



U.S. Department of the Treasury
2012 Development Impact Honors

Private sector



Training and Employment Support Program

Project information

Name: Training and Employment Support Program (PACE), Phase II

Location: Mexico

Scope: National

Amount: Total project cost: \$250 million
IDB financing: \$150 million
Counterpart financing: \$100 million

Project dates: 2010-2013

Actual dates: 2010-2012

Main results: Provided 446,000 training stipends in 2010 and 2011 for on-the-job training; helped obtain employment for 1.5 million people and aided 7 million others who searched the government employment site for information on jobs or training; financed surveys to monitor and evaluate the real impact of the program.

1 Development problem

For nearly two decades, Mexico's economic stability has helped build a solid manufacturing base and a thriving services sector. Despite that success, one of the country's most persistent challenges has been its inability to create a sufficient number of high-quality jobs for its growing working-age population.

An estimated 60 percent of the workforce toils in the informal sector, in unskilled positions that pay low wages and offer no fringe benefits. Many factors contribute to this fundamental development problem. Low levels of education and labor productivity create disincentives for higher foreign and domestic investment. Low-skilled workers require training so they can gain access to better jobs. And, workers face difficulties in obtaining information on job vacancies, while employers find it hard to locate qualified workers.

Mexico's National Development Plan for 2007-2012 calls for "stimulating the growth of a competitive economy that creates jobs." Since 2002, the government's Multiphase Training and Employment Support Program (PACE, its Spanish acronym) has adopted a comprehensive approach to tackling this problem.

2 Previous approaches

PACE marks a sharp departure from a number of previous approaches to employment interventions that showed poor results. Before, stand-alone worker training programs were insufficiently linked to companies' real needs, and often ended up with mismatched skills.

PACE's on-the-job training approach has been shown to be the most effective way for job seekers to be better equipped for the rapidly changing skill sets of the globalized economy. In the past, many Latin American job-placement programs failed to monitor employers' evolving needs; PACE has evolved over time to its current scale and effectiveness through constant monitoring, experimentation, and reform. Earlier training "menus" offered by PACE did not produce results as effectively as on-the-job training did, and over time these were phased out or improved. The IDB has played an important role in promoting on-the-job over classroom training, because impact evaluations have consistently shown that the former method is a more effective path to post-training employment. Past phases of the program were fairly successful in achieving good job placement rates, but the current focus now goes further to leverage program resources to get people into better jobs, in line with one of Mexico's key development objectives.

Recent evaluations show that this more results-focused approach is working. Beneficiaries are getting jobs that are better paying and more stable. Even at the height of the financial crisis and the 2009 A-H1N1 health crisis, workers who benefited from the program's subsidies were not displaced.





3 Analysis and appraisal

Born out of an employment crisis in Mexico, the PACE program has learned to adapt and weather subsequent crises as well. Based on lessons learned, evaluations, and results-based analysis—all integral to its first two phases—the program puts an emphasis on enhancing mechanisms that target quality jobs. It has been able to continually adjust the program to improve performance. Less effective subprograms were reformed or phased out; extensive efforts were made to dramatically increase the number of job vacancies listed, in an economy with a poor tradition of open job listings; and new tools were added (workshops for job search, computer-based centers for job search, employment portal) to respond to the change in information technologies over the life of the program.

More resources were also devoted to grants for on-the-job training, which has consistently been shown to lead to higher placement rates, higher salaries, and better benefits. Progress was also made in focusing services on more dynamic economic sectors and geographical areas, in order to improve placement rates. Finally, the program incorporated a gender approach that included gender-based training for job counselors and businesses, as well as the disaggregation by sex of key indicators to allow for a more complete market analysis that would enable women to find better jobs.

4 Rate of return

A cost-benefit analysis showed that the core on-the-job training program, BECATE, generates benefits in the form of higher incomes of \$1,140 per worker. Even when the \$714 cost of training each beneficiary is taken into account, it represents a net gain of \$426 per beneficiary—in addition to other benefits, including insurance coverage, improved prospects for advancement, and greater employment stability.

These positive results are in line with the findings of more rigorous methodologies employed in the most recent impact evaluation of the program. Impact evaluations have demonstrated that the program's training beneficiaries have a higher employment rate and receive higher incomes and better benefits than the comparison group. An independent 2011 IDB study confirmed these results. There is also evidence that a formal job search through the public National Employment Service (SNE) financed under PACE—rather than an independent search—increased the probability of finding a higher-quality, formal-sector job.

