

PUBLIC EMPLOYMENT SERVICES IN LATIN AMERICA AND THE CARIBBEAN



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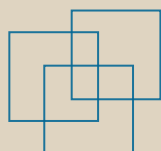
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Nicaragua

Main characteristics and challenges¹

• Labour market and employment situation

Nicaragua is ranked as the second poorest country in Latin America. In the aftermath of the global economic and financial crisis of 2008-09, economic growth has accelerated, resulting in a progressive recovery of employment in sectors such as services, trade and manufacturing in export zones.²

¹ 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.

² Disciplined macroeconomic policies have helped maintaining economic stability with GDP growth of 4.6 per cent in 2014 (BCN, 2014).

From 2010-2013, unemployment rate decreased from 9.3 per cent to 6.7 per cent (MTSS, 2013). However, in the case of Nicaragua, unemployment rates need to be considered against the high level of informality prevailing in the country, which was estimated to be nearly two thirds of the labour force.

While poverty reduction continues to be a national priority, particularly in rural areas where 80 per cent of the poorest live and work, the overall economic and political stability has allowed policy makers to also focus on employment and labour market strategies (World Bank, 2013). A change in the demographic composition of the labour force is expected over the coming years, with people of working age forming an increasing proportion of the total population (Government of Nicaragua, 2012). This represents an opportunity for the country to enhance the skills of its labour force, particularly those of young people and new entrants to the labour market. Further consolidation efforts will therefore become necessary in the future to reduce poverty, to strengthen the economy and to improve labour force employability.

- **A national strategy for improving employability and quality of work**

Developing the employability of the labour force is seen by the Nicaraguan Government as a strategy to boost productivity, raise incomes and reduce overall poverty. This strategy is encapsulated in the National Plan for Decent Work 2013-16 (Plan Nacional de Empleo Digno), which commissions the Ministry of Labour (Ministerio del Trabajo, MITRAB) to implement the National Job Placement Programme (Programa Nacional de Inserción Laboral). This programme's main objective is to increase labour market access by scaling up publicly funded employment services and active labour market programmes (ALMPs), including job training. Over the past five years, also, awareness of the need to develop institutional capacities to increase labour market access has seen the gradual

rehabilitation of the Nicaraguan public employment service (Servicio Público de Empleo, SEPEM).

- **Challenges in the employment and policy environment**

Given the limited ability of the economy to support the expansion of job creation in the formal economy, Nicaragua faces the following challenges in realizing the potential of SEPEM:

- a labour force with low levels of educational attainment;³
- persistently high rates of informal employment (75.7 per cent) and underemployment (53.7 per cent);⁴
- high unemployment rates for people educated to secondary (10.2 per cent) and tertiary (12.0 per cent) level.⁵

SEPEM is on the frontline in the effort of improving labour market integration and job placement. Nicaraguan jobseekers often require an intensive level of support that necessarily involves provision of both core and complementary services, including referral to employment support programmes. The outcomes of the SEPEM's work are largely determined by prevailing country circumstances, especially the limited capacity of the economy to create quality employment. In 2013, for instance, MITRAB estimated that the private sector had capacity to absorb only 44.4 per cent of total labour supply (MITRAB, 2013). Additionally, the lack of an overarching national employment policy inhibits the establishment of strategic connections between policies aiming at job creation, skills development and other labour market intervention mechanisms, including employment services.

3 Nicaragua has one of the lowest education levels in Latin America and Central America. It is estimated that it might take 23 years to reach a stage at which at least 50 per cent of the population are educated to completion of secondary level or above (Gutierrez, Paci and Ranzani, 2008).

4 Data for 2010 (ILO, 2012).

5 Data for 2012 (ILO, 2013).



<https://nicaragua.uct2013e.wordpress.com>

- **Employment services limited by funding constraints**

SEPEM runs a central employment service office in Managua, where a full range of employment services is delivered. Regional contact points are hosted by the MITRAB's departmental offices, located in 14 of the 16 country's administrative departments. These contact point offices act as a gateway for jobseekers and employers to basic levels of employment services, such as job information and job matching. Counselling services and referral to employment promotion programmes are delivered in only a third of the departmental offices and in some municipalities in which the MITRAB is present. Self-service facilities, accessed by telephone and internet, are yet to be introduced. In the future, these will contribute to expanding the scope of service delivery and dissemination of labour market information at the local level.

