Labour intermediation services: lessons for Latin America and the Caribbean

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Labour intermediation systems have received increased attention as potential tools in improving labour market transparency and performance in an era of more rapid job change. This study identifies six different models of labour intermediation systems and concludes that models C (public-private partnerships) and F (private sector-based services) are the most applicable to Latin American and Caribbean economies given the region's institutional base and resource constraints. To be most effective, labour intermediation systems in the region need to consider adaptations to country circumstances, including large informal sectors, internal and external migration, outmoded training systems and poor labour market policy-making mechanisms. By incorporating adaptations into system design, modernized labour intermediation systems offer opportunities to address pressing labour market problems such as high job rotation, discrimination and human capital misallocations between employment and training.

I

Introduction

In every nation one finds gaps and lags between the "demand" for workers by employers and the "supply" of job seekers. Many factors help account for the lack of "fully clearing" labour markets: limited information and dissemination on job openings, mismatches between the skills workers have and the skills employers need, poor job-hunting skills among workers and labour market discrimination, to name but a few. These gaps between labour supply and demand, however, can have significant economic consequences in terms of higher and longer unemployment, underemployment and lower productivity. Greater economic integration has increased the pace and need to adapt to higher rates of job rotation, career changes and more frequent need for skills upgrading.

Recent labour market performance in Latin America and the Caribbean has demonstrated serious inefficiencies in the movement of workers through what was intended to be a continuous cycle of education, work and training. To name but a few key trends: unemployment rates have risen, particularly in the Southern Cone and Andean region; job rotation rates are increasing in many countries; underemployment is high, particularly in Central America; and the region relies heavily on inefficient, informal methods of placing workers in jobs.

National public employment services, first created in the industrial economies at the beginning of the twentieth century, are being reconfigured beyond recognition in many countries to adapt to the new demands of more frequent job change. In these new policy formulations of national employment services, it is more accurate to call the emerging systems labour intermediation systems (LISs), as there is now a broader range of services "intermediating" between worker and job and between job and education and training, self-employment and other needed social services. Labour intermediation systems are now one of the policy tools available to improve the quality and efficiency of the match of workers to jobs and training.

Latin America and the Caribbean have experience, albeit limited, in the reform and reformulation of labour intermediation systems. This article seeks to bring together the region's experience with that of the Organization for Economic Co-operation and Development (OECD) countries to investigate how such systems might be relevant to Latin American and Caribbean economies. The article first reviews the modern concept of labour intermediation, outlining its various services. It then analyses OECD and Latin American experience with reform and modernization of intermediation systems with an eye to recommendations and adaptations particularly relevant to economies in the region.

II

Decoding labour intermediation

Labour intermediation services are activities undertaken to improve the speed and quality of the match between available jobs, job seekers and training. In this way, such services "intermediate" between labour supply and demand. The principal clients of such services are unemployed or underemployed workers and firms seeking new employees.

There are many advantages in making the match between job seekers and jobs more quickly, at lower cost and to higher quality standards. "Higher quality" in this case means the employee more closely fits the job, is more productive on and suited to that job and is thus likely to stay longer. The benefits of "more quickly" and "at lower cost" are that the firm hires an employee for a position in a shorter amount of time, thereby reducing output losses, increasing productivity and reducing the time spent by staff on personnel functions, among other things, and the worker finds employment sooner, which means increased income and a reduction in the social and family costs of

unemployment or underemployment. This "lower cost" also impacts the wider community since there is a reduced need for social services as unemployment insurance/social service claims are lower. To summarize broadly, the principal benefits of labour intermediation services are:

— Reduced short-term unemployment and job rotation.
— Increased productivity.
— Eased labour mobility.
— Improved social welfare.
— Increased labour market transparency and information, and reduced discrimination.

To secure the above benefits, labour intermediation systems have developed a set of "core" services. These will be found in any such system, and they are:

i) Job search assistance. This prepares the job seeker for finding new employment. It can include curriculum vitae preparation, development of a job search strategy, occupational information and participation in a job club. Research from OECD countries continues to indicate that job search assistance is roughly three times more cost-effective than training for labour market insertion. Job counselling has also been found to have positive effects, particularly with two or more sessions.

ii) Job placement or "brokering". This service consists of a job registry that lists current job openings and activities so that these can be matched to the supply of job seekers registered in the service. This task is not simple to do well. Employer job needs change rapidly and, to be effective, the service must get a large number of listings, keep them extremely current, and be skilled at placing the right people in the right jobs to ensure that employers continue to use the service.

Over time, from the core functions of job search and placement, labour intermediation systems have developed a range of "secondary" services designed to improve the quality and efficiency of intermediation. These services are labelled secondary only because not all systems of labour intermediation offer them, but they can be central to the efficient matching of workers and jobs. The key secondary services are: employment profiling/skills assessments; training and training referral; labour market information; social service or unemployment insurance provision; and specialized employer services (table 1). Some intermediation services also monitor health and safety/workplace regulations, but this is controversial and can create adversarial situations with employers that undermine the good relations needed for successful intermediation.

A further way to understand the great variety in labour intermediation systems is to look at some of the implicit trade-offs between the client base, the services and the costs of these services in an individual country and institutional context. No one package of services will fit the needs of every worker seeking employment through an intermediation service. Some will need little assistance, others a lot. As resources are finite in any system, better results are obtained by concentrating resources on those who need the greatest number of services.

