

# Employment Without Barriers -- A Wager for Inclusive Labor in Colombia

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## Abstract

The Employment Opportunity Fund was designed and implemented in 2016 with the aim of serving as a strategy to mitigate the barriers present in the labor market for women, young people, older people, people with disabilities, and victims of the Colombian armed conflict. The Fund is an innovative proposal which allowed the participants to find a job that meets their profile and companies to find suitable personnel, according to their needs; in other words, the Fund generated an effective match between supply and demand in the Colombian labor market.

## Introduction

Among the main challenges facing the economy of Colombia today are the high rates of unemployment and non-remunerated labor. According to the International Labor Organization (ILO), in 2015 Colombia had labor participation and unemployment rates higher than

average for Latin America and lower overall employment rates. The national unemployment rates were only lower than those of Costa Rica and the countries of the Caribbean.

Unemployment and informal work affect certain population groups due to their finding additional barriers to gaining access to the labor market. A review of the literature and statistics identify women, young people, older people, people with disabilities, and victims of the armed conflict as those encountering greater barriers in gaining access to the labor market, further demonstrated in unemployment rates higher than the national average or more precarious labor conditions associated with the rate of informal labor. The limitations these population groups face to gain access to education for professional development and to obtain employment to allow them to live with dignity are more frequent.

This article covers the experience of the implementation of the program of Barrier Mitigation-Employment Opportunity Fund, that the Special Administrative Unit of the Public Employment Service and the Saldarriaga-Concha Foundation implemented in 2016 to serve as an additional source of information on programs seeking to improve access to the labor market for the most vulnerable in the population.

The first and second parts present a detailed account of the program of Barrier Mitigation-Employment

Opportunity Fund and how it works. An approximation of the economic benefits of the Fund is subsequently presented by calculating the social net earnings. The article finishes by presenting the learnings garnered through the implementation of the Fund and some general conclusions.

## **Employment Opportunity Pools Were the Wager**

The Special Administrative Unit on Public Employment Service prioritized the design of a program mitigating the barriers to access to the labor market with a differential focus for population groups that demonstrate difficulty in gaining employment. The program demanded working jointly with the network of authorized providers by the Public Employment Service, who in the end, are those who know the vacancies needing to be filled in the business sector and the profiles of those seeking employment to help achieve their hiring. The program aimed at mitigating the barriers was meant to foster work training and the building of a fluid communication with companies to close the gaps that are impeding access to employment.

In 2016, the Public Employment Service Unit together with Saldarriaga-Concha Foundation designed and implemented the "Employment Opportunity Fund," a program aimed at mitigating the barriers to gaining access to the labor market for women, young people, older

people, persons with disabilities, and victims of the Colombian armed conflict by especially focusing their efforts on mitigating the barriers associated with structural unemployment.

The Employment Opportunity Fund (EOF) was the result of a joint project between a public actor and a private one which turned into the first program of barrier mitigation in Colombia, offering tools to employment centers for solving employment problems in populations traditionally excluded from the labor market.

Even though there have been isolated efforts by organizations to implement models of labor inclusion that respond to a specific group of the population, as has been seen with the persons who are victims of the armed conflict and persons with disabilities; also, specialized educational institutions were created to respond to the demand in specific economic sectors. Despite this, education does not always respond to the needs of the business sector and the transference of knowledge from one model of labor inclusion does not necessarily result in effective gains in employment.

During the first implementation exercise of the Fund, 44 projects were approved in 19 municipalities across national territories which allowed for knowledge transference to 147 employees of 16 employment centers as a means of improving attention to persons with disabilities and women, strengthening the work skills of

1,774 persons and achieving the hiring of 538 people, which is to say, 29 percent of the target population.

In total, the Opportunity Fund released 1,632 million Colombian Pesos (COP) exclusively for the implementation of green-lighted projects. In terms of impact, 78 percent of the participants received training in specific skills, and 55.1 percent in soft skills, a core component in closing the gaps of human capital to gaining access to the labor market.

