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Promoting employment and decent work in development cooperation

Volume 2:

Practical guidance for designing employment-focused interventions

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Volume 2: Practical guidance for designing employment-focused interventions

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Abbreviations and acronyms

ALMP	Active Labour Market Programme	KILM	Key Indicators of the Labour Market
CPRD	Convention on the Rights of Persons	LMIS	Labour Market Information System
	with Disabilities	LMO	Labour Market Observatory
EC	European Commission	NEET	Not in Employment, Education or
ELMA	Employment and Labour Market		Training
	Analysis	NGO	Non-governmental Organisation
EU	European Union	OECD	Organisation for Economic
GDP	Gross Domestic Product		Co-operation and Development
GIZ	Deutsche Gesellschaft für	SDG	Sustainable Development Goal
	Internationale Zusammenarbeit	TVET	Technical and Vocational Education
ILO	International Labour Organization		and Training
IT	Information Technology	UN	United Nations

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Introduction

The role of employment and decent work in development

Creating more and better jobs has become a global priority. Jobs are critical to poverty reduction, productivity growth and social cohesion. The Sustainable Development Goals give central importance to fostering employment and decent work (Goal 8). But multiple jobs-related challenges face the developing world:

- More jobs. Millions of jobs need to be created each year to absorb the young people entering the labour market; this means improving the conditions for private sector growth.
- Higher-productivity jobs. The productivity and earnings potential of jobs need to be enhanced, especially in the informal economy where the majority of people in developing countries make their living.
- **Better jobs.** The quality of available jobs needs to be improved, including with regard to access to rights, social protection, occupational safety and representation of workers.
- More inclusive jobs. Labour markets need to become more inclusive for disadvantaged groups such as youth, women and the poor who are disproportionately affected by unemployment and precarious working conditions.
- Change management. Multiple disruptive trends, such as conflict and migration, and structural changes in economies, such as those resulting from automation, have implications for employment; these need to be addressed.

To meet these challenges, governments and development partners alike – including the European Union (EU) – have made promotion of employment and decent work a pillar of their strategic agendas.

Employment promotion in the European development agenda

Through 'The New European Consensus on Development' published in 2017, the EU's development policy was aligned with the 2030 Agenda for Sustainable Development, reflecting a shared vision of a world where achieving sustainable development includes addressing the education and employment needs of society, especially for vulnerable and marginalised groups like women and youth (EC, 2017). Indeed, 'People' (human development and dignity), and 'Prosperity' (inclusive and sustainable growth and jobs) are two of the four pillars of the new consensus (see Box 1 for selected excerpts).

The Africa-Europe Alliance for Sustainable Investment and Jobs, adopted in 2018, is a good illustration of the application of the New Consensus (EC, 2018a). It starts with the view that the private sector holds the greatest potential for generating jobs and growth. Therefore, the Alliance seeks to promote a substantial increase of private investment from both Africans and Europeans in order to enhance job creation and contribute to sustainable and inclusive development of the African continent. It encompasses 10 actions that aim at contributing to sustainable and inclusive growth with substantial job creation - notably for women and youth - by investing in education and skills, strengthening the business environment and tapping the full potential of economic integration and trade.

BOX 1 Selected excerpts from 'The New European Consensus on Development'

'[E]fforts will be targeted towards eradicating poverty, reducing vulnerabilities and addressing inequalities to ensure that no-one is left behind'. (paragraph 4)

'The EU and its Member States will intensify their efforts to ensure everyone has the knowledge, skills, capabilities and rights they need to enjoy a life in dignity, to be fully engaged in society as responsible and productive adults, and to contribute to the social, economic and environmental well-being of their communities'. (paragraph 28)

'Targeted policies and appropriate investment are required to promote young people's rights, to facilitate their engagement in social, civic and economic life, and to ensure their full contribution to inclusive growth and sustainable development'. [.] 'The EU and its Member States will focus on concrete actions to meet the specific needs of youth, particularly young women and girls, by increasing quality employment and entrepreneurship opportunities, supported by effective policies in education, vocational training, skills development, and access to digital technologies and services'. (paragraph 32, and Box)

'Promoting women's equal access to productive employment, decent work, equal pay and financial services will benefit all members of society'. (paragraph 33)

'Creating decent jobs, particularly for women and youth is essential for inclusive and sustainable growth. Shared prosperity and growth are key contributors to human welfare and dignity. Inclusive sustainable growth builds long-term resilience in partner countries, by creating opportunities for vulnerable population groups and those most at risk, to participate in, and benefit from, wealth and the creation of decent jobs'. (paragraph 47)

Source: EC, 2017.

Prior to the New Consensus, promoting employment and decent work had increasingly been an important part of EU development cooperation since the mid-2000s. In 2006, the European Consensus for Development declared that 'the EU will contribute to strengthening the social dimension of globalisation,

promoting employment and decent work for all' (EC, 2006a, p. 7). In the same year, a communication by the European Commission on promoting decent work for all highlighted that the concept of 'decent work' (Box 2) very much aligns with the EU's values and model of economic and social development (EC, 2006b). In 2011, the EU's emphasis on employment promotion was further strengthened in the Agenda for Change (EC, 2011).

BOX 2 Definition of decent work

'Decent work' is defined by the International Labour Organization as 'productive work for women and men in conditions of freedom, equity, security and human dignity'. Decent work involves opportunities for work that: is productive and delivers a fair income; provides security in the workplace and social protection for workers and their families; offers prospects for personal development and encourages social integration; gives people the freedom to express their concerns, to organize and to participate in decisions that affect their lives; and guarantees equal opportunities and equal treatment for all.

