



PERU

SPECIAL LABOUR RETRAINING PROGRAMME

REVALORA PERÚ

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Following a period of major growth in the Peruvian economy, which had a positive effect on demand for employment, the present economic crisis presents a new context characterized by loss of jobs in specific sectors. The fall in prices and in the demand for metals, raw materials, and garments have had a negative effect on employment at export companies based in the main coastal cities. In addition, such sectors as construction and urban activities in trade and services are experiencing sustained growth of employment. As a result, the Peruvian Government designed the *Revalora Perú* Programme (Re-value Peru) aiming to mitigate the impact of the crisis on employment. The programme comprises a job-retraining strategy focusing on unemployed workers in the most severely affected sectors, so that, on the basis of their skills and training, they may be relocated and placed in sectors not affected by the crisis. Thus the Programme not only curbs rising unemployment and facilitates rehiring of displaced workers, but also responds to employment demand in emerging sectors.

1. Introduction

To date, the effect of the global economic crisis on the formal labour market in Peru has been mild, and restricted to specific sectors and geographic areas. The rate of unemployment in Metropolitan Lima rose only from 7.9% to 8.5% in April-June 2008 and 2009. The impact of the employment crisis has focused mainly on export companies linked to the agribusiness, textile, forestry, mining, and manufacturing sectors mostly located in cities along the coast. In other sectors, e.g. construction and urban activities in trade and services, employment continues to rise.

According to most recent figures –May 2009– the annual employment level increase in companies of 10 or more workers in urban Peru was 1.1%. Employment in formal trade continued to expand as a result of sector behaviour in trade (5.8%), services (5.7%), and transport, storage, and communications (4.6%). On the other hand, negative employment figures were registered in the extractive industry (-3.4%) and manufacturing (-7.5%) (See Table 1). In turn, the monthly employment level increase in urban Peru in May was 0.6% over April; 2.5% for other urban areas, and nil for Metropolitan Lima (0.0%). The positive monthly employment level was due to services (1.9%), extractive industry (1.1%), and manufacturing (0.2%). Other sectors including transport, storage, and communications, and trade fell by -0.8% and -0.7% respectively.²

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2 Results of the National Survey of Monthly Variation in Urban Employment covering organisations with 10 or more workers, conducted by the Ministry of Labour and Promotion of Employment. Monthly Statistics Report 156, PEEL, May 2009. See data broken down by branches and cities at: www.mintra.gob.pe/peel/publicaciones/iem/IEM_156.pdf

Table 1
Urban Peru: Change in employment level by size of enterprise
and economic sector, May 2009
(in percentage)

Economic sector	Size of enterprise		
	10 and more workers ^{b/}	10-49 workers	50 + workers
Total	1.1	2.9	0.4
Extractive industries (agriculture, fisheries, mining)	-3.4	6.5	-4.9
Manufacturing	-7.5	-1.7	-8.9
Trade	5.8	4.7	6.6
Transport, storage, and communications ^{a/}	4.6	-1.4	7.9
Services	5.7	4.7	6.0

Source: MTPE, PEEL, 156 Monthly Statistics Report, May 2009

Notes: Data for the first day of each month. Annual employment level change refers to percentage change for January 2009 in respect of the same month of the previous year

a/ Services sector includes subsectors for services provided to business, restaurants and hotels, financial institutions, teaching, social and community services; and gas, electric power, and water

b/ Includes groups of companies with 10 - 49 and 50 workers or over

Employment in private construction companies increased by 2.8% in April 2009 by comparison with April 2008. This was due to works executed in Metropolitan Lima (6.0%), whereas in the rest of the country employment in this sector fell (-0.5%). Furthermore, the monthly change in employment level in April 2009 compared with March of this year was 2.2%, negative for works in Metropolitan Lima (-0.4%), while the rest of the country recorded an increase of 5.1%.³

In this context, the *Revalora Perú* Programme was conceived and devised to relocate workers displaced from sectors where formal employment, on account of dwindling exports, would be limited to other sectors responding to domestic demand, including public investment, and where output and employment continue to grow. The Programme is part of the Economic Stimulus Plan launched by the Peruvian Government in January 2009.

