

## PUBLIC EMPLOYMENT SERVICES IN LATIN AMERICA AND THE CARIBBEAN



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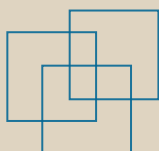
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## Costa Rica

### Main characteristics and challenges<sup>1</sup>

- Labour market and employment situation

Costa Rica is a small middle-income country in Central America that has experienced low but stable economic growth since 2009. This growth has been associated with the development of relatively skill-intensive industry niches, including information technology, tourism and medical equipment, in line with improvements in labour force educational levels. The country recovered quickly from the economic crisis of 2008-09; however, economic growth has been insufficient to reduce fiscal imbalances and boost inclusive

<sup>1</sup> This document is one of a collection of notes about public employment services in selected Latin American and Caribbean countries jointly launched by the Employment and Labour Market Policies Branch, Employment Policy Department, and the Decent Work Team for the South Cone of Latin America. This note was prepared by Zulum Avila, Employment Service Specialist (ILO), with inputs from ILO-FOIL Programme. The opinions expressed herein are those of the author and do not necessarily represent the views of ILO.

growth (IMF, 2015). Although labour market performance in Costa Rica is better than in neighbouring countries, with a smaller proportion of workers in the informal economy, employment in the informal economy has been growing faster than formal employment. This trend began in the first quarter of 2012, when 36.0 per cent of the labour force was in informal employment, and has continued up to the first quarter of 2015, when the figure had risen to 45.3 per cent. Unemployment, meanwhile, has remained around 10 per cent (INEC, 2014, 2015).

### • Improving access to formal employment

While employment creation remains stalled, segmentation in the labour market persists. This affects particularly people with less than 11 years of formal education (55.9 per cent of the labour force); young people (aged 15-25), who face particular barriers when seeking to enter the job market; women heading poor families; and workers in rural areas and the coastal region. For these groups, segmentation entails a higher risk of exclusion from the labour market altogether, given their limited access to training and reduced prospects of job progression. The National Employment and Production Strategy (2015-18) introduces for the first time a pro-employment macroeconomic policy for inclusive growth and quality jobs. One central objective of the strategy focuses on addressing skill mismatches through better forecasting and monitoring, more effective employment services, and training aligned with labour demand in emerging industries and sectors (MTSS; MEIC, 2014).

### • Challenges facing the National System for Labour Intermediation

The National System for Labour Intermediation, Guidance and Information (*Sistema Nacional de Intermediación, Orientación e Información de Empleo*, SIOIE) came into operation in 2009 with the aim of improving interaction between the public employment service (PES), the vocational education and training system, and labour market programmes supporting entrepreneurship and self-employment.

The Ministry of Labour and Social Security (*Ministerio del Trabajo y Seguridad Social*, MTSS), through the National Employment Directorate (*Dirección Nacional de Empleo*, DNE), and local government have leading roles in the administration of SIOIE. The Ministry of Education (*Ministerio de Educación Pública*, MEP) and the National Vocational Institute (*Instituto Nacional de Aprendizaje*, INA) are key partners responsible for expanding job information services and for planning and delivering job training.<sup>2</sup> Partners of SIOIE also include not-for-profit organizations, for instance, those that specialize in serving people with disabilities, and educational centres and universities with systems for disseminating information about job vacancies.

Structurally, SIOIE consists of a decentralized network of employment offices and contact points providing job information. There are 44 employment offices administered by local government and 10 employment units hosted by INA's regional branches. Job information for students and recent graduates is also available through 129 information units and 43 teachers appointed as focal points in evening classes at MEP technical colleges (MTSS, 2014a). MTSS is working to decentralize SIOIE operations and expand geographical coverage by entering into cooperation agreements with local government. DNE provides general policy and operational guidelines and ensures that local government has the financial capacity to keep an employment office running in a sustainable manner and with adequate staffing levels. In 2014, 55 per cent of the country's municipalities were working with SIOIE in this way; however, persistently low levels of funding have posed a barrier to more rapid expansion. At present, the employment offices and contact points exhibit widely varying levels of operational capacity and staffing: for example, only

<sup>2</sup> SIOIE is governed by the Higher Council for Work, which is composed of representatives from MTSS, MPE, INA and the National Council of Rectors, as well as one representative each of the employers' and workers' organizations.

17 employment offices operate one-stop shops (*ventanilla única*) specialized in serving young jobseekers. From 2015, it is planned to double the investment from public funds made in the past four years so as to cover 80 per cent of the municipalities by 2018 (MTSS; MEIC, 2014). It is of crucial importance that a substantial part of this investment is used to ensure a consistently high level of service provision.