Source: ILO, 2008.

A comprehensive approach to employment promotion

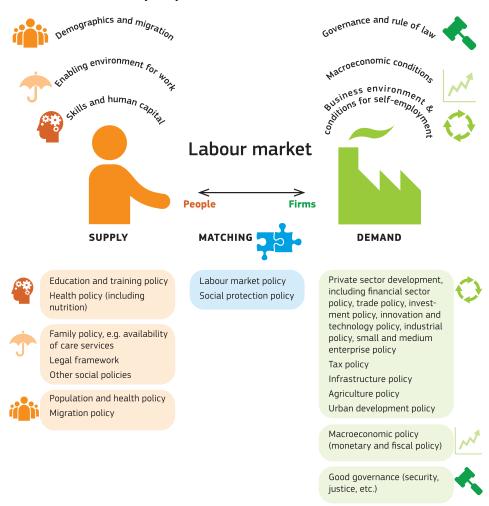
As highlighted in Volume 1 of this manual (EC, 2018b), employment promotion requires a comprehensive approach. Barriers to more and better employment can be manifold, and include issues related to (i) the quantity and quality of workers (e.g. population growth, migration and forced displacement, skills mismatch, social norms), (ii) demand for workers by the private sector (e.g. sluggish economic growth, bad investment climate, large informal sector dominated by microenterprises), and (iii) the matching of supply and demand (e.g. information deficits, inadequate labour market regulation, disincentives to work due to imperfectly designed social protection or taxation systems).

Given these multiple challenges, supporting decent job creation and employment promotion efforts cannot be based on a one-size-fits-all approach and must depend on the binding constraints in a particular country and context. In practice, most countries typically face a variety of simultaneous barriers, necessitating an adequate policy mix which may span reforms related to macroeconomic stability, private sector development, the education system, and social protection, among others (see Figure 1). Labour market policies are usually only one – albeit an important – piece of the puzzle. The EU is committed to work across all these areas in order to promote employment and decent work in its partner countries.

Objective

The overall objective of this manual is to enhance Commission staff's ability to diagnose a country's employment challenges, engage in technical dialogue with counterparts, and design targeted initiatives to promote employment and decent work. Specifically, this volume seeks to support policy dialogue and programming by providing practical guidance on the instruments and policy responses from which to choose. While recognising the broad range of policy areas relevant to promoting employment outcomes, the practical guidance provided on policies and instruments focuses on labour market policies and instruments. This focus does not imply prioritisation of labour market policies over other policy areas; instead, it reflects a pragmatic focus and the fact that similar practical guides already exist for other policy areas.

FIGURE 1 Overview of relevant policy areas



Source: EC, 2018b.

Overview of the manual and how to use it

This document is the second of two volumes that constitute the publication 'Promoting employment and decent work in development cooperation'. While complementary, the volumes can be used independently of each other. Indeed, the publication is not intended to be read from beginning to end; instead, we expect readers to refer to the different volumes, parts and notes based on their particular need and level of experience.

Volume 1 presents the key concepts and foundations necessary to understand employment challenges and potential areas of policy intervention. It is mainly descriptive and intended as an introductory resource for practitioners who are relatively new to the topic.

- **Part 1** presents a general overview of employment promotion in developing countries. This includes an analysis of the role of employment for development and key milestones in the development agenda, including in the EU.
- **Part 2** introduces major employment challenges in developing countries, including a brief overview of the various employment challenges in different world regions.
- **Part 3** supports diagnosis of the underlying factors that might be responsible for undesirable employment outcomes in a given country, providing a general overview of potential barriers to employment and decent work. This information helps the reader gain a sound understanding of the diversity of factors potentially limiting the creation of more and better jobs.

■ **Part 4** offers a framework for understanding employment promotion interventions. This includes an overview of the policy mix needed to effectively promote employment and an introduction to the role of labour standards, labour market policies, and social dialogue.

Volume 2 (this document) offers practical guidance for supporting analysis, policy dialogue, and the formulation of different types of interventions. It is organised in concise, stand-alone guidance notes that provide quick access to good practices on a variety of topics. Figure 2 provides an overview of the topics tackled by the volume's 21 guidance notes.

Terminology

Throughout this manual, the terms *employment*, *work* and *jobs* are used more or less interchangeably, including with regard to informal work (i.e. work without legal and social protection). While people typically think of 'employment' or a 'job' as a stable, salaried position with an employer, the broader concept of employment recognises the variety of income-generating activities, especially in developing countries where formal wage employment is often the exception and the majority of people are working in the informal economy or in agriculture.

For a discussion of concepts related to employment and key employment indicators, see Volume 1, Chapter 2. Additionally, Guidance Note 21, Annex 1, provides an explanation of key employment indicators.

