

PUBLIC EMPLOYMENT SERVICES IN LATIN AMERICA AND THE CARIBBEAN



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Contents

Main features and challenges

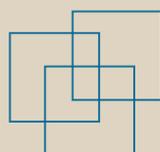
Active labour market programmes

Job-matching, placement and
activation strategies

Regulation of private employment
agencies

Annex: Milestones in the institutional
evolution of public employment
services in Ecuador

Bibliography



Ecuador

Main features and challenges¹

- Labour market and employment situation

Since the constitutional reform of 2008 Ecuador has established a more stable and predictable political system and is now one of the world's middle-income economies. The adoption of fiscal and monetary reforms associated with the dollarization of the economy in 2000 boosted GDP growth, which shifted from negative levels in the mid-1990s to annual averages of around

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 ILO Decent Work Team and Country Office for the South Cone of Latin America. This note was prepared by Zulum Avila, Employment Service Specialist (ILO), with inputs from MT-Ecuador, Julio Gamero and Juan Chacaltana from ILO. The opinions expressed herein are those of the author and do not necessarily represent the views of ILO.

4.5 per cent over the decade to 2014. Positive economic performance has enabled higher levels of investment in social expenditure and contributed to reducing income inequality. Nonetheless, poverty rates remain high and about 35 per cent of the population live in poverty, particularly in rural areas (World Bank, 2015). Since 2007, the central Government has implemented a set of policy measures aimed at improving labour conditions and compliance with labour law, especially regarding working hours and minimum wages. A reduction in informal work was observed in the non-agricultural sectors from 60.9 per cent in 2009 to 50.1 per cent in 2012.² Ecuador has one of the lowest unemployment rates in the region, at 4.47 per cent in June 2015; however, time-related underemployment and the decent work deficit remain high at 13.16 per cent and 49.07 per cent, respectively, in June 2015 (INEC, 2015).

- **A drive towards diversification and a more skill-intensive economy**

Ecuador's economy has traditionally relied on exporting primary products. In recent years economic growth has registered little increase in productivity, with the exception of capital-intensive sectors such as oil and energy. The National Development Plan (2013–17), entitled *Buen vivir*, establishes the double priority of eradicating poverty and transforming the country's productive structure into a diversified and growing economy that will sustain social expenditure levels in the future. This requires the creation of more skill-intensive activities and the raising of productivity levels, posing the further challenge of improving the qualification levels of workers adversely affected by occupational segmentation – notably young people, women, low-skilled employees, people with disabilities and workers from minority ethnic groups.

The Institutional Strategic Plan (2015–18) drawn up by the Ministry of Labour (*Ministerio del Trabajo*, MT) sets out measures designed to eliminate barriers to labour market entry and skills mismatches between jobs available and people looking for work (MT, 2015). The plan also focuses on developing a more practice-oriented vocational education and training system to strengthen the labour supply, particularly in occupational fields such as the health sector and technology engineering, where

enterprises are experiencing difficulty in finding qualified workers. Part of this approach involves improving the transitions between education, training and the labour market. In this context, more effective employment services are needed to help workers prepare for a more skill-intensive working environment.

- **Improving availability of publicly funded employment services**

The Employment Service Network (*Red Socio Empleo*) was created in 2010 on the basis of inclusive activation policies, aimed at achieving more effective delivery of job information and matching services, access to training and retraining, support in acquiring work experience, and referral to related social services or other employability measures. The network has a decentralized structure, with employment centres distributed across the country's provinces. Close cooperation between MT and the provincial governments has facilitated the network's expansion in the past five years to a total of 25 employment centres in 2015: one in each of the 24 provinces, plus a satellite office in Pichincha province. Ecuador has also invested in other channels for accessing employment services, including an online job portal and a toll-free number, both of which provide job information and facilitate registration of jobseekers and vacancies.

² This drop in the proportion of informal labour was more evident in enterprises in the formal sector, where it fell from 20 per cent in 2009 to 14.4 per cent in 2012, than in the informal sector itself. Salaried workers saw improvements in access to social protection, working hours and wages. However, informal employment continues to increase among three categories of workers, which together account for 60 per cent of all informal work: self-employed, domestic and non-paid family workers (ILO, 2014).