Currently, the PES system relies heavily on provision through automated jobsearching tools and SIOIE's online job portal (*busco-emp leo*), which was launched in 2009. While technology has helped a great deal in respect of reaching more clients and implementing common protocols for registration, jobseekers with low employability often need more dedicated support. Improving delivery of employment services and providing training for workers in low-productivity jobs or facing strong barriers to entry into employment will require the development of a broader capacity to provide one-to-one support. At a more strategic level, SIOIE is supposed to operate in a coordinated

manner but in practice remains fragmented. The core founding members of SIOIE, including MTSS, INA and MEP, continue working through individual institutional expenditure plans and priorities. Strengthening inter-institutional coordination will help to avoid dispersion of limited resources and facilitate achievement of common goals which are more consistent with the overarching nature of the system.

- **Need for more solid labour market information as demand for employment services grows**

While operational limitations such as shortages of staff and equipment persist, the demand for employment services is growing. Between August 2009 and June 2013 the online job portal registered 99,590 job applications, 18,365 vacancies, 4,932 job placements and 318,490 job referrals (ILO, 2014). MTSS estimates that the PES placement rate is 15



per cent. The figures provided are not entirely accurate as the system faces difficulties in collating data collected from the different units and employment offices and keeping registers up to date. For example, some of the contact points delivering employment services do not use the common database for collecting information on their activities adequately or to its full potential. This in turn makes it difficult to input reliable administrative data into the Labour Observatory, even though the protocols

and methodologies for sharing data are in place. Work is under way on creating a single occupational classification system that would allow all government agencies to produce comparable data. The occupational structure of the labour market is the backbone that supports policy-making related to the provision of employment services and skills development. Improving the consistency and comparability of data will help to enhance efficiency in service delivery.

## Active labour market programmes

MTSS is mandated to play a leading role in formulating and implementing a national employment policy aligned with strategies for reducing poverty by increasing access to decent work opportunities. Since 2000, MTSS has placed a growing focus on linking job training, temporary employment in community works and entrepreneurship with social development programmes aimed at improving the employability of workers at risk of falling below the poverty line. MTSS runs two main programmes providing basic employment services to help and encourage participants to enter formal employment, become self-employed or continue in training and education: the National Employment Programme (*Programa Nacional de Empleo*, PRONAE), which gives access to short-term work and training opportunities to workers on low incomes and in poor rural areas; and the EMPLEATE PLUS programme, which targets young people in poverty at risk of becoming detached from the labour market.



The identification of those groups of the population most in need of assistance from these programmes has been improved through coordination with the Social Assistance Institute (*Instituto Mixto de Ayuda Social*, IMAS) during the design and implementation phases, specifically through using the Social Information Sheet (*Ficha de Información Social*, FIS), a tool that measures individuals' degree of poverty. However, both programmes remain small in scale, and in some instances interventions overlap. Strengthening inter-agency coordination, and monitoring and evaluating the impact of the programmes on target populations, are challenges that need to be addressed. More investment is also needed to scale up and sustain the availability of specialized services.

### • The National Employment Programme (PRONAE)

The National Employment Programme was one of the first active labour market interventions implemented as a combined institutional effort led by MTSS and supported by government agencies responsible for education and vocational training, public works and community development. Its objective is to reduce poverty affecting unemployed and underemployed workers in urban areas and in rural communities with a low social development index. The programme was launched in 2000 with the specific aims of helping people over 18 years old to stay connected with the labour market and find work in the formal sector, and to improve the living conditions of workers and their families through community works and job training. Since 2009, the programme has also functioned as a channel for providing subsidies to workers affected by economic crisis and in response to emergencies caused by natural disasters affecting the livelihoods of the population. PRONAE basically provides a subsidy of 180,000 Costa Rican colons (CRC)<sup>3</sup> a month for up to three months to an individual participating in any of the programme's four modalities: (1) working full-time (120 hours a month) in community works; (2) developing a start-up enterprise; (3) following short-term training through a number of government-supported schemes; or (4) participating in training delivered through the EMPLATE PLUS

programme (see below), which targets young people aged 17-24 who face multiple barriers in finding work and are members of poor families.