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5 Beneficiaries

Most beneficiaries are served through job-finding services, which are open to job seekers with or without jobs. PACE finances a variety of placement tools: face-to-face counseling (at 169 SNE offices nationwide), website, telephone assistance, workshops, and virtual and actual job fairs. Although these mechanisms are used by a broad spectrum of job seekers, they are particularly sought by youth in the early stages of their careers. From 2010 to 2012, over 8.6 million job seekers received this type of intermediation assistance; 70 percent of them were women.

On the training side, PACE finances various types of job training aimed at specific populations such as youth, harder-to-place adults, older workers, and disabled workers, among others. From 2010 to mid-2012, more than 700,000 people benefited from the BECATE on-the-job training program, and 550,000 of them found jobs. Seventy percent of BECATE beneficiaries are women. While workers clearly benefit, companies also benefit from having access to a better-trained workforce with job-appropriate skills. PACE also provided training and other subsidies that helped around 100,000 people keep their jobs during the recent financial crisis, when layoffs were widespread.

6 Monitoring and evaluation

PACE's monitoring and evaluation strategy draws on multiple instruments that have been developed throughout the program based on a wide range of data, including the nation's extensive quarterly household surveys. The Project Monitoring Report tracks all indicators the IDB and government defined during the design stage, which include outputs (such as job referrals, training completed, participation in employment services, and job vacancies registered), outcomes (such as labor market insertion rates), and impacts (related to the quality of employment, including salary level, benefits, and job duration). It also measures the speed with which program beneficiaries find employment and compares that to a group of non-beneficiaries.

An independent impact evaluation of the on-the-job training program BECATE, conducted by a third-party evaluator, shows that the project beneficiaries enjoy a higher employment rate and earn higher incomes and better benefits than the comparison group. A 2011 study by the IDB confirmed these results. The impact evaluation is fully aligned not only to the project's evaluation strategy, but also to a government-wide policy to promote better evaluation practices across all Mexican programs.

7 Risks

A constant risk associated with labor market policies is that outcomes and impacts may depend more on the macroeconomic environment than on the policies. Further, any labor market program is affected by external factors such as the government's structural reforms and other investment programs that might dampen expected results, particularly when the focus is on high-quality jobs obtained. In light of these risks, PACE has made program adjustments and tailored actions to local labor markets, steps that have kept its results both stable and anti-cyclical, even at times of severe fiscal contraction. The risk of an economic downturn inducing a reduction in fiscal commitment to this project is thus quite low; indeed, even in times of severe fiscal constraints, successive Mexican governments have supported labor market programs because of their proven ability to reduce the negative impacts of economic shocks.

Twenty years of experience have shown that the program is sustainable, with its combined model of public-private financing and the increasing demand for its services. The risk that planned beneficiaries will not view the available services as attractive has essentially been overcome. First, the programs have been designed taking into account the extensive, successful track record of existing programs. Second, they are designed to ensure that they are flexible enough to adapt continually to demand. In particular, the cost-sharing requirements established with companies participating in the BECATE program serve to keep the content of the services relevant to market conditions.





8 Lessons learned and applied

Apply the program quickly and flexibly to respond to economic crises. During the 2009 complementary loan, different initiatives that aimed to protect workers from mass layoffs were tested, and two have now been institutionalized. One involves training for temporarily laid-off workers, and another is an employment contingency program, activated only in times of crisis. These lines are now part of the program supported by the IDB, given their fundamental importance for protecting jobs in times of crisis.

Share the intermediation and on-the-job training models with other Latin American countries. Mexico pioneered an intermediation model that integrates different types of interventions—such as job counseling and job-worker matching systems—which complement and reinforce training efforts. The Mexican model's success is based on promoting public-private collaboration in financing and managing these programs. Bolivia, Colombia, Peru, Honduras, and other countries have visited Mexico on study tours (sponsored by the Mexican Ministry of Labor) and are adapting lessons learned to their programs.

Respond to social needs, violence, and crises.

Elements of the PACE program have been adapted to help address other pressing social issues in Mexico. One example is an initiative to help reduce crime rates and violence among youth in the border city of Ciudad Juárez by providing them with job training. PACE also coordinates a range of efforts with technical education authorities and with the country's conditional cash transfer program for the very poor (*Oportunidades*).