## **Running the Fund**

The Employment Opportunity Fund was a monetary fund designed under a competitive scheme that channeled resources with the aim of financing projects presented by the providers of the Public Employment Service Network, which has the objective of launching mechanisms that would allow those seeking employment to approach the available labor opportunities in different territories.

The Fund had a general budget of \$1.65 billion Colombian Pesos (COP \$1,650,000,000) to provide financial support which varies between seven million Colombian Pesos (COP \$7,000,000.00) and fifty million Colombian Pesos (COP \$50,000,000.00), per project.

The Employment Opportunity Fund had two lines of intervention: Mitigation of Barriers and Strengthening of Capabilities. The first was designed to offer services that

reduce or eliminate the barriers associated with existing institutions and the gaps of human capital, while the second is conceived as an instrument for improving efficiency of formal work search channels, a role that employment centers carry out for job seekers.

The Fund operates in two phases. In the first phase, the projects are received and evaluated. In the second phase, the contracting and implementation stage of projects is done with the aim of improving the effectiveness of the program. Upon continuation, you will find the stages and processes that were carried out within these.

## **First Stage: Evaluation**

With the launching of the EOF, the first step was the process of evaluating projects during which the best ones presented by the employment centers of the Public Employment Service network (SPE) to the EOF were given green lights. This stage is divided into three phases:

**1) Design and Formulation:** The employment centers elaborated the projects that would be placed under the consideration of the EOF. Depending on the line of intervention, the technical team of the Fund provides consulting to the employment centers on the following steps:

**a.** Barrier mitigation line (strengthening the capabilities of the persons who seek employment)

**Step 1: Identify the employment needs of the businesses in the area** and determine the main barriers to finding qualified personnel.

**Step 2: Identify the barriers that persons face** who are registered in the employment center. The barriers are understood as the skills or qualifications lacking by those seeking employment.

**Step 3: Select the type of training or type of qualification** that is needed and that would help the job seekers to gain access to the identified positions.

For the line of barrier mitigation, it was minimally required to present a letter of intent from a legally constituted company with personnel hiring needs. The letter of intent had to include the name of the vacant position, the requirements desired for said position, and the time for hiring (immediately, in the next three months, or from three to six months of anticipation). In this way, the probability of the beneficiaries being hired upon finishing their training processes was greatly increased.

**b.** Line of strengthening capabilities in the provision of attention in the employment centers:

**Step 1: Do an initial diagnostic**, keeping in mind all the phases of the channels of employability and the indicators established in their action plan, all approved by the Employment Service.

**Step 2: Identify the barrier presented in the employment center** to strengthen the track to employability. These barriers may be technological or of specific knowledge of the employees.

**Step 3: Define an adjustment plan** indicating the goods or services that are required by the employment center for strengthening the pathway.

**2) Presentation:** For each line of intervention, specific formats were defined to be presented to the Fund. The formats were designed to include general information of the proposer (name, address, telephone, contact of person in charge), technical information (objective, description of the proposal, identification of the need, target population, proposal of the solution and approach of the follow-up and monitoring strategy), and the budget information where a breakdown of the goods and services to be provided is included as well as the financial participation required by the Fund.

**3) Selection and approval:** The presentation of the projects is done in cycles which are pre-established times for the presentation, revision, and approval of projects. Each cycle has a total duration of 15 banking days. Once having received the proposal, the technical revision and publication of observations is done by the technical team during the first five banking days. Afterwards, the employment centers have five banking days to adjust their proposals using the feedback provided by the technical

team. Finally, the evaluating committee, made up of three members of the Public Employment Service and two members of the Saldarriaga-Concha Foundation, come together to give approval to the projects and publish the results in the following five banking days. Notably, there were six cycles in 2016.