As part of the overall effort to modernize the public employment service, the local employment centres were equipped to a uniform standard, set by MT, with funds provided by the provincial governments over the period 2010–15. Following the 2011 reform of public administration in Ecuador and the concomitant programme of professionalization for the public service, designed to establish a merit-based recruitment and career system for public employees, new staff have gradually been recruited and trained. In the course of this process, MT has entered into collaboration agreements with other stakeholders to expand access to and promote the use of employment services: these new partners include the Chamber of Commerce (*Cámara de Comercio*) in Guayaquil and the Chamber of Small and Medium Sized Enterprises (*Cámara de Pequeña y Mediana Empresa*), which currently hosts a satellite employment office in Pichincha province – home to the national capital Quito. The Ecuadorian Centre for Vocational Training (*Servicio Ecuatoriano de Capacitación Profesional*, SECAP) is another important partner of the Employment Service Network that helps to improve workers' employability through a network of ten training centres and mobile units with capacity to serve an average of 2,000 people a year. Training courses are organized in sectors where there is a high demand for workers with medium-level qualifications, including trade, industry, administrative work, services and construction. Graduates from the SECAP are referred to the Employment Service Network for jobsearch support.

In September 2015, MT opened the first employment centre to be located in the same building as SECAP facilities in Cuenca, one of the country's three major cities. This model of joint provision is intended to bridge gaps in service provision and encourage clients to use the services available successively, from job information, jobsearch support and the various types of training to placement and the advisory services on legal labour issues provided by MT's provincial office. The design of the new premises also ensures greater use of services by people with disabilities and employers from the neighbouring industrial park. This more integrated setting for service delivery raised the placement

rate of Cuenca's employment centre to 66 per cent of registered jobseekers up to April 2014.

- **A socially inclusive network of employment services**

A basic level of support is available to all jobseekers and workers interested in improving their skills and employment prospects. Beyond this, with the aim of achieving a fair and inclusive labour market, priority is given to socially disadvantaged youth from low-income households and people with disabilities. Special service protocols and training are also available to domestic workers and labourers in the construction sector and skilled trades. These categories contain high numbers of vulnerable workers, most of whom have migrated from rural and impoverished areas to larger cities in Ecuador; they lack skills, and often face additional problems such as debt and health issues (MT, 2015).

The specific supports provided to these target groups include the certification of skills by SECAP and the issue of a "job card" (*carnet de trabajo*) by the employment centres. The job card is a proof of the holder's identity, qualifications and work experience, and also grants access to job training and complementary supports such as basic health care, legal advice, counselling and social work centres. For its part, SECAP has launched specific short-term training programmes aimed at enhancing basic skills associated with the occupational profile of domestic workers (e.g. cleaning and housekeeping, caring for adults and children, and giving first aid assistance) and construction labourers (e.g. bricklaying, reading blueprints, electricianship and carpentry).

Changing the prevailing recruitment practices for these specific categories of workers is proving challenging, given the high informality and staff turnover rates affecting these sectors. It is estimated that in Ecuador approximately 300,000 people are engaged in domestic work, 95 per cent of whom are women. Since 2008, efforts have been made to enforce employers' compliance with the provisions governing minimum wages and social security benefits for domestic workers. Nevertheless, in

2013, only a quarter of those workers benefited from social security coverage and only two out of five were paid the minimum wage (ILO, 2013).³ A survey administered to domestic workers in the city of Guayaquil in 2014 showed that employers' households were experiencing difficulties in complying with minimum working standards owing to insufficient income or lack of information on how to enrol workers in the social protection mechanisms; in some cases, they preferred to dismiss domestic workers rather than comply with the provisions (CEAP, 2014). This shows that alongside increasing workers' awareness of the supports available it is equally important to raise employers' commitment to observing minimum working standards, for example by offering incentives for compliance.

Construction workers seeking permanent jobs face particular difficulties given the prevalence in the industry of temporary contracts bounded by the duration of a given project. Also, the level of employment in the construction sector is strongly linked to the peaks and troughs of the country's economy. During 2014/15, activity in this sector has contracted and employment levels have fallen correspondingly, prompting increased public invest-

ment in infrastructure and housing to compensate. The Employment Service Network has responded by seeking to place more construction workers in public works and housing projects carried out by municipal governments and the central Government, respectively.

