

An abstract geometric diagram on a green background. It features a white rounded rectangle, a hatched rounded rectangle, and a blue rounded rectangle. There are also various lines, circles, and mathematical symbols like 'x' and 'a' scattered around, suggesting a technical or architectural drawing.

# Public-Private Partnerships for Reducing Inequality in Latin America and the Caribbean: the cases of Colombia and Mexico

STRENGTHENING THE EVIDENCE BASE TO LEAVE NO ONE BEHIND

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Reducing Inequality in FEALAC Member Countries



# Public-Private Partnerships for Reducing Inequality in Latin America and the Caribbean: the cases of Colombia and Mexico

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## Introduction

Inequality represents a key structural problem that Latin American and Caribbean countries must face to achieve sustainable development. Public policies such as those promoting decent work, social protection and progressive taxation have demonstrated to have a key role to play. Public-private partnerships can also provide large-scale solutions for achieving the Sustainable Development Goals (SDGs). Key international instruments, such as the Busan Partnership for Effective Development in 2011, the Addis Ababa Action Agenda in 2015, and the 2030 Agenda for Sustainable Development recognize the increasing role of private sector in implementing policies and strategies (SDGF, 2016). The active participation of the private sector could play

a crucial role in fostering sustainable economic development and helping nations to achieve the SDGs by 2030.<sup>1</sup> In particular, one of the main goals of public-private partnerships is to improve the quality and effectiveness of services provided to citizens.<sup>2</sup>

To illustrate how the implementation of public-private partnership initiatives can reduce inequality, this report uses two examples from FEALAC Member States in Latin America and the Caribbean, namely the Family Subsidy System in Colombia and the Youth Building the Future Programme in Mexico. In both cases, the findings are based on desk research and focus group discussions with key stakeholders.

- 1 For instance, sustainable businesses, purpose-driven companies or the fourth sector business, besides generating wealth, could also contribute to social inclusion and combat climate change, since their business models and organizational systems were designed to create new jobs and promote better working conditions, pursue gender equality, empower vulnerable workers, reduce CO<sub>2</sub> emissions and all forms of pollution (IE and SEGIB, n.a.). Additional information on the fourth sector is available at <https://www.segib.org/?document=informe-las-empresas-del-cuarto-sector-y-los-ods-en-iberoamerica> and <https://www.segib.org/?document=las-empresas-con-proposito-y-la-regulacion-del-cuarto-sector-en-iberoamerica-resumen-ejecutivo>.
- 2 Source: <https://www.globalforumlac.org/en/el-modelo-de-alianzas-publico-privadas-para-el-desarrollo-como-instrumento-el-objetivo-final-es-el-bien-de-la-comunidad/>.

# 1 Colombia's Family Subsidy System

## Overview

**The Family Subsidy System is the set of political and regulatory institutions aimed at the comprehensive protection of both the workers and their families, which exists in Colombia since 1954 (see Box 1).** The Constitutional Court of Colombia defines the Family Subsidy as a social allowance because its purpose is not to directly reward for the work -as

the salary does-, but to subsidize the economic burdens of the affiliated worker from supporting a family (Cobo, Cortés and Melo, 2012). The Family Subsidy is a social allowance payable in money, in kind and services to workers with lower and medium incomes, in proportion to the number of their dependants. This allowance is a workers' right borne by employers, without being considered as a salary or a factor thereof (Cobo, Cortés and Melo, 2012).

### BOX 1

#### Characteristics of the Family Subsidy System in Colombia

The Family Subsidy System was created in the 1950s and is still relevant today. The main characteristics of the Family Subsidy System are:

- a It is the product of a social compact: it was an agreement between workers and employers to voluntarily recognize an additional benefit for those who earned the lowest wages and had dependants. Before its institutionalization, the family subsidy was an extra-legal benefit and the Family Compensation Funds (Funds) emerged spontaneously as a result of the interaction between companies. Subsequently, this scheme was formalized into law.
- b It is operated by private entities with a public commitment: from the outset, it was foreseen that the administration of the family subsidy, despite its nature as a social allowance, would be entrusted to specialized private entities, which were defined as non-for-profit. Therefore, the Family Subsidy System is structured on the functioning of non-profit administrators represented entities (the Funds), where the conditions of private enterprise for social purposes and a public service vocation are brought together.
- c Its resources have a social and legal allocation for social benefits purposes: the special nature of the financing of the system, because of the principle of solidarity, is extended to public utility purposes, allowing it to maintain autonomy for public or private claims, while performing functions of general interest. The private management of the resources has also enabled their capitalization through the activation of an infrastructure that generates social wealth but does not individualise their ownership, so that they fully express the conditions of self-management and a solidarity economy.
- d It applies co-management: the presence of employers' and workers' representatives on the boards of directors of the Funds and the operation of their assemblies constitutes a participatory and joint mechanism. It is worth mentioning that there is no participation by the national government, since it does not contribute to the functioning of the system, thus respecting the autonomy of management.<sup>a</sup>

a However, in recent years, the joint operation between the State and the Funds has been strengthened, setting up a participatory scheme that could reduce public sector burdens, without affecting the internal governance of the Funds.

Source: Prepared by the authors, on the basis of Cobo, Cortés and Melo (2012).

