

# **2006 International Conference: Employment Policy & Human Capital in the Andean Region**

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Symposium Summary & Final Report for Workshops

*Written by*

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## Symposium Summary

The 2006 International Conference: Employment Policy and Human Capital in the Andean Region, took place simultaneously between Lima, Peru and Ottawa, Canada on the 19 and 20 of October, 2006. The conference sought to create a space for discussion and dialogue between specific actors, on the issue of unemployment. Two topics were developed each day; each topic was presented by a key speaker and followed by four panelists.



The first topic day one was Demographics, Employment, Informality, and Equality in Andean Countries. The key speaker was Albert Berry, who emphasized the “mediocre” results in the region during recent years: tendencies in the increasing of informality, greater disparity between the incomes of the informal and formal sectors, and an increase in the inequality of income distributions. In response Albert Berry proposed three solutions for policy: a short-term solution would be to devalue the currency. Countries which have experience the greatest success in their labor markets are those the have taken this measure. In the medium-term, policies in support of the small & medium sized enterprise sector should be developed. Finally, in the long-term, better education, with the end of developing human capital in order to exit the dependence on mineral exports.

Later, Jurgen Weller commented on relevant demographic impacts on rural employment. In the context of the aging of the working age population (effect of migration), Jurgen Weller suggested taking advantage of the transformation of the labor force, given that greater education is associated with greater productivity. He also suggested developing mechanisms that reinforce the role of rural youth, which could contribute to transforming the agro-industry. He also proposed the diversification of the rural productive structure, emphasizing the potential to increase non-agricultural activities with options for work and potentially higher incomes. A great part of this diversification would be linked – as a process of mutual reinforcement – with the transformation of the agricultural sector.

Afterwards, Harry Anthony Patrinos spoke on Indigenous communities, poverty, and human development in Latin America. He presented four priority areas for action. The first priority is the improvement of the quality of education, specifically for Indigenous communities, by means of bilingual and bicultural programs. The second priority would be to promote the equality of opportunities, through interventions in infant and maternal health. The third priority would be to improve the transparency of social services, considering that political power is not transferred to the communities. Finally, the fourth priority area would be in efforts to collect better data related to the identification of Indigenous populations and their characteristics.

Following Harry Anthony Patrinos, Diana Alarcón presented the preliminary results from a study that searches to establish a link between the evolution of poverty and the labor markets of five countries in Latin America: Chile, Mexico, Brazil, Venezuela, and Peru. She showed that during periods in which incomes grow, this growth is concentrated in higher income homes. In other words, the growth is not pro-poor. In addition, the episodes of growth do not reach the poor, with the exception of other types of incomes not linked to labor, such as transfers and other allowances.

Finally, Tomas Alarcón explained the objective of the Ayllu-Marka community model: the spiritual relationship with the earth. In this way, members of the community work, not for pay so much as for the relationship they have with mother earth. Tomas Alarcón pointed out that this system is not contemplated in laws, since it is seen as being in conflict with the dominant economic system and is therefore not valued. He also mentioned that the Ayllu-Marka system deals with a relationship that should be taken into consideration and strengthened. In this way, he proposed that communities based on the Ayllu-Marka model be established as micro enterprises.

The second topic of day one was Human Capital Formation and Competency. The primary speaker, Gustavo Yamada, presented the results of Middle-Term Project CIES-IDRC 2005-2006, which evaluated the returns of higher education in the labor market. It showed that mixed evidence exists in terms of the returns from University Education, but that on average, a University education is profitable; while non-University higher education is not profitable. Taking this into account, Gustavo Yamada suggested the need for educational institutions to gather information in relation to careers, average incomes, perspectives, work centers and, comparative earnings. Lack of such information causes disorientation in students. Alternatively, he suggested the organization of a large survey spearheaded by the State and which could be co-financed by educational institutions.