To increase the number and quality of vacancies offered to jobseekers, the network has entered into collaboration agreements with other governmental agencies, including the Ministry of Public Works, the provincial councils and municipalities, the Military Corps of Engineers and the national police force. In general, however, the relationship between the network and employers remains weak, producing few opportunities to place workers (especially those in socially disadvantaged groups) in permanent jobs. Nurturing a more dynamic collaboration and improving the quality of services offered to local employers are areas requiring further development. Improving the methods for extending services to employers implies gaining a better knowledge of employers' needs; to this end, employment counsellors now organize weekly site visits to local enterprises.



³ In 2013, Ecuador ratified the Domestic Workers Convention, 2011 (No. 189).

Active labour market programmes

The unstable domestic political situation that prevailed in the decade prior to the constitutional reform of 2008 weakened long-term policy planning capacities and policy continuity. Despite these constraints, social compensation programmes based on cash transfers were introduced and social protection mechanisms were implemented to reduce poverty and expand access to health, basic education and food programmes. Ecuador is now building on this past experience to promote labour market interventions targeting socially disadvantaged groups through the provision of job training, jobsearch support and micro-enterprise development.

- **Developing institutional capacity for improving the job opportunities of young people**

The Employment Service Network supports this process by delivering programmes targeting young people, because youth unemployment is one of the most critical issues Ecuador faces. In 2014, urban unemployment rates for those aged 15–24 were four times as high (15.2 per cent) as for the population aged 25 and over (3.8 per cent).⁴ Men are more likely than women to be employed; however, men enter the labour market at an earlier age, particularly in rural areas, to the detriment of their education and future job prospects. Young women aged 15–24 are over twice as likely (13.2 per cent) as adult women (5.6 per cent) to be unemployed.⁵

In general, young people aged 15–24 are disadvantaged compared with people aged 25 and over because they have less accumulated work experience and often a lower level of educational attainment. Those who drop out of the education system face particular difficulties in entering the labour market. In particular, since 2005, labour market outcomes have improved for young people aged 25–29, especially for those who have completed tertiary education and who have been absorbed by the public sector (Camacho, 2012). Nonetheless, in general, many young graduates continue to experience difficulties in finding formal employment, and many become trapped in underemployment or informality. Being able to show relevant skills and work experience

is of crucial importance when applying for a job, and this can be especially challenging for young people trying to enter the labour market for the first time. For instance, between 80 and 90 per cent of the enterprises registering vacancies with the Employment Service Network require potential job candidates to have at least 12 months of relevant work experience in that job position.

In order to help this target group gain meaningful work experience and prepare for the modern labour market, MT has introduced the “My First Job” programme (*Mi Primer Empleo*). As of 2015, the Employment Service Network supports this programme by making career guidance and vocational counselling available to participants.

- **The “My First Job” programme (*Mi Primer Empleo*)**

In the second half of 2007, MT introduced the programme “My First Job” (*Mi Primer Empleo*) to facilitate the transition of young graduates from school to work. The programme is aimed at young people aged 18–29 graduating from educational institutions affiliated with the Higher Education Council (*Consejo de Enseñanza Superior*). Young graduates with disabilities are given preferential entrance to the programme. Selected beneficiaries, chosen by the Employment Service Network on the basis of their academic background and the demand from public and private institutions participating

⁴ January–September 2013, urban unemployment rates for 15 countries (ILO, 2014a).

⁵ Figures for 2013 (ILO, 2014b).



www.elciudadano.gob.ec

in the programme, are placed in paid internships in the public and private sectors, giving them the opportunity to gain work experience. The internships have a maximum duration of six months, and participants receive a monthly payment equivalent to 60 per cent of the national minimum wage and access to basic health-care services.

The network delivers job and vocational counselling and organizes induction courses for candidates selected for placement in internships within public institutions. Six months after the launch of the programme, 581 young people were placed in internships. Since then, the number of beneficiaries and employers participating in the programme has gradually expanded and coverage has been extended nationally. As the programme is publicly funded, the number of young people supported each year varies according to annual budgetary allocations.

One of the key elements in the success of the programme has been the increased number of public and private institutions offering internship vacancies. By June 2015, the total number of parti-

cipating employers enabled MT to provide 14,335 young people (of whom 8,295 were women, who make up 58 per cent of all participants) with the opportunity to gain meaningful job experience. All participants attended training sessions on planning for professional development and jobsearching; they were also advised on the importance of taking responsibility for their own personal growth and performance at the workplace, and on how to improve their basic skills in communicating and working in a team.