2. Programme description

The Government officialised the norm creating the *Programa Especial de Reconversión Laboral* (Special Job Retraining Programme) in February 2009.⁴ Under a summary decree, included in the Seventh Group of Measures to promote employment and investment, the Ministry of Economy and Finance (*Ministerio de Economía y Finanzas – MEF*) was instructed to make a deposit in the amount of 100 million soles to fund it (approximately 33 million USD).

These Treasury funds are part of the Government's Economic Stimulus Plan -also known as the Anti-crisis Plan- which provides for training in construction and other sectors for workers who will be most badly hit by the crisis. During the first stage close to 20,000 workers would be retrained at a cost of S/. 30 million (10 million USD).

Aims

The aim of the *Revalora Perú* Programme is to develop a preventive strategy to protect worker employability at enterprises likely to be affected by the impact of international economic crisis.

³ MTPE, PEEL, Monthly Employment Survey of the Construction Sector, April 2009. See results in Monthly Statistics Report 156.

⁴ Supreme Decree creating the Special Job Retraining Programme (*Programa Especial de Reconversión Laboral – PERLAB*) also known as the *Revalora Perú* Programme, Supreme Decree N° 001-2009-TR, Diario Oficial El Peruano, February 12th 2009, p. 15.

Programme characteristics

The Programme provides three services: a) Job training or training for self-employment; b) Connecting the beneficiaries to organizations in need of staff; c) Technical assistance for medium- and small-scale enterprises in the process of retraining their productive labour.

Beneficiaries

According to reports on unemployed persons as of August 1st 2008, a target was set to benefit 17, 800 persons in June-December 2009, covering 15 priority regions, namely Ancash, Arequipa, Cajamarca, Callao, Cusco, Ica, Junín, La Libertad, Lambayeque, Lima, Loreto, Piura, Pasco, Puno, and Ucayali. The Programme was therefore submitted to the Regional Labour and Employment Directors and the Economic Development Managers in the regions where this important service will first operate.

The Technical Assistance component for organisations will be executed via *FONDOEMPLEO*, in the amount of 11 million soles (3.7 million USD) from August 2009.⁵ Technical assistance will be provided for retraining, in the framework of *Revalora Perú*, to formal enterprises most vulnerable to economic slowdown.

Requirements

To benefit from the Programme under the first two services –training and placement– a worker shall have lost his or her job as of January 2008 at any enterprise in the private sector. For this purpose, the worker shall have worked for the enterprise, continuously or intermittently, for at least one month. Given that the programme focuses on geographic areas most affected, the workplace to which the worker belonged shall be located in any of the priority regions. Aiming to reach the neediest workers, preference is given to workers with one or more dependents. Finally, workers need to be able to show their Payment Slip or Receipt for Wages.

As training is totally free of charge, during the period while workers attend the retraining programme –at courses of 3 to 6 weeks' duration– they receive no subsistence allowance.

At the start of the Programme, the Minister of Labour stated that it was intended for persons who, having worked at enterprises in the agribusiness, textile, forestry, mining, or industrial sectors, and because of the international economic crisis were jobless since January 1st 2008. However, in the following months access was to be extended to workers in other sectors of the economy who could show a drop in employment level as a result of the crisis.

Institutional framework

Revalora Perú is a programme of the Ministry of Labour and Employment Promotion, implemented through a number of training institutions such as the National Department for Training in Industrial Work (*Servicio Nacional de Adiestramiento en Trabajo Industrial - SENATI*), the National Training Department for the Construction Industry (*Servicio Nacional de Capacitación para la Industria en la Construcción - SENCICO*), and the Tourism Training Centre (*Centro de Formación en Turismo - CENFOTUR*). In addition, the Programme will operate with support from the Labour Exchange in the Ministry of Labour and Promotion of Employment, and the Private Exchanges and Labour Exchanges in the training departments themselves, in order to connect workers with organisations requiring personnel.