Later, Harry Anthony Patrinos spoke on education and skills for the modern economy. In addition, he pointed out the placement of Latin American countries in PISA: all find themselves at very low levels. He emphasized the case of Mexico, in which State level evaluations are used to design policy, and where the publishing of results and expenditures generate a greater impact.

Afterwards, Álvaro Henzler Vernal commented on the need to develop new competencies for new economic situations. In this way, he discussed the importance of interpersonal and intrapersonal skills to increase the rate of return from education. Álvaro Henzler Vernal also mentioned the existing gap between required competencies and professional outcomes as well as with the respective methods of evaluation and measurement. He also spoke of the absence of a coherent effort between institutions, namely: businesses, the State, and educational institutions. Giving the example of Holland, he suggested a better definition of the human capital market with more emphasis on inter-institutional articulation.

Following Álvaro Henzler Vernal, Juan Chacaltana mentioned the priorities in terms of policies for capacity building in Peru, a country in which the national budget is reduced and deficient. He first signaled at the problems that have received intervention: the problem of the definition of things such as standards, competition, and exclusion. This is taking into account that not everyone can increase their skills equally, and if given the same opportunities will not reach the same level of competence. He later indicated

those problems that have not received intervention: problems of asymmetry of information, mentioned also by Gustavo Yamada, and problems of property rights, which are associated with the lack of a mechanism for internalization.

Finally, Marcela León illustrated that, although a deficit of education exists, businesses are faced by a larger challenge, which consist of not only the preoccupation for higher education but also a return on investment and the covering of basic capabilities. With regards to this, she stated that business could take a larger role if adequate incentives were put in place.

Day two started with the topic of Policies for the Generation and Support of Employment. The primary speaker, Francisco Verdera, indicated that the unemployment that predominates in the Andean countries (and in development, in general) is structural, due to the lack of investment, which is distinct from the type of unemployment that exists in developed countries (frictional, cyclical, technological or for an imbalance in supply and demand). As a consequence, the active employment policies that apply to the latter do neither tackle the urban unemployment and informality nor the rural poverty of Andean countries. The coverage and impact of employment and labor skills development programs in Andean countries are very limited because such initiatives cannot be the answer to the magnitude of structural unemployment. In addition to not having sufficient resources, the States neither have the disposition nor the capacity to promote investment and quality employment. Most important it is essential to center attention on sector policies that promote investment and employment in labor-intensive areas, with a capacity to increase production and productivity, and thereby reducing structural unemployment, informality, and poverty. If the policy proposals were specific to the type of unemployment that predominates, the actual programs would achieve a greater coverage and further reinforce their impact. Francisco Verdera indicated, in addition, that these sector specific policies should be linked to the framework for national development strategies, which look to modify the heterogeneity and structural inequality that exists in production and to promote increases in productivity and competitiveness. Finally, he mentioned that due to the importance of preserving the macroeconomic framework with stability in the Andean countries and that the framework should, in itself, promote investment and employment.

Later, Fernando Villarán emphasized that the main problem with the Latin American labor market is informality. In the case of Peru, he mentioned that this could be expressed in what he referred to as underemployment. On this point he questioned why there is no measurement of underemployment in the statistics of the ILO? Fernando Villarán pointed out that this data is necessary in order to deal with the issue at the level of policy and to measure the effectiveness of programs. He emphasized the situation of underemployment in Peru in small and medium sized enterprises, as well as, the increasingly accelerated role they are playing in the size of the economically active population. He went on to indicate that employment policies should guarantee economic growth, according to the priorities of the labor market.

Jaime Tenjo presented the case of Colombia where the primary characteristic of informality is the existence of a large independent sector as a result of the labor reforms carried out earlier in the 90's. He stressed that the informality is another form of flexibility within the labor market, but with the problem of very high vulnerability for the workers implied. Later, he indicated that the direction for labor policy should consist in the development of a series of institutions for the flexibility of labor markets, as a solution

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to the problems created by past policies. He also emphasized the importance of strengthening and developing systems of social security, and to make them more accessible, so as to reduce the costs in the generation of employment.

