

TC Document

I. Basic Information for TC

▪ Country/Region:	ECUADOR
▪ TC Name:	Support to strengthen the Public Employment Service (PES) in Ecuador
▪ TC Number:	EC-T1473
▪ Team Leader/Members:	Dias Alvarenga Baptista, Dulce Benigna (SCL/LMK) Team Leader; Oliveri, Maria Laura (SCL/LMK) Alternate Team Leader; Zegarra Azcui, Francisco (SCL/MIG) Alternate Team Leader; Almeida Oleas, Natalia (LEG/SGO); Casco, Mario A. (ITE/IPS); Cecilia Siccha (SCL/LMK); Gonzalez Herrera, Beatriz Maria (SCL/LMK); Juan Manuel Sandoval Ayala (SCL/LMK); Sebastian Penaherrera (SCL/LMK) Zegarra Azcui, Francisco (SCL/MIG) Alternate Team Leader; Almeida Oleas, Natalia (LEG/SGO); Casco, Mario A. (ITE/IPS); Cecilia Siccha (SCL/LMK); Gonzalez Herrera, Beatriz Maria (SCL/LMK); Sebastian Penaherrera (SCL/LMK)
▪ Taxonomy:	Client Support
▪ Operation Supported by the TC:	N/A.
▪ Date of TC Abstract authorization:	27 Aug 2021.
▪ Beneficiary:	Ministry of Labor of Ecuador
▪ Executing Agency and contact name:	Inter-American Development Bank
▪ Donors providing funding:	Japan Special Fund(JSF)
▪ IDB Funding Requested:	US\$500,000.00
▪ Local counterpart funding, if any:	US\$56,000.00 (In-Kind)
▪ Disbursement period (which includes Execution period):	36 months (which include execution period)
▪ Required start date:	January 1st, 2022
▪ Types of consultants:	Firms & Individual Consultant
▪ Prepared by Unit:	SCL/LMK-Labor Markets
▪ Unit of Disbursement Responsibility:	SCL/LMK-Labor Markets
▪ TC included in Country Strategy (y/n):	Yes
▪ TC included in CPD (y/n):	No
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Social inclusion and equality; Productivity and innovation

II. Objectives and Justification

- 2.1 The general objective of this Technical Cooperation (TC) is to support the improvement of labor migration management in Ecuador. The specific objective is to contribute to the strengthening of the Public Employment Service in the management of labor migration by improving human resource management and the design of services.
- 2.2 The labor market in Latin America and the Caribbean is currently facing an unprecedented job loss scenario evidenced by the more than 15.6 million jobs that the region has lost between February of 2020 and March of 2021 (IDB, 2020). The situation generated by COVID-19 has come at a time when the region was already facing a labor market with great challenges for labor insertion, deepened by the high flows of international migrants, especially migratory flows from Venezuela. The

International Organization for Migration (IOM) announced that the number of refugees and migrants from Venezuela worldwide has exceeded 3 million people, of which 80% are housed in Latin American and Caribbean (LAC) countries.