An internal review of the programme found that 42 per cent of participants were employed after completing their internships: 30 per cent of all those hired were employed in the public sector and 70 per cent in private enterprises. The programme also proved to have a positive impact on encouraging participation of socially disadvantaged groups, including people with disabilities, ethnic minorities, women or men heading poor households, and young people living on the urban periphery or in rural areas where there are few job opportunities in the formal labour market.

Job-matching, placement and activation strategies

In June 2015, the economically active population in Ecuador was 7.43 million, of whom 67 per cent were in urban areas and 33 per cent in rural areas. Those in work meeting the standard defined by the Ecuadorian Government as “quality” employment (*empleo adecuado*) accounted for 45.9 per cent of the total and those in “low-quality” employment (*empleo inadecuado*) for 49.1 per cent. The remaining 5 per cent are classified as in other types of “low-quality” employment (*otro empleo inadecuado*).⁶ The latter category is composed of the time-related underemployed (13.2 per cent), those paid below the minimum wage (27.5 per cent) and those in non-paid work (8.4 per cent). On this basis, 77.7 per cent of workers in the formal sector have “quality” employment, and 62.8 per cent of workers in the informal economy have “low-quality” employment (INEC, 2015).

It is estimated that in June 2015 3.7 per cent of the country’s economically active population was looking for work. Job opportunities are concentrated in labour-intensive sectors: these include agriculture, which employs 26.6 per cent of workers, followed by trade and manufacturing, which employ 18.5 per cent and 11.2 per cent, respectively (INEC, 2015). The Employment Service Network serves all unemployed people who are actively looking for work, with a particular focus on those facing strong barriers to employment; however, the decline in quality employment rates in the past year limits its capacity to expand access to better job opportunities for the unemployed and workers in low-quality employment.

Despite the sluggish employment creation in the formal sector, between 2010 and 2014 the network referred 54,374 people to short-term training and placed 115,243 jobseekers in formal employment. It is noteworthy, though, that 80 per cent of these placements were in the public sector. In 2014, three-fifths of the total vacancies registered were in the public sector or the construction and service sectors.

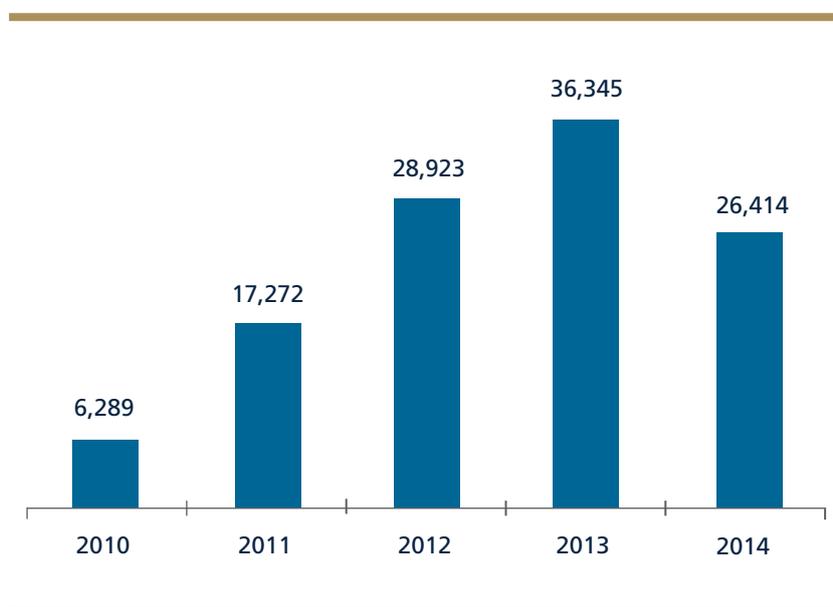
Job fairs have been organized on a regular basis since 2012, offering jobseekers opportunities to meet directly with potential employers, including multinational enterprises. The network has also introduced thematic job fairs targeting specific groups, for example, taxi drivers operating without an official licence, who were affected by changes in public transportation regulations. More recently, events have been organized with a specific focus on introducing new graduates and other young people to training providers and other government agencies delivering support to this constituency.

