Designing and Implementing Skills Training Programs

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Skills are necessary to improve employability and to increase productivity and growth.

Persistent high unemployment rates coincide with skilled wage premium (skills mismatches).

Experience suggests that the demand for skills changes as countries grow.

- Productivity is increasingly driven by high level cognitive skills (e.g., analysis or problem solving) and by “non-cognitive” or life skills (discipline, showing up for work on time).

How can you design comprehensive, flexible, and responsive systems to build skills?
How the labor market works

• Has in mind a job and wage he is willing to accept.
• Has a set of skills....

Something prevents the market from clearing

• Has in mind a set of skills she needs.
• Has in mind a wage she is willing to offer.
Start with diagnosis

- Where is the market failure, or governance failure? What prevents supply and demand from meeting?
  - Supply-side factors (e.g. inadequate or insufficient skills, myopia)
  - Demand-side factors (e.g. poor demand, slow growth)
  - Information (e.g. matching, communication)
  - “Market clearing” institutional and governance factors (e.g. rigid labor laws, distance to markets, transactions costs, social rules and norms)
  - Constraints in other markets (e.g. credit, products)

- Different problems demand different interventions.
So what can you do about it?

- Identify the binding constraints
  - What’s most pressing?

- Identify possible responses
  - What tools do you have?
  - What evidence and experience do you have?
  - What’s most cost-effective?
  - What can be implemented at sufficient scale?

- Where can you use scarce public resources most effectively?
“Skills shortage” is not one problem, but many

- Lack of basic foundations (ECD, primary education).
- Pre-employment skills development (secondary schooling) may not reflect demands of labor market.
- On the job training (OJT) focused on skilled workers, larger formal-sector firms.
- Training related ALMP programs have often been supply-driven, too narrowly focused.
- Skills certification may be missing or untrustworthy.
Example: technical and life skills

Share of employers citing “inadequate education” as barrier to hiring

- Middle East and North Africa: 54.4%
- Eastern Europe and Central Asia: 43.2%
- Latin America & Caribbean: 42.5%
- East Asia & Pacific: 33.8%
- Africa: 32.6%
- South Asia: 24.8%
- Spain (2005): 13.8%
- Korea (2005): 6.8%
- Germany (2005): 7%

Is the lack of skills the most binding constraint?
Example: technical and life skills

<table>
<thead>
<tr>
<th>Skill</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Honesty/integrity</td>
<td>86%</td>
</tr>
<tr>
<td>Work ethic</td>
<td>86%</td>
</tr>
<tr>
<td>Problem solving / efficiency</td>
<td>82%</td>
</tr>
<tr>
<td>Communication skills</td>
<td>79%</td>
</tr>
<tr>
<td>The ability to work well on teams</td>
<td>77%</td>
</tr>
<tr>
<td>Taking individual responsibility</td>
<td>68%</td>
</tr>
<tr>
<td>Dependability</td>
<td>47%</td>
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<tr>
<td>Computer skills</td>
<td>45%</td>
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Type of skills demanded by Caribbean employers

Blom and Hobbs (2007)

What skills are lacking?
Where?
In what context?
Among which workers?
Example: technical and life skills

**Jovenes programs: technical training + social and life skills + internship**

- Demand-driven (MOU with internship firms)
- Private supply with public oversight, accreditation, funding
- Located in poor neighborhoods, stipend to participants
- Cost = $US700-$2000 per person

<table>
<thead>
<tr>
<th></th>
<th>Proyecto Joven (AR)</th>
<th>Chile Joven</th>
<th>Jovenes en Accion (CO)</th>
<th>Juventud y Empleo (DR)</th>
<th>ProJoven (PE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impact on employment</td>
<td>10% (f)</td>
<td>21%</td>
<td>5% (f)</td>
<td>0%</td>
<td>6% (f)</td>
</tr>
<tr>
<td>Impact on wages</td>
<td>10%</td>
<td>26%</td>
<td>18% (m) 35% (f)</td>
<td>10%</td>
<td>18%</td>
</tr>
<tr>
<td>Cost-Benefit</td>
<td>NPV &gt; 0</td>
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<td>NPV &gt; 0</td>
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</tbody>
</table>

Ibarraran and Rosas (2008)
What does the evidence tell us?