Next, Mario Galindo spoke about the situation in Bolivia where the governments have been opting for emergency employment policies that aim at the redistribution of wealth and diminishing unemployment. He commented that, even though the population perceived the project to be transparent, there exists a lack of creativity in the creation of new programs or sources of finance. In addition, he stressed that these programs had ceased to fulfill emergency needs and have turned into permanent programs to alleviate the poverty of the implied sector of the population. He emphasized, again, the importance of support for the productivity and competitiveness of small and medium sized enterprises, since these enterprises absorb the most labor and also account for the most growth in informality.

Finally, Lizandro Martínez commented on the reforms that have been realized by the Ecuadorian government in order to harmonize the relationship between the labor market and the subsequent conditions for employment. Among these he mentioned the harmonization of the formal sector in the context of employment for handicapped individuals, youth employment, the reduction of child labor by means of employment of parents, policies of non-discrimination of persons with HIV/AIDS, the capacity building of small and medium sized enterprises with financing from sector based governments, and the creation of an employment exchange. He also indicated that there would be the creation of a new Work Code, which incorporates new social actors and a new labor structure.

The second topic of day two was Trade Liberalization, Technology, & Micro-Enterprises as a Source of Employment. The primary speaker was Sonia Laszlo, who dealt with the issue of the adoption of new technologies in subsistence agriculture. She mentioned that the lack of technological innovation is worrisome in light of the potential that agriculture presents in the Andes in the long-term. On one hand, she stressed the limitations of the market, such as a lack of access to credit, scarcity of a trained work force, absence of a market for seeds, and regional consumer habits. On the other hand, she emphasized the factors of risk aversion and ambiguity, such as the poverty of farmers. Based on a study on subsistence farming in the Peruvian coast and mountain region, she emphasized the importance of Learning by Doing, since the farmer is not disposed to experiment with new varieties unless he/she has information on its potential returns. She also pointed out that the effect of education is vital for the adoption of new technologies and greater efficiency in technical assistance.

Next, Luis Triveño spoke about the difficulty that small and medium sized enterprises have in accessing export markets. He mentioned that the problems that present themselves with greatest frequency are in access to markets, access to financing, a lack of technological innovation, and scarce innovation in the agriculture sector in specific. He mentioned that the problem of policies for small and medium sized enterprises is that the State has tried to resolve all the problems at at the same time, without having a sufficient budget. He recommended that the State focus on only one task that would lead to the increase in access of small and medium sized enterprises to global markets. Following Luis Triveño, Juan Pablo Higuera commented that the technology that is generated and/or offered in the agricultural sector is not the technology that is

demanded. He referred to new tendencies in products that are multifunctional and “made to fit”. He stressed the dependence that exists on traditional exports, which generate an internal growth. Therefore, the diversification of products and the increase in the quality of those products is necessary. He emphasized the importance of investigation and knowledge transfers in the process of creating a more dynamic economy and in generating employment.

Later, Juan Carlos Mandujano presented on the necessity of creating capacities within small and medium sized enterprises in order to generate exportable products. Juan Carlos Mandujano mentioned that although both internal and external factors exist that are limiting the access of small and medium sized enterprises to global markets, it is necessary to work on capacity building, the development of horizontally associated activities, and also vertical integration. He stressed that exports are the way of exiting from underdevelopment, considering that the external market and its buying power are large and that it is open for business. All the same, it is first necessary to develop competencies and to have knowledge of demand prior to changing towards an export orientation. He emphasized the fundamental role of the State in the management of expectations. If false expectations are created and access to markets are limited, then people will stop producing.