## **Second Stage: Implementation**

Once the cycles are finished and the projects are defined for each line of intervention, the implementation stage begins. In this stage the employment centers carry out the projects. The implementation stage is divided into three phases:

**1) Hiring:** The Saldarriaga-Concha Foundation, in its role of administrator of the resources of the Fund, realizes the registration of the contracts with the providers in addition to supplying the goods and services that guarantee the correct execution of the approved projects. To guarantee transparency in the hiring process, a minimum of three price quotes are requested from providers of goods or services, and priority is given to local providers where the project is to be carried out. It is important to point out that the resources that are assigned to the winning projects go directly to the providers and not to the employment centers.

**2) Carry out and follow up:** With the provider's contract, a green light is given to this phase in which the approved

projects that benefit the target populations are carried out. Those directly in charge of doing the follow up on the implantation of the projects are the employment centers and the Foundation will be in charge of guaranteeing and verifying the delivery and quality of the goods and contracted services.

**3) Project Closure:** With the total completion of all approved projects in the different calls for projects held, the program closure begins. It is made up of three components: finance, communications, and technical. The financial element corresponds to the final payment of installments to suppliers, the balance of resources transferred from the Fund, and the management of the surplus, in the case there is any. Communication is related to the release and spreading of the results of the projects with the aim of giving maximum visibility to the program, relaying to the business sector the results of the training and the reference of the resumes, and giving recognition to the efforts of the institutional actors that participated in the program. Lastly, the technical element has to do with the exercise of the knowledge management, which consists of examining the processes carried out throughout the stages of the program, with the aim of identifying good practices and lessons learned that should be applied in future practices of this nature.

The implementation of the Fund was successful due in large part to the fact that the Employee Service and the Saldarriaga-Concha Foundation took it upon themselves

to work jointly and maintain a fluid communication between the coordination of both parts as well as defining the responsibilities of each of the actors involved.

## **Analysis of the Economic Benefits of the Fund**

Under the premise of a lack of resources, the process of maximizing the welfare of a population implied the realization of assigning efficiencies. Under these conditions, the program must minimally satisfy the condition of net positive social earnings to justify its importance in regards to the other alternative uses for the resources of the Fund. With this perspective in mind, a program can be considered viable to the degree that the net social earnings derived from its implementation be equal or greater than zero. To the contrary, it can be considered unfeasible.

Net social earnings are defined as the difference between the total social benefits and the total social costs. The total social benefits are the sum of the direct and indirect benefits while the total social cost is the sum of the direct and indirect costs.

The direct benefit of the program would be the monetary value derived through remuneration that those hired receive in the time that, having not been supported by the program, they would have used in the process of their job search. In this way, it can be defined by the following

formula:

$$(1) \sum_{i=1}^n \sum_{mi=1}^{Mi} S_i * m_i^1$$

Where n represents the number of participants that enter the labor market, upon finishing the program intervention,  $M_i$  is the total of months that the hired person would have been unemployed in the case of not having received the intervention, and  $S_i$  is the average salary earned by the individual during the period  $M_i$ , after being program participation.

Likewise, the indirect benefits are defined as the sum of the variation of future income of the participants, product of the increase of the potential production associated with the acquisition of human and physical capital as a result of the program.

$$(2) \sum_{i=1}^N \int_{t_i=1}^{t_i} \Delta S_i$$

N represents the total number of participants in the program, S the salary, and  $t_i$  the work time subtracted from the individual i.

The direct costs are the sum of the payments released by the Fund for the financing of the projects, while the indirect costs correspond to the value assigned to the time that the personnel of the allied institutions used in the design and implementation of the program.

Initially, it is feasible to calculate the total costs based on the value of the installments from the fund and the work of the personnel of the institutional actors of the program, however, the same does not occur in the case of the social benefits, for which assumptions must be made on what would have happened in the case that the participants had not been supported by the program. This component, called counterfactual, corresponds to the exercise of an impact assessment, which is outside the scope of the present article, since we are addressing a program that has been implemented for only one year so far.