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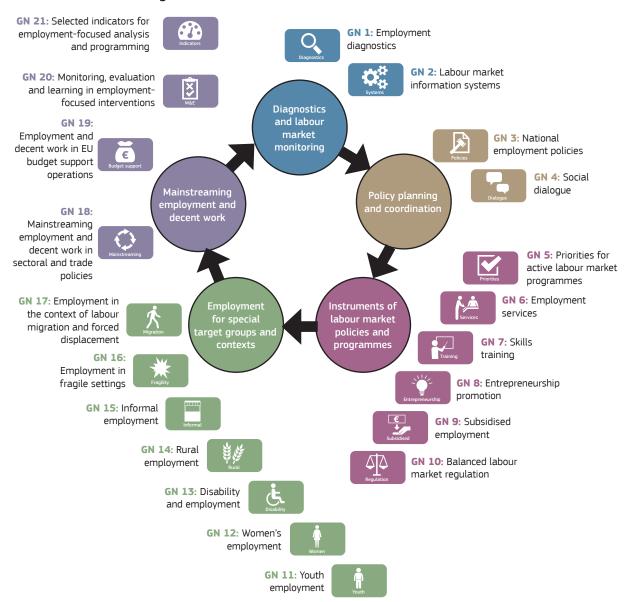


FIGURE 2 Overview of guidance notes included in this volume

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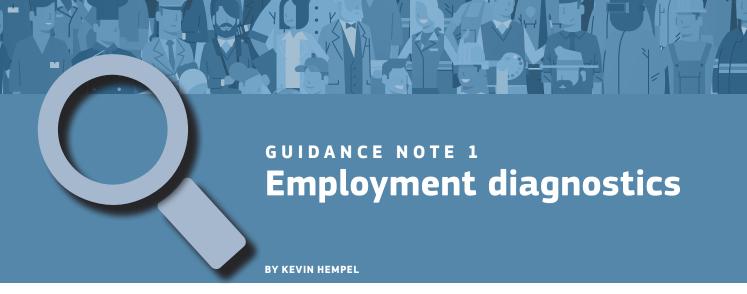






his part highlights the crucial importance of good information as the basis for policymaking in the area of labour markets. As a starting point, policymakers and practitioners must understand the underlying reasons for the employment challenges in a given country. Guidance Note 1 therefore provides an overview of the different types of studies and tools available to diagnose employment challenges. A key take-away is that integrated assessments are needed (of the demand side, the supply side and matching of the labour market) in order to obtain a full picture of the opportunities for and binding constraints to employment and decent work.

Besides policymakers, other stakeholder groups also benefit from sound information about the labour market. For instance, proper information about growing sectors and average wages by profession can help influence people's education and career decisions. Similarly, training and other service providers need good information about the labour market to design programmes that respond to the needs of the private sector. In order to systematically collect, analyse and use this type of information, countries need to invest in labour market information systems, the topic of Guidance Note 2. Strengthening and consolidating labour market information systems is a long-term effort, and reforms need to be appropriately sequenced to be effective.



solid understanding of the barriers preventing more and better employment is critical to the design and reform of effective policies and programmes. Employment creation can be constrained by a wide range of issues affecting the supply of workers (e.g. poor education systems), the demand for workers (e.g. unfavourable business environment) and the match-up between supply and demand (e.g. information deficits, inadequate labour market regulation).

For a conceptual discussion of barriers that might hold back employment and decent work in a specific country or context, see Volume 1, Chapter 4 (EC, 2018).

This note provides practical guidance on identifying and prioritising these constraints. To this end, it introduces existing diagnostic tools that European Union staff and other development practitioners can use to gain a better understanding of a country's employment barriers, challenges and opportunities and how these relate to a country's overall development priorities.

Overview of levels of diagnostics

Employment-related diagnostics can take place at several levels. Due to the many dimensions of employment and its connection to a wide range of policy areas (e.g. the economy, education, labour market regulation), there is no single approach to analysing labour markets and the factors influencing employment outcomes. Figure 1.1 provides an overview of the different types of employment-related assessments practitioners may apply; these are summarised below.

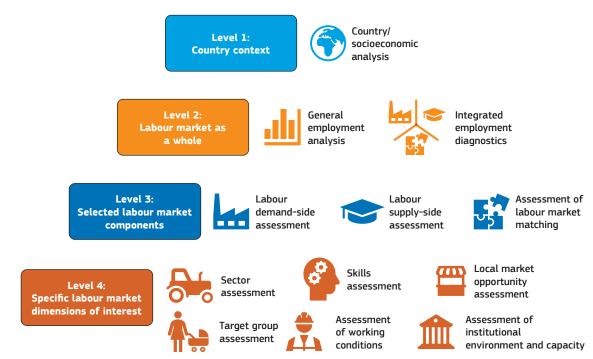
OBJECTIVE AND KEY MESSAGES

This guidance note provides practical guidance for conducting employment diagnostics (i) to identify the key barriers to and opportunities for employment in a given country and (ii) inform policymaking and programming.

- Labour market diagnostics should be looked at in the context of broader country diagnostics and development priorities.
- Several holistic employment diagnostic tools aim to provide an integrated picture of barriers to employment and decent work related to labour demand, supply, and matching.
- A broad range of assessments analyse specific dimensions of the labour market, including sectors, skills and target groups.
- If not already available, employment diagnostics should be conducted as a basis for national employment policies and development partners' employment promotion interventions.
- Employment diagnostics should be done in a participatory process to ensure ownership of the findings.
- **Broader types of diagnostics** (often at the national level) are related to a country's development situation in general, the labour market as a whole or specific components of the labour market (demand side, supply side or matching). These types of assessments are often used to inform governments' and development agencies' overall prioritisation and programming.



FIGURE 1.1 Overview of different types of assessments



Source: GIZ and Prospera Consulting, 2020.

Assessments of specific employment dimensions of interest (sectors and value chains, target groups, skills, etc.), or a mix thereof, are typically conducted at the project or programme level.