Finally, at the end of day two, Albert Berry stressed that international commerce opens up unique opportunities and that evidence shows that countries that grow the fastest are those that successfully enter into the world market. However, this process is not automatic. Albert Berry emphasized the importance of small-scale agriculture and land as the last defenses against poverty. Nonetheless, the growth in competitiveness of these agriculturalists within a context of technological advances should go hand in hand with an adequate wealth distribution. In order to illustrate this point, he mentioned the case of Asia, which provides positive examples of how to connect small enterprises with external markets to the contrast with the Latin American situation. Despite this contrast, he also mentioned that Latin America is far from being similar to the Asian case, due to the dependence the former has on mineral exports and a lack of support for small and medium sized enterprises. He expressed that, without the support of small and medium sized enterprises, Latin America will not resolve its employment problems.

## **Final Report for Workshops**

### *Methodology used during the workshops*

Two workshops were conducted following the symposium: one in Lima and the other in Ottawa. The main objective of the workshops was to bring together specialists to design strategies for the implementation of four employment policy options. The topics covered during these workshops were related to policies that aim to aid existing efforts to increase the quality and quantity of employment in the rural areas of Andean countries.

The workshops took place on the 19 and 20 of October of 2006, in the aforementioned locations. The workshops incorporated the following agenda:

- a) Definition of the process for the implementation of the policy options.

- b) Identification of the variables used to measure the effectiveness of each policy option.
- c) Identification of the social and economic costs and benefits of each policy option.
- d) Definition of the context surrounding each policy option.
- e) Identification of the stakeholders affected by each policy option.

The above agenda and methodology were explained at the beginning of each workshop.

The topics chosen for discussion during the workshops were a follow-up from the points covered during the presentations during the mornings, in the symposium. The first topic discussed during the workshop on the 19 of October 2006 was “small and medium sized enterprises as a source of employment”, followed by “human capital”. During the second day, the 20 of October, the workshop began with the topic “technology transfers and their impact on employment” followed by “increasing sources of employment in rural areas”.

The results of the workshops can be found in the following report.

### **First Day**

The first and second workshops of the *2006 International Conference: Employment Policy and Human Capital in the Andean Region* were carried out on the 19 of October. The topics discussed were based in the opportunities from free trade, technology, small and medium sized enterprises as a source of employment, and human capital. The results are divided into two groups of recommendations and a summary of the discussions that followed each workshop is also included for each day.

#### ***First Topic: Opportunities from free trade, technology and small and medium sized enterprises as a source of employment***

##### **Group 1**

- a) Definition of the process for the implementation of the policy options
  - Entrepreneurial Development Services: technical assistance for businesses
  - Training
  - Financial Services
  - Association/Unity
  - Incentives
- b) Identification of the variables used to measure the effectiveness of each policy option
  - Productivity, competitiveness and employment

*\* The group incorporated one more variable into the analysis: Conditions for the implementation of the Policies*

- Supply: Information, education, and communication
- Entrepreneurial culture
- Formality and confidence

- Confidence and legal security
  - Institutionalization
- c) Identification of the social and economic costs and benefits of each policy option
- Sustainability: Ability to function in medium term only
- d) Definition of the context surrounding each policy option
- Small and medium sized enterprises
- e) Identification of the stakeholders affected by each policy option
- Consultants
  - NGOs
  - Youth
  - Universities
  - Micro Finance Institutions: public and private
  - Large enterprises and Small and medium sized enterprises
  - The State

## **Group 2**

*\* The second group changed the order of the variables to be analyzed, as they felt that the sequence did not suite the present analysis:*

- 1) (e) Identification of the stakeholders affected by each policy option
- Identify the studies on Small and Medium Sized Enterprises that have been conducted and invite the academics responsible to take part in the process
  - Identify the positive experiences with municipal savings banks and provincial chambers of commerce
  - Create an inventory of policies, norms, programs, etc. stocks → lines of credit
  - Which private institution acts as an association for Small and Medium Sized Enterprises? For example: at the national level – PROMPYME y CONAPYME. Regardless, at the private level the Small and Medium Sized Enterprises are very independent.
  - Organizations that represent Small and Medium Sized Enterprises (by sector or at the national level, etc.)
- 2) (a) Definition of the process for the implementation of the policy options
- Encourage gradual processes: identify agents, dynamics, existing processes with a potential to be reinforced
  - Follow concept of subsidiarity: find solutions at the lowest level when possible and at the higher levels when necessary
  - Define the framework for the adequate development of any strategy
  - Identify policy priorities (involvement of stakeholders)
  - Install and develop strategies for implementing the first actions