- **Introduction of automated services to expand provision and improve outcomes**

Jobseekers and employers can access employment services through various channels, including the employment centres, the online job portal and a toll-free number providing information on job vacancies. Currently, the Employment Service Network offers a series of services that clients are offered in a predetermined sequence, including jobsearch support and job information, referral to short-term

⁶ To qualify as “quality employment” (*empleo adecuado*), work must be paid at the minimum wage or above and entail a maximum of 40 working hours a week except for those who wish and are available to work more than 40 hours. In June 2015, only 70.5 per cent of those in quality employment were covered by a social protection programme; however, even this is much higher than the 21.5 per cent of workers in “low-quality” employment who were so covered. The category “low-quality” employment (*empleo inadecuado*) refers to people working below the minimum statutory level of 40 working hours a week who are paid below the minimum wage, regardless of whether or not they wish to and/or are available to work more hours. The category “other types of low-quality employment” (*otro empleo inadecuado*) covers people who are working below the minimum statutory level of 40 hours a week and who are not paid the minimum wage, but who do not wish and are not available to work more hours (INEC, 2015).

FIGURE 1
PEOPLE PLACED IN FORMAL EMPLOYMENT BY THE EMPLOYMENT
SERVICE NETWORK, 2010-2014



Source: MT.

training and support for business start-ups, as well as complementary social services and legal advice.

The automation of job-matching services has helped to increase the number of job vacancies offered by the Employment Service Network. In 2014, it was estimated that the network registered an average of 5,623 vacancies per month. Nonetheless, the number of registered jobseekers exceeds the number of job vacancies available by a ratio of 30 to 1. This has a direct impact on the job placement rate, which stood at 34 per cent in 2014. A more thorough examination of the figures carried out by the network showed that when an employment counsellor intervenes directly to match jobseekers to job vacancies registered in the job bank, the placement rate increases from 34 per cent to 55 per cent. This indicates that investing in qualified staff better able to serve employers and jobseekers is a good strategy to improve the number and quality of job vacancies provided to jobseekers. Further

challenges that the network has to overcome are related to its modest capacity to provide in-person services to an increasing number of jobseekers requiring more intensive support.

- **Improving the use of labour market information**

Placement rates are influenced not only by the number of job vacancies registered by the network but equally by the educational attainment of the average jobseeker. Job vacancies requiring at least primary education, for example many in the services or construction sectors (which represent 30 per cent and 16 per cent, respectively, of the total number of vacancies registered) are easy to handle because sufficient suitable candidates are listed in the network's records. However, job vacancies requiring tertiary education, including

7 A decline of 2.9 per cent in quality employment rates has been registered for the period June 2014 to June 2015, from 48.8 per cent to 45.9 per cent (INEC, 2015).

university degrees, are more difficult to fill. The gap between the profiles required by employers and those offered by jobseekers is even wider for occupations experiencing shortages of workers, such as many in the health sector.

Throughout 2015, the Employment Service Network has been working in partnership with other government agencies responsible for training and education to carry out a specialized survey that generates relevant labour market information on current and future labour demand needs in the cities of Quito, Guayaquil and Manta. This survey identifies the features of youth labour demand, helping to identify mismatches that can be addressed by policy interventions. On the basis of the survey results, the network is developing more suitable career advice and vocational counselling services for young people. An inventory of training programmes

and support for entrepreneurship available in those cities where the survey was carried out is also being used by employment counsellors. In collaboration with SECAP, the network is placing special emphasis on improving young people's access to entrepreneurship support programmes.

MT is also integrating the administrative registers and statistical information collected from users accessing the network by telephone and Internet into a consolidated statistical system to improve understanding of the Ecuadorian labour market. In parallel, the Employment Service Network is carrying out a full review of the National Classification of Economic Activity (known by its Spanish initials, CIIU), which is seen as the backbone of an efficient job-matching system, in a process supported by 22 sectoral committees with tripartite representation.