Table 2 provides a classification of client need in three categories. As you move to higher categories, larger and more individualized services are probably required to get the worker hired. Table 2 shows, for example, the first, simplest category of the "job ready" client (category 1), who already has the skills and recent work history to find a new job relatively easily. This might be a professional in a high-demand occupation or a skilled tradesperson. It is important not to disregard services for this category of worker, as research continues to show that job search assistance is one of the most effective services a labour intermediation system can provide, particularly on a cost-per-client basis. As with labour market programmes more broadly, the key is to avoid providing such services to those who would have found a job as easily and as quickly without any service at all (i.e., avoid "dead weight loss").

Lastly, it is important not to confuse "labour intermediation services" with the distinctly different trend of firms that serve as intermediary employers, called "services" or "*intermediarios*" in some Latin American countries. In countries such as Peru and Bolivia, companies contract a "services" firm to employ the workers they need, thus avoiding many labour regulations and benefits applying to permanent recruits. This is a distinctly different trend with serious implications for workers' legal protections. Labour intermediation refers to services that enable workers to be hired directly into firms, not indirectly through intermediaries.

TABLE 1

Labour intermediation services: principal functions

Service category	Target clients	Types of services
Job search/employment profiling	Job seekers	Skills testing or referrals to testing Profiling of clients to determine services needed Curriculum vitae preparation Job counselling Phone banks for job search Job search assistance Job clubs Case management
Job placement/brokerage	Employers Job seekers	National database of job vacancies Job placement Vacancy in/take (firms) Candidate screening (for firms) Outplacement Recruitment for selected positions (firms)
Training	Job seekers Training providers Employers	Assessments of training needs/requirements Referral to private and public training providers Training directly by labour intermediation system (limited)
Specialized services to employers	Employers	Human resources assessments Legal advice on employment Screening and testing of job applicants Private sector promoters/liaisons Staff training guidance
Labour market information	Government (local and national) Employers Job seekers Training institutions	Provision of data and analysis on labour market trends
Unemployment insurance/ social services gateway	Job seekers/workers	Administration of unemployment insurance benefits or referral to unemployment insurance Referral to or coordination with social services Referral to self-employment programmes

TABLE 2

Client (worker) types versus services needed

No.	Client description	Key services needed
1	Job ready	Orientation and placement services only
2	At risk for medium-term unemployment or underemployment	Skills assessment and job counselling before placement in either employment or short-term training
3	At high risk for longer-term unemployment or underemployment	Development of longer-term employment and training plan, more systematic follow-up, intervention and social services

III

OECD countries: recent trends and reforms

For more than a decade now, the OECD countries have been jointly re-examining and reforming the role of public and private employment services in the mix of "passive" and "active" national labour market policies. These efforts are oriented not just at reform of the old public employment services, but at modernization and design of the larger "system" of public and private services to meet the demands of a global marketplace. These reformed intermediation services are taking advantage of new technologies and demanding more explicit and definable outcomes. Four key trends and reforms are reviewed here.

1. Integrating and linking labour market policies

Many OECD countries have found there to be a lack of an effective link or synergy between the main labour market policy functions of employment, training and intermediation. Often the three related functions are carried out by different agencies, or in an isolated fashion. But the three are closely related. Knowledge of job vacancies and private-sector requirements is needed to ensure that training and self-employment programmes meet actual demand. Close coordination between job placement and training ensures that the unemployed or underemployed acquire the skills needed for actual job vacancies. Unemployment insurance and income support need to be effectively linked to actual job search so that they are used as intended: to temporarily cushion income loss while new work is being sought. This reduces the likelihood of unemployment insurance serving to delay or discourage a worker from finding new work.

Some of the chief ways OECD countries have sought to improve the employment/unemployment insurance-training-intermediation link include:

— Adding a training referral function to national intermediation services.
— Unifying unemployment insurance benefits and job placement services, or at least coordinating the two more effectively.
— Creating a "one-stop" service where all core functions are united and simplified.

It is not essential to have unemployment insurance and labour intermediation under one roof, as countries have different traditions and there are concerns about whether unification discourages non-unemployment insurance beneficiaries from using the job placement service, or whether unemployment insurance delivery gives the intermediation service too dominant a social service focus. Japan, for example, tries to improve linkages by rotating staff between unemployment insurance benefits and the employment service. The key here is effective linkage in a particular country context.

The one-stop service has been a particular innovation in countries such as the United States, which has broadened the accessibility of a range of job services and made them more accessible on-line. Income support programmes like unemployment insurance are less common in Latin America and the Caribbean, but the interesting aspect for the region is the incorporation of self-employment services (or referral to such services) and resources into intermediation centres.

2. Introducing market signals and expanding the role of private employment agencies

With the end of the era of public monopoly of employment services, most OECD countries have been incorporating a range of market-based mechanisms designed essentially to make public services act more like private firms. These reforms fall into two groups: i) improving the efficiency of public employment services through market-based mechanisms, and ii) introducing competition and partnership with private employment agencies. Underlying these private-sector-based reforms is clear agreement on the need to separate out the government's roles as provider and purchaser of services. This means that most intermediation services are getting out of the business of being training providers and allowing clients to choose competitively among providers.

Public services have been induced to act more like private firms by, for example, contracting out key active labour market training through competitive bidding, instituting user fees and paid services, and using voucher systems. The Swedish public employment service turned to purchasing courses from either other public-sector training centres or the private sector. In

the United Kingdom, the local training and enterprise councils that run local employment services commission outside agents to assess training needs, and these then contract out to training managers who provide the training or contract it out in turn. Vouchers are another method being used to induce competition. Workers are given a voucher to purchase training from outside providers. A key in voucher provision is providing substantial labour market and training course information to the beneficiary and oversight in the implementation of the voucher scheme. User charges have been limited in both private and public employment services, in large part because of the restrictions of International Labour Organization (ILO) Convention 96[1] prohibiting the charging of fees to workers. These restrictions have been understood not to apply to fees charged to employers or some of the new specialized services offered by public employment systems. As a result, fees have become increasingly common. In Belgium, for example, employers pay for the extra service of intensive screening of job candidates and for outplacement services. In the Netherlands, instituting a series of fee-based services for employers has brought the local intermediation offices in more direct contact with local employers, bringing broader benefits to the service and job-seekers overall.

