



# Effectiveness of Active Labor Market Tools in Conditional Cash Transfers Programs: Evidence for Argentina

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**Summary.** — This paper examines the impact of the program *Seguro de Capacitación y Empleo* (SCE) implemented to provide support in skills upgrading, job seeking, and job placement to eligible beneficiaries of the Argentinian conditional cash transfer program *Plan Jefes*. The SCE is an example of a growing trend observed in Latin America, where labor activation components have been increasingly included into cash transfers programs to support beneficiaries in finding more stable income opportunities. Despite this growing trend, not enough is known regarding the effectiveness of these components, especially on job quality. In this context, this paper sheds light on whether the provision of a comprehensive package of active labor market measures contributes to a successful labor market integration of cash transfers beneficiaries. Taking advantage of the panel structure of the Permanent Household Survey and exploiting the time variation in the assignment of the program as identification strategy, we apply difference-in-difference estimators to measure the impact on a number of labor market indicators. We find that the program affects positively the job quality of participants by increasing the probability of having a formal job and raising hourly wages. Moreover, the intervention is associated with a lower probability of having a low-paid job and working an excessive number of hours. These effects are, however, not homogeneous across all groups of participants. While the program is more successful among the younger beneficiaries, it does not contribute to an improvement in the labor market conditions of female beneficiaries, who in fact are the majority of SCE participants. Our results suggest that reducing dependency on monetary transfers through programs, such as the SCE, that are rich in activation components is beneficial for participants' labor market trajectories and therefore, it constitutes a satisfactory exit strategy to more universal cash transfer programs.  
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**Key words** — active labor market policies, job quality, impact evaluation, Argentina, Latin America, conditional cash transfer programs

## 1. INTRODUCTION

By late 2004, the economic recovery from the crisis that affected Argentina at the end of 2001 had become manifest. Indeed, in 2004, GDP grew at an annual rate of 8.9%, more than 413,000 people found a job and the poverty rate was 18.6 percentage points lower than in 2002.<sup>1</sup> The country faced a new reality, which required different policy responses more adapted to the changing circumstances. It was in this context that the Unemployed Heads of Household Program (*Plan Jefes y Jefas de Hogar Desocupados* or *Plan Jefes*), a conditional cash transfer program launched in May 2002 as the main measure to provide income support during the 2001–02 crisis, was reformed to give way to new programs designed to respond better to the new realities of the country. As a result, the Training and Employment Insurance (*Seguro de Capacitación y Empleo*, SCE) program was implemented in April 2006 to provide support in skills upgrading, vocational training, job seeking, and job placement to the eligible participants of *Plan Jefes*.

The SCE is an example of a growing trend observed in Latin America, where labor market activation components<sup>2</sup> are increasingly included in the conditional cash transfers programs (CCTs) operating in the region. In general, these employment-related services have been provided either directly by the CCT programs themselves or indirectly by facilitating the access to other programs that include a labor market activation component, as it is in the case of the SCE (Cecchini & Madariaga, 2011). These interventions are based on the premise that, despite the crucial role of CCT programs in providing income support during periods of economic instability, monetary transfers alone are not enough to reduce poverty in a sustainable manner.

While CCTs have constituted a fundamental element of the policy development strategy to reduce poverty and inequality in many developing countries over the past decades (Stampini & Tornarolli, 2012), their contribution to addressing other persisting social challenges, such as the lack of decent work opportunities and the high incidence of informality, has not been clear-cut. Governments in developing and emerging countries are therefore left with the pressing challenge of rethinking and redesigning their social policies with views to addressing these unresolved structural challenges, which are also crucial to ensuring a sustainable development

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path. In this context, many governments in Latin America have embraced a policy change toward combining income support with active labor market policies (ALMPs) as a means to address a wider range of labor market and social challenges.

Proponents of this policy approach argue that activation measures can complement income support programs by supplying individuals with the tools necessary to find more autonomous and sustainable income generation opportunities. In addition, CCT programs, as well as other non-contributory initiatives, provide an outstanding channel for the articulation of these labor market measures (ILO, 2016; OAS/ECLAC/ILO, 2010). However, a key question that remains unanswered is how successful these activation measures are in increasing the probability of participants of finding a good quality job; or, in other words, how effective this change in the policy development approach towards the use of activation components is.