PRONAE promotes social inclusion at the local level and in particular encourages participation by women who are heads of poor households, members of indigenous communities and people with disabilities. The Social Development and Family Allowance Fund (*Fondo de Desarrollo de Asignaciones Familiares*, FODESAF), which is operated by MTSS, finances these subsidies while a number of partner government agencies provide support by running community work projects, delivering technical advice and providing training. Participation in the programme is through local associations and not-for-profit organizations that assume responsibility for running consultations with the community and for formulating, executing and monitoring projects. The main entry points for the local associations are the employment offices located in municipalities where PRONAE operates; however, in some cases, participants can also be referred on individual basis by IMAS. Staff from the employment offices and PRONAE liaise with concerned partner agencies during the implementation phase of approved projects. For instance, construction materials and equipment to implement community works are provided by the Ministry of Public Works and Transports (*Ministerio de Obras Públicas y Transportes*) and the National Directorate of Community Development (*Dirección Nacional de Desarrollo Comunitario*, DNDC). MEP and INA deliver short-term-training and, in some instances, organize classes for improving literacy and numeracy skills. The Ministry of Agriculture and Livestock (*Ministerio de Agricultura y Ganadería*, MAG) and the People's Bank of Costa Rica (*Banco Popular*) provide technical support and training for start-ups and micro-enterprises, for example organic production of honey or poultry.

PRONAE operates in consultation with communities to foster ownership of projects and prevent beneficiaries from becoming simply the passive recipients of subsidies. Group information and counselling sessions are organized to emphasize the importance of proactive attitudes; however, post-participation mechanisms and individualized support, which could help individuals to sustain progress made through

3 Equivalent to US\$333.0 (according to the exchange rate published by Banco Central de Costa Rica, 17 August 2015: US\$1.00 = CRC 540.31).



PRONAE, are not at present available. Nor has the programme yet been evaluated, an exercise that would help improve delivery and measure impact.

Between 2010 and 2013, PRONAE served 18,443 people with a budget of CRC 11,413 million (MTSS, 2014a). For 2015-18, the funds allocated to the programme (CRC 25,000 million) amount to more than twice those invested in the past four years; the number of participants is planned to reach 33,300 (MTSS; MEIC, 2014).

- **The Get Employed programme (EMPLEATE PLUS)**

The Get Employed programme was launched in 2011 as EMPLATE (renamed EMPLATE PLUS in 2014) and targets young people aged 17-24 in poverty who have dropped out of school before completing

secondary education and are not in training or employment but who wish to enter the labour market. In 2010, when the programme was at the design stage, there were 712,016 people in that age range. The potential target population of the programme was the 150,887 young people who were neither working nor attending school, 41,090 of whom were living in poverty or extreme poverty (MTSS, 2014a). Through early policy interventions, the programme helps participants continue in formal education, access training and gain relevant job experience in high-demand occupations or in sectors experiencing skill shortages. EMPLATE PLUS is one of the policy initiatives implemented by the Costa Rican Government to improve participation of youth in the labour market and promote social inclusion. Young people who do not develop employability skills are at particular risk of being trapped in precarious employment and experiencing unemployment during adulthood.

The entry points to the programme are 17 one-stop shops for youth (*ventanillas únicas*) located in municipal employment offices. Service delivery is organized along three routes: (1) information and advice on how to prepare a personal development plan; (2) participation in job training or, if basic secondary education has not been completed, school enrolment; and (3) support for jobsearching and placement. Participants receive subsidies ranging from CRC 100,000 to CRC 200,000<sup>4</sup> a month for up to three months for the training or jobsearch/ placement options, and up to 24 months in other cases. The subsidies are provided through the PRO-NAE programme (see above) and scholarships for training are funded by *Banco Popular*. The programme is based on a combination of the services provided by government agencies and municipalities and through the creation of public-private partnerships, including enterprises with corporate social responsibility policies. The involvement of the Association of Employers (*Asociación de Empleadores*, AED) ensures that job training is demand-driven and in sectors requiring technicians with some level of skill. Together with training institutions, employers also help organize job information and career fairs

at local level, known as RETO EMPLEATE. INA is responsible for delivering job-training courses in occupational areas experiencing high demand for labour (e.g. skilled trades and customer services). A toll-free telephone number, managed through the one-stop shops, is financed by *Banco Popular*.

Between 2011 and 2013, 6,000 young people were served by the programme and participated in the career fairs; but only 4,000 of them received economic support from EMPLEATE. The majority of participants (60 per cent) were male; this indicates the need for improving mechanisms to extend services and information to young women and promote their participation in the labour market. During the same period, a third of participants receiving monetary support followed job-training programmes or opted to continue in formal education. Only 10 per cent of the beneficiaries decided to enter the labour market straight away (MTSS, 2014b).