A second set of market-based reforms is directed at opening the market to private employment agencies or community organizations that provide placement and job services. This expansion includes efforts to:

— Relax legal restrictions on private employment services, allowing them to compete with public services.
— Contract directly with private employment agencies or community organizations to place individuals (as in Australia) and stimulate competition.
— Develop partnership agreements with private agencies or organizations to better cover the placement market.

Contrary to expectations, the opening of the employment services market in many countries has not led to dramatic gains in market share for the private sector. This is probably because the private sector typically caters to a smaller, high-end market, and because substantial start-up and reputation-building costs are involved in gaining a large market share. Such was the case of Denmark in the early 1990s.

[1] Fee-charging Employment Agencies Convention (Revised) (1994).

3. Introducing and strengthening performance indicators and management reforms

New performance measures and management reforms have been enacted widely in OECD countries to improve the internal performance of labour intermediation services. Performance targets have been moving from ex-post indications of performance to ex-ante measures of how the service is being implemented. These include targets such as "vacancies filled" or "vacancies filled with active involvement of the service" and "time required to fill a vacancy". Both "carrot" and "stick" measures can be applied to improve performance, such as disciplinary measures, management reviews, budget bonuses and other rewards or penalties. In Switzerland, the national government ranks placement offices by performance after controlling for external influences such as local labour market conditions. It then pays each canton (regional government) according to the performance of the placement office under its management.

Internal performance indicators have clear limitations. For one, unless more sophisticated indicators are used, they do not measure the impact of a particular service or training, just its volume and the efficiency of its implementation. A local service may appear to reach its targets for jobs placed, but these jobs may be mismatched or temporary. A neighbouring service may spend more time per client so that placements are fewer, but these placements may have a greater impact on local unemployment. In the United Kingdom, a House of Commons Committee is suggesting the British system move away from placement-based targets to targets that represent "value added" through customer satisfaction, as labour intermediation services are moving to a greater range of services beyond placement. Internal performance indicators should be complemented or integrated within a larger evaluation system that assesses broader or longer-term impacts. In sum, internal performance indicators alone cannot be relied on as the sole method for increasing efficiency and effectiveness. For this reason, the development of performance indicators has typically been part of wider management reforms and internal changes designed to improve overall intermediation service efficiency and coverage.

The key management reforms implemented within OECD countries include decentralization, "management by objectives" and enhanced use of information technologies. Decentralization of resources and programme flexibility have been used in countries such

as France to improve the ability to tailor services to the needs of the local economy. "Management by objectives" reforms the overall staff incentive and performance structure. Austria, Finland and Sweden have experimented with such changes. In these cases, local offices are given wider latitude in apportioning their budgets among the different services (e.g., job search versus training versus employment subsidies) in keeping with agreed-on objectives. Lastly, information technologies are probably the most widely instituted management change in OECD nations, the objective being to improve service efficiency and reach. Many countries have put their job banks on line, bringing into the system a wider range of clients who prefer to use self-service systems from their homes, community centres or even shopping centres.

4. Targeting the long-term unemployed

A final area of reform, emphasized almost exclusively by the high-income industrialized countries, is the effort to make labour intermediation services better meet the needs of the more difficult cases, the long-term unemployed (defined as more than 12 months of continuous unemployment). The reforms are oriented towards intervening earlier for the most at-risk clients and targeting more and different services for the long-term unemployed. Among the policy interventions of this type are:

— *Profiling and early intervention***.** Interview- and computer-based schemes to identify early on the clients most at risk and target services before long-term unemployment sets in.
— *Case management*. An individualized approach to creating a re-employment strategy and targeting services on the particular client's needs.
— *Benefit sanctions and sequencing***.** Tightening requirements for workers to actively seek work as a condition of unemployment insurance, and sequencing services with the goal of getting the unemployed back into the job market faster and with more lasting effect.

IV

Trends in Latin American and Caribbean labour intermediation systems

As in most of the developing world, reforms and modernization to labour intermediation systems have been more limited in Latin America and the Caribbean than in the OECD. Overgeneralizing somewhat, the region is dominated by a public-sector model of intermediation that, because of limited resources, is typically very small and serves the lower strata of the workforce. The directors of the public employment services of Central America, for example, state that intermediation services in the region have concentrated on strata with low technical qualifications at the lowest levels of the occupational pyramid (ILO, 1998, p. 2). National employment services in the region are typically administered either by the Ministry of Labour or via state-based national training institutes, such as the National Service of Apprenticeship (SENA) in Colombia.

The motivation for reform and change has distinct elements in Latin America and the Caribbean. OECD reforms were motivated principally by poor performance, the need for cost savings and greater need to reach the hard-core unemployed. Latin American and Caribbean systems have a different set of economic needs, but have encountered similar criticisms of poor performance and even more of politicization. While, in theory, the public-sector monopoly was supposed to protect and serve the workers who needed it most, in practice, particularly in Latin America and the Caribbean, public-sector investments were never substantial enough to cover a large part of the market. Public employment services in the Latin America and Caribbean region got the reputation for only having the least skilled jobs registered and few workers on their books. As a result, disadvantaged workers rarely got information and access to better paying, higher-skilled jobs through public employment services.