The fact that an impact assessment cannot be done does not imply that an approximation to quantifying the benefits cannot be carried out based on available information and the building of a scenario, as shown upon continuation.

During the active period of the Fund, 538 participants were hired for a job. Despite not having official data, it can be assumed that the job seekers have been hired to receive a salary equivalent to, at least a current, legal minimum salary in Colombia, which for the year 2017

corresponds to \$737.717 COP, given that the companies that participated with letters of intent in this process were formally constituted.

Furthermore, up to the moment, there is no calculation on the time that the participants in the program would have remained unemployed had they not participated in the program of Barrier Mitigation, a reason for which an approximation is made and two documents are used as references: Duration of unemployment in Colombia: gender, intensity and search, the announcement of job openings (Arango and Rios, 2015), and how long unemployment lasts in the poorest population of Chile (Montero, 2007). In the first, it is calculated that the duration of unemployment is for 7.4 months in the case of women, while in the second it is maintained that women, persons between 45 and 53 years old, young people, and those that have low levels of schooling (such as the victims of the armed conflict and persons with disabilities), experience longer times of searching. With this information, it could be supposed that the approximate duration of unemployment of our target population is near 7.4 months.

Based on the previous information, a scenario is proposed that assumes a homogenous behavior between the participants in such a way that they share the same salary as a result of being hired and similar job search times in the case that they had not participated in the program. In this way, the 538 who were hired would earn \$737.717

COP for having participated in the program while the duration of the search would have been 7.4 months otherwise.

With this scenario, formula 1, corresponds to the direct benefits and would be expressed as:

$$\bar{S} * \bar{m} * \bar{V},$$

where the upper accent mark means average. Upon replacing the corresponding values, we have that the direct benefits of the program, in its first exercise of implementation, would add up to \$2,936 million COP. This value is 152 percent higher than the direct costs, derived from the payment installments of the Fund, which reached \$1,632 million COP. If we suppose that the indirect benefits are higher to the indirect costs, given that the former are long term and address a large population group, in comparison with the latter, it could be said that the Barrier Mitigation program, in its first implementation exercise, is economically efficient since its social benefits outweigh its social costs.

An economic benefit not contemplated in the foregoing analysis, associated with getting hired for a job, is the increase in the probability of rising above the poverty level, defined by the National Administrative Department

of Statistics-DANE<sup>2</sup>. Supposing that in no case do the persons that get hired belong to the same nuclear family, we are talking about at least 538 households that are rising above the condition of monetary poverty.

Lastly, it is relevant to point out that, beyond the economic, there are other benefits for the population. During the implementation of the Fund, it was noted that a great number of those searching for work had not had the opportunity to attend training courses on specific skills, some had not finished high school, while others showed weaknesses in soft skills related with their form of living. The Fund allowed the participants not only to acquire knowledge but also to strengthen soft skills which are indispensable for people.

## **Lessons Learned**

The implementation of the Fund generated learning which could be of use to both the institutions participating in the Program as well as those interested in implementing similar projects. Upon continuation, some of this learning is shared:

1. One of the main characteristics of the Employment Opportunity Fund is that it makes a wager on the territorial capabilities and decentralizes the social impact decisions. The Fund was designed so that the employment centers could present solutions to the particular needs of their territories in terms of the

needs of the business sector and the socioeconomic profile of the persons who are seeking employment. In this way, the training given to the participants responded to relevant criteria.

2. The capabilities of formulating projects in the employment centers were strengthened. Given that the Fund worked under a competitive scheme that required the presentation of projects to gain access to resources, it became indispensable that the employment centers reinforced their knowledge on the formulation of projects. The wager for the allies is that the employment centers can access diverse sources of resources that require the presentation of projects.
3. The Fund sought to generate territorial connection. The presentation of the project to the Fund required, minimally, the presentation of a letter of intent from a legally constituted company and in some cases allies, represented in the territorial organizations. The active participation of private and public sectors to achieve a common objective, had the result of territorial coordination.
4. The Fund fostered working in groups with populations traditionally excluded from the labor market. For some employment centers, it was the first time they had worked with persons with disabilities or with victims of the Colombian armed conflict. Working with these population groups raised awareness in the employees of the employment

centers and the business owners and allowed for knowing socioeconomic characteristics which are unique to some people.