*\* The second group questioned the importance of identifying the social and economic costs and benefits of each policy option. They did not reject the idea but showed doubts*

*about its relevance since often such analysis, when it does not consider all the important aspects, can lead to erroneous conclusions or results.*

- 3) Identification of the variables used to measure the effectiveness of each policy option
  - Specify and quantify objectives, including terms. Examples:
    - Number of formalized Small and Medium Sized Enterprises
    - Loans sought
  - Revision of compliance with objectives and feedback for actors involved (adjustments, improvements, learning)
- 4) Definition of the context surrounding each policy option
  - Example
    - Years: 2007-2010
    - Location: Countries of the Andean Community of Nations
    - Terms: Medium term (3 years)
    - Encouraged by the common Andean norms: SAI= Andean System of Integration
  - Andean Community of Nations supports actions that social actors have taken at a national level. The same support should be transferred to the national governments

### ***Second Topic: Human capital formation and competencies***

#### **Group 1**

- a) Definition of the process for the implementation of the policy options
  - Training and continuous formation
    - Research and technical training
    - Superior Education
    - Basic Education
- b) Identification of the variables used to measure the effectiveness of each policy option
  - Quality
    - In school (PISA) and also for work
    - Standardized tests for superior education (mathematics and verbal comprehension)
    - Accreditation
  - Not only quality in school should be considered but also quality at work. In the end quality is useful if it has a focus on results → standardized tests, as are used in Chile, not only in mathematics but also in other competencies.
- c) Identification of the social and economic costs and benefits of each policy option
  - The distinction between the private rate of return and the social rate of return on education: a difference exists in the quantification of social benefits
  - Political costs: short-term vs. long-term measures
- d) Definition of the context surrounding each policy option
  - Equality and well-being

- e) Identification of the stakeholders affected by each policy option
  - Businesses, universities, technical institutions of higher learning
  - The State and enterprises → decentralization and regional and local autonomy
  - Families and parents
  - Teachers

\* *The first group included an additional variable to the analysis: Necessary conditions for the implementation of the policies*

- Work within networks
- Information Gathering
  - Actual Demand for Careers
  - Future Demand for Careers

## **Group 2**

\* *The second group proposed:*

- Establish a national objective; for example, “to be a developed country with economic abundance and qualified human resources”. This would serve to implement a strategic plan.
- Establish and define the countries vision
- Focus on developing human capital

- a) Definition of the process for the implementation of the policy options
  - Synchronize the future demand for work placements with the “production” of education (people graduating from various professions). Modify the perspective of “studying what one likes” to “studying what one needs”. This requires a change in the culture of students and academia
  - “Think about the future labor market”
    - Businesses/Chambers of Commerce
    - Universities

Try to build a tripartite network

- b) Identification of the variables used to measure the effectiveness of each policy option
  - Create statistics on employability and return on investment of a variety of careers as a source of information for existing and future students
  - Improve information about the labor market and analyze projects and future educational needs.

- c) Identification of the social and economic costs and benefits of each policy option
  - Reduction in migration
    - Rural-urban
    - International
  - Put an end to the career as “professional student”

- d) Definition of the context surrounding each policy option
  - Increase the value of higher technical education and/or training. Example: So that a person seeking an education in a trade can evaluate the cost of his university education

- Direct the State budget for education towards individuals without resources rather than towards the institutions
- e) Identification of the stakeholders affected by each policy option
- The government
  - The private sector
  - Academia

### **Final Discussion**

With respect to the first topic discussed, there was not so much of a discussion between groups but rather follow-up commentaries. One of these comments was the importance of keeping in mind that when one deals with a policy one is also dealing with culture. For this reason they raised the following question: Is it an issue to deal with policies within the context of culture? A definite answer was not provided; however, it was established that confidence constitutes a major part in the formation of policies, since there cannot be unity on an issue without confidence first being established.