Cost savings are less of an issue in the region, as public investment is low and unemployment insurance rare. Latin American and Caribbean countries may seek to reform labour intermediation systems as a way to

create greater transparency in very inefficient and slow-changing labour markets, and in particular to reduce labour market discrimination. The region is still highly reliant on informal networks and family/personal contacts which can result in clear productivity mismatches and can reinforce and perpetuate discrimination based on race, ethnic origin, gender and economic class.

Intermediation systems in the region are not only much less developed than in the OECD but have to confront quite different labour market needs. Some of the key differences that affect the way intermediation systems should be reconfigured include:

— The small size and limited experience of Latin American and Caribbean intermediation systems; many suffer from years of sparse public investment.
— Private-sector firms providing placement and employment services in the region are few, of more recent origin, and typically focused on higher-end employment.
— Informal sector employment can exceed 50% of the national economy, with a concentration of poor and disadvantaged workers in this sector. This, by definition, shapes a different approach to labour intermediation to reflect the reality of more prevalent self-employment, particularly in rural areas.
— The principal "hard case" confronting Latin American and Caribbean intermediation systems is not long-term unemployment as in the OECD, but severe underemployment and low skills.
— The majority of countries in the region do not have unemployment insurance or other forms of income support for the unemployed, so labour intermediation system reforms do not address the issue of how workers should be supported through unemployment. Those countries in the region that do have unemployment insurance, such as Argentina and Brazil, do not typically use the employment service to administer unemployment insurance. Potential cost savings in unemployment insurance are thus not a motivation to reform national employment services in the region, as they are in many OECD countries.
— Substantial internal and external migration in a number of countries (e.g., Central America and Mexico) creates additional intermediation demands.

With these differences in mind, intermediation reforms and revisions introduced to date in Latin America and the Caribbean have concentrated principally on: i) introducing information systems, ii) expanding the role of the private sector and iii) improving performance/management.

1. Introducing and expanding information/ Internet-based systems

Throughout the region, there is a clear trend towards the use of new technologies to improve the performance of labour intermediation systems. Investments in information system technologies for intermediation have been more limited in Latin America and Caribbean than in the OECD countries, but can clearly be seen in countries such as Brazil, Mexico, Chile and Costa Rica. Information system modernization includes on-line job exchanges and services, internal office information systems and labour market information systems. Chile's National Training and Employment Service (SENCE) has developed the country's first electronic labour exchange. InfoEmpleo contains more than 29,000 job seekers' curriculum vitae and receives more than 300 job vacancies a month. Costa Rica, with financing and support from the National Apprenticeship Institute (INA), is developing a two-phased information system to revitalize its public employment service, expand a network of private and non-profit providers and create a national job registry with INA providing the central server. Important as well to the region is the development of electronic *bolsas de trabajo* (labour exchanges) and labour market data not just on a single country basis but regionally. In a regional project run by the Inter-American Development Bank (IDB) Multilateral Investment Fund, eight Central American countries, including the Dominican Republic and Panama, are developing a labour market information system in which labour market data can be jointly shared and analysed on a regional basis, including data on employment, economic and occupational trends.

2. The role of the private sector and partnership with private and non-profit institutions

A key trend in the region is the expansion of private-sector and non-profit providers, and of linkages between these and public providers. The first stage of this process consists in opening up, legalizing and regularizing the private-sector market. Since the 1980s, a number of countries in the region have been working to provide appropriate legal frameworks for private/non-profit providers and to institute regulations or oversight systems for such providers. Panama, for example,

passed a law in August 1995 permitting for-profit employment agencies and providing for Ministry of Labour oversight of such agencies.

The second and more significant stage involves promoting the expansion of private employment agencies and creating new partnerships between public, private and non-profit providers. In 1996, Peru reinvigorated its public employment service by creating a network of private and non-profit centres, inducing a host of new and innovative providers to enter the intermediation business. These "work placement and information centres" (CIL in Spanish) include training centres, local community centres and church-affiliated organizations, all with specific contacts and knowledge of local employers and job seekers. While more extensive evaluations are to be conducted, early analysis of the Peruvian system (the CIL-ProEmpleo network) shows an increase in coverage and efficiency alike for both public and private providers joining the network. Guatemala, with IDB support, is currently initiating plans to create a network of employment centres (*Red de Servicios de Empleo*, or RESE) in which the local public office of the national employment service in each region or province is to serve as a centre for a local network of private and non-profit providers.

3. Improving performance and expanding the client base

There are a series of additional measures being taken to improve the performance, output and client base of Latin American and Caribbean systems, including:

Job fairs as temporary one-stop centres. Job fairs *(ferias de empleo)* are being used in the region for more than just bringing employers and job seekers face to face for one day. Fairs like those held in Panama, for example, are expanding to offer a range of services more akin to a one-day "one-stop shop" like those seen in the OECD countries. Besides interviews with local employers, the services available at the Panamanian job fairs include technical assistance for microenterprises, career information, curriculum vitae workshops, information on training programmes and skills assessments. Mexico too has been developing a comprehensive approach to job fairs for many years.

Decentralization. There is a more limited trend in the region towards decentralization of labour intermediation services to local municipalities and offices. The role and feasibility of decentralization in any country depends on a larger national strategy and trend towards decentralization and on the capacity of local institutions. Consistent with its national policy, Chile has decentralized local employment offices to a network of over 150 municipal employment agencies. Mediation services are provided free of charge to workers through these offices. The National Training and Employment Service (SENCE) provides technical support to the network as well as planning and supervising training programmes and institutions, but the core intermediation functions are carried out at the local level.

Improved services and assessment tools. A number of Latin American and Caribbean nations are also expanding the range of specific services and tools provided by intermediation centres (e.g., better job search methodologies, skills assessments) and looking at sharing information and tools across the region.