5. Given that the maximum amount approved was 50 million COP, it obligated the employment centers to present a cost-effective proposal for mitigating the barriers to labor market access. The employment centers had to prioritize goods and services to be supplied to the beneficiaries.
6. The Fund allowed for strengthening the mission statement of the employment centers where the companies hire people in accordance with their needs and where the workers are employed in positions that match their profiles.
7. The Fund was able to reach 19 municipalities of 15 departments during the implementation of projects. Some of the municipalities that are traditionally left behind in economic terms and with greater barriers to overcome the high rates of employment informally participated in the Fund. This was the case in the municipality of Leticia in the Amazon region and in Apartado in Antioquia.

Without a doubt, the most relevant impact from the implementation of the Fund was the contribution to the reduction in the rates of unemployment and the rates of informal labor. Even though it could be deduced that the impact was marginal if taking into account the rates as absolute values, the Fund demonstrated itself to be an

effective barrier mitigation tool for gaining access to the labor market if you keep in mind that employment procurement reached a rate of 29 percent among the participants.

## **Conclusions**

The creation and launching of the Employment Opportunity Fund in 2016, was a response to the need to improve the processes of insertion for the populations that are traditionally excluded from the market and that, additionally, shall complement the current offer of services of the network of employment centers of the SPE.

In the first implementation exercise, the program set forth 1,632 million COP destined to financing the projects of the Fund, of which 66.1 percent were used to finance projects for mitigating barriers to gain access to job opportunities and the rest, 33.9 percent for the line of strengthening capabilities. Through these resources, 1,774 people from 15 departments of Colombia benefitted. The results of the program have been satisfactory: 538 people have been effectively hired into the formal job market in dignified positions of employment, 1,388 people have been trained in key skills, and 978 in transversal skills, with the resulting improvement in their productive capacity and the generation of income. Beyond these figures, it was demonstrated that the program offers the possibility of improving life conditions for those persons that, due to

their economic and social context, have had few opportunities for personal and professional growth.

Together with the foregoing figures, a scenario was built for carrying out the exercise of identifying the direct benefits and costs of the program. The result of this shows a program in which said benefits compensate more than their cost, which justifies the continuation and strengthening of the program.

This program also allows, through a systematization of the experiences, identification of the good practices and lessons learned that will be taken into account and be applied to the implementation of phase 2 of the program during 2017.



## **Author Bios**

**Jesús Cárdenas, Analyst and researcher Employment without Barriers Project**, is an Economist from the Universidad del Norte in Barranquilla. As a researcher, he has worked on issues related to economic affairs, poverty and inequality, development, and the labor market. Currently, he is carrying out his postgraduate studies by doing a Master's in Economic Sciences at the Universidad Nacional de Colombia and works in the Saldarriaga-Concha Foundation as a project analyst and in the construction of knowledge management documents on the program of Barrier Mitigation to gaining access to the labor market.

**Zaira Campo Arias, Program Coordinator, Employment without Barriers**, is an Economist with a Master's Degree in International Affairs from the Universidad Externado de Colombia in an agreement with Columbia University and Science Po in Paris. She has coordinated projects on income generation with a focus on populations, especially on persons with disabilities in non-profit organizations. Currently she works at the Saldarriaga-Concha Foundation as a program coordinator for the line of income generation.

## **Footnotes**

1. Note that this is based on the hypothesis of the life cycle and assumes a discount rate of 1 over the

period to simplify the formula.

2. According to DANE, poverty is considered to be the households whose income is below \$983.424 Colombian Pesos monthly if they are located in the main cities of the country; \$988.108 if they are heads of households, and \$591.008 if they live in the population centers and rural areas.