Regulation of private employment agencies

The labour market reforms implemented in 2008 had the central objective of promoting decent work and eliminating undeclared and precarious work. Presidential Decree No. 1121 of June 2008 (amended in April 2015 by Decree No. 619) implemented Constitutional Mandate No. 8 of 2008 declaring the abolition of the following activities: (1) the subcontracting of complementary services; (2) the hiring of workers with a view to making them available to a third party (user enterprise) which assigns their tasks and supervises the execution of these tasks; and (3) the hiring of workers by the hour. All prior legislation regulating triangular relationships, whereby a worker is employed by an agency, while working for a user company under its supervision, was superseded by this decree.⁸ Private employment agencies providing such services were given the option of turning themselves into job placement agencies, matching offers of and applications for employment without becoming a party to the employment relationships which might arise.

Under these new rules, only the legal persons providing complementary services, as established under the Companies Act (*Ley de Compañías*) of 5 November 1999 (as amended in May 2014), were authorized to operate in areas of service considered complementary to the core activity of the user enterprise (including, for example, private

surveillance and security services, food processing, postal services and cleaning services) as well as technical services that are provided under contracts regulated by the civil law and that are not related to the main activity of the user (e.g. publicity, bookkeeping, consultancy and legal services). The amendments introduced by Decree No. 619 in 2015

⁸ In Ecuador, Law No. 2006-48 (abolished) of May 2006 provided a specific regulatory framework in response to the sudden increase in the number of recruitment and outplacement agencies, many of them operating illegally. The law of 2006 made substantial progress in designing adequate processes for registration and licensing, control and monitoring of operations, and determining specific sanctions in the event of infringements.

also give natural persons the options of providing complementary services in three areas: food processing, postal services and cleaning services. It also prohibits agencies providing complementary services from making a worker available to a client more than three times. Also, special provisions were set out regulating the hiring of part-time workers and professional workers, including the establishment of a relationship of subordination through a timetable of work, the assignment of tasks and fixed remuneration. In this process, MT remained responsible for authorizing the operation of agencies providing complementary services to a user enterprise (*empresas de actividad complementaria*) and for maintaining records of labour contracts. The labour inspectorate attached to MT is responsible for enforcing compliance with the sanctions established in Decree No. 1121 and related legislation.

Decree No. 1121 also establishes the responsibilities of agencies providing complementary services to a user enterprise in respect of workers' rights granted by the Constitution, the international labour Conventions ratified by Ecuador, the labour code and the social security law. These include the rights to freedom of association and to collective bargaining, the right to the same pay and working conditions enjoyed by workers directly hired by the user enterprise, statutory social security benefits

and payment of profit sharing.⁹ The primary liability for non-compliance rests with the agency providing complementary services; nonetheless, the user company is ultimately responsible according to the principle of joint liability. These provisions apply to both private and public sectors. In cases of infringement, the labour inspectorate may grant workers employed by agencies providing complementary services the right to shift from temporary contracts to fixed-term or open-ended contracts with the user company.

The mechanisms for addressing infringements and malpractices concerning the activities of such agencies providing complementary services are also laid down by Decree No. 1121. Current legislation in Ecuador places a strong emphasis on ensuring that there is a direct working relationship of subordination between agencies providing complementary services and workers hired out to a third party. Ecuador also ratified the Employment Service Convention, 1948 (No. 88), in 1975 and the Domestic Workers Convention, 2011 (No. 189), more recently, in 2013. The latter requires that mechanisms governing the operation of private employment agencies ensure effective protection of domestic workers, including migrant domestic workers recruited in one country for work in another.

⁹ In addition, it is the responsibility of the user company to inform workers hired through an agency providing complementary services about occupational safety and health issues.

ANNEX

MILESTONES IN THE INSTITUTIONAL EVOLUTION OF PUBLIC EMPLOYMENT SERVICES IN ECUADOR

1973	National Directorate of Employment created
1975	Employment Service Convention, 1948 (No. 88), ratified
1979	Department of Job Placement and Labour Migration created Regulation of private employment agencies placed under National Directorate of Employment
2007	“My First Job” employment programme implemented
2008-2009	Employment Service Network (<i>Red Socio Empleo</i>) created: employment centres decentralized and expanded ^{a/} Online job portal and toll-free number implemented
2010-2011	Job card introduced Employment Service Network created; public employment service integrated as a key component
2013	New technical platform for the public employment service implemented
2015	Career guidance and counselling services for youth introduced

a/ In addition, it is the responsibility of the user company to inform workers hired through an agency providing complementary services about occupational safety and health issues.

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