- 2.3 In the case of Ecuador, during the crisis period, unemployment has nearly doubled, going from 3.8 % in December 2019 to 5.7% in January 2021 (ENEMDU, 2021). Regarding the migratory situation, according to R4V, data,¹ as of August 1st, 2021, Ecuador had approximately 432,866 Venezuelan citizens residing in its territory, who have been migrating to the country, largely due to the difficult economic, political, and social situation in the neighboring country. The recent orders of magnitude contrast with the figures of 2015, when the number of Venezuelan nationals in the country did not exceed 5,200. In addition to the difficult labor scenario generated by COVID-19, it has been observed that migrants frequently face great difficulties in entering the formal labor market, generating significant gaps in terms of social protection and basic services compared to the local population (ECLAC, 2018).
- 2.4 In terms of age, 68% of the migrants are between the ages of 15-64, and 34% percent of this group are between 18 and 29 years old. According to the World Bank (2020), there is a significant difference in the age profile of Venezuelan migrants compared to other migrants. Thus, while young people represent 60% of venezuelans, they only represent 33% of migrants of other nationalities. In educational terms, 42% have completed secondary studies in contrast to 31% among the natives. Additionally, 22% of the migrants had completed higher education in 2019 versus 11% of the natives. Regarding educational level, 59.5% completed secondary school, 17.4% a technical tertiary level and 16.9% university (all those surveyed were people over 18 years of age). According to 2018 data from the IOM Displacement Tracking Matrix (DTM, the main reasons for emigrating are lack of food (74%), insecurity (55%), inflation (55%), lack of medicines (42%), violence (20%), among others.
- 2.5 A recent analysis developed by the IDB that assesses the profiles of migrants,² identifies that most are living in Pichincha (47%), 58% are female, and the average number of years of education is 13. Also, 44% have valid identification and 33% have a validated degree. Meanwhile 28% work as employees, 24% as independent workers, 63% are not working, and, of those who do work, the weekly average number of working hours is 32. Only 18% have an employment contract and 50% lost their job due to COVID-19. Likewise, it was found that female migrants and migrants with only basic education present greater vulnerability and job insecurity compared to male migrants or migrants with higher education. Of the migrant population surveyed, 85% intend to remain in the country.
- 2.6 **Labor intermediation (LI) can play an important role in this context.** Developed countries have labor intermediation systems (LIS) that seek to provide job seekers with the tools that allow them to effectively place themselves in the labor market and provide these services in the same way to the migrant population, facilitating their social integration in host country. LISs, in general, help people to find better jobs and businesses to find the right talent and can be important tools in managing labor

¹ In April 2018, the Regional Inter-Agency Coordination Platform for Refugees and Migrants from Venezuela (R4V) was established under the request of the United Nations Secretary General to the International Organization for Migration (IOM) and the United Nations High Commissioner for Refugees (UNHCR).

² Survey conducted by Equilibrium at the request of the IDB in the period December 2020-March 2021 to 1179 people.

migration. LIS include public employment services (PES), private intermediation agencies and civil society organizations that provide this type of service. Evidence indicates that LI is a cost-effective intervention to link workers to jobs (Card, Kluve and Weber, 2017, 2010). International experience shows that PES can become an important tool for managing labor migration by turning the challenge of migration into an opportunity to strengthen the local labor market.

- 2.7 In Ecuador, the Ministry of Labor has had a PES since 2009, the *Red Socio Empleo*. PES has achieved important developments: (i) presence in 24 provinces; (ii) most of the personnel are career civil servants, with defined occupational profiles, frequent training schemes and a career plan; (iii) it has a computer platform that enhances the offer of services through digital channels; (iv) it has established partnerships for labor intermediation with large private employers; and (v) increasing integration with other government agencies. Nonetheless, there are also several challenges ahead. The first challenge is the absence of specific services to migrants. The publication “The World of Public Employment Services” (IDB, WAPES, OECD 2016) carried out a diagnosis of the PES in Ecuador and identified that it only provides one of the possible services that are generally offered to migrants: assistance to foreign workers who already reside in the country but do not offer information regarding job offers abroad, information and advice to find employment abroad, assistance to foreign employers in search of migrant workers and assistance to returned migrants. The second challenge is coordination and articulation with the private sector, which is key given its role as a tool for identifying labor demand. According to information currently provided by the Ministry of Labor, less than 3% of formal companies list vacancies in the PES web portal. In addition, the vacancies captured are aimed at low-skilled positions, but the profile of registered job seekers is highly qualified. This situation is explained, among others, by the limited supply of services and the lack of an engagement strategy with the productive sector. It is also partly explained by the little knowledge of PES functions, services and targeted groups among job seekers, employers, and other key actors in the labor market. Although its functions, services and target groups have diversified in recent years, since its origin as an employment agency in the construction sector, the public continues to ignore PES and the services it provides. A third challenge refers to the need to modernize the PES digital platform in line with current innovation trends. The digital platform is operating at its limit and PES does not have recommendations related to business architecture, business intelligence, data quality and its use to make strategic decisions and improve the user experience.
- 2.8 Achieving the proposed objective and overcoming the challenges described requires the transversal strengthening of PES and not only limited to the migrant population, as the provision of services to this population is directly linked to the capacity and quality of services offered by PES. In addition, previous studies show that public resistance can occur if special services and programs are only offered to migrants and not to the local population and even to other vulnerable groups (European Commission 2017) that can benefit from the transversal improvement of PES.
- 2.9 This project is complementary to the work undertaken by the IDB in Ecuador to support employment recovery. IDB approved a policy-based pragmatic series of loans in Ecuador in 2021 “Support for the Protection of Social Spending and Job Recovery” (EC-L1273 & EC-L1277), and a TC (EC-T1469) to support the Ministry of Labor to implement policy conditions agreed upon as part of to the second tranche of the programmatic series, IDB also financed a Regional TC (Strengthening the knowledge and technical skills of LAC workers for the transition to a resilient and low-emission