To date, the SEPEM remains a small-scale operation. Full implementation of a decentralized network of employment offices has been limited by budgetary constraints. Jobseekers are basically served through group-based activities at SEPEM premises. All contact points for employment services are staffed at least with one employment analyst, who is administratively attached to a MITRAB branch office. In practice,

employment analysts working full-time for SEPEM usually spend 30 per cent or more of their time on other activities for MITRAB's directorates. Despite a staff shortage, the majority of front-line officials hold a first degree or higher academic qualification in a discipline relevant to the provision of employment services. This has helped the management to overcome day-to-day gaps in operational capacity and significantly raise the number of jobseekers served. During the last five years, the SEPEM successfully placed five times more people than the total number of registered jobseekers ten years ago. Nevertheless, lack of funding continues to delay the transformation of the existing regional contact points into adequately equipped and staffed local employment offices. In 2013, SEPEM organized the First Employment Services Meeting in collaboration with local stakeholders and private employment agencies with the purpose of starting a partnership that enables a common employment service network (ILO, 2015). Moreover, the recent creation of national labour councils may open up the possibility of SEPEM's activities being linked with regional and local development projects carried out with other stakeholders (e.g. employers' associations, vocational training providers and not-for-profit organizations), creating synergies that will enable job placement rates to be increased.

Active labour market programmes

The MITRAB's overall capacities for implementation of ALMPs are weak. The programmes that have been implemented include employment promotion for socially disadvantaged youth, first job initiatives and self-employment schemes. Interventions are usually small in scale and focus on population groups facing particular problems in finding and keeping formal employment. Given the small number of beneficiaries, the overall impact of these measures remains low. For example, the internship programme (Programa de Inserción Inicial Laboral), designed for young graduates entering the labour market for the first time, serves an average of 30 recent graduates a year. Similarly, the self-employment programme (Programa de Autoempleo) provides approximately 100 candidates a year with tools or equipment to start up businesses (MHCP, 2012).

The sustainability of ALMPs is a challenge, as these are not funded on a regular basis but generally supported on a provisional basis by international development agencies. Nonetheless, international development programmes, emphasizing country ownership of such schemes, have provided the SEPEM with technical assistance in capacity building at the local level. For example, the Joint Programme on Youth, Employment and Migration 2009-13 (Programa Conjunto Juventud, Empleo y Migración) set out as a primary objective to improve job opportunities for jobseekers aged 15-24 from urban and rural marginalized areas.⁶ Capacity building under this joint programme included the creation of new contact point offices in selected municipalities and staff training. Through the programme, the SEPEM delivered jobsearch and career counselling services to the target population and also helped beneficiaries to access training for entrepreneurship. The joint programme served 2,328 participants, of whom 1,706 started their own businesses, 221 benefited from jobsearch workshops and 22 were placed in internships with local enterprises (F-ODM, 2013).

Effectively improving employability through the provision of jobsearch and counselling services also involves mentoring targeted groups before, during

and after their participation in ALMPs. The limited staffing capacity available to the SEPEM constrains its ability to ensure the provision of both employment services and ALMPs. In addition, coordination between the two areas of work has not been formally established. For example, the National Technological Institute (Instituto Nacional Tecnológico, INATEC), the national authority responsible for organizing vocational training and retraining, is attached to the MITRAB, but no formal collaboration protocol with the SEPEM has been established to ensure that the respective efforts of the two bodies are well coordinated.

The allocation of adequate funds is another crucial dimension to efficient implementation of ALMPs. In 2013, expenditure on ALMPs represented 4 per cent of the total budget of the Ministry of Labour, one of the lowest allocations accorded to any government agency in the country.⁷ Nevertheless, yearly budgetary provisions since 2001 have increased the funding available for ALMPs, and allocations projected for 2015 have increased by 26 per cent (MHCP, 2012). In practice, budgetary allocations from public monies continue to be insufficient to upgrade ALMPs to an adequate level.