It was suggested that there was a need to identify, in addition to the variables analyzed during the workshops, intermediate variables that would complement the former. In this way, the “global” objectives can be followed-up by a series of intermediate objectives, which can in themselves be evaluated with greater ease.

Finally, it was identified that a proper identification of incentives was essential. In this way, for example, if the government really wished to support the development of micro-enterprises, then it should not, at the same time, penalize fundamental aspects that will lead to their growth.

With respect to the second topic, it was suggested that the channeling of funds constituted a major limitation. They mentioned the need for a greater effort from the State, not only in general terms, but also at the local level in such a way so that the two work together in a complementary manner.

Afterwards, the moderator mentioned that the second group recovered the issue of trades. In other words, they questioned the utility of following university training since many professionals do not encounter work, which means they end up developing trades. In response, the group established the importance of offering not only an economic base but also an educational base. In this way, if an individual decides that his strengths lie in a technical area that person should establish a basis of education that will allow them to opt to develop themselves in what they see fit. In this sense one follows the maxim of “think locally and act globally”.

Finally, the moderator emphasized the fact that many careers have a “ceiling” or that the demand for such careers has already been met. In response, she questioned the role of different institutions in providing information to students with the objective of creating awareness of this problem and at the same time helping students find alternatives that will lead to employment due to an insufficient supply of professionals in those areas.

## Second Day

On Friday the 20 of October the third and fourth workshops of the *2006 International Conference: Employment Policy and Human Capital in the Andean Region* were carried out. The topics covered were based on the identification of *risk takers* in the use of technologies that would lead to more employment and the generation of sources of employment in rural areas.

### ***First topic: The identification of risk takers in investment decision and the required motivation and incentives to create a multiplier effect.***

#### **Group 1**

- a) Definition of the process for the implementation of the policy options
- Identification of entrepreneurs: How does one find out people that have a low aversion to risk? It is necessary to discover the right incentives in learning by doing and learning from others.
  - Design of incentives as rewards. This may be the only way to generate such incentives.
  - Pilot projects: This could be another manner to identify persons that would like to invest in improving agriculture through more risky means such as use of new technologies, etc.

*The example to follow would be the competitions that are conducted in various communities in the United States between agricultural producers. These types of competitions serve to identify entrepreneurs that have used new agricultural techniques.*

*\* The preliminary conditions that need to be satisfied so that these processes can be carried out are the existence and clarity of property rights relating to land. One cannot speak of risk takers or of people disposed to invest if there is no ownership of land or land rights. If these are lacking, it is very difficult to implement a strategy. It is necessary to work with a new set of norms by which land is accessible and provides a means of capital and privatization.*

- b) Identification of the variables used to measure the effectiveness of each policy option
- Create a database or some sort of registry: this could take the form of a business identification card or a system of registration similar to what has been implemented in Ecuador.
  - Local norms and policies: if local incentives exist then there should also be an implementation of local norms. The proper conditions should be created so that the enterprising person carries out the investments in the municipality. Norms and policies should be designed in such a way as to avoid long legislative [administrative] processes. In this way, it is important that policies function in a flexible and direct manner with the producer [enterprising person].
- c) Identification of the social and economic costs and benefits of each policy option

Costs:

- Risk capital: this is the most important cost since it is assumed by the enterprising person
- Insurance: this cost depends upon the type of insurance that should be given to the person taking on the risk. For example, the compensation granted for failure in China or some other type of compensation for perseverance.