economy) which made it possible to identify the potential that green sectors have, in Ecuador and other countries, to generate formal jobs and the necessary requirements for the development of a green skills training supply. Additionally, SCL/LMK is developing an ESW that aims to identify digital skills gaps in Ecuador, develop a toolkit to strengthen digital talent initiatives and execute a pilot to address those gaps.

- 2.10 The TC is consistent with the Second Update of the Institutional Strategy (AB-3190-2) and is aligned with the development challenges of: (i) Social Inclusion and Equality, supporting policy measures that help promote access of the migrant population to better employment opportunities and a source of formal work in a low-carbon and resilient economy; and (ii) Productivity and Innovation, supporting policy measures to improve the link between the skills of the workforce and those demanded by the productive sector. The TC is aligned with the Strategy for a Social Policy Favorable to Equality and Productivity (GN-2588-4), in the areas of improving equity and supporting vulnerable populations. In addition, it will contribute to the Corporate Results Framework (CRF) 2020-2023 (GN-2727-12) with the indicator of beneficiaries of staff training programs. Likewise, it is consistent with the Labor Sector Framework Document (GN-2741-12) because of its relation to access to work and improvement of labor productivity for women, and the importance of multisectoral work to develop interventions that have consequences on the employability of vulnerable groups and their job placement. It is also consistent with the Migration Action Framework (GN-3021) by promoting policy measures to increase formality for the migrant population. The operation contributes to the objective of improving the management and quality of social services in the Bank's Strategy with Ecuador 2018-2021 (GN-2924). This operation responds to the priorities of the Government of Ecuador and the Bank. It is aligned with the National Development Plan 2017-2021 "*Toda una vida*" in its priority of guaranteeing a dignified life with equal opportunities for all citizens, as well as the pillar of "*Igualdad de Oportunidades y Protección Social*" of the government's strategy for the economic recovery "*Plan de prosperidad*", updated in the SAF with the IMF since the activities also contribute to the medium-term objective of the program with the IMF in terms of job creation.
- 2.11 The operation is aligned, according to the operating guidelines for application and implementation of Japanese Special Fund (JSF) (March, 2021). Specifically, because it supports policy and strategy formulation/implementation activities with priority in C y D Countries and is linked with the development objectives as stated in paragraph 2.9.

III. Description of activities/components and budget

To improve the capacity of the PES to manage labor migration, this TC seeks to support the strengthening of existing services in PES aimed at the local population, migrants, and employers, and to support the creation of services to manage labor migration. For this, three components are proposed:

- 3.1 **Component 1. Strengthening the services offered to job seekers, both locals and migrants (US\$ \$260,000).** To this end, the following will be financed: (i) design of services for managing labor migration; (ii) design of a profiling scheme for the assignment of services; (iii) design of a strategy for the management of services for the local and migrant population, which includes a governance scheme, multichannel management, human resource management, and performance management; (iv) study on good practices for the recognition of skills acquired informally; (v) pilot of a scheme for the recognition of skills acquired informally; and (vi) pilot for the development on skills to work on digital platforms. This component will support the

production of the following outputs: a report with the management strategy for labor migration including the activities (i) to (v), and 2 pilots covering activities (v) and (vi).