⁶ The programme was financed by the Millennium Development Goal Achievement Fund and implemented in partnership with a number of national government agencies, including the MITRAB and the SEPEM.

⁷ The total budget of the Ministry of Labour in 2013 was 59.3 million cordobas (US\$ 2.3 million) (MHCO, 2012). Exchange rate: Nicaraguan Central Bank, 8 Apr. 2014.

Job-matching, placement and activation strategies

Jobseekers and employers in Nicaragua rely heavily on social networks to find jobs and candidates respectively. Nevertheless, the gradual rehabilitation of the SEPEM that began in 2009 has yielded positive results, with increasing numbers of jobseekers served and placed. It is estimated that the SEPEM now assists 0.2 per cent of the economically active population, placing in a job 30 per cent of the annually registered jobseekers (MITRAB, 2013). Considering the budgetary and staff constraints under which it operates, SEPEM's efficiency in job placement is high compared to the number of job vacancies and jobseekers registered, with 80 per cent of the SEPEM's registered job vacancies having been filled (Arroyo, 2012). The central office in Managua processes only a fifth of the total placements. Thus, the contribution of regional contact points is significant and can be as high as 15 per cent of total placements in a region.

The introduction of software for automated job matching (SISEPEM) has contributed to more efficient processes for selecting vacancies and candidates, although access to it is as yet restricted to employment analysts. Although a framework has been developed for setting up an online job portal, SEPEM's efforts will continue to focus on expanding counselling and referral of jobseekers to job-training and self-employment initiatives. The decision to give priority to strengthening the provision of these services reflects the fact that jobseekers using SEPEM's services benefit most from the jobsearch and counselling services provided directly by employment counsellors. The majority of SEPEM's clients are educated to lower

secondary level and tend to use assisted jobsearch rather than self-service facilities (MITRAB, 2011). Recent graduates from professional and vocational centres seeking work for the first time are the main users of SEPEM's job information and counselling services.⁸ The expansion of counselling services will also increase awareness of their availability, especially among women, and thereby encourage women to enter training and employment in occupations where female representation has hitherto been low. Currently, men represent the majority of SEPEM's clients and account for 70 per cent of registered jobseekers, while 60 per cent of employers registering job vacancies with the employment service are explicitly



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⁸ Nonetheless, the overall number of young graduates served by the SEPEM remains limited. According to a survey conducted by the United Nations Development Programme (UNDP) in 2010, nearly 80 per cent of young people had gained their first jobs through the use of family and social networks; only 1.3 per cent had used the public employment service (Metzner and Muñoz, 2012).

seeking male candidates. For example, positions in heavy industry construction (sectors traditionally dominated by men) make up 59 per cent of SEPEM's vacancies (MITRAB, 2011).

Most job vacancies registered by SEPEM offer short-term contracts and are concentrated in the services sector. Small and medium-sized enterprises represent nearly 70 per cent of all business activity in the country (MITRAB, 2013). The erroneous perception that public employment services are provided by staff who also perform labour inspections or assess compliance with labour standards tasks inhibits some employers from engaging with employment analysts, thus limiting the numbers of employers the latter reach. This indicates a paramount need to clearly delineate SEPEM's institutional identity in order to enable it to build trust and establish partnerships with more enterprises. Employers that have used SEPEM's services generally show a high level of satisfaction. However, they have voiced a need for more accurate pre-screening processes and improved capacity to respond to demand for candidates with tertiary education in occupations experiencing a shortage (Arroyo, 2012). Since 2012, SEPEM regularly organizes meetings with local employers to promote

employment services and to provide information on a number of thematic areas, for instance, good recruitment practices and gender equality, as well as the employers' obligations and worker's rights, particularly, regarding health and safety at work and social security obligations. From 2012-2014, SEPEM organized 11 meetings that were attended by 388 employers from various sectors, including hotels and restaurants, industry and manufacturing, trade and self-services, telecommunications and insurances (ILO, 2015).