The Family Subsidy is paid through the Family Compensation Funds (Funds), which are non-profit private legal entities, organized as corporations, that perform social security functions and, therefore, are subject to control and surveillance of the State (Cobo, Cortés and Melo, 2012; ILO and Mintrabajo, 2014). Since the 1970s, the purpose pursued by the Funds has been to create a comprehensive operational structure for social allowances for affiliated workers, bringing together various services, and thus consolidating as the companies with the highest coverage and social projection in the regions of the country (Acevedo and Gil, 2010).

The Family Compensation Funds play an important role in the Colombian social security system. The Funds are considered as efficient redistribution schemes that, through a compensation operation, channel the resources contributed by employers and businesspersons towards the families of low- and middle- income workers (Supersubsidio, 2020; ILO and Mintrabajo, 2014). The Funds are part of what the literature characterizes as the “third sector”, which consists of non-profit organizations working in the field of the social economy (ILO and Mintrabajo, 2014).

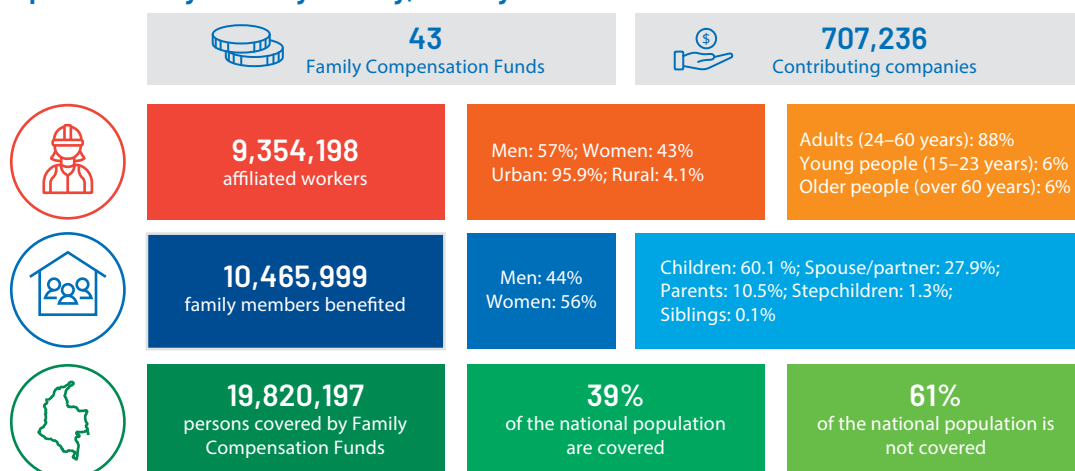
The process of workers’ affiliation to the Fund takes place when they are hired and depends on the Fund with which the company is affiliated. These workers may include a group of dependants (or beneficiaries) within their affiliation, such as spouses, children, and others, who may have access to the services provided by the Fund. Thus, the Family Subsidy System, responsible for recognizing a social allowance for workers, has been extended across the national territory through 43 Family Compensation Funds and reaches over 9 million affiliated workers. In total, the Family Subsidy System serves 20 million people through the programmes and services provided by the Funds (Supersubsidio, 2021a). The Ministry of Labour and the Superintendency of Family Subsidy protect the rights of affiliates and their dependants by inspecting, monitoring, and controlling the resources administered by the Funds (see Figure 1).

The source of financing of the Funds comes from the collection of the social security contributions made by the affiliated companies (4 per cent of their payroll), as well as from voluntary contributions in the case of pensioners and independent workers.

**FIGURE 1**

## Family Subsidy System in Colombia: key actors and figures

### Superintendency of Family Subsidy, Ministry of Labour



Source: Prepared by the authors, on the basis of Supersubsidio (2021a).

Note: Figures as of March 31, 2021.



Originally, the employer’s contributions to the family subsidy were voluntary. However, since 1957, contributions became compulsory by law, and they must be transferred to and allocated by the Family Compensation Funds. The resources administered through the Funds are significant. Mandatory contributions of 4 per cent of total payroll are estimated to be in the range of Colombian Peso (COP) 7 billion (USD 1.9 billion) per year, on average COP 662 million (USD 177.3 million) per month as of March 2021 (Supersubsidios, 2021a). In addition, some Funds receive income from their participation in the health sector through their Health Promoting Companies (*Empresas Promotoras de Salud*, EPS), Health-care Institutions (*Instituciones Prestadoras de Servicios de Salud*, IPS), the subsidized health regime, and prepaid medical services.<sup>3</sup> They also receive income from the provision of non-subsidized social services and supermarket revenues, among other sources (ILO and Mintrabajo, 2014).

In order to access to the services offered by the Funds, categories defined according to salary levels are considered: affiliated workers at subsidized rates (categories A and B) or below market rates (category C). Certain social services can be provided to the general public (category D, “non-affiliated”) (Cobo, Cortés and Melo, 2012) (see Table 1). The breakdown by category makes it possible to set rates of access to social services in proportion to income, and target some social

services, in particular subsidies, to low-income earners. For example, only workers who earn a maximum of four legal minimum monthly wages, and according to their dependants, are recipients of the monetary subsidy (*cuota monetaria*)<sup>4</sup> and other subsidies (see Table 2). In any case, the employers are required to pay contributions for all the workers in their service. It is therefore clear that the contributions corresponding to workers who earn more than four legal minimum monthly wages would compensate for the benefits provided. This is one of the examples of compensation within the system (ILO and Mintrabajo, 2014).