Factors *associated* with success:

- Demand-driven (from hiring firms) curriculum
- Internships and *on-the job* training
- Personal counseling and job search assistance
- Providing *life skills* training
- Providing other “wrap-around” services
- Trustworthy *certification* process
- Results differ depending on (e.g.) target population

But there is insufficient evidence to draw robust general lessons, especially on *cost-effectiveness*
Elements of program design

- Who gets trained? (Identifying and selecting beneficiaries)
- What training is delivered? (Identifying type of training and ancillary services)
- How is it delivered? (Selecting content of training and training materials, delivery method, pedagogy, duration and intensity of exposure)
- Who does the training? (Identifying service providers)
- How do you ensure quality? (Monitoring, evaluation and assessment, grievance and feedback)
Elements of program implementation

- Marketing a new program
- Beneficiary recruitment and selection
- Enrolment and registration
- Selection of training providers
- Preparation of curricula and training materials
- Support to training providers
- Governance
- Sustainability and financing

- Payments to trainers
  - Are trainers paid for outputs? For outcomes?
- Payments to beneficiaries
  - Do they receive compensation and reimbursement?
- Process monitoring
- Impact evaluation
- Feedback mechanisms, learning from mistakes, making adjustments
Who are the beneficiaries?

- Disadvantaged youth, including school dropouts and graduates who have difficulty entering the labor market (*Jovenes*)
- The long term unemployed
- Vulnerable young women (AGI)
- The poor (including social assistance beneficiaries) (Nicaragua)
- Workers in the informal sector (Sri Lanka)
- Displaced workers (Serbia, Romania)
- Street children, orphans and vulnerable children (Yemen, Egypt)
- Prisoners & offenders leaving the correctional system (Morocco)
- People affected by conflict (Sierra Leone, Liberia, Uganda)
- Migrant workers (China)
- People with disabilities (Turkey)
- Minority groups
- Female university graduates (Jordan)
Who are the beneficiaries?

- Define the target group, **make eligibility explicit**
  - Employment status, age, gender, education, income, previous training, geographic location or social group.
  - You may need to pay training firms extra to get to hard-to-reach populations.

- Mobilization, marketing, getting the word out.

- Use administrative data where possible
  - Social assistance, UI registry, poverty maps.

- Welfare goals may conflict with growth goals.

- Economic criteria may conflict with political criteria.
What services are delivered?

- What constraints do the beneficiaries face? What are their skills gaps?
  - Basic literacy and numeracy, life skills, specific technical skills, job search techniques, business skills,…

- What other support services do they need?
  - Job placement and counseling assistance, mentoring, information about opportunities and requirements; stipends, access to child care, transportation assistance, assistance with disability,…

- What skills are hiring firms looking for?

- What skills and services are needed to start own businesses?
  - Finance, mentoring, marketing, aggregation and networks,…
Who delivers the services?

- **Two basic models:**
  - Public sector pays for and provides training
  - Public sector pays, private sector provides training

- **Where is the local capacity? Is there a market for training?**
  - Private trainers, public trainers, NGOs, master craftsmen,…

- **Do other necessary public institutions exist?**
  - Assessment and qualification of training providers, national skills certification system,…

- **How do you contract and pay providers?**
  - Competitive procurement, pay for performance,…..
Governance, incentives, and payments

Who is paid?
- Direct payments to trainers?
- Vouchers to recipients to exchange for training?

How are they paid?
- **Training Providers** – payments for outputs or performance based contracts? Milestones, standards, verification,...?
- **Beneficiaries** – daily stipends, completion bonuses? In cash, committed savings, airtime,...?
- **Hiring and hosting firms** – subsidies on tools and supplies, mentorship training,...?

How much are they paid?
- Relative to local daily mean or minimum wage? Cost plus a fixed margin?
What can go wrong?

- Not involving employers, not listening to what employers say, and not responding to employers’ needs.
- Insufficient attention to job placement.
- Training in the wrong skills (addressing the wrong constraints, or skills for which there is no demand among employers).
- Poor take-up, high drop-out
  - Inadequate attention paid to other demands on beneficiaries’ time
  - Inadequate stipends or other services, such as child care
  - Inappropriate training, not targeting training to beneficiaries, or training in skills that don’t interest them.
- Inadequate community mobilization, too few applicants.
- Unclear or untransparent eligibility rules.
What can go wrong?

- Poor coordination and communication among stakeholders, partners, training providers, ....
- Inadequate buy-in from stakeholders, especially policymakers.
- Difficulties finding training providers and instructors.
- Delays in paying stipends to beneficiaries, payments to providers.
- Difficulties recruiting employers and especially the more desirable employers.
- Not having skills certification procedures and arrangements in place.
How can you get it right?

- Focus on diagnostic work up front.
- Build constituencies and buy-in from stakeholders.
- Focus on scalable interventions.
- Base interventions on evidence.
- Arrange sustainable financing.
- Plan.
- Monitor constantly.
- Adapt.