Since different types of assessments have different requirements and rely on different kinds of information sources, the choice of assessment to undertake depends not only on the questions of interest, but also on the specific features of the agency, programme and local country context. For instance, are the time and funding available to conduct a certain type of assessment? Are the necessary data available, or can primary data be collected? Is the assessment realistic given the country context (e.g. fragility, high level of informality)? For a detailed discussion of the different types of assessment as well as of how programme and country context influence the choice of assessment, see GIZ and Prospera Consulting (2020).

The following sections provide more detail about the various assessment types.

General country diagnostics

Employment challenges are typically related to broader country developments – such as demographic trends, human capital, macroeconomic environment, etc. – and cannot be properly understood in isolation. Thus, looking at available country diagnostics is a useful starting point for understanding employment challenges in the broader context of a country's development, particularly as these country diagnostics usually include a discussion of employment challenges and (potentially) their underlying causes.

As of 2020, the most comprehensive country diagnostics are developed by the World Bank and the Asian Development Bank, which have started to use them as a prerequisite to formulating their country partnership strategies. Other development partners, such as the European Union, have a country diagnosis section as part of their country strategy papers and national indicative programmes. National development plans as well as poverty reduction strategies (where available) can also contribute to the necessary contextual understanding. Box 1.1 summarises a sample country diagnostic carried out by the Asian

BOX 1.1 Cambodia country diagnostic study

The Asian Development Bank's 2014 country diagnostic study for Cambodia reviewed the country's development performance and analysed 'critical constraints' using a diagnostic framework based on the inclusive growth concept. It specifically looked at the following barriers:

- growth human capital, infrastructure, macroeconomic risks, microeconomic risks, market failures and finance;
- inclusiveness availability of productive employment opportunities, human capabilities, levelling the playing field, social safety nets.

The study concluded that Cambodia needs to address current weaknesses to avoid becoming trapped in low-wage, low-value-added production, and to maintain a stable political environment that is conducive to investment and commerce. According to the diagnostic, moving into higher value-added production and climbing the global value chain will require sustained improvements in infrastructure, human capital, governance and other economic factors.

Source: ADB, 2014.

Development Bank to illustrate the kinds of issues reviewed and conclusions drawn.

Country diagnostics can aid in assessing how a country's development agenda corresponds to various jobs challenges. Table 1.1 presents a typology of jobs challenges organised by typical country characteristics. Understanding these typologies, in turn, can help in prioritising areas for intervention and reform as part of the overall employment promotion agenda. For instance, Cambodia would be best described as an agrarian economy, with around 50 per cent agricultural employment as a share of total employment. Because Cambodia has one of the fastest-growing urban populations in Asia (World Bank, 2015), it also shares features with an urbanising economy, with implications for its employment agenda.

Integrated diagnostics on employment and decent work

Taking into account the multi-faceted and interrelated nature of potential barriers to and opportunities for employment, and spanning the supply side, demand side, and matching process in the labour market, different organisations have engaged in efforts to build integrated tools for employment and labour market analysis. Early efforts in this regard include the Swedish International Development Cooperation Agency's **Integrated Economic Analysis** for propoor growth (Sida, 2006) and the World Bank's **MILES** – macroeconomics, investment, labour market, education, and skills – framework (Banerji et al., 2008).

In recent years, new employment and decent work diagnostics have been developed in response to increased global attention to the importance of productive employment for development and inclusive growth, as well as the recognition that successfully addressing employment challenges requires strong diagnostic tools to identify and prioritise underlying issues. The main integrated diagnostic tools include the Jobs Diagnostics developed by the World Bank, the Employment and Labour Market Analysis (ELMA) tool from the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), and the Employment Diagnostic Analysis and Decent Work Country Diagnostics from the International Labour Organization (ILO).

See the Key Resources box at the end of this note for links to these various diagnostic tools.

Table 1.2 compares the four tools; in general, they all seek to identify and describe the following:

- country context and employment outcomes;
- key constraints (and opportunities) to employment (and decent work);
- policy priorities.

While these different diagnostic tools all seek to be holistic, there are some conceptual, structural and analytical differences between them. For instance, the

















































































TABLE 1.1 Jobs challenges typology

COUNTRY CHARACTERISTIC	MAIN PRIORITIES FOR JOBS AGENDAS		
Agrarian economy: Most people are still engaged in agriculture, and urbanisation has not yet picked up	 Increase productivity in (smallholder) agriculture Foster urban jobs connected to national and global markets 		
Urbanising economy: Productivity growth in agriculture has risen enough to free large numbers of people to work in cities	 Jobs providing opportunities for women Move up the export ladder Integration of rural migrants Facilitate creation and growth of small and medium-sized enterprises to serve growing local demand 		
Formalising economy: More developed economies with large urban populations, where the coverage of labour legislation and social protection systems is sufficiently large to envision extending it to the entire workforce	 Expand reach of social protection and labour regulation without stifling economic dynamism Increase reach of human development services and active labour market policies Simplify regulations and reduce burden to formalisation 		
Conflict-affected country: Institutions are fragile, and private investment is largely out of reach	 Restore social cohesion through jobs, including through temporary public works programmes demobilising ex-combatants, reintegrating displaced populations and providing alternatives to confrontation Facilitate easy access to finance to create and grow micro- and small enterprises (e.g. grants, low-cost microcredit) 		
Resource-rich country: May have substantial foreign exchange earnings, but this wealth often does not translate into employment creation beyond the exploitation of natural resources	 Export diversification Reduce transfers to subsidised (public sector) jobs 		
Small island nation: Cannot reap the benefits from agglomeration and global integration because of the size of the population and geographic remoteness	 Establish links with nearby economic centres Maximise benefits of migration Exploit niche markets while preserving fragile environmental ecosystems 		
High youth unemployment: Prolonged joblessness and idleness affect large numbers of young people, with many seeing limited opportunities for the future	 Create the foundations for a dynamic private sector and entrepreneurship by reducing barriers to firm entry and growth (foster labour demand) Upgrade demand-oriented skills and facilitate school-to-work transition Improve labour market matching 		
Aging society with shrinking labour force participation: Decreasing share of the working-age population and increasing costs related to providing and caring for a growing number of old people • Contain increases in pension, healthcare and long-term care incentivise productive members of society to work longer increasing to society to work longer increasing for a growing number of old people			

Source: Based on World Bank, 2012.

