

**Skills for Work: Action Plans for the Bahamas and El Salvador
TC Abstract**

I. Basic project data

▪ Country/Region:	Regional
▪ TC Name:	Skills for Work: Action Plans for the Bahamas and El Salvador
▪ TC Number:	RG-T2611
▪ TC Type:	Research and Dissemination (RD).
▪ Team Leader/Members:	Laura Ripani (SCL/LMK), Team Leader; Maria Victoria Fazio (SCL/LMK); Esteve Sala (SCL/LMK); Fernando Pavón (SCL/LMK); María Elisa Arango (LEG/SGO); and Ethel Muhlstein (SCL/LMK).
▪ Reference to Request: (IDB docs #)	In progress xxxxxx
▪ If Operational Support TC, give number and name of Operation Supported by the TC:	N/A
▪ Date of TC Abstract:	March 11, 2015
▪ Beneficiary (countries or entities which are the recipient of the technical assistance):	Ministries of Labor in The Bahamas and El Salvador
▪ Executing Agency and contact name:	Inter-American Development Bank (IDB), through the Labor Markets and Social Security Unit (SCL/LMK), Laura Ripani, laurari@iadb.org .
▪ IDB Funding Requested:	USD\$300,000
▪ Local counterpart funding, if any:	0
▪ Execution period:	24 months
▪ Disbursement period (which includes execution period):	30 months
▪ Required start date:	May 15, 2015
▪ Types of consultants (firm or individual consultants):	Individual
▪ Prepared by Unit:	Labor Markets and Social Security Unit (SCL/LMK)
▪ Unit of Disbursement Responsibility:	Social Sector (SCL), through (SCL/LMK)
▪ Included in Country Strategy (y/n);	No
▪ TC included in CPD (y/n):	No
▪ GCI-9 Sector Priority:	Poverty Reduction and Inequality

II. Objective and Justification

2.1 As the 2013 World Development Report highlights, jobs are the main source of income for the majority of households, are key drivers of poverty reduction, and are important determinants of living standards around the world. For most, work is the main source of income, especially in the poorest countries. Therefore, job-related events are the most frequent factors for families to escape or fall into poverty. A recent study decomposing changes in poverty by sources of income confirm the fundamental contribution of change in labor earnings¹. In 10 of 18 countries considered for the analysis, labor income explains more than half of the change in poverty, as measured by the US\$2.50-a-day poverty line. In another five countries, it accounts for more than

¹ Covarrubias and others (2012), for the World Development Report 2013.

a third of the reduction in poverty. Nevertheless, the connection between jobs and poverty reduction is not mechanical, and not all transitions out of poverty require a change in the type of work undertaken. In Latin America, it is key to address lagging productivity for a great part of the population to be able to escape poverty and increase their income. This will require more productive firms using more productive workers with better labor force skills: according to the OECD 48% of the students entering the labor market are unable to comprehend a basic text and 62% cannot perform simple numerical calculations. Manpower Inc. reports Latin America as the region of the world where employers most encounter a “skills gap”².

- 2.2 An important consequence of low productivity growth is a labor market in which almost 140 million workers (58% of employment) are working in the informal sector without any protection against old age poverty, sickness, unemployment or workplace accidents. Promoting human capital is then essential for productivity growth, while more skilled workers make possible the development and adoption of technological and organizational changes that cause productivity to increase. Higher skills are associated with higher earnings and a higher probability to remain on the job. Promoting better skills, particularly at the middle and low end of the distribution, also improves the distribution of income, particularly because skills gaps are highest among the poor and vulnerable. Additionally, developing concrete action plans with the agreement between employers, education providers and the Government; in order to jointly design skills development systems where employees can reinforce and learn new skills will be fundamental.
- 2.3 The main objective of this TC is to work with the Bahamas and El Salvador in developing concrete and demand-driven Action Plans and Roadmaps and in designing and implementing associated pilot projects to potentiate opportunities and address key challenges in their labor and skills development systems.

III. Description of Activities and Outputs

- 3.1 **Component 1: Action Plan Development, Feasibility and Validation.** This component will include: (i) assessments of the current state of labor market and skills development systems in El Salvador and the Bahamas; and (ii) the design of Action Plans and Roadmaps for both countries. The assessments will be concentrated in understanding how pertinent the labor market and skills development systems are in reaching the needs of the productive sector through in-country dialogues. Based on these results, initial Action Plans and corresponding Roadmaps will be developed, taking into account opportunities and challenges and elements of success from practices in other countries that have been identified. Action Plans will include elements such as: (i) creation and strengthening of programs and mechanisms that allow on-the-job training in a structured manner and following pre-established and regulated contents; (ii) creation of information mechanisms about the opportunities and returns to education in the labor market by occupation and sector; and (iii) better links between the technical education centers, the national employment services, and the private sector, among others. This component will also include a more focused dialogue with key stakeholders from the public, private, and civil society sectors within each targeted country with the objectives of (i) validating the findings from the assessments; and (ii) evaluating the feasibility and timing of the aforementioned Action Plans and Roadmaps.

² 2012 Talent Shortage Survey www.manpowergroup.us

- 3.2 **Component 2: Sectorial Pilot Projects in Beneficiary Countries for the Action Plan and Roadmap Implementation.** Based on the previous activities, the next step is to design pilot projects that will address critical challenges for both countries' labor markets and skills development systems along a series of criteria such as urgency, timing, importance, and overall buy-in from relevant stakeholders. Under this component pilot projects will be designed jointly with key actors from the public, private and civil society sectors to ensure a demand-driven approach. Throughout this process, a certain number of elements should be considered, including the existence of other training programs, the participation of the private sector in training, the institutional capacity of the Ministry of Labor, and the legal framework regarding PPPs pilots in training and other related topics.

IV. Budget

Indicative Budget (US\$)

Activity/Component	Description	IDB/Fund Funding (US\$)
Component 1: Action Plan Development		
1.1 Assessment of the current state of labor market and skills development systems	Assessment of macro economy, industry and employment structure, and the current state of labor market and skills development systems (challenges and opportunities) in El Salvador and The Bahamas	35,000
1.2 Development of Action Plans and Roadmaps	Action Plans and Roadmaps for El Salvador and The Bahamas to strengthen their labor market and skills development systems	45,000
1.3 Action Plan Feasibility and Validation Workshops	Workshops held with representatives from the private, public, and academic sectors to evaluate the feasibility and validate the proposed Action Plan and Roadmap	90,000
Component 2: Pilot Sectorial Pilot Projects for the Action Plan and Roadmap Implementation		
2.1 Design and Implementation of Two Sectorial Pilot Projects	Design and implementation of two concrete sectorial pilot projects with the objective of strengthening the labor and skills development systems in El Salvador and The Bahamas	100,000
Monitoring, Incidentals and Dissemination Activities		30,000
Total		300,000

V. Executing agency and execution structure

- 5.1 Given the ample experience of the Labor Markets and Social Security Unit (SCL/LMK) of the IDB in the topics included in this TC, it will have technical responsibility, coordination, direction and supervision of this TC, working closely with national governments.

VI. Project Risks and Issues

- 6.1 There are no risks associated with the execution of this technical cooperation.

VII. Environmental and Social Classification

- 7.1 Based on the Environmental and Social Safeguard Filter, the proposed technical assistance has been classified as category C. See safeguard filters: [39475547](#)