Currently, there is a lack of connection between SEPEM and the Labour Market Observatory, but there are plans to address this disjunction by using a common methodology for collecting and processing information produced by the employment offices. Steps taken in this direction include the establishment of a reduced number of indicators for monitoring compliance with centrally set goals. Efforts to increase the number of job vacancies registered by SEPEM include collaboration agreements with 57 municipal governments. However, lack of political will and weak implementation mechanisms have to date prevented these agreements from becoming fully operational.

Regulation of private employment agencies

The Ministerial Agreement No. JCHG-004-04-07 of 25 April 2007 sets out the regulatory framework governing the operation of private employment agencies and limits their operation to services for bringing together vacancies and jobseekers without becoming a party to an employment contract. Those agencies whose services also include placing Nicaraguan workers in jobs abroad require a special licence. Job placement services can be provided by not-for-profit organizations and fee-charging agencies. However, in accordance with the principle of free provision, private employment agencies are not allowed to charge fees to jobseekers, either directly or indirectly. The MITRAB is responsible for granting authorizations and monitoring the operations of private employment agencies. In 2013, 20 agencies were registered on the MITRAB's public database (MITRAB, 2013).

Subcontracting labour and the activity of private employment agencies placing workers with a user enterprise are regulated by the Labour Code (sections 9 and 11). Currently, the Labour Code imposes primary liability on subcontractors⁹ but not on agencies placing workers with user enterprises. The majority of

private employment agencies in the country provide placement services mainly to domestic workers, and also to smaller numbers of professional workers. Given that private employment agencies have spread rapidly in Nicaragua, the MITRAB plans to extend protection against abuses and fraudulent practices

⁹ Secondary liability is imposed only on contractors in the construction sector in respect of occupational accidents or illness.

by private employment agencies placing workers with user enterprises in all sectors.

In 2009, the Ministry prepared a draft bill introducing the concept of joint liability for private employment agencies and user enterprises (Asamblea Nacional, 2009). The bill also establishes mutual responsibility in relation to payment of wages, statutory social security benefits and compensation of workers in case of insolvency. Basically, the legislation will provide for protection of workers and increased transparency in the labour market by codifying the different levels of responsibility borne by private employment agencies and user enterprises. Enactment of the bill is still pending. Misperceptions that the bill imposes double liability on user enterprises have delayed the approval process.

In 2013, Nicaragua ratified the Domestic Workers Convention, 2011 (No. 189), which provides

for the protection of domestic workers, including migrant domestic workers and those recruited or placed by private employment agencies, against abusive practices. Ratifying countries are required to regulate private employment agencies that recruit and employ domestic workers, to establish the obligations of agencies, to set up mechanisms for investigation of complaints and penalties for violations, and to promote bilateral or multilateral cooperation agreements. The Private Employment Agencies Convention, 1997 (No. 181), provides a comprehensive framework for regulating the operation of private providers of employment services. This instrument is closely linked to the Employment Services Convention, 1948 (No. 88), which Nicaragua ratified in 1981. Therefore, reaching consensus through productive dialogue among social partners will facilitate the legislative reform to protect workers' rights while ensuring that employers have the flexibility they need.

ANNEX

MILESTONES IN THE INSTITUTIONAL EVOLUTION OF PUBLIC EMPLOYMENT SERVICES IN NICARAGUA

1981	Employment Directorate created ^{a/} Employment Services Convention, 1948 (No. 88) ratified ^{b/}
1982-83	National Employment Service established
1985	Network of regional employment offices expanded and decentralized
1991	National Technological Institute (INATEC) ^{c/}
1997	Private employment agencies authorized to operate ^{d/}
2002	Public employment service strengthened and expanded Job electronic database launched
2007	Regulations on private employment agencies enacted ^{e/}
2012	Regular working meetings between SEPEM and employers introduced
2013	First employment service meeting between SEPEM, local stakeholders and private employment agencies organized

a/ Decree No. 827 of 28 September 1981 and corresponding organic rules of 1982.

b/ Official Gazette No. 111 of 23 May 1981.

c/ Decree No. 3-91 of 10 January 1991.

d/ Resolution of the Ministry of Labour of 21 October 1997.

e/ Ministerial Agreement No. JCHG-004-04-07 of 25 April 2007.

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