Likewise, the Family Compensation Funds also provides benefits covering a variety of contingencies that affect the living conditions of families that are not participating in the labour market in the areas of childhood, housing, education, employment, and health, which is borne by the resources of the system (see Table 2).

Thus, the Family Subsidy System through its operators, the Funds, has ended up executing an important variety of purposes of collective interest. In fact, in the National Development Plan of Colombia 2018–2022,<sup>5</sup> the role of Funds in the development of the country is evident, highlighting the direct relationship that exists between the intervention of the Family Compensation Funds and the levels of protection throughout the cycle of life.

**TABLE 1**  
**Family Subsidy System in Colombia: affiliation categories**

CATEGORY	SALARY LEVEL	PERCENTAGE OF AFFILIATED WORKERS
A	Maximum 2 current legal minimum monthly wages	73.7
B	From 2 to 4 current legal minimum monthly wages	15.1
C	More than 4 current legal minimum monthly wages	9.7
D	Non-affiliated	

Source: Prepared by the authors, on the basis of Supersubsidio (2021a) and ILO and Mintrabajo (2014).

Note: The monthly minimum wage for 2021 is COP 908,526 (USD 252.63).

- 3 Prepaid medicine in Colombia is an additional service, of voluntary (non-mandatory) contribution, which complements the services provided by the EPS and operates on a prepayment basis. People access prepaid medicine to obtain a better service with faster response times and better accessibility.
- 4 A study shows that this monetary transfer has allowed lower- and middle-income workers to cover expenses on basic needs, food, housing, education, and transportation. In addition, it has positive impacts on income distribution: the probability of falling below the poverty line decreases by 11 per cent at a national level and 75 per cent in rural areas, the probability of being considered poor based on income decreases by 0.3 per cent, and the recipient families are 1.3 times more likely to be part and remaining in the middle class. The subsidy also increases school attendance by 2.38 per cent in urban areas and 3.72 per cent in rural areas (SuperSubsidios, 20w 21b).
- 5 Additional information is available from <https://www.dnp.gov.co/DNPN/Paginas/Plan-Nacional-de-Desarrollo.aspx>.

**TABLE 2****Services provided by the Family Compensation Funds**

AS PROVIDERS OF THE FAMILY SUBSIDY (MONETARY, IN-KIND AND SERVICES)	AS PROVIDERS OF OTHER SOCIAL SERVICES <sup>c</sup>
<ul style="list-style-type: none"> <li>• Monetary subsidy<sup>a, b</sup> (<i>cuota monetaria</i>)</li> <li>• In-kind subsidy<sup>a</sup> (medicines, clothing, food, school kits, school texts, scholarships, funeral support)</li> <li>• Service subsidies<sup>a</sup> (reduction of service fees, such as recreational parks price admission)</li> <li>• Recreation, sport, and tourism</li> <li>• Health and nutritional services</li> <li>• Care for older persons</li> <li>• Library services and cultural events</li> <li>• Education (formal and informal)</li> <li>• Vocational training and entrepreneurship</li> <li>• Credit and microcredit programmes</li> <li>• Housing</li> </ul>	<ul style="list-style-type: none"> <li>• Administration of subsidies for social interest housing (<i>vivienda de interés social, VIS</i>) and priority housing (<i>vivienda de interés prioritario, VIP</i>)</li> <li>• Comprehensive care programmes for children</li> <li>• Supplemental school day programmes</li> <li>• Benefits for the unemployed population</li> </ul>

Source: Prepared by the authors, on the basis of ILO and Mintrabajo (2014).

Notes: a Delivered to the affiliates of categories A and B.

b According to the place of residence, it ranges between COP 31,000 (USD 8.3) and COP 63,000 (USD 16.8) monthly per dependant (Supersubsidio, 2021b).

c These services are supported by specific Funds: Social Housing Fund (FOVIS); Comprehensive Child Care Fund (FONIÑEZ); and Solidarity Fund for the Promotion of Employment and Protection of the Unemployed (FOSFEC).

Since the outbreak of the pandemic, the Unemployment Protection Mechanism has been implemented and financed by the Funds. During 2020, the Funds provided over COP 537,500 million (USD 144 million) to 235,872 persons who lost their jobs and were unemployed. The resources were distributed in the form of an economic transfer equivalent to two legal monthly minimum wages (divided into three equal monthly payments) and social security contributions for three months.

The Family Compensation Funds that have Health Promoting Companies (EPS) and offer health services also reached approximately 50 per cent of the affiliated population that was infected with COVID-19 and carried out more than 1.1 million PCR tests and 86,000 rapid tests. In addition, the Funds enabled 325 beds in Intensive Care Units nationwide and provided more than 210,000 virtual health appointments. During 2021, the Funds have made their health-care Institutions network available, which will oversee the refrigeration, scheduling, and application of vaccines (Asocajas, 2021).