The programme has not been evaluated but a client-satisfaction survey indicates a positive effect in motivating young people to continue their studies or start building relevant work experience, for example, in



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<sup>4</sup> Equivalent to US\$300.0 to 370.0, respectively (according to the exchange rate published by Banco Central de Costa Rica, 17 August 2015: US\$1.00 = CRC 540.31).

temporary and part-time jobs which can often serve as stepping-stones into more permanent positions. Beneficiaries have expressed high levels of satisfaction from participation in the programme and indicated that services received, notably job counselling, vocational information and training, were helpful in supporting their decision-making concerning career choices (MTSS, 2014b).

In 2014 the programme was scaled up and renamed as EMPLEATE PLUS. The number of participants receiving subsidies in that year (4,167 people) was as high as the number of people served in the past four years together. As part of the efforts to strengthen the programme, a modality exclusively targeting people with disabilities (*EMPLEATE INCLUSIVO*) was also introduced in 2014 (MTSS; MEIC, 2014).

## Job-matching, placement and activation strategies

The network of employment offices and points of contact in Costa Rica serve a clientele of unemployed people, underemployed workers and populations targeted by MTSS employability development programmes. In 2009, across the country as a whole, only 9 per cent of the unemployed held a university degree and the large majority, 64 per cent, had not completed secondary education (Álvarez-Galván, 2015). The low levels of educational attainment among those targeted by employment offices are also associated with significantly lower wage levels: those who have not completed secondary education tend to earn much less than those who have a higher level of formal education. Also, the jobsearch methods most widely used in Costa Rica rely on social and family networks which the low-skilled unemployed may lack. The recently adopted National Employment and Production Strategy calls on the PES to reduce job mismatches and expand access to quality employment for the unemployed to cover 80 per cent of the municipalities by 2018.



## • Services for jobseekers

The network of employment offices have adopted common protocols for registration but are only able to ensure a basic level of service provision including job-matching, information and referral to employability programmes. Only the employment offices located in the cantons where PRONAE and EMPLEATE PLUS operate deliver counselling services and a more intense level of support. However, in general there is limited capacity to systematically deliver individualized services, and support to jobseekers is provided primarily through online channels. The SIOIE's online job portal serves four times as many jobseekers as employment offices and contact points put together. In 2013, 65 per cent (24,291) of all jobseekers using the employment service were served through the job portal and three-quarters of them were young people. By contrast, only 15 per cent (5,722) of all jobseekers were served directly by an employment counsellor (MTSS, 2014b). At the employment offices, clients are registered and advised at the same time; counselling services are delivered through jobsearch workshops organized for groups of 20 jobseekers at a time, where participants learn about techniques for preparing a job application, writing a CV and handling a job interview. Specialized services are also available, albeit on a more limited scale, to promote the employability of people with disabilities. Between 2011 and 2013, 728 jobseekers with disabilities were served (MTSS, 2014a).

## • One-stop shops for youth (*ventanillas únicas*)

The provision of services targeted to specific populations is also administered through the "one-stop shops for youth" that are located in 17 employment offices. These are the main entry points to the EMPLEATE PLUS programme (see above), and also offer young

people in poverty access to other ways of improving their employability. One of these is the AVANCEMOS MAS programme, which provides two years' technical training in the field of information and communications technology and targets young people aged 18-24 who have completed secondary education. This programme is administrated by IMAS and supported by the Chamber of Information and Communications Technology (*Cámara de Tecnología de Información y Comunicación, CAMTIC*). Another initiative that can be accessed through the one-stop shops is the POR MI programme, which provides people aged 18-24 with access to short-term training at INA's centres in occupational fields of high labour demand. Group sessions are also organized to sensitize participants to the importance of maintaining a positive attitude in the workplace.

## • Services for employers

The services available for employers essentially comprise core matching services, such as registration of job vacancies and information on the labour market. Here too personalized service provision is limited, the online job portal operating as the main delivery channel. Closer collaboration with employers is being established through the implementation of PRONAE and EMPLEATE PLUS, for example through organizing career fairs and job training. However, there is a need to diversify the services offered to employers and to adapt provision to suit firms with specific skill and training needs. INA and MEP have closer links with enterprises than MTSS and the municipal governments, particularly with those seeking job candidates and new graduates eligible for occupations where jobs are difficult to fill. In 2013, INA registered 62.3 per cent of all job vacancies, while the employment offices administered by MTSS and the municipal governments registered only 17.4 per cent (MTSS, 2014b).

5 Triangular relationships are composed of a worker, an intermediary (a contractor or a private employment agency) and a client subcontracting labour or a user enterprise (where the worker effectively renders his services).