TABLE 1.2 Comparison of integrated diagnostic tools

FEATURE	JOBS DIAGNOSTIC (WORLD BANK)	ELMA (GIZ)	EMPLOYMENT DIAGNOSTIC ANALYSIS (ILO) ⁽¹⁾	DECENT WORK COUNTRY DIAGNOSTICS (ILO)
Conceptual framework	Economic models of the labour market	Germany's development cooperation's integrated employment promotion approach	Inclusive growth framework	Decent Work Agenda
Structure of analysis	 Part 1: Assess country context and jobs needs Part 2: Define key jobs challenges and underlying constraints related to: job creation (e.g. economic growth, entrepreneurship, firm growth, farming, structural transformation) quality of jobs (e.g. productivity and earnings) inclusiveness (e.g. access by women, youth, minorities) Part 3: Determine priorities 	 Economic, demographic and political framework conditions Labour demand side Labour supply side Matching (labour market institutions and policies) Summary and conclusions 	Part 1: Dynamics of employment, the labour market and the economy Part 2: Diagnostic analysis Employability Rate and quality of economic development (including business environment and labour market institutions) Inequality Sustainability	 Overall setting Dynamics of employment, labour market and economy Implementation of international labour standards Decent working conditions and occupational safety and health Equal opportunities and treatment Social protection Social dialogue
Data sources and analysis	 Review of existing data and literature Statistical analysis of macro- and micro- data (e.g. firm data, labour force surveys) 	 Review of existing data and literature Field interviews 	 Review of existing data and literature Field interviews Institutional analysis 	 Review of existing data and literature Field interviews Institutional analysis
Use	As stand-alone research or in context of system-atic country diagnostic activities; contribution to national dialogue on employment		As input for national employment policies or other planning frameworks	As input for ILO's Decent Work country programmes, national employment policies or other planning frameworks
Team/skills needed			Generalist employment expert(s)	Team with expertise on different dimensions of decent work (employ- ment, labour standards, social protection, social dialogue, etc.)
Participatory elements	Case by case, consul- tation in the beginning and/or for validation, dissemination	 Partner and donor workshop(s) with an optional expert workshop As needed, completely participatory with strong counterpart involvement 	Consultations with government and social partners	Consultations with government and social partners
Avg. duration (months)	9–12 months	3–4 months, with a field mission of 14 days	4–6 months	6–12 months

(continued)







































TABLE 1.2 Comparison of integrated diagnostic tools (continued)

FEATURE	JOBS DIAGNOSTIC (WORLD BANK)	ELMA (GIZ)	EMPLOYMENT DIAGNOSTIC ANALYSIS (ILO)(1)	DECENT WORK COUNTRY DIAGNOSTICS (ILO)
Advantages	 Guided enquiry on key jobs challenges, underlying causes and potential solutions Analytical and evidence based New data analysis, beyond existing descriptive statistics In-depth discussion of topics covered (often strong focus on demand side) 	 Intuitive and standardised structure Holistic/balanced (demand, supply, matching), including working conditions and institutional analysis Adaptable to different needs (regional and sub-national analysis, sectoral approaches, etc.) Broad applications (e.g. country programming, project preparation, partners' capacity development) Quick to implement 	 Includes institutional analysis (e.g. regula- tion, public employ- ment services) Relatively quick to implement 	 Incorporates all dimensions of decent work, not just employment Strong attention to institutional factors
Disadvantages	 No standard structure Limited attention to matching and institu- tional analysis Dependent on good data availability for enhanced analysis Requires more data and statistical skills Relatively long process 	 Mostly descriptive and qualitative (limited data analysis, not necessarily 'new' findings) Prioritisation of barriers and recommendation not systematic No one-size-fits-all implementation 	 Non-standardised implementation of the tool Mostly descriptive (limited data analysis) Limited attention to demand side 	 Limited attention to demand side Relatively long process

Sources: Based on Hallward-Driemeier, 2015; Lachler and Meretto, 2019; Mummert, 2016; and ILO, 2012 and 2015.

ILO's Employment Diagnostic Analysis approach puts conceptually more emphasis on the importance of labour supply, suggesting that human resources are 'creators of growth' and thus the 'point of departure for understanding and addressing the constraints, challenges and opportunities for inclusive and sustainable job-rich growth' (ILO, 2012, p. 3). In contrast, GIZ's tool follows Germany's development cooperation's integrated employment promotion approach, taking labour supply, demand and matching into account without an ex ante judgement on the relative importance of each dimension. The World Bank's Jobs Diagnostics are more data-driven than the other tools, having access to a wide range of data sources and conducting more detailed (statistical) analysis, especially with regard to labour demand (e.g. analysis

of firm-level data on net job creation by firm size). Finally, the ILO's Decent Work Country Diagnostics are broader than the other tools in terms of institutional analysis and qualitative aspects of work, looking more in depth at factors such as implementation of labour standards, occupational safety and health, social protection and social dialogue. For examples of the different assessments, see Box 1.2.