### Methodology of focus group discussions and interviews

To understand the contribution of the Family Compensation Funds (Funds) to greater equality and the improvement of the well-being of the affiliated workers and their families, together with desk research, focus group discussions (FGDs) and semi-structured interviews were carried out. The purpose of collecting mainly qualitative information was to identify the perspective of the workers, the representatives of the contributing companies and the Funds. Due to the restrictions associated with COVID-19, the FGDs and interviews were conducted virtually with participants from four Funds in the departments of Antioquia and Atlántico.

In total, six research tools were designed, including the guidelines for the development of FGDs and interviews, as well as questionnaires to collect demographic information and closed perception questions (see Table 3). In general, questionnaires included questions on demographic and labour characteristics of

the respondent, as well as questions on the affiliation process and benefits. The guide included questions on the overall knowledge and perception about the Funds, knowledge and use of services, the monetary subsidy, the Unemployment Protection Mechanism, perception about the Funds' contribution to addressing inequalities and enhancing well-being, and recommendations regarding services and the System as a whole.

### Profile of participants of focus group discussions and interviews

The focus group discussions (FGDs) and interviews were conducted between May 13 (pilot test) and June 10, 2021. Two types of focus groups were organized with affiliates and representatives of the affiliated companies; and a semi-structured group interview with the teams of four Funds located in the departments of Antioquia and Atlántico (see Table 4).

Among the affiliated workers who participated in the data collection, 40.8 per cent were from category A and B, 38.8 per cent from category C and 20.4 per cent declared that they are unsure about their category of affiliation to the Fund. Fifty-five per cent of the individuals live

and work in the department of Atlántico and 44.9 per cent in Antioquia, and 98 per cent live in urban centres. The average age of participants is 40.3 years, with a minimum age of 23 and a maximum of 64 years. Most of them are women (59.9 per cent). In terms of ethnicity, 6.1 per cent identify themselves as Afro-descendants and 4.1 per cent identify as indigenous. Concerning the highest level of education, 63.3 per cent of the participant workers have professional or postgraduate studies, 30.6 per cent have technical studies and 6.1 per cent finished high school.

Participating companies come from different economic sectors: agriculture, commerce, communications, construction, consulting, sports, education, manufacturing, retail, health, government entities, security, financial services and other services, and transportation. Almost 54 per cent are from the department of Atlántico and 46.2 per cent from Antioquia, mostly located in urban areas (92.3 per cent). About 72 per cent of contributing companies are large (with more than 101 employees), while 17.9 per cent are small (with less than 10 employees). Most companies have been affiliated to the current Fund for over 15 years (44.5 per cent) and only 2 per cent for less than two years. Of the participating companies,

TABLE 3  
**Research tools**

PARTICIPANTS	QUESTIONNAIRE	FGD/INTERVIEW GUIDE
Affiliated workers	✓	✓
Contributing companies' representatives	✓	✓
Funds' representatives	✓	✓

Source: Prepared by the authors.

TABLE 4  
**Focus group discussions and interviews**

PARTICIPANTS	NUMBER OF FGDS	PERSONS INVITED	ATTENDANCE RATE	QUESTIONNAIRE RESPONSE RATE
Affiliated workers	4: categories A and B 4: category C	120	41.6%	40.8%
Contributing companies' representatives	4	60	63.0%	65.0%
Funds' representatives	4	26	100.0%	100.0%

Source: Prepared by the authors.

79.5 per cent state that most of their workers are affiliated under categories A and B. Fifty-nine per cent of the persons who represent the companies are employers, 38.5 per cent are salaried workers (usually from welfare and human resources departments), and 2.6 per cent did not declare their occupational category.

The Family Compensation Funds staff interviewed have different responsibilities depending on the structure of each Fund. They are professionals in charge of the different services, in charge of the relations with affiliates and corporate clients, as well as professionals in the fields of planning and strategic projects.

### Findings from the focus group discussions and interviews

The main result of FGDs and interviews is that the Family Subsidy System has contributed to equity, social inclusion, and redistribution through the provision of the family subsidy and other social services. However, some challenges have been identified and require attention.

**Family Subsidy (monetary, in-kind and services).** Workers and company representatives perceive that almost all services are accessible as long as affiliates and dependants know about them and these services meet their needs (such as time and proximity), specifying that the only difference is the rates that are proportional to the category of affiliated persons. However, interviewees agree that the affordability of services (recreational centres, courses, etc.) is limited because the model operates based on workers' income, but not according to their family composition (for instance, there are flat fees irrespective of the number of children), the age of dependants, among others. Similarly, regarding the monetary subsidy (*cuota monetaria*) and the education subsidy, it is recalled that the access criteria have focused on the level of salary, but not on the composition of the family, which makes workers in category C ineligible. Furthermore, according to interviewees, income categorization can harm workers who are just above a certain threshold, such workers in category C who have incomes just above the limit of category B.

**Other social services.** In addition to the joint work of the Funds and the companies, one of the main alliances of the Funds is with the territorial entities (municipalities and departments), since it is with their infrastructure that cultural, sports and recreational programmes can be carried out, as well as programmes for the construction of housing solutions, or infrastructure development. Some Funds representatives explain that, for instance, given their role in early childhood and culture, they actively participate in advocacy processes in municipal and departmental development plans, in the construction and implementation of public policies, and they attend the municipal and departmental intersectoral tables on childhood and adolescence, culture and social development. The role of the companies was also mentioned by the participants in the focus groups, highlighting experiences in which the same companies summon both the Funds and the municipalities, to propose housing solutions, develop projects to reconstruct the social fabric and to bring the services of the Funds to the areas where these companies operate. Despite seeking to decentralize the provision of services and reach the municipalities from a social policy perspective, workers who live outside the capitals cities or their zone of influence affirm that there is a lack of Funds presence and consequently of coverage in the provision of services. Some Funds recognize the need to decentralize the provision of services to affiliates and the broader community in order to address access gaps.