V

Institutional models of labour intermediation services

Reform and strengthening measures under way in both OECD and Latin American and Caribbean countries need to be viewed within the larger context of reform to the very institutional frameworks from which labour intermediation services are delivered. It is alterations in these institutional relationships –among government, private-sector and social partners– that drive the most fundamental changes in labour intermediation services and do the most to increase the numbers of both clients and suppliers of intermediation. The variety of intermediation systems, adapted to very different country circumstances, is striking. This study's review of selected intermediation systems around the globe identified six distinct models. These models can be

understood most simply as a linear spectrum from a sole public employment service at one extreme (private services banned) to a solely private system at the other, except that few national systems really operate at either extreme. Within these models, there is substantial variation among countries. The greatest variety is found in the middle, that is, in partnerships between the public, private and non-profit sectors. The first two models (A and B) represent what are largely pre-reform and pre-renovation systems. Newer models are found in C through to F.

1. Model A: public service monopoly

This model was the most common one in the post-Second World War period. The public sector was given a legal monopoly to run a national intermediation service, to ensure both that workers were not exploited by being charged high fees and that the more disadvantaged workers received such services. International Labour Office (ILO) conventions enacted in the 1940s banned private firms that charged fees for placement. A public role was, and in many cases continues to be, considered necessary because a free market in employment services would probably result in the exclusion of more difficult-to-place, low-income and disadvantaged workers. This would be accomplished. through a process in which the private sector "creamed" off the most easy-to-employ workers. The theory behind a public-sector role lies in market imperfections that lead to the "under-provision" of employment services for certain types of workers.

With the public-sector model, there is a single national public service, typically run by either a department of labour or another executive agency, to which all workers are granted access free of charge. Private employment services are limited to those that do not charge fees for placement, temporary employment agencies and agencies dealing with theatrical workers and artists. In practice, the public employment service monopoly has been removed in recent years in most countries in keeping with the 1997 ILO convention[2] permitting private employment agencies (e.g., Portugal in 1989 and Austria in 1994).

[2] The basic ILO conventions are the 1948 Employment Services Convention, ratified by 15 Latin American and Caribbean countries; the 1949 Fee-charging Employment Agencies Convention (Convention 96), ratified by 17 Latin American and Caribbean countries; and the 1997 Private Employment Agencies Convention (Convention 181), ratified by one Latin American country.

There are few countries today that still have a legal ban in place. Even when there is a ban on the books, a few private employment agencies often spring up. Costa Rica, for example, has a legal ban on private employment agencies on the books, but in practice at least 42 private employment services operate in the country in the form of consulting firms. Today, where it exists, this model can be described as a public employment service monopoly that dominates the provision of intermediation services, but with typically low national coverage, while private agencies operate with limited scope in a precarious, uncertain legal environment.

2. Model B: National employment service with de facto competition from private providers

This is a model commonly found in developing countries. Private employment agencies and services are permitted, but the public and private services operate largely independently. In this model, private employment services may either be regulated (by the public service or other entity) or market conditions may prevail. The theoretical basis for the coexistence of public and private providers is that the latter are believed to provide some competition for the public service, leading to better-quality intermediation and greater innovation by both. In practice, while some competition does result, intense competition is limited as both sectors tend to cover only fractions of the national market and there is relatively limited overlap of clientele. The typical tendency of the market is for the public service to serve the lower-income clientele and for private firms to serve higher-income and professional workers who are easier to place, or for whom higher fees can be charged.

In Panama, a small national employment service coexists with just a small number of private and non-governmental providers. There has been limited interaction between the public and private sectors. This will begin to change as Panama implements a public-private network in its capital city. As the private and public sectors move into more explicit relationships, they may enact more extensive forms of cooperation as found in models C and D.

3. Model C: Public-private partnerships

Public employment services have been reformed and literally transformed into different systems in a range of ways involving the creation of new relationships and

partnerships, not only with the private sector but also with key social actors such as trade unions and community organizations. Partnership is understood here as a collaborative, not competition-based relationship in which public and private institutions share resources, information, services and/or clients. Partnerships have become an increasingly common institutional framework as the demands for effective intermediation have become more specialized. The impetus for this model has been more practical than theoretical. Since market share for public and private providers has been relatively small to date, partnerships have been seen as a way to increase market coverage for *both* public and private providers simultaneously and to achieve greater economies of scale. Interestingly enough, there seems to be evidence that public and private providers can expand the demand curve for intermediation services through greater collaboration and shared listings, although the efficiency of different providers in placing job seekers can vary substantially.

Three key types of partnerships are reviewed here. The first type is when the public employment service forms a network of public, private and non-profit providers to create an expanded, more effective national system. Peru offers an interesting example of this type. In 1996, the Ministry of Labour initiated a network of non-profit and private providers, largely in urban areas. Churches, social organizations and training centres could apply to be local labour intermediation and information offices. All offices in the network register job seekers, provide job search assistance, place job seekers in local vacancies and have access to the national database of job vacancies. The results, even in the first years of implementation, demonstrated clear increases each year in the numbers enrolled for the services of both public and private providers, increases in the number of jobs listed and, most importantly, an increasing percentage of workers placed. From 1998 to 2000, for example, the number of placements by the public and private centres combined increased by 28%, efficiency (the percentage of job seekers placed) improved, and the number of vacancies filled increased as well (Ministerio del Trabajo y Promoción Social, 2001). With such networks, the public service can be a distinct entity, as in Peru, or be replaced by a network of local and regional offices, as in Chile.

A second area for partnerships is the provision of policy guidance and oversight to improve implementation of labour intermediation services and overall coordination of labour market policy. Mexico created executive committees for its state-level employment offices in 1992 to guide them in their operations. Participants in these committees include business associations and firms, training institutions, state and federal government agencies, and labour unions. These executive committees in turn form part of the state councils for productivity and competitiveness, which coordinate labour market policy between state and federal governments.

