Vocational Training and the Labour Market in Mozambique

Pedro S. Martins
Queen Mary University of London
p.martins@qmul.ac.uk

IGC Growth week
LSE, 24 September 2014
Structure of the talk

1. Background
2. Institutional framework
3. Policy topics

Caveats: development economics, Mozambique, foreign country, discussion
1. Background

• Average growth of 7% over last 20 years
• Extractive industries key performers (aluminium exports in particular).
  – Large potential in terms of coal and offshore gas
• Total workforce of 9.6 million, 70% in the agricultural sector, 18% in trade and services sector
• 90% of workers with basic schooling or less (2003); 54% literacy rate; persistence in poverty levels and underemployment
Background

- Only 6% of the population in formal sector (80% in trade and services, more than 50% in Maputo province)
- 300k+ labour market entrants per year
- Most jobs in smallholder agriculture or urban informal sector (Jones and Tarp, 2013)
- Frustration from lack of higher quality jobs and perceptions of inequality/dualism
2. Vocational training

- Resolution of Council of Ministers 66, 1997: key steps in labour and vocational training
  - Vocational training for the unemployed
  - Retraining of current employees
  - Training of trainers

- National Strategy for Employment and Professional Training, 2006-2015:
  - Creation of COREP and PIREP
  - Promotion of demand-led training system and market-relevant skills
  - Setting up of qualifications framework
Vocational training II

• Emergence of private training providers, offering specialised programmes for private clients (eg foreign investors)
• INEFP: 11+ training centres
• Funding: World Bank, NL, ES, DK, DE, PT, IT...
• Technical education (Min Educ)
• Vocational training (Min Labour)
TVET reform areas

• Institutional framework (financing mechanism, decentralised management of training providers)
• Standards-based qualifications (qualifications, assessment and accreditation, evaluation)
• Quality improvements (training of trainers, equipment improvements, career guidance)
• Skills development fund (FUNDEC)
5-year programme (2010-14)

Improvement of quantity and quality of vocational training provision:

– Promotion of job opportunities
– Creation of labour market information system
– Expansion of vocational training
– Delivery of management courses
– Greater usage of mobile units
– Building of new training centres
Employment and VT strategy 2006-15

• Improving Coordination of Training System,
• Increasing Market Relevance of Vocational Training (regular consultations with employers, greater access to specific groups)
• Improving Quality of Vocational Training (definition of standards for trainers, incentive mechanisms, new training methodologies, infrastructure improvements)
New Professional Education law

• Approved in July 2014
• Greater focus on training demand (from previous supply orientation)
• Funding of system by State and private sector
• Professional education fund supported by 1% of salaries
3. Policy topics

• Expansion of **training centres** network
• Focus on training needs of labour-intensive export sectors
  – Avoiding “dutch disease” from capital-intensive projects
• Promotion of foreign investment in training provision
• More flexible employment regulations
• Pilot projects subject to RCT evaluation
  – Labour data collection avoiding high admin costs to formal sector
Expansion of training centres network

• Context:
  – Relatively small number of training centres
  – Increasing demand from foreign investment
  – Large potential also in informal economy, namely in terms of increasing productivity in small scale farming (Jones and Tarp, 2013)

• Involvement of private providers too
• Avoid over-regulation of training modules
• High private and social returns, relatively quickly monetised through export income and taxes
Focus on training needs of labour-intensive (export) sectors

• Mining, farming, food/beverages, tourism, etc
• Evidence of foreign ownership wage differentials (Hijzen et al, 2013)
• Spillovers from worker mobility
• Promotion of formalisation of labour market (but only to some extent)
• Scope for apprenticeships (tax incentives?)
Promotion of foreign investment in training provision

• Knowledge transfer from technological frontier
• Large number of skilled trainers available in (Southern) Europe
• Partnerships with FDI in other sectors
• Low interest rates in Europe
• Complementarity between native and foreign workers (employment regulations)
# Doing Business: Employing workers

<table>
<thead>
<tr>
<th>Difficulty of hiring</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed-term contracts prohibited for permanent tasks?</td>
<td>Yes</td>
</tr>
<tr>
<td>Minimum wage for a 19-year old worker or an apprentice (US$/month)</td>
<td>111.6</td>
</tr>
<tr>
<td>Ratio of minimum wage to value added per worker</td>
<td>1.35</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Rigidity of hours</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Premium for work on weekly rest day (% of hourly pay) in case of continuous operations</td>
<td>100%</td>
</tr>
<tr>
<td>Major restrictions on weekly holiday in case of continuous operations?</td>
<td>Yes</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Difficulty of redundancy</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Third-party notification if 1 worker is dismissed?</td>
<td>Yes</td>
</tr>
<tr>
<td>Third-party approval if 1 worker is dismissed?</td>
<td>No</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Redundancy costs (weeks of salary)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Severance pay for redundancy dismissal (average for workers with 1, 5 and 10 years of tenure, in salary weeks)</td>
<td>33.2</td>
</tr>
</tbody>
</table>
Pilot projects subject to RCT evaluation

• Evidence base of greater importance for international investors and donors

• Examples of potential projects:
  – Technological/entrepreneurship/management training (eg smallholder farming)
  – Informal training systems (eg based on experienced informal workers)
  – Distance learning/new technologies
  – Training vouchers/private employment services
  – Trainer’s quality
  – Microcredit
Labour data collection

• Worker- and firm-level data, including informal sector

• Promotion of formality while avoiding segmentation of labour market
  – Compliance, level playing-field constraints

• Better diagnostic of training returns and needs in different areas