**Well-being and reduction of inequalities.** Well-being is understood differently by the participants, as it may refer to different dimensions (for instance, at the emotional, economic, social and intellectual level, or to improvements in the quality of life). Regarding the reduction of inequalities, some participants argue that the contribution of the Funds should be directed towards tackling inequalities, since their task is to provide access to opportunities. The people interviewed, including workers, companies, and Funds representatives, refer to four main topics to explain how the Funds contribute to the well-being and the reduction of inequalities: i) Accessibility and affordability of social services; ii) Social services and differential

approach, recognizing and acting based on the diversity of affiliated and dependant persons (for instance, programmes for people with disabilities, gender and life cycle approaches, among others); iii) Redistribution of income and spaces for interaction between affiliates; and iv) Changes in the living conditions of working people. The participants mention that the Funds contribute to the well-being of working people, as they contribute to the fulfilment of expectations such as access to housing, credit, quality education and training, employment, health, improvement of lifestyles, creation of support networks and the possibility of finding alternatives for recreation and leisure. From this perspective, the Funds emphasize that their work in reducing inequalities is far from being paternalistic and that they achieve this by supporting people through monetary and in-kind benefits and social services, and by mobilizing lasting changes within families. To further contribute to the reduction of inequalities, the Funds representatives state that it is necessary to revise the income category scheme, the need to continue designing programmes that are sensitive to other forms of family (for instance, single-person families, families without children) that are not necessarily the “traditional” nuclear family, continue to advance strategies for targeting and connecting services to the specific needs of affiliates and dependants, and promoting entrepreneurship and employability as a way to bring the Fund closer to more families and formal workers. They also point out the importance of the involvement of the Funds in local, regional, and national processes in formulating and implementing public policies and the importance of taking part in intersectoral instances of social policy.

**Unemployment Protection Mechanism (emergency subsidy).** Among the companies summoned to the focus groups, 30.8 per cent

had to suspend or terminate contracts because of COVID-19, so some of their workers had the right to access the unemployment subsidy. For these companies, the process that workers had to follow to access the subsidy was perceived as easy, mentioning that although in the early months of the pandemic the processing and waiting times took several weeks due the high demand, later it began more expeditious, making it necessary to have only a dismissal letter referring to the fact that the dismissal is related to the pandemic. Those who received the subsidy affirm that it was a very important support, because it allowed them to have an income to cover basic expenses, continue with the social security contributions and start the job search process. From the point of view of the Funds, the subsidy exceeded their capacity to respond in the first few weeks, as the number of applications increased exponentially in a short period.

**Sustainability of the Compensation Funds.**

Funds and companies’ representative recognize that future legislative changes may result in changes to the sources of financing of the Funds, and that the potential reductions in the parafiscal contributions transferred to the Funds would lead to the loss of allowances for workers and their families, and with this, the loss of a process that for decades has contributed to the well-being and reducing inequalities. The participants affirm that it is necessary to continue working with decision-makers and entities at the national level so that the current model improves, but without reducing or eliminating the resources that already exist. Finally, those who represent the Funds make an appeal to assess the impact they have had on the well-being of families, as a way of demonstrating that their sustainability is central as a contribution to overcoming the inequalities that are increasingly visible in the Colombian context.

## 2 Mexico's Youth Building the Future Programme

### Overview

**In Mexico, in 2018, 24.3 million persons were youth aged 18 to 29, 19.1 million of whom lived in urban areas and 5.2 million in rural areas (DOF, 2020).** Access to education and the formal labour market is particularly difficult for young people between 15 and 29 years: according to INEGI data, in 2018, 21 per cent were not in education, employment, or training (NEET) (compared to 13 per cent in the OECD) and 87 per cent of them were in conditions of vulnerability and poverty. There was also a gender gap because young women were three times more likely to experience this situation. Furthermore, in 2018, 35 per cent of the unemployed population were young people, while 50 per cent of this population had a high level of education (upper and upper intermediate). Furthermore, 60 per cent of youth worked in the informal sector (10 percentage points higher than the total population) in precarious conditions, without access to social security, high turnover, and low labour incomes (DOF, 2020; Government of Mexico, 2019). However, from the perspective of employers, various surveys indicate that approximately half of Mexican companies report having difficulty finding qualified personnel for the jobs they offer (DOF, 2020).

To counteract this situation, the Ministry of Labour and Social Security implemented in 2019 the Youth Building the Future Programme (*Programa Jóvenes Construyendo el Futuro*, PJCF) with the goal to reach at least 2.3 million young people between 18 and 29 years old who are not in education, employment, or training. The programme seeks to integrate them into work activities to give them a better life; keep them away from unemployment and the path of antisocial behaviour and accelerate their preparation for productive activities. Based on the opportunities provided by the programme in terms of activities, schedules, interests, and location of the work centres, it allows young women dedicated to non-remunerated care

work, young people with disabilities, young people who live in areas of high marginalization and indigenous youth to develop their skills and obtain a work experience (DOF, 2020).