A third form of public-private partnership has developed to serve disadvantaged or special needs populations. The United Kingdom provides an interesting example of the use of local area partnerships to improve services for the most difficult-to-reach populations. The local level is responsible for developing these partnerships to suit local needs, and has the flexibility to do so. United Kingdom partnerships have been formed with a view to serving handicapped populations, minority populations and those with severe learning difficulties.

4. Model D: Autonomous service with tripartite/ key social actors participation

A more advanced form of partnership has been created by replacing the public employment service with an autonomous organization comprising key social partners. These autonomous services are neither solely public nor private. They operate autonomously, making all the key decisions on the operation of offices and the delivery of services. They typically receive substantial public funding through public subsidies and payments for training and other services, but management is independent of the public sector. A recent study concludes that almost half of all OECD countries now have autonomous, tripartite organizations. These autonomous services can be run on a tripartite basis with business, labour, and government (local and federal) partners, as in Germany, or based on different groupings of social actors. The Netherlands started with a tripartite organization in 1991, but the Government decided to withdraw from administration in 1996 and yield its role to independent experts, as government representatives had found themselves in impossible and compromising political positions that frequently paralysed decision-making.

The key advantages of this model are more active participation by local stakeholders and improved delivery and decision-making flexibility. Autonomous services are expected to have greater coverage of job openings and registered job seekers because of the active participation of workers and employers. For

autonomous services to work efficiently and smoothly, these cooperative union-government-private sector relationships need to have been established beforehand to avoid polarized and ineffective decision-making. The United Kingdom did attempt a tripartite service, but the Thatcher Government returned the service to the public sector after major disputes with the trade union partners. The degree of consensus between the government and the social partners and the strength of existing relations are key elements in the success of autonomous services. For this reason, the model is less applicable to developing economies where such programme management relationships are less developed.

5. Model E: Competition-based network with public funding

Among the OECD countries, adventurous reforms are being pursued by Australia in creating its own distinct model. The Australian system has evolved from earlier reforms to a "case management" approach in which the public employment service contracts out specific cases to the private sector for placement or other services. In 1998, it inaugurated a more advanced reform of outsourcing labelled "competitive service delivery". Under this newly developed model, the public employment service was replaced by a "job network" of 310 private, community and governmental organizations that are paid individually to place clients in jobs. The functions of this network, delineated in the national web page, include job brokering, employment and training systems. This new institutional model is strongly driven by outcomes, as agencies –whether public, private or non-profit– are paid a fee for each unemployed person placed, with extra fees for placing the long-term unemployed. In the second round of contracts (called tender), the public-sector organization (Employment National) was cut back as the greatest number of placements was being made by non-profit organizations run by churches and other voluntary bodies. The job network model was intended to overcome deficiencies in the previous models in which the disadvantaged were underserved. Under the Australian model, additional resources are provided to create incentives for public and private providers to serve the disadvantaged. It is too early to judge the effectiveness of this new model, but one British parliamentarian has remarked that it is "a unique step which is being watched closely by employment ministers around the world".

6. Model F: Private sector-based services

With this final model, there are no public providers. The public sector may, however, provide financing to private providers to support public-sector goals. In Central America, El Salvador has introduced a new reform offering a different private sector-based model and taking new risks to expand the provision of intermediation services. The Salvadoran model is unique in the region in that it is piloting a national service provided by private or non-profit providers. The Ministry of Labour and the tripartite State training institute, the Instituto Salvadoreño de Formación Profesional (INSAFORP), provided particular leadership in formulating and supporting the new pilot service and will constitute a policy oversight committee for it, but without day-to-day management responsibilities. The Salvadoran experiment is a national intermediation service run completely by private agencies. There are plans as well for creating a network of satellite partners for the private national service. Distinct from El Salvador are those countries that have only private intermediation providers, i.e., no public service or public-private efforts to collaborate in a national system. This can be understood as a laissez-faire approach in which private providers may compete but there is no effort to support or capture the "public good" element of labour intermediation services nor coordinate labour market and training policy. The theoretical basis for the purely private model is the argument made by some that no public good function exists for intermediation and thus any public employment service or public subsidy for private providers would result in market inefficiencies.

As the great variety of intermediation models demonstrates, there is clearly no single "right" way to structure labour intermediation services. Which model is more efficient and effective and serves the greatest number (and type) of clients depends on the country context, the strength and performance of public and private institutions, available financing and the relationships of key social actors. Institutions and their structure are obviously instrumental in determining how efficiently and effectively labour intermediation services are provided and who is served. A recent OECD study notes that "the institutional structure [of employment services] does affect factors such as the pool of knowledge and expertise contributing to management, the willingness of the parties involved to co-operate in implementing particular strategies and the perceived political

legitimacy of operations" (OECD, 2000). Public financing directed specifically at compensating for the higher costs of placing disadvantaged workers (e.g., variants of models C, D, E and possibly F) are the most likely to avoid the "creaming" problem that can result if market forces alone determine who is served. Merely financing a public service, however, without specific targeting mechanisms, has been shown not to sufficiently protect lower-income or disadvantaged workers.

VI

Considerations and recommendations for Latin American and Caribbean nations

The Latin American and Caribbean region faces its own set of challenges and distinct economic needs in implementing new or reformed systems of labour intermediation. It is useful to distinguish the specific economic conditions applicable to investment in reforms to labour intermediation systems and consider how those systems need to be adapted to specific characteristics in Latin American and Caribbean economies.