In practice, implementation of these or similar comprehensive diagnostics can be a challenging task, in part because of the lack of quality statistics in many countries (see Guidance Note 2 for information on strengthening labour market information systems) but also because they require a broad set of skills and expertise across several functional and policy areas.

⁽¹⁾ In practice, an employment diagnostic may be stand-alone or part of a broader decent work diagnostic.

BOX 1.2 Selected examples of country-level employment diagnostics

World Bank:

- Honduras Jobs Diagnostic (2020);
- Côte d'Ivoire Jobs Diagnostic: Employment, Productivity, and Inclusion for Poverty Reduction (2017).

ILO:

- Bangladesh: Looking beyond Garments.
 Employment Diagnostic Study (2016); co-publication with the Asian Development Bank;
- Decent Work Country Diagnostics: Philippines 2017.

GIZ:

- Employment and Labour Market Analysis Rwanda (2018);
- Employment and Labour Market Analysis Lebanon (2019).

Therefore, it is useful to be strategic about when to carry out such assessments and to ensure a good team is in place that combines the various skill sets and local knowledge needed.

It is also worth noting that national diagnostics have their limits. In particular, the available data are likely to be of a national nature and cannot necessarily be broken down by regions/cities within the country (at least not for all relevant indicators and domains of analysis). Since there may be substantial in-country variations (e.g. between the capital city and rest of the country) of labour market outcomes and underlying barriers, national assessments may only provide limited guidance for policymaking and programming at the sub-national level.

Given the challenges related to country-level diagnostics, it can sometimes be useful to conduct an employment diagnostics at sub-national, regional or sectoral level. For instance, if employment promotion interventions are expected to target specific geographic areas in a country (e.g. lagging governorates), sub-national analysis and diagnostics may be needed. Regional (i.e. cross-country) analysis can be useful if

cross-border trade and value chains make up a significant part of labour demand and/or if migration with neighbouring countries strongly affects labour supply. Finally, if there are priority economic sectors, analysing constraints to employment for these specific sectors may be warranted (e.g. in terms of skill needs, linkages to value chains and export markets).

In some cases, a holistic diagnostic of employment (and decent work) could include or be combined with an ex ante policy impact assessment which seeks to understand and compare the risks and opportunities of potential policy changes⁽¹⁾. While relatively common in developed countries, it is also of emerging interest in developing nations.

Diagnosing specific components and dimensions of the labour market

A variety of tools have emerged to better identify employment barriers and opportunities related to the supply side, the demand side, matching and the policy level. However, because most of these tools and diagnostics are focused on a specific segment of the economy (e.g. formal economy) or policy domain (e.g. economic growth, investment, education and skills), they do not yield a comprehensive picture of the range and interactions of employment barriers that may exist in a given country context. Instead, they are typically more useful in answering specific questions related to a concrete policy or intervention. Table 1.3 provides an overview of common types of assessments used to examine specific labour market components and dimensions.

Feeding diagnostics into policy processes

Employment diagnostics are a key input to datadriven policymaking and programming. Hence, if not already available, efforts should be made to conduct assessments on overarching employment barriers and opportunities and/or on specific labour market dimensions of interest. Ideally, the diagnostic can be linked to strategic policy processes in the country – such as the development of a national employment policy/strategy or the preparation of major employment











































TABLE 1.3 Overview of assessments and their focus to identify barriers to employment

ASSESSMENT TYPE	DESCRIPTION	SUPPLY	DEMAND	MATCHING
	Labour market components			
Labour demand-side assessment	Identify broad constraints and opportunities to economic growth, investment and doing business at the country level. This can include Growth Diagnostics, Inclusive Growth Analytics ⁽¹⁾ , Country Private Sector Diagnostics, Doing Business Reports, Investment Climate Assessments, and Enabling Environment for Sustainable Enterprises.			
Labour supply-side assessment	Identify the underlying trends and institutional set-up influencing the quantity and/ or quality of the workforce (e.g. in terms of quality of the educational system). This can include the World Bank Systems Approach for Better Education Results (SABER), technical and vocational education and training system analysis at secondary or higher education levels (ETF Torino Process) and gender assessments related to employment.			
Assessment of labour market matching	Understand employment policies and institutions as well as the legal and regulatory environment (labour regulations, tax system, social protection system, labour migration legislation, etc.) that influence labour market dynamics. This can include analysis of ILO's database of national labour, social security and related human rights legislation (NATLEX), ILO's database on youth employment policies and legislation (YouthPOL), analysis of informality, etc.			
	Selected labour market dimensions of interest			
Sector assessment	Identify priority sectors for intervention based on selected criteria (e.g. employment potential, export capacity), and/or understand the general and employment dynamics, opportunities and constraints within given sectors or value chains. While sector selection studies help prioritise sectors of intervention, more in-depth sector and value chain analysis can help identify concrete entry points to enhance business performance and/or the employment situation of different actors along the chain.			
Local market opportunity assessment	Identify avenues to exploit economic opportunities (e.g. for self-employment and firm growth), usually in a specific geographic area. This typically involves understanding consumer demand, the performance of existing businesses, and the supply and demand for skills.			
Target group assessment	Identify labour-market barriers to and opportunities for the social and economic integration/inclusion of specific groups (youth, women, displaced people, labour migrants, ethnic groups, persons with disabilities, etc.). Barriers and opportunities may exist at the macro level (e.g. demographics, social norms), meso level (e.g. labour regulation, workplace conditions, access to transport) and individual level (e.g. skills and work experience, agency, social capital).			
Skills assessment	Examine skills supply and/or demand (from individuals and firms), as well as potential skills gaps and mismatches. For example, identify occupations in demand and the specific skills required for wage and/or self-employment today and in the future. Findings can inform education and training curricula.			
Assessment of working conditions	Understand the quality of employment and decent work deficits related to respect for international labour standards, health and social protection coverage, occupational safety and health, etc. Assessments of working conditions are typically conducted within a specific sector or value chain.			
Assessment of institutional environment and capacity	Identify key stakeholders and understand the level of service provision (including gaps) as well as the institutional capacity of relevant stakeholders to identify entry points and potential implementing partners. This can include mappings of existing stakeholders and projects, analysis of workforce development or entrepreneurial ecosystems, institutional capacity assessments, etc.	Not	t applical	ole