## Mainstreaming gender in the provision of public employment services

Female participation in the labour market in Costa Rica is lower than the average registered for the Latin American region, which stands at 54.0 per cent (IMF, 2015). In the second quarter of 2015, the employment rate of women in Costa Rica was 43.6 per cent, while that of men was 68.8 per cent. Unemployment is also higher for women, standing at 12.1 per cent in the second quarter of 2015 as opposed to 7.7 per cent for men. Higher proportions of women than men are in informal employment (48.2 per cent as against 42.1 per cent), doing unpaid work in the family or working in domestic service (INEC, 2015).

Improving the labour market participation of women is part of the overall strategy for reducing poverty and promoting social inclusion. As part of its implementation of the Gender Equality and Equity Plan 2007-17 in coordination with the National Women's Institute (*Instituto Nacional de las Mujeres*, INAMU), MTSS has conducted training on gender equality for staff at local employment offices. It has also produced a guide for mainstreaming gender in employment services to support employment counsellors in preventing

discrimination in employment and reducing gender stereotypes that limit women's access to jobs, for example, through ensuring the use of gender-neutral language when registering vacancies and through disaggregating administrative data by sex to facilitate labour market analysis and services planning. MTSS has also entered into a collaboration agreement with the National Care Network (*Red Nacional de Cuido*) to extend care services in order to reduce barriers to women's participation in employability development programmes such as PRONAE (MTSS; MEIC, 2014).

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## Regulation of private employment agencies

The activity of intermediaries or subcontractors of labour is regulated by the Labour Code (Law No. 2 of 1943 as amended in 2006). Article 3 of the Labour Code establishes the rights and obligations of intermediaries and subcontractors towards workers involved in triangular employment relationships.<sup>5</sup> Both the intermediary and the user enterprise are subject to the obligations of joint liability, so that both parties are considered directly as legally responsible for complying with labour laws. Protection of workers in triangular relationships in Costa Rica is guided by the principle of the primacy of reality, which means that concrete situations, and not only formal aspects, must be taken into account in order to establish who in a working relationship should be considered the main employer (Bolaños, 2009).

Ministerial Decree No. 34936 of December 2008, which created SIOIE, provides for productive collaboration with private employment services. However, MTSS is not currently empowered to regulate, monitor or control the operation of private agencies acting as intermediaries between workers and user enterprises (ILO, 2010). A draft bill on the regulation and monitoring of private employment agencies was prepared in 2010 but is stalled in Parliament (ILO, 2013). The resulting legal vacuum has limited full

implementation of provisions regarding collaboration between SIOIE and private employment agencies. Low regulatory capacity favours the proliferation of informal providers of job placement services. Most of these providers operate as consultancy agencies, making it difficult for the responsible authorities to monitor their operations and to gather accurate information on their number and the type of activities they carry out.

Costa Rica is still bound by the Fee-Charging Employment Agencies Convention (Revised), 1949 (No. 96), Part II, which provides for the progressive abolition of fee-charging employment agencies conducted with a view to profit and the regulation of other agencies. The modern standard in this area is the Private Employment Agencies Convention, 1997 (No. 181), which takes into account current developments in the sector and national circumstances. The Domestic Workers Convention, 2011 (No. 189), ratified by

Costa Rica in January 2014, requires governments to implement efficient mechanisms for regulating private employment agencies serving domestic workers. There is a need to develop an adequate legal and administrative infrastructure for ensuring that all categories of worker receive adequate support and that their rights are respected by private employment agencies. Constructive social dialogue will need to be undertaken to reach the consensus needed to carry out legal reforms in this area.

#### ANNEX

### MILESTONES IN THE INSTITUTIONAL EVOLUTION OF PUBLIC EMPLOYMENT SERVICES IN COSTA RICA

1955	Employment Office created <sup>a/</sup>
1960	Employment Service Convention, 1948 (No. 88), and Fee-Charging Employment Agencies Convention (Revised), 1949 (No. 96), Part II, ratified
1998	National Employment Directorate created and given responsibility for implementing employment policy and administering the public employment service <sup>b/</sup>
2000	Decentralization and expansion of employment services begun through collaborative agreements between MTSS and municipalities National Employment Programme launched <sup>c/</sup>
2008-09	SIOIE created <sup>d/</sup> and online job portal launched One-stop shops for youth ( <i>ventanillas únicas</i> ) introduced
2012	Get Employed (EMPLEATE) programme launched <sup>e/</sup>
2014	National Employment and Production Strategy launched, linking pro-employment macroeconomic policy with the employment and social policies

a/ Law No. 1860 of April 1955.

b/ Decree No. 18647-TSS of November 1988.

c/ Decree No. 29044-MTSS of October 2000.

d/ Decree No. 34936 of December 2008 provided the legal basis creating SIOIE; the system came into operation in 2009.

e/ In 2014, the programme was scaled-up and renamed as EMPLATE PLUS.

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