The principal economic motivations for labour intermediation systems hold true in developed and developing countries alike: both operate with incomplete labour market information and inefficiencies in the match between labour demand and supply in both employment and training, and these inefficiencies have become more costly in a globalized and more rapidly changing labour market. The Peruvian Ministry of Labour and Social Development, for example, concluded that poor labour market information and intermediation translated into higher rates of unemployment, high occupational maladjustment and underutilization of the labour force, all of which lowered social well-being and justified reforms to the nation's intermediation service.

In all countries, the job brokering function of labour intermediation services –their core service– is performed more effectively when the economy is growing. While this is inherently obvious, there are still conditions of limited growth in which investments in labour intermediation systems make sense. Essentially, this is when the economy exhibits labour market trends for which better intermediation can be an important remedy. These include conditions of high job rotation, high short-term unemployment, significant labour market discrimination or lack of labour market transparency, and human capital misallocations in training and employment. Any of these factors may commonly be found in Latin American and Caribbean labour markets and merit evaluation as the chief targets/purposes of a labour intermediation system. However, if a country is facing a true employment crisis with conditions of high structural unemployment (e.g., Argentina), investment in labour intermediation systems should not be a priority. Under crisis conditions, the effectiveness of intermediation will be extremely limited unless the service also coordinates or delivers income support or other safety net programmes.

One key economic trend in OECD intermediation systems is less relevant to the region. That is, OECD intermediation systems have been increasingly focusing services on their most entrenched labour market problem: long-term unemployment. Ironically, intermediation services were never originally designed to address this type of problem; rather, their intention was to reduce transitional, short-term unemployment and improve the match of workers to jobs.

Generally, then, the case for reforming or strengthening labour intermediation services in Latin America and the Caribbean is a solid one, except in circumstances of a severe contraction of employment. It is particularly strong for countries in the region with high levels of short-term unemployment, weak connections between the training and employment systems, and high levels of discrimination. The gains from intermediation services, however, are not rapid and countries in the region should see such services in relatively modest terms as vehicles for improving the labour market performance of key groups with employment needs.

How a country goes about reform and strengthening measures clearly varies with each country context and the existing state of labour intermediation

services. Labour intermediation should be seen as one policy instrument of a larger employment and training system adapted to national needs and institutions. In any reform or strengthening of labour intermediation services, a key decision point is the long-run vision of the target purpose of the service and the corresponding institutional structure. Overall, reform and strengthening of labour intermediation services can be seen as operating at two levels, one more potent than the other (table 3). The first, more modest level involves strengthening and efficiency measures, without alteration of the fundamental institutional structure of the national intermediation service. This includes actions such as staff training, improved management and the expansion or creation of new services. The second level, which has more impact, involves a combination of improvements to the management and efficiency of the services with institutional reform and restructuring. International experience has made clear that the larger gains come from beginning with institutional reform and restructuring. It is through restructuring that new market conditions are established with the private and non-profit sectors, creating the potential for more substantial gains in coverage and efficiency. In the cases of Peru and El Salvador, this required rethinking the roles of public, non-profit and private providers in a national labour intermediation system, taking account of the strengths and weaknesses of national institutions and the best ways of encouraging local employers to make greater use of the system. Networking and partnership relationships can be initiated without substantial restructuring of existing institutions, or prior to a complete restructuring. Table 3 below summarizes some of the key actions that can be taken in strengthening (level 1) and reforming (level 2) labour intermediation systems.

Institutional restructuring and reform may be of particular importance to Latin American and Caribbean countries, as their current intermediation services have had such limited effectiveness and credibility with employers. Given budget constraints across the region, it is hard to envision a solely public service that is well enough funded to operate without partnerships in the private and non-profit sectors.

In creating new institutional frameworks and modernized intermediation services, Latin American and Caribbean countries will need to take their distinct labour market characteristics into account so that they can shape systems better adapted to regional realities. These characteristics, specific to developing countries, do not negate the rationale for reforming and strengthening labour intermediation systems, but they do affect the type of intermediation system and the specific services needed, and they imply the evolution of a more Latin American and Caribbean model of intermediation. Three key factors are reviewed below.

1. The role of the informal sector

The traditional emphasis of labour intermediation services has always been formal-sector employment, as these are the jobs for which employers more openly advertise and solicit employees. The reality in many nations in Latin America, however, is that the informal sector or self-employment may be the major source of work, particularly in rural areas and for older workers. The national employment service office in Brasilia, for example, found that only 2% to 3% of workers over the age of 33 who had lost their formal-sector jobs found employment again in the formal sector[3]. There has been little empirical study of the use of labour intermediation services within the informal sector, or the impact such services can have on increasing or decreasing informality. In countries with high rates of informality, which typically have high rates of underemployment too, there are clear benefits to improving the match of workers to jobs in the formal sector and to fostering conditions under which small business creation is formalized. A key requirement for intermediation systems in the region is to expand their concept of employment to include referrals to programmes of microenterprise, self-employment and small business development, as this is a frequent –and sometimes the only– source of employment for portions of the labour force. Self-employment and microenterprise programmes are provided by a range of different national providers (e.g., governments, non-governmental organizations) but rarely on a "walk-in" demand basis. Even rarer are clearing houses that provide information on a range of alternative programmes and advise potential entrepreneurs on which of these best fits their needs.

Labour intermediation services in countries with large informal sectors should consider whether to provide advice and information in two areas: the formalization of businesses and referral of clients to the relevant services. This is quite distinct from regulating businesses for health and safety conditions

[3] Ivan Ribeiro Guimarães Gonçalves, Director, interviewed by the author on 14 May 1998.