Sources: Based on GIZ and Prospera Consulting, 2020. For guidelines and study examples on the different types of assessment, see GIZ and Prospera Consulting (2020).

 $[\]ensuremath{^{(1)}}\mbox{See}$ e.g. Corso (2011); and lanchovichina and Lundstrom (2009).

promotion programmes – in order to foster ownership and the uptake of findings. Indeed, employment and decent work diagnostics can feed into a variety of policy and programmatic efforts, such as:

- national development strategies;
- national employment policies/strategies (see Box 1.3):
- development partners' country strategies;
- design of employment interventions.

BOX 1.3 Using employment diagnostics to inform national employment policies: The ILO experience

While employment diagnostics have traditionally been carried out by external consultants or national research institutes, they have increasingly become more participatory processes. On the one hand, diagnostic results may be discussed in thematic working groups, allowing study results to be refined and to enhance dissemination among policymakers, social partners, and civil society. In other countries, the government and other key stakeholders may be directly involved in developing the diagnostics, for instance through participatory workshops where the participants themselves identify and prioritise key issues and underlying constraints. In this way, employment diagnostics are not merely an analytical exercise, but an important process for consensus building among key stakeholders on issues affecting employment in the country.

Employment diagnostics also have become more multidimensional and integrated, covering issues beyond the mandate of ministries of labour. For instance, based on country-specific circumstances, recent diagnostics have covered issues such as macroeconomic policies (e.g. Azerbaijan, Mozambique, Namibia, Sri Lanka), employment and migration (e.g. Cambodia), gender and employment (e.g. Burkina Faso), sectoral employment policies (e.g. Tunisia), and the informal economy (e.g. Namibia). To this end, labour ministries increasingly partner with specialised research institutions and other ministries, thereby enhancing interministerial dialogue on these issues.

Source: ILO, forthcoming.

Employment diagnostics should ideally involve a **participatory process** to promote ownership of the findings. Common participatory elements across the different types of diagnostics include consultation meetings with key stakeholders (including government counterparts and social partners; see also Guidance Note 4 on social dialogue) during the assessment as well as validation meetings at the end of the process. It is critical, and sometimes overlooked, to get policymakers closely involved from the very beginning of the diagnostic to prioritise learning objectives. This early involvement strengthens the relevance of the findings and thus increases the likelihood of the results being used.

Note

(1) For an overview and additional guidance, see e.g. EC (2017); Großmann et al. (2016); and the Organisation for Economic Co-operation and Development webpage on 'Regulatory Impact Analysis'.

KEY RESOURCES

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Labour market information systems

BY KEVIN HEMPEL

ey obstacles to employment are related to a lack of information, a concept detailed in Chapter 4 of Volume 1 of this manual (EC, 2018). A labour market information system (LMIS) seeks to reduce information deficits about the labour market. These primarily include:

- Information deficits related to the labour supply. These are of two basic varieties:
 - young people's (and their families') limited information on opportunities and wages of different occupations in the labour market, thus potentially negatively influencing their education and career decisions (i.e. choosing a profession where there is no demand for workers), and thus fuelling skills mismatches;
 - low labour market relevance of education and vocational training systems, in part due to limited linkages with, and thus information about, employer needs.
- Information deficits related to matching supply and demand. Firms mainly use informal networks such as family, friends or current employees to find new workers. As a result, information on job opportunities is not equally distributed, putting those with fewer networks such as youth, women and poorer families at a disadvantage.
- Information deficits related to labour demand and framework conditions. Inadequate knowledge of the sectoral and regional composition of employment growth (and destruction) limits policymakers' ability to orient economic policies towards better employment outcomes.

OBJECTIVE AND KEY MESSAGES

This guidance note discusses the role and types of labour market information systems and their typical weaknesses in developing countries, along with practices that can guide reform efforts.

- Labour market information systems address key barriers to employment, in particular information deficits and ineffective matching of labour supply and demand.
- The systematic collection, analysis and dissemination of (national, regional and local) labour market information is necessary to inform policymaking and programming.
- Labour market information systems in developing countries face serious constraints, such as lack of data availability, data quality issues, low institutional capacity and a fragmented institutional landscape.
- Initiatives to reform or strengthen technical and vocational education and training, general secondary or higher education systems, employment services and other active labour market programmes are natural entry points for development partners to enhance labour market information systems.
- Strengthening and consolidating labour market information systems is a long-term process, and reform efforts need to be appropriately sequenced to be effective.

Incomplete labour market information – combined with inefficiencies in linking the supply and demand of workers – can contribute to increased un– and underemployment, lower productivity and reduced social welfare.



