3. Outcomes/assessment

Owing to the recent implementation of the Programme, no assessment of impact or results is available; however, a brief report may be made of initial Programme activities.

Registration for training under the *Revalora Perú* Programme began in May, with currently 1,500 persons registered. A first group of 200 beneficiaries received instruction for one-and-a-half months in specialized technical fields for which there is a demand. Part of the training will focus on wiring, plumbing, and reading blueprints. These short free courses are the result of an agreement executed by the Ministry of Labour and SENCICO. At the end

⁵ Management of this component was entrusted to FONDOEMPLEO, an agency created by law and chaired by the Vice-Minister for Promotion of Employment; and summons for management, see: www.fondoempleo.com.pe/reconversion.html

of the instruction and training phase, Programme beneficiaries will receive a certificate and will be registered in the SENCICO Labour Exchange to expedite their insertion in the labour market. The experience is expected to cause a chain effect in Lima and the other regions.

The first free courses on Housekeeping were also started at CENFOTUR, where most of the 50 beneficiaries involved are workers from the textile sector. A course on Basic Techniques for Restaurant Services will also be offered at CENFOTUR, institution which lately entered into an Inter-Institutional Cooperation Agreement with *Revalora Perú* aiming to provide decided support to the labour retraining process in Peru.

Most of the persons registered had fixed-term contracts (48.4%) and open-ended contracts (34.8%). Of the registered beneficiaries, 82.8% are men and 17.2% are women.

A well-executed job retraining programme, whether in its classic form intended to support retraining for production or, as in the present case, to support transfer of workers among sectors and branches, must help to reduce unemployment created by reduced activity in the export sector. Official announcements should be issued in areas where there are lay-offs, information should be sought on possible openings (vacancies) in sectors and organisations where employment is on the rise, e.g. building construction, trade, and services, and redundant workers trained for such new jobs.

In a crisis situation, job retraining is an effective option to cushion effects on employment, which has worked before in Peru, at times of industrial restructuring or privatization of companies. Such strategies pursue the return to the labour market of workers having a particular skill who are nonetheless prevented from continuing to practice it because of external factors, and lack the options to remain in the job market given their occupational profile.

In the Region and in Peru there are precedents of job retraining programmes with mixed results, generally with low coverage of relocated workers. In Peru, there was the successful relocation of motor industry workers to vehicle repair and maintenance shops when the number of assembly plants was reduced in the 70's, which was conducted by the Ministry of Labour; and the Job Retraining Programme COPRI-BID-ESAN in 1996-1997, for workers from state-owned companies that were privatized; it was funded by the IDB and executed by the School of Business Administration (*Escuela de Administración de Negocios – ESAN*) and NGOs specializing in the labour sector, where coverage was low by comparison with the amount of funds allocated.⁶

For a review of Job-Retraining Programmes in the Region see Raimundo Soto, *Políticas de fomento empresarial y reconversión laboral: Experiencias internacionales (Uruguay, Colombia, Peru y Chile)*, Research Paper N° 109, Graduate Programme in Economics, ILADES/Georgetown University, December 1997. Other experiences are also documented at ILO CINTERFOR, both for the Region and for Andean countries.⁷

6 For a summary of this last Programme, see Verdara, F., "Programas de empleo e ingresos en Perú", in IDB-ILO, *Programas de empleo e ingresos en América Latina y el Caribe*, ILO, Lima, 1998, pp. 326-328.

7 See ILO-CINTERFOR website, among others, the paper by the ILO-Government of Spain Project, *Diálogo Social y Reconversión y Capacitación Laboral para los Países Andinos (1996)*, with an account of experiences in the 1990s. See page: http://www.oitcinterfor.org/public/spanish/region/ampro/cinterfor/temas/worker/doc/otros/vii/i_b.htm