9 Dissemination

PACE is a flagship program for the region, with important lessons that could apply to a range of countries and programs. Its results have been featured in IDB and IDB/Multilateral Investment Fund forums and reports. Its dissemination efforts include the following:

- The web-based [Portal del Empleo](#), the most sophisticated employment portal in the region, features both private and public employment exchange networks. From 2010 to 2012, nearly 1 million people found jobs through this website. It also hosts a Twitter account that serves as an additional communication channel.
- The program promotes an extensive range of job fairs, both virtual and onsite. These events, which have high local visibility, promote local job vacancies, some with a specialized focus such as youth or high-tech skills.
- PACE publishes a newsletter in all states and cities in which it operates, and its program managers have visibility in the local media.
- Employment service promoters conduct outreach activities in the business community and among worker organizations and educational institutions.
- PACE is regularly featured in IDB newsletters, on its website, and in seminars. Information about the program's achievements, research findings, and results reach hundreds of people, ranging from representatives of labor ministries to academic experts.
- Mexico's Ministry of Labor frequently receives study tours from other countries to learn about PACE.
- Videos have been produced on the program's best practices. These are used during outreach efforts and in special events.

10 Sustainability

PACE's 20-year record of results has demonstrated a pattern of innovation and adaptability aimed at improving outcomes and sustainability. It has strong support from the federal and state governments, private sector, and workers. Even in times of economic adversity, the government has maintained wage subsidies for training.

In fact, during the recent global crisis this program was one of the first to prove capable of providing a quick-response mechanism, thanks to its local presence, operational and technical capacity, and credibility among key stakeholders, including employers and local agencies. The program's sustainability is tracked via an extensive monitoring and evaluation system, which will be expanded further in the next phase. In addition to the impact evaluations, PACE conducts cost analyses to ensure that the program continues to be effective and sustainable.

*"In two years,
8.6 million
people received help
seeking jobs."*

11 Partnerships

PACE's two most important pillars—job training and employment services/labor intermediation—are successful because of private employer involvement. Employers participate in both the financing and operational sides of on-the-job-training: they cover the total cost of training while the program covers the income-supplement stipends. Employers are also a big part of the program's promotion to expand job-vacancy listings throughout the country: they participate in job fairs, list their openings with the service, and conduct outreach activities. PACE helped shift a long-established image of the Labor Ministry as an "anti-business" agency responsible only for labor inspection toward that of a strategic partner promoting employment, labor productivity, and competitiveness.

The federal government has built a strong relationship with state and municipal governments, creating joint responsibility for regional employment centers through a direct cost-sharing arrangement. This has greatly boosted the number of program beneficiaries. State and local governments contribute not only resources but manpower to expand the program's local reach; they also co-sponsor events and community outreach to improve employment conditions at the local level.

Nongovernmental organizations have also been important partners, particularly for the most vulnerable populations. A key initiative was *Todos Somos Juárez*, a comprehensive federal strategy that aimed to lower violence levels in Ciudad Juárez. NGOs have provided training workshops on employability, social skills, and responsibility to more than 25,000 people. They have also acted as intermediaries to support the training and placement of disabled workers and help find job opportunities for workers who have been repatriated.





Appendix

Papers:

IDB. [Lecciones Aprendidas del Programa de Apoyo a la Capacitación y Empleo Fase II](#). This document presents the key lessons learned from PACE Phase II, which served as the basis for designing its complementary loan.

Jacqueline Mazza (2011). [Fast Tracking Jobs: Advances and Next Steps for Labor Intermediation Services in Latin America and the Caribbean](#). Inter-American Development Bank. Technical Note IDB-TN-344.

Jacqueline Mazza and Danilo Fernandes da Silva (2011). [Latin American Experience with Crisis-Driven Labor Market Programs](#). Paper presented to the International Labour Organization Forum.

Edwin van Gameren (2010). [Evaluación de Impacto del Programa de Apoyo al Empleo](#). Secretaría de Trabajo y Previsión Social (STPS). México DF.

ManpowerGroup (2012). [2012 Talent Shortage Survey Research Results](#).

Press releases:

[El economista](#).

Videos:

[Portal del Empleo](#).



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