TABLE 3

Key reform and strengthening measures for intermediation services

Level	Examples of policy measures
Level 1: Strengthening and pre-reform measures	Fostering appropriate legal environment for expanding private and non-profit providers, including legal and regulatory changes Creating pilot networks with private and non-profit providers Improving staff training Improving information systems, computerizing job banks, equipment upgrades Strengthening employer input and participation Introducing management reforms, performance measures Introducing specialized, tailored services (e.g., skills assessments, services to employers) Promotional campaigns to increase use of service
Level 2: Institutional reform or restructuring	Restructuring institutional framework and model (e.g., changing roles of government, private and non-profit sectors) Expanding mandate and labour market policy coordination of service, e.g., by adding new key functions such as linkage to training system, self-employment services, social service delivery Information systems that integrate data on job seekers, job vacancies and the labour market

or compliance with labour and commercial laws. A clear lesson learned so far is that regulation is one of the functions least suited to a labour intermediation service. What is highlighted here is the value of providing information on a voluntary basis, particularly if the government is offering expedited procedures to register businesses. Both suggestions for informal-sector service support draw on the lessons learned from the "one-stop" shops in the industrial countries, where intermediation services recognize increasingly that "employment" has become more fluid as people move between employee and self-employment options, and intermediation services need to continually stay relevant where jobs exist.

2. Excluded labour market groups

Latin American and Caribbean countries also face major labour market challenges in the concentration of low skills, poor education, poverty and labour market discrimination among specific populations which can include, among others, poor women, Afro-descendents, indigenous peoples, people with disabilities and HIV/AIDS sufferers. In recent years, Latin America and the Caribbean have come to understand that the "exclusion" of certain populations from the full range of economic and social opportunities is part of the explanation for the high rate of inequality and persistent poverty in the region.

Among the potential uses of labour market intermediation systems is to reach these target populations more effectively through specialized services and outreach. As with targeting of the long-term unemployed in OECD countries, these populations are most likely to be reached through individual case management combined with specialized services and social service referral. Of particular interest may be the United Kingdom experience in which the national service contracts directly with specialized non-governmental organizations to try to meet the needs of ethnic minorities and disadvantaged groups.

The challenge for intermediation systems in Latin America and the Caribbean is to increase the coverage of disadvantaged populations while simultaneously expanding the overall client and employer base in order to create more opportunities for referring disadvantaged people to better-quality jobs.

3. Migratory and seasonal labour

While rarely desired, substantial migration and emigration –both to the United States and Europe and to other countries in the region– is a feature of Latin American and Caribbean labour markets. In countries such as the Dominican Republic and El Salvador, worker remittances from abroad are a key source of national income and considerably distort the operation of the local labour market. For Caribbean countries reliant on tourism, there is a reduction in job opportunities in the low season with accompanying outward migration. A key question and controversy is whether a national labour intermediation service should

play any role in regularizing temporary or seasonal migration or in protecting/overseeing workers migrating within the region. For countries that choose this path, the justification is that it provides their workers with a safe legal path for migration and provides for their safe return to the home country. Mexico, for example, has a specific arrangement between its public employment service and the Canadian Government whereby the service screens a set of agricultural workers who are provided with legal visas and travel expenses to work seasonally in Canada. Special programmes run by the National Employment Bureau (NEB) of Barbados list seasonal overseas job opportunities, largely in Canada and on United States cruise ships.

The principal and overwhelming focus of any intermediation service is to improve national labour markets. Whether and how special programmes are designed for seasonal or temporary migration remains a profoundly individual choice depending on national circumstances. No country in the region uses its national employment service principally for overseas work, as happens in the Philippines and Sri Lanka, and nor is this advisable. In Panama, private agencies specializing in overseas employment are prohibited. But regional leaders are grappling with how to respond and adjust to migration trends. The directors of the Central American employment services, for example, believe it is important to continue facing the realities of substantial international migration by meeting on a regional basis to share national experiences, propose national policies and seek ways of safeguarding the working conditions of people migrating across national borders.

VII

Towards a Latin American and Caribbean model of labour intermediation

While Latin America and the Caribbean have much to learn from the experience of the OECD countries with labour intermediation systems, in some ways they will need to chart their own path so that intermediation systems respond closely to the needs of the region and to its institutional strengths and weaknesses. Developing country experience in labour intermediation systems is much more limited than that of the OECD, and in many cases has been constrained by budget limitations, weak institutions and slowly developing private sectors. The vibrancy of the non-profit sector and its ability to reach marginalized populations in Latin America and the Caribbean is an asset the region should not turn away from when new labour intermediation systems are constructed. Labour unions also offer new areas for cooperation in intermediation. At the risk of overgeneralization, some priorities for future systems in the region might be:

— The building of national networks of public, private and non-profit providers of labour intermediation services, and the testing of new institutional frameworks that command acceptance and participation among private employers.
— Where informal-sector employment is high, incorporation of both wage and self-employment work into a labour intermediation service by providing a clearing house and referrals for self-employment programmes. This would create intermediation centres that, at a minimum, reflected employment realities in the country without distorting them.
— The inclusion of training information and referrals so that intermediation services promote a productive link between training and employment. It is not recommended that labour intermediation services in the region become providers of training. OECD experience has made clear the importance of separating the provider and supplier functions of training. The "broker" relationship in intermediating between training and employment, however, is clearly needed in the region.
— Particular attention to disadvantaged populations through specialized services and targeted strategies to reach these groups more effectively.
— Slower evolution of computerized "self-service" systems than in the OECD countries until there is more widespread use of information technologies nationwide.
— Elimination of regulatory functions for intermediation services.

— Incorporation of labour intermediation data in wider national and regional labour market analysis and systems.
— Parallel development, as national systems evolve, of regional training and employment intermediation subsystems (e.g., within Central America) that bolster labour market trends and regional integration.

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