor placements by 42% since 2008, to over 1.2 million workers placed, and has created an online Labor Observatory with data and information about the Mexican labor market which has received more than 5.2 million page views. In 2012, the employment service received an award from the US Treasury Department for their advances in impact evaluations. The focus of IDB collaboration with the SNE thus far has been primarily in programs to promote wage employment. However, given recent changes in the STPS and the Governments’ emphasis in benefiting young people and domestic workers, this TC will both accompany ongoing processes for SNE’s institutional improvement and expand the Bank’s collaboration to support JCF’s operation and the design of labor policies to protect domestic workers.
   5. Several significant areas of opportunity have been identified as part of future Bank technical assistance to its client the STPS. One area of opportunity that has been identified is to modernize the SNE’s operation model, particularly in the National Employment Service Offices, and develop new functionalities of its platform. A second area of opportunity that has been highlighted is to improve JCF’s profiling mechanism and the program’s platform, as well as to develop an evaluation strategy. A third area of opportunity is related to the development of a legal framework and policies to promote domestic workers’ formalization.
   6. This technical cooperation will support the STPS to improve its labor market policies. This technical cooperation will specifically support:
2. The strengthening of processes, procedures, and employment policies of the STPS.
3. The strengthening of the Youth Building the Future Program (JCF); and
4. The improvement of information and communication technologies (ICTs) of the National Employment Service (SNE) and the JCF.
   1. The TC’s main objective is to offer client support to the STPS by strengthening its effectiveness in new areas particularly related to the three components listed above, which have been identified as particular areas of opportunity by the STPS and the IDB.

* 1. The TC will expand the Bank’s technical support to new areas. It will support the generation of knowledge through the identification of best international practices for the improvement of domestic workers’ working conditions. It will also serve the development of profiling instruments for the matching of young people with job opportunities in the private sector, the development of the JCF platform, and the development of new functionalities of the SNE platform. This will be accompanied with the development of protocols to ensure an ethical use of technology. Finally, it will help to finance the design of an evaluation for the JCF.
  2. Additionally, this TC will promote various activities related to designing technological improvements that will result both in increased user satisfaction and higher services’ effectiveness: development of new functionalities in the SNE’s platform, refinement of JCF’s matching algorithm, and improvement of the occupational taxonomy of the JCF’s platform.
  3. The proposed TC is aligned with the Bank's Updated Institutional Strategy (UIS) 2010-2020 (AB-3008) and its accompanying Second Revised Version of the Corporate Results Framework (CRF, GN-2727-6) as it will support both the inclusion of vulnerable populations in labor markets and the implementation of human development policies, which are among the main objectives of the SNE and JCF. Thus, this TC contributes to the strategic policy objective of (i) social inclusion and equality; and (ii) productivity and innovation, through CRF Country Development Results. Additionally, the TC is in line with the sectoral priorities of access to formal employment (section V, dimension 1, page 41) of the Labor Sector Framework Document (GN-2741-7). The TC is also consistent with the objectives of the Ordinary Capital Strategic Development Programs for Social Development (GN‑2819-1) and, in particular, with its objectives: (iii) (support IDB and clients to foster social inclusion, gender equality, and diversity through projects and programs); and (iv) (promote social inclusion, gender equality, and diversity in member countries). The TC is consistent with the priority areas for Bank action in the IDB Mexico Country Strategy 2013-2018 document, specifically aligned with its priority area of productivity within section (c) related to the strategic objective of improving productive workforce integration in quality jobs.

1. **Description of activities/components and budget** 
   1. This TC will be financed with US$250,000, from the OC Strategic Development Program for Social Development (SOC) to be executed over 36 months from July 31, 2019, through June 30, 2022. SOC funding is non-reimbursable.
   2. **Component 1: Strengthening the processes, procedures, and labor market policies of the STPS**. This component will increase the SNE’s capacity to connect jobseekers with job opportunities, particularly vulnerable populations, both in Mexico and abroad. It will also help to improve the SNE’s user support processes. Individual consultancies and firms will be financed to develop: (i) processes to support job-seekers to learn about demand needs and job descriptions; (ii) job profiles for the National Employment Service Offices (OSNE) and a training strategy for its employees; and (iii) a strategy to improve SNE’s coordination with other public employment services in the region.
   3. **Component 2: Strengthening of the Youth Building the Future Program (JCF)**. This component will contribute to JCF’s capacity-building by generating information to improve its capability to generate job opportunities for the youth concluding the program. It will also facilitate the development of necessary tools to refine the matching between young people and job opportunities. Finally, it will inform the program’s strategy development to increase young women’s labor participation. Individual consultancies and firms will be financed to develop: (i) a cost-benefit analysis of the program; (ii) profiling instruments for young people to ensure a high-quality match with firms after completing the youth program; (iii) pilots to improve matching with job opportunities and design a follow-up model for the youth once they conclude the program; and (iv) an assessment of young women labor participation.
   4. **Component 3:** **Improvement of information and communication technologies (ICTs)**. This component will help to improve JCF’s current model to identify young people needs and progress in the program. It will also help both the SNE and JCF to update their current protocols to ensure an ethical use of technology. Individual consultancies and firms will be financed to develop: (i) a follow-up and matching model for the youth registered in the JCF; and (ii) protocols for an ethical use of technology in both platforms.