This programme seeks to modify the paradigm of coordination among different actors, creating a partnership between the public, private and social sectors. The goal is to provide opportunities for millions of young people who had been socially excluded, through their incorporation in companies, SMEs, businesses, public institutions, and social organizations, and by providing training for the development of skills, competencies, good work habits and experience that facilitate their future insertion into the labour market. In the programme, it is the youth who decide where, with whom, and in what to train. In this sense, the programme also seeks to change the recruitment logic of employers, by being increasingly inclusive and open to the diversity of young people. For the economic units (work centres) that participate as tutors, it is an opportunity to take advantage of the talent and energy of young people who have not managed to get into the job market, and to train them with the technical skills and work habits that they require in their industries (DOF, 2020). A digital platform<sup>6</sup> was set up to link unoccupied youth to work centres.

Young people can participate in the programme for up to one year, and the Mexican government provides them with a monthly payment (scholarship) that is deposited directly to their bank accounts, which represents the first opportunity for financial and technological inclusion for this population. The scholarship amount is updated annually according to the minimum wage increase (see Table 5). In addition, while they are in training, they will be provided with health, maternity, and occupational accident insurance as well as other benefits.

6 See <https://jovenesconstruyendoelfuturo.stps.gob.mx/login/>.

At the end of the first trimester of 2021, 328,779 young people have become part of the programme by working/training in 354,596 verified work centres (see Table 5) — and by the end of the year, it is expected to have half a million youth being part of the programme. Of these, 58.8 per cent (193,389) are women, 41.2 per cent (135,390) men, and 1,077 young people with disabilities. The programme reports that 10 per cent of participants have primary education completed, 26 per cent basic secondary education completed (*secundaria*), 26 per cent secondary education completed (*bachillerato* and *preparatoria*), 17 per cent technical school education, and only 4 per cent have higher/tertiary education completed. It is noteworthy that 54 per cent of the women who graduated from the programme were occupied with childrearing and domestic labour before participation.

To offer a successful transition from on-the-job training (where they gained experience, good work habits, and diverse talents and skills) to obtaining a job (including self-employment and individual or collective entrepreneurship) or to resuming studies, the “Month 13” (*Mes 13*) strategy was launched in January of 2020. “Month 13” is not an extension of the programme, but rather offers alliances with other public programmes so that graduates can carry out personal projects. Some of these programmes are “*Tandas para el Bienestar*” and “*Programa Sembrando Vida*”, both directed to support entrepreneurship.

During 2020, to face the COVID-19 pandemic, the Ministry of Labour and Social Security introduced changes to the programme. Since May of 2020, virtual courses and seminars are implemented to train young people and tutors of the programme within the National Healthy Distance Period (*Jornada Nacional de Sana Distancia*), which extended from March until June of 2020. The new virtual courses and seminars were aimed at young people who had lost their jobs, as well to work centres affected by the pandemic.

### Methodology of focus group discussions and interviews

To understand the contribution of the Youth Building the Future Programme to greater equality and the improvement of the well-being of the young participants, desk research and focus group discussions (FGDs) were carried out. The purpose of collecting mainly qualitative information was to identify the perspective of the youths, tutors (as representatives of the work centres), and programme’s officers/staff. Due to the restrictions associated with COVID-19, the FGDs were conducted virtually with participants from 25 out of the 32 states of the Mexican Republic.

A total of five instruments were designed, including the guides for the development of FGDs and the interview, and questionnaires to gather demographic information and closed perception questions (see Table 6). The questionnaires were applied via a virtual platform and were used

**TABLE 5**  
**Youth Building the Future Programme - main figures**

	SCHOLARSHIP AMOUNT (MONETARY TRANSFER)		APPRENTICES				
	MXN <sup>a</sup>	USD <sup>b</sup>	TOTAL (NUMBER)	WOMEN (%)	MEN (%)	TUTORS	WORK CENTRES
2019	3 600	187	919 646	59.2	40.8	205 319	166 039
2020	3 748	174	1 300 000	58.6	41.4	...	161 928
2021	4 310	213	328 779 <sup>c</sup>	58.8 <sup>c</sup>	41.2 <sup>c</sup>	...	354 596 <sup>c</sup>

Source: Prepared by the authors, on the basis of the Ministry of Labour and Social Security (STPS), available from <https://jovenesconstruyendoelfuturo.stps.gob.mx/datos/inicio>; CEPALSTAT [online database], available from [https://estadisticas.cepal.org/cepalstat/WEB\\_CEPALSTAT/estadisticasIndicadores.asp?idioma=i](https://estadisticas.cepal.org/cepalstat/WEB_CEPALSTAT/estadisticasIndicadores.asp?idioma=i).

Notes: a Mexican Peso

b The average annual exchange rate for 2019 and 2020, and the average monthly exchange rate for January to April 2021 published by CEPALSTAT were used for estimates in dollars.

c Figures as of March 31, 2021.