*Benefits:*

- Increased creativity: this is especially the case in the diffusion of new experiences that are generated by private investment in rural areas.
- Development
- Productivity
- Competitiveness

**Group 2**

The initial idea that group 2 put forth was to train a local person with leadership skills so that he can, in his turn, train people in his community. In this way, a domino affect or multiplier effect is created. On the basis of this idea they suggested:

- a) Definition of the process for the implementation of the policy options
- Identification of local people with indigenous knowledge “Yachachik”
  - Integration of people with indigenous knowledge from various locations

*\* The idea is to incorporate these social actors in the process of development so that they can define the direction that they wish to follow.*

- Identify community demands and the participation of specialists: know what the market is looking for so that marketing will help identify preferences and assure quality and uniformity.
- Provide partial insurance for the first innovators: proposals for innovation should result from the demand of the community. There should also be a process of interaction between demand and the community where there is a group of natural risk takers and a group that remains in doubt about the innovations. In this manner the partial insurance can be debated in a balanced way.

- b) Identification of the variables used to measure the effectiveness of each policy option
- The active leader will program a determined number of audiences with the community and define the number of people present at such meetings and will also sign a “social contract with the community”.
  - A number of risk takers should be identified for the proposed innovation

*\* It is not only an issue of receiving training; there also must exist a dedication to the initiative.*

- c) Identification of the social and economic costs and benefits of each policy option

*Costs:*

- A fund for temporary insurance could possibly lead to high losses and would require administrative costs: it was recommended that the fund cover, by means of regulation, the cost of losses.

*Benefits:*

- More integrated and rapid processes for community innovation

**Second Topic: Creating sources of employment in rural areas of Latin America**

**Group 1**

*The first group considered that it is important to look at building better conditions to improve the quality of rural employment, in addition to generating new sources of employment.*

- a) Definition of the process for the implementation of the policy options
- Development of export markets: a limit to the growth in employment, essentially in agriculture, which is the problem of demand. Development of export markets could increase demand and decrease restrictions on the generation of employment.
  - Policies of productivity and competitiveness that support incomes and the development of non-agricultural activities
  - Development of rural economic activities besides agriculture (commerce, handy crafts, tourism, etc.)

*\* In order to implement such processes, certain conditions should exist*

- Road and other similar infrastructure
- Intermediary cities
- Long-term planning

*\* The idea is to generate services that complement productive activities*

- b) Identification of the variables used to measure the effectiveness of each policy option
- Investment: it is to be defined whether this should be private or public. However, the aforementioned investments are of vital importance.
  - Fiscal incentives at the local level: these incentives should not be transferable to other regions.
  - Access to micro finance
  - Business development services
  - Technological innovation: as if not more important than investment

- c) Identification of the social and economic costs and benefits of each policy option

*Costs:*

- Constant high levels of poverty, low levels of development, and informality

*Benefits:*

- Rural development: Increased incomes and greater distribution of wealth at the local level.

## **Group 2**

- a) Definition of the process for the implementation of the policy options
- Consultations with communities in order to identify priorities
  - Compile and register traditional knowledge within the community for use in exchanges.

*\* The idea is to take advantage of traditional knowledge and exchanges between communities and the rest of the world and in doing so to share different cultural heritages.*

- The rural dweller can be trained as a “manager of the local landscape”, and promoter of the use of local medicinal plants and there should be compensation for those who have acted as custodians of such knowledge.
- Create the circumstances so that the tropical regions can also benefit from exports
  - Logistics will be vital to access the rural areas and bring their production to external markets. In terms of infrastructure there is a definite need for warehouses and training institutions: these are fundamental for the improvement of the production process.
  - Provide guarantees for the natural resources of water and land so that communities develop agriculture and livestock production.
  - Improve public services (direct and indirect employment): improve public services of health and education and generate demand for local goods and services to satisfy the needs that flow from the provision of public services.
  - Reinforce sustainable and productive agriculture. Generate links with non-agricultural activities: a large part of sustainable non-agricultural activities take their base from agriculture because they are based on the demand for agricultural products. These activities should take into account the process of agricultural transformation along with the virtuous cycle that it generates. The idea is to generate new projects and not to destroy the basis of existing projects.
  - Identify natural and cultural attractions for tourism
  - Design tourism experiences so that they provide conditions to experience the conditions and characteristics of local life
  - Promote handy craft work