**Indicative Budget (US$)**

| **Activity/Component** | **Description** | **IDB/Fund Funding** | **Total Funding** |
| --- | --- | --- | --- |
| ***Component 1: Strengthening the processes, procedures, and labor market policies*** | | | | |
| Individual and firm consultancies | Develop (i) processes to support job-seekers to learn about demand needs and job descriptions; (ii) job profiles for each position at the National Employment Service Offices (OSNE) and a training strategy for OSNE’s employees; (iii) a strategy to improve SNE’s coordination with other public employment services in the region to match Mexican job-seekers with work opportunities outside of Mexico. | $45,000.00 | $45,000.00 |
| Knowledge transfer to Mexican Government officials on best practices to improve domestic workers working conditions and on employment services in other countries | Meetings, seminars, and exchanges with international experts | $5,000.00 | $5,000.00 |
| **Subtotal Component 1** |  | **$50,000.00** | **$50,000.00** |
| ***Component 2: Evaluation and strengthening of the Youth Building the Future Program (JCF)*** | | | |
| Individual and firm consultancies | Develop (i) a cost-benefit analysis of the program; (ii) profiling instruments for young people to ensure a high-quality match with firms after completing the youth program; (iii) pilots to improve matching with job opportunities and design of a follow-up model for the youth once they conclude the program; and (iv) an assessment of young women labor participation. | $95,000.00 | $95,000.00 |
| **Subtotal component 2** |  | **$95,000.00** | **$95,000.00** |
| ***Component 3: Improvement of information and communication technologies (ICTs)*** | | | |
| Individual and firm consultancies | (i) a follow-up and matching model for the youth registered in the JCF; and (ii) protocols for an ethical use of technology in both platforms. | $95,000.00 | $95,000.00 |
| Knowledge transfer to Mexican Government officials on matching platforms | Meetings, seminars, and exchanges with international experts | $5,000.00 | $5,000.00 |
| **Subtotal component 3** |  | **$100,000.00** | **$100,000.00** |
| **Contingencies** |  | **$5,000.00** | **$5,000.00** |
| **Total** |  | **$250,000.00** | **$250,000.00** |

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

1. **Executing agency and execution structure**

4.1 The Mexican federal government, through the Finance Ministry (SHCP) on behalf of the Ministry of Labor (STPS) has requested that the Bank execute this Technical Cooperation in its request letter (see annex). The Labor Markets Division (SCL/LMK) has the relevant background, skills, and technical experience to carry out this technical cooperation, in addition to a long record of accomplishment of support with STPS. Furthermore, the Bank will closely conduct with the STPS the activities considered in this TC in order to increase their impact in policy making.

4.2 **Procurement**. The Bank will contract the services of individual consultants, consulting firms and different consulting services, in accordance with the policies and procedures in force in the Bank. This is justified by the need to enhance impartiality in conducted evaluations and studies, as considered in document GN‑2629-1, Annex 10, regarding the special circumstances and criteria for Operational Support and Client Support TCs. To this end, all activities to be executed under this TC have been included in the Procurement Plan (see Annex IV) and will be contracted in accordance with Bank policies as follows:  (a) AM-650 for Individual consultants; (b) GN-2765-1 and Guidelines OP-1155-4 for Consulting Firms for services of an intellectual nature and; (c) GN-2303-20 for logistics and other related services.

4.3 SCL/LMK will be responsible for the direction, supervision, monitoring and coordination of the TC, in active coordination and consultation with the STPS. SCL/LMK will submit annual reports and a final report to the donor.

4.4 **Sustainability.** This TC is designed to support the Bank’s client the STPS primarily through activities related to strategy, planning, and design in priority areas of opportunity (labor market policies, youth employment program, and information and communication technology) that have been identified by the STPS. Based on these diagnostic and planning documents, which will take into consideration the STPS’s capacity, the STPS will have the resources and technical capacity to choose when and how to implement these plans. The products of this TC will serve as institutional references in a sustainable manner. No study or intervention will be conducted without the opinion of the SNE that the process can lead to an internalization of the knowledge into the day-to-day operation of the SNE.

1. **Major issues**

5.1 There is a risk that the new government does not accomplish the expected goals due to budget constraints in order to cover the needs of technical staff, technological alternatives, research and evaluation for better results. Considering the strong involvement of the private sector in the JCF program and the IDB technical support to the STPS since 1997, this risk is not considered high and will be mitigated with the close dialogue that has been established with the new authorities since the past elections.

1. **Exceptions to Bank policy**

6.1 None.

1. **Environmental and Social Strategy**

7.1 Due to the nature of this TC, we do not expect it to have any significant negative social or environmental impact. Therefore, it has been classified as category C. See safeguards See safeguards See safeguards [SPF](http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=EZSHARE-370718065-3) and [SSF](http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=EZSHARE-370718065-2).

1. **Required Annexes:**

* [Request from the client](http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=EZSHARE-605604293-10)
* [Results Matrix](http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=EZSHARE-605604293-8)
* [Terms of reference for activities to be procured](http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=EZSHARE-605604293-4)
* [Procurement Plan](http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=EZSHARE-605604293-5)

1. World Bank, National accounts data, 2018. [↑](#footnote-ref-1)
2. According to the official country definition <http://tinyurl.com/y8oauejm>. [↑](#footnote-ref-2)
3. Data from Encuesta Nacional de Ocupación y Empleo (ENOE). [↑](#footnote-ref-3)
4. Data from ENOE. [↑](#footnote-ref-4)