- 3.2 **Component 2. Improve the relationship with the private sector for the development of contracting strategies for the local and migrant population (US\$ \$100,000).** This component seeks to improve and expand the communication channels and services provided by PES to companies. To this end, the following will be financed: (i) design of a strategy to create and maintain relationships with the private sector, which includes tools to support employers (i.e. information, training, and orientation packages) who are willing to hire migrants or provide resources to invest in their ventures or to buy services / products from their ventures; and (ii) the design of a diversification scheme for services offered to employers, including services for migration management. This component will support the production of the following output: a report including activities (i) and (ii).
- 3.3 **Component 3. Improve the PES digital platform (US\$ \$176,000).** It seeks to improve the PES digital platform to facilitate the search for employment for the local and migrant population. The following will be financed: (i) design of a labor market information system that considers international migration; (ii) redesign of the PES platform, to include services for managing labor migration, and (iii) a multi-screen web portal for PES, incorporating services for managing labor migration. This component will support the production of the following outputs: (i) a report with the design of a labor market information system accounting for international migration; (ii) a report with the design for the PES platform; and (iii) a report with the design for the multi-screen web portal for PES.
- 3.4 **Other costs (US\$ \$20,000):** contingencies.

Indicative Budget

The TC's total budget will be USD \$556,000 and will be financed by the Japanese Special Fund (JSF) - USD \$500,000, and the [Ministry of Labor of Ecuador - USD \\$56,000 \(in kind payment\)](#).

Activity/Component	IDB/JSF Funding	Counterpart Funding	Total Funding
Component 1. Strengthening the services offered to job seekers, both locals and migrants.	US\$250,000	US\$10,000	US\$260,000
Component 2. Improve the relationship with the private sector for the development of contracting strategies for the local and migrant population.	US\$80,000	US\$20,000	US\$100,000
Component 3. Improve the PES digital platform.	US\$150,000	US\$26,000	US\$176,000
Other costs: Contingencies	US\$20,000	US\$0,00	US\$20,000
Total	US\$500,000	US\$56,000	US\$556,000

- 3.5 The supervision of this TC will be carried out by the Team Leader and Alternate Team Leaders, with the appropriate support from specialist and consultants from different sectors, if needed. The COF focal point for this TC is María Laura Oliveri (LMK/CEC). Adequate planning of transactional budgetary resources to guarantee the monitoring and fulfillment of activities and products included in this TC, will also be the team leader's responsibility, always in coordination with the COF.

IV. Executing agency and execution structure

- 4.1 **Execution.** The Executing Agency will be the Inter-American Development Bank (IDB), through the Labor Markets Division (SCL/LMK), in accordance with the guidelines and requirements established in the Technical Cooperation Policy (GN-2470-2) and in the TC Operational Guides (GN-2629-1), as requested by the Ministry of Labor. This procedure is justified by the Bank's experience in developing the operational and technical instruments proposed for this type of operation, by the knowledge required, the scope of work, and the complementary of this TC with other operational and knowledge products led by SCL/LMK.
- 4.2 **Acquisitions and financial management.** The activities to be executed under this operation have been included in the Procurement Plan (Annex 4) and will be carried out in accordance with the Bank's established procurement methods, namely: (a) Hiring of individual consultants, as established in the regulations AM-650; (b) Hiring of consulting firms for services of an intellectual nature according to GN-2765-4 and its associated operating guides (OP-1155-4) and (c) Hiring of logistics services and other services other than consulting, according to the policy GN-2303-28.

V. Major issues

- 5.1 One of the risks is related to the sustainability of the interventions that are supported by this TC. This risk is low because, the outputs from this TC will be used as an input for the work the PES does and does not represent additional resources to be allocated for this purpose. Given the Bank's extensive experience in labor intermediation, no difficulties are anticipated in the execution of this TC. There is already an execution strategy and the respective terms of reference.

VI. Exceptions to Bank policy

- 6.1 None.

VII. Environmental and Social Strategy

- 7.1 This TC is not intended to finance pre-feasibility or feasibility studies of specific investment projects or environmental and social studies associated with them; therefore, this TC does not have applicable requirements of the Banks Environmental and Social Policy Framework (ESPF).

Required Annexes:

[Request from the Client - EC-T1473](#)

[Results Matrix - EC-T1473](#)

[Terms of Reference - EC-T1473](#)

[Procurement Plan - EC-T1473](#)