**TABLE 6**  
**Research tools**

GROUP OF PARTICIPANTS	INSTRUMENT	
	QUESTIONNAIRE	FGD/INTERVIEW GUIDE
Apprentices (enrolled and graduated)	✓	✓
Tutors	✓	✓
Programme officers		✓

Source: Prepared by the authors.

to supplement the information gathered from the focus groups. The different instruments included questions on demographic and labour characteristics of the respondent as well as affiliation, knowledge and perception about the programme, related questions in the framework of the COVID-19 pandemic, perception about the programme's contribution to the well-being and the reduction of inequalities, perceptions of their own future, and recommendations.

### Profile of participants of focus group discussions and interviews

The FGDs and interviews were conducted between April 27 and June 15, 2021. A total of 10 sessions were held (see Table 7). Two types of FGDs were organized with apprentices and tutors of the PJCF, according to the regions of the country in which the programme operation is divided: North, Central and South. Between 11 and 12 persons were convened for each of the focus groups in order to have one representative per state of the country. Likewise, a final semi-structured group interview with programme officials was held.

Apprentices from 24 states attended, 66 per cent are women, 89 per cent live in urban areas, 76 per cent have a bachelor's

degree at the highest level of education, and the average age of the participants is 24 years old. Furthermore, one person auto-identified as indigenous, another as an Afro-descendant and another as a person with disability. Thirty-eight per cent have a family member in their charge, predominantly children. Most of the participants (66 per cent) were involved in a private-sector workplace. On average, the enrolled apprentices were in their seventh month of training at the time of the focus group.

Participating tutors come from 22 states, 55 per cent are men and 45 per cent are women. Furthermore, one person auto-identified as indigenous and another as an Afro-descendant with disability. The tutors represent mainly private sector work centres (86 per cent) and are mostly located in urban areas (68 per cent). Twenty-seven per cent of the work centres have between 11 and 30 employees, 18 per cent between zero and five employees and another 18 per cent are large (with more than 251 employees). Eighty-three per cent of work centres have participated in the PJCF for over one year, while 17 per cent for less than one year. Twenty-five per cent of persons who represent companies are employers, 33 per cent are salaried workers, 33 per cent are self-employed workers and 8 per cent are apprentices.

**TABLE 7**  
**Focus group discussions and interviews**

PARTICIPANTS	NUMBER OF FGDS	PERSONS INVITED	ATTENDANCE RATE	QUESTIONNAIRE RESPONSE RATE
Apprentices	3: enrolled 3: graduated	64	59%	39%
Tutors	3	32	69%	38%
Programme officers	1		100%	-

Source: Prepared by the authors.



Finally, the focus group for PJCF officers was carried out with the attendance of nine people, five women and four men, including the General Coordinator of the Programme and the head of the National Employment Service Unit of the Ministry of Labour and Social Welfare. The other assistants are in charge of various Territorial Directions of the Programme throughout the country. Most of them have collaborated with the PJCF since 2019.

### Findings from the focus group discussions and interviews

The main result of FGDs and interviews is that the Youth Building the Future Programme has contributed to the social and labour inclusion of participants. The programme represents an opportunity for a segment of the population that, for different reasons, is not in education, employment, or training, and has been marginalized and stigmatized within the productive sector itself. There is some consensus that the most important benefit of the programme is the opportunity for young people to gain work experience. Work centres also benefit, as they have access to a young low-skilled workforce that can be trained and eventually hired. Part of the importance of the PJCF is the opportunity for apprentices to acquire knowledge, to strengthen the productive units and to generate economic benefit for some localities where it had been difficult to enter in the past. However, there are challenges and opportunities for improvement on several fronts.

#### Training

The young people interviewed have a good perception of the training process received, the time dedicated to them by tutors and their patience in explaining the processes, their willingness to dispel doubts and their desire to build trust. For tutors, training is also a means of ensuring the continuity of production processes with the aim of optimizing them. By linking apprentices to companies, the tutors train young people in different areas, as they are not limited to just one. Tutors provide new technical and theoretical knowledge, including administrative and technological ones, and

even contribute in terms of ethical and human values as well as in terms of respectful treatment of clients and colleagues, manners and use of language. Training is the axis for young people's empowerment. In addition to these factors, there is constant monitoring, supervision, and the evaluation of the programme at different times of the year.

#### Scholarship (monetary transfer) and health insurance

Being part of the PJCF means having a series of advantages in comparison with other work alternatives, especially in terms of the scholarship and the health insurance to which apprentices are entitled during their training. With respect to the use of the scholarship, apprentices who are single mothers state that resources are channelled into the purchase of basic products. When young people are still living with their parents, they tend to contribute a portion of their income to the household. Most of the young people affirm that the amount of the scholarship is adequate. However, in specific cases of single mothers or of young people living far from the workplace, some apprentices propose to increase the amount of the scholarship to offset these situations. Similarly, there are signs of a savings culture, especially for continuing studies or investing in their own personal entrepreneurship projects. Regarding health insurance, most of the apprentices interviewed do not seem to be aware of its existence and of their rights or of the operation of its access. Only in very specific cases, such as single mothers, the subject is clear. For some of the work centres interviewed, scholarship and health insurance represent significant savings that have even enabled them to overcome the economic crisis they are experiencing, and which the pandemic has worsened.