Indeed, despite this growing trend toward a greater use of activation mechanisms, the empirical evidence on the effectiveness of active labor market interventions as tools to improve the labor market trajectories and, in turn, the living standards of beneficiaries of CCT programs operating in Latin America is scarce. Some exceptions include Galasso, Ravallion, and Salvia (2004) who analyzed whether providing a wage subsidy and specialized training to beneficiaries of the Argentinean workfare program “Trabajar”<sup>3</sup> was effective; and Almeida and Galasso (2010) who evaluated the effects of a self-employment program offered to Argentina’s *Plan Jefes* beneficiaries. Our paper aims to contribute to closing this gap in the literature. We focus on the effects of the SCE in increasing employability and work quality of former *Plan Jefes*’ participants, therefore assessing whether the SCE constitutes a satisfactory exit strategy to more universal CCTs. While the literature has often focused on the effect of ALMPs on employment creation, this paper also looks at the job quality effects of the program. The SCE is particularly interesting in this regard since it is a comprehensive program with a panoply of different activation instruments such as: (i) assistance for the completion of primary and secondary education; (ii) vocational training and apprenticeships; (iii) labor intermediation services; (iv) employment subsidies; and (v) promotion of self-employment and microbusinesses. Importantly, to the best of our knowledge, this is the first attempt to evaluate whether the provision of a comprehensive package of active labor market measures contributes to a successful and sustained labor market integration of CCT beneficiaries. In addition, although a body of research exists on the effects of other Argentinian programs such as *Trabajar* (Jalan & Ravallion, 2003), *Plan Jefes* (Galasso & Ravallion, 2004), and *Microemprendimientos Productivos* (Almeida & Galasso, 2010), to our knowledge, this is the first attempt to analyze the impact of the SCE at the country level.

From the theoretical perspective, the effectiveness of active labor market interventions as a policy strategy to enable CCT beneficiaries to exit non-contributory programs relies on two main conditions: (i) the willingness of CCT beneficiaries to participate in these employment-related programs; and (ii) the capacity of the active labor market measures to effectively improve the employment prospects of participants. Empirically, however, very little is known about the drivers of take-up (i.e., first condition) or the characteristics that would make some CCT beneficiaries more prone to participate in an active labor market program (as well as how those characteristics might affect outcomes). Meanwhile, the empirical evidence on the effectiveness of these active labor market interventions in emerging and developing economies (i.e., sec-

ond condition), and more specifically in Latin America, has been contentious, particularly for some types of activation measures.<sup>4</sup>

On the one side of the spectrum, there seems to be a consensus in the literature on the role of vocational training and other skill development measures in fostering more successful labor market trajectories and higher wages. For example, evaluations of vocational training programs have identified an increasing effect on formal employment and income earned in some Latin American countries (Attanasio, Kugler, & Meghir, 2011; Galdo & Chong, 2012; Ibararán & Rosas-Shady, 2009), as well as on the diversification of household incomes, such as in the case of a program implemented in Bhutan (Chun & Watanabe, 2012). Likewise, measures that promote the completion of studies are associated with initially large earnings effects (Stenberg & Westerlund, 2015), but also with additional positive indirect effects, as they enable beneficiaries to make the most of other activation instruments (Saha & Sarkar, 1999). Finally, employment subsidies and self-employment and micro-enterprise creation programs have been found to be effective both by increasing the probability of employment—see, for instance, Almeida and Galasso (2010) and Klinger and Schündeln (2011) for studies in Latin America—and improving incomes, thus promoting social stability, as shown by the impact evaluation of an Ugandan program (Blattman, Fiala, & Martinez, 2014). However, given the shortage of impact evaluation studies on these types of measures, conclusions cannot be generalized. Conversely, studies have been more critical on the effectiveness of job-search assistance, especially in Latin America where a high share of the hiring is done using informal mechanisms, such as recommendations and personal contacts (OAS/ECLAC/ILO, 2010). Although again, very little is known in the region regarding the effectiveness of labor intermediation services. Moreover, some studies alert about the temporary nature of the ALMPs’ effects, pointing to a greater effectiveness of these types of programs on the very short term, which in some cases can be explained by the fact that effects may fade out over time—see, for instance, Kluge (2016) for evidence for Latin America and Hirshleifer, McKenzie, Almeida, and Ridao-Cano (2015) for the specific case of a program in Turkey. Therefore, whether the provision of a comprehensive package of active labor market measures would contribute to a successful and sustained labor market integration of CCT beneficiaries, remains an unanswered question that this paper aims to tackle.

Regarding the empirical strategy, this paper takes advantage of the fact that the transfer from *Plan Jefes* to other programs was gradual and therefore, between the second quarter of 2006 and the third quarter of 2010, there were participants in *Plan Jefes* who met the requirements to be beneficiaries of the SCE but had not yet been transferred to the new program. This variation in the timing of the implementation of the program provides a potential robust identification strategy to assess the causal effect of the SCE on labor market outcomes of *Plan Jefes*’ beneficiaries. In particular, the comparison group for this evaluation consists of *Plan Jefes*’ participants who had not yet been transferred to other programs during the period when *Plan Jefes* was operating along with other interventions. An important methodological concern is that the transition from *Plan Jefes* to the SCE was voluntary and that this decision may not be orthogonal to observable and unobservable factors that may also have an impact on labor market outcomes. The evaluation has been carried out by means of a difference-in-difference approach using data from the Permanent Household Survey, which allows for comparing outcomes between participants and non-participants at two different moments in time

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