- a) Identification of the variables used to measure the effectiveness of each policy option
- Number of rural site managers
  - Increase in daily salary or earnings perceived by the rural inhabitants

- a) Identification of the social and economic costs and benefits of each policy option
- A probable environmental cost that one would have to evaluate and compensate: any type of investment creates a cost which should be evaluated

in terms of the benefits the investment generates to see if the investment is worthwhile.

- Improvement of the living conditions of local communities while increasing employment: encourage the activities of the local people and improve their quality of life.
- Put a hold on migration
- Strengthen identity with the community in order to improve the quality of life of its citizens.

### **Final Discussions**

The previous discussions were based primarily on the topic of rural employment. The discussions emphasized the need for an improvement in production and market demand and the need for a perspective of supplying goods for the sake of supplying goods. On the other hand, it was pointed out that it is important that there should be a balance in working with communities in the area of improving their quality of life. However, this should take into account the specifics of each community.

The first group began by defining that the major problem that exists in the rural areas is not the generation of employment but rather the quality of employment. The rate of unemployment in rural areas is very low. The main issue has to do more with under-employment. They pointed out that in the sector of agricultural employment, the concern is not only for the increase in productivity but rather an increase in productivity that takes into account the levels of demand in the market. They considered that it is more an issue of competitiveness than productivity.

They also commented on price subsidies for the poor urban dwellers rather than poor rural dwellers, where they concluded that it is better to be a poor urban dweller since one obtains greater benefits, which created higher levels of migration to cities and left the fields without people.

Another issue was services, which were seen as another variable because they are important in complementing incomes and generate employment. Although they are not a product, they are complementary to products, in the extent that they help to increase the quality of outputs and are used in the processes that transform inputs into outputs.

The result was that the highest cost is that if the economy does not succeed in integrating the sectors with lower incomes, then there will be no governance. In which case, there will always be a threat to democracy.

The second group pointed out that the topic of employment has to do with one's proper life-style. For some quality of employment may mean having access to riches, but according to the life-style of Andean communities, quality of life is a result of living well, with dignity and acknowledgment. The definition of quality of employment should incorporate the perspective of the people in the communities. If people recognize their identity they will dedicate themselves more to the land instead of going to the coast or migrating to cities. Local incentives or some sort of financial assistance should exist for the promotion and access to seeds or organic fertilizers. At times, the perception that communities are receiving what they need for agriculture is more valuable than an

increase in income. An increase in income does not serve a people in communities if they do not have access to the required inputs for agriculture, etc.

In addition, there was mention of the management of ecological sanctuaries and the possibilities that these provide for local incentives and educational programs that value the knowledge obtained from these sanctuaries and the process of managing them.

With respect to the first topic developed during the workshop, the discussion was very concise, which lead to the conclusion that there are two factors at play: quantity and quality. It was perceived that they were mutually exclusive. The group gave many examples of rural production in which the quantity of production was achieved but not the quality. Development and investment in rural production are basic criteria for the functioning of innovation and training. These were viewed as two themes that should be focused on more in order to create greater results.

In addition, the first group suggested looking for a profile of the type of person who would assume risks and motivate others to create changes at a local level. Meanwhile, the second group commented that although it would be good to have one or two risk takers, and number exceeding that would be overdoing it. First of all, it is important to use “pilot experiences” and to evaluate if these experiences could continue. If this is not evaluated properly it could lead to false expectations and frustrations.

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**Note:** In case of any doubt concerning the English translation of the *Resumen del Simposio y Informe Final de los Talleres*, the original Spanish version should be reviewed.

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