#### Labour inclusion and employability

For young people, the value of the opportunity provided is related to the acquisition of experience and training, to the qualification of technical skills and competencies (even those learned from previous studies, and which can finally be put into practice), which are essential

elements for coping with the labour market in better conditions, increasing their chances of future employment. Participants in the focus groups state that it is a significant advantage over young people who have not participated in the programme. Among the virtues that companies recognize about the PJCF is the fact that there are a few skilled workers in certain regional production sectors, and consequently, they are able to train, hire, and retain them in their facilities. Young people enrolled in the PJCF are frequently hired by the work centres where they provided their services. Moreover, these trained apprentices may be hired by other companies or by the municipality or federal entities. Investment in specialized training provided by some work centres has led to attractive mechanisms for retaining young people; for example, some work centres that participated in the focus group discussions have compensated the amount of the scholarship to reach the level of an average salary for a position of similar level in the company or social organization. However, both youths and tutors recognize that the job prospects offered by the programme are not limited to hiring apprentices but are extended to the possibility that apprentices are able to start their businesses. In fact, some graduated apprentices (mostly women) indicate that they had started their small businesses after completing their participation in the PJCF.

### **Well-being and quality of life**

Some young people relate the simple fact of having a job and the stability it brings to the family, both in psychological and economic terms, with well-being. There is an improvement in emotional, intellectual, family, and social well-being because apprentices feel productive and have made a difference in their family's economy by contributing to it. Participant tutors consider that the programme benefits apprentices economically, personally, and intellectually, as well as broadens their perspectives. For some tutors, the fact that young people have a better chance of developing in the work environment and, as a result, stop being in vulnerable situations (for example, crime and drugs), is a clear way in which the programme contributes to their well-being and quality of life.

### **Inequality**

The programme officers affirm that the fight against inequalities that characterizes the PJCF is the reduction of the educational barrier as an obstacle to entry into the world of work, at least at the upper secondary and secondary education level, where most job seekers are concentrated. Similarly, for some work centres, one form of inclusion is to have young people without any experience and to provide them with training and knowledge through the programme. Apprentices acknowledge that most of the direct participants in the programme are women. Some work centres have put in place mechanisms to combat discrimination, primarily against women. However, the inclusion of young people with disabilities is very low. This can be confirmed based on the official information from the programme, but also with the perceptions expressed by young people in the questionnaires: although 96 per cent indicate that other apprentices were enrolled in the same work centre, only 4 per cent know that apprentices with disabilities received training at the same work centre.

### **Operation of the programme during the pandemic**

The efforts of most work centres to retain apprentices during the pandemic, in order not to interrupt their training and to maintain continuous contact with them are highlighted. Furthermore, all work centres have adopted strict measures for the adequate disinfection of work areas and the reduction of the risks of infection of workers, for example, by adapting cleaning stations areas and rotating staff to different locations where there was a lower risk of infection. It is also recognized that the programme has made efforts to ensure timely delivery of the scholarship payments and to offer virtual training alternatives to apprentices and tutors.

### **Good practices**

As a good practice of the programme, officers identify the partnership between the private and public sectors in a shared project. According

to them, unlike traditional cash transfer programmes, the PJCF involves the participation of three different actors: apprentices, who do something productive while the government provides them with a monetary transfer (scholarship); work centres, which receive apprentices and conduct training processes; and the government, which is the interlocutor and partner of the other two main stakeholders. In this sense, such a relationship enables the development of the training processes and seeks a reconstruction of the social fabric. It should be noted that most of the work centres affirm that they joined the programme because of social service and commitment.

### Scope for improvement and recommendations

An appreciation that appears several times in the focus groups of the enrolled apprentices is the need to open more quotas and work areas, such as in the culture, engineering, and construction sectors, in order to have more options suitable for their life projects. The proposals of the tutors are also raised in the direction of the promotion, within the framework of the training offered to young people, of a culture of saving and investment. Apprentices suggest a more specific and frequent explanation of what health insurance is, given that many of them are unaware of its existence and that others do not know clearly what it is. Apprentices insist to consider the special and specific situation of single mothers and young people who live far from the work centres (for example, in rural areas) and increasing the amounts of scholarships for these specific situations. The

tutors affirm that the PJCF should take into account the differences between rural areas and urban areas, not only because of the time and costs of commuting, but also because of the phenomenon of local migration, the nature of the companies and of educational coverage. Both apprentices and tutors consider that the programme should promote the translation of all PJCF information into indigenous languages to facilitate the understanding of its content and the existence of the programme itself. In addition, it is important to consider the structural disadvantage that exists in indigenous communities in terms of access to and management of computer technologies, both for dissemination and enrolment in the programme. According to the tutors, it is necessary to establish a partnership with the municipal councils (*ayuntamientos*) since they are largely absent from the programme. Some apprentices and tutors propose that the duration of the training, and thus of the scholarship, be further extended, arguing that one year is not sufficient for proper training. Others suggest raising the maximum age requirement to 35 years, as well as opening the possibility of integrating foreigners residing in the country into the PJCF. According to programme officers, the opportunities for improvement of the PJCF relate to the diversity and breadth of the national territory; although it is very rich, at the same time it is an important institutional challenge to be able to access every corner and to do it where the inclusion of young people is possible. Finally, participants, mainly tutors and apprentices, express concern about the uncertainty caused by the continuity of the programme once the current government period is over, which is the one that launched the PJCF.

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