Sound labour market information is therefore crucial for data-driven and evidence-based policymaking. (See Box 2.1 for definitions.) With this information, labour market dynamics can be monitored and understood; critical issues on and barriers to employment in the labour market can be identified, informing proper employment diagnostics (see Guidance Note 1); and the impact of policies and interventions can be monitored and evaluated. Labour market information makes further contributions.

■ Empirical foundations and guidance for policymaking can be obtained, in particular by guiding targeting and programme formulation. Specifically, (i) education and training systems can be improved through the identification of skills gaps and needs today and in the future; (ii) the responsiveness of employment services – especially in terms of their career guidance and matching functions – can be improved; and (iii) the

effectiveness of employment policies and labour market measures can be enhanced by tailoring them to the needs of the labour market (e.g. by identifying skills needs for training programmes).

The education and career decisions of students and job seekers can be informed.

As is evident from the above, labour market information can benefit a wide variety of stakeholders (see Box 2.2).

All countries generate some type of labour market information, either deliberately or indirectly. Traditional **sources of labour market information** include national surveys (e.g. census, labour force surveys, enterprise surveys) and various forms of administrative data from public and private employment agencies, the education system, the social security administration and tax authorities (Sorensen and Mas, 2016). As job searching and matching move

BOX 2.1 Definitions

Labour market information. Statistical (quantitative) and non-statistical (qualitative) information about the structure and functioning of a labour market as well as the factors likely to influence it, such as labour market institutions, policies and regulations. In general, labour market information comprises the following:

- employment trends, including unemployment, employment by sector, working poverty, informality, etc.;
- information about labour demand, including trends and projections; conditions in particular industries of the local economy; and information about education, qualifications, experience and skill requirements for specific jobs;
- information about labour supply, including a labour force profile (age, education, gender, ethnicity, etc.);
- information about wages and earnings;
- information about current job seekers and available vacancies;

- information about occupational safety and health;
- information about rules and regulations of a distinct labour market.

Labour market analysis. The processes whereby labour market information is reviewed, manipulated and related to other sources of information in order to identify trends, directions and needs. In practice, it is an examination of the best information available regarding the state of the labour market, often involving an analysis of key indicators over time. Labour market analysis can also be seen as the process of transforming (raw) labour market data into labour market intelligence.

Labour market information system. An LMIS consists of a set of institutional arrangements, procedures and mechanisms that are designed to produce labour market information. The three key elements defining an LMIS are (i) collection and compilation of labour market information, (ii) analytical tools to evaluate and understand trends and challenges, and (iii) institutional arrangements and networks (governance, linkages to data users, etc.).

Sources: Based on ILO, 2013; Sparreboom and Powell, 2009.

BOX 2.2 Typical users of labour market information

Government (national and local) can identify decent work deficits and prioritise policies and programming.

Public employment services and other providers of active labour market programmes (including non-public providers such as non-governmental organisations and community organisations) need labour market information to provide well-informed guidance and support services to job seekers. For instance, information about local job opportunities and skill requirements by firms is key in designing demand-driven skills training programmes.

Firms can use timely and accurate information about the labour market to plan ongoing operations (including replacement of staff) as well as for investment purposes. For example, the availability of skills in a specific geographical environment, combined with an enabling business environment, can influence

Source: Based on Sparreboom and Powell, 2009.

investment decisions. In many countries, good labour market intelligence is used to attract such investment.

Managers of education and training institutions can gain an improved understanding of the nature and extent of the demand for skills. This can help them

extent of the demand for skills. This can help them determine which programmes of study should be expanded or cut back in the near future.

Individuals (students and job seekers) can benefit from improved information about career prospects and wages in different fields.

Unions can use labour market information for bargaining purposes. For instance, they would want to know average wage levels and productivity for specific occupations in different industrial sectors.

Other users of labour market information include **researchers**, **development partners**, the **media** and the **general public**.

increasingly online, additional sources include online job portals, social media sites and other platforms (Johnson, 2016; PARIS21, 2018).

LMIS challenges

Despite their relevance in policymaking and for a variety of stakeholders, structured LMISs in developing countries are often either weak or non-existent. In many countries, labour market information is scattered or not easily available and thus cannot be considered part of a system at all. Indeed, the lack of sufficient resources, capacity and other institutional constraints often do not allow for the systematic collection, analysis and use of labour market information at a detailed level and in a timely fashion. Typical challenges include the following.

■ Lack of timely and representative labour market data. In part, this deficiency is due to the lack of (regular) data collection through national surveys relevant to collect labour market data. Moreover, severe issues often exist related to data quality, reliability and comparability.

- Weak institutional capacity. The responsible government agencies often lack experience with quality data collection, analysis and dissemination. Information technology (IT) systems to support the LMIS are also often inadequate.
- Weak governance structures. These notably include:
 - a lack of central administration to manage the LMIS and/or a lack of ownership – largely because responsibility for the LMIS is often assigned to the agency in charge of statistics, which is by definition removed from ministry line-level policy- and decision-making;
 - a fragmented institutional landscape with unclear and/or changing mandates and responsibilities – and potentially competition among agencies (e.g. between the national statistics agency and the labour ministry);
 - a lack of coordination among producers and users of information, including the private sector, resulting in ineffective or non-existent















































































consultations on the type of information needed and the most appropriate ways to produce and analyse it.

- Lack of financial and human resources. The above deficits are due at least in part to inadequate resources. LMISs often do not receive much attention (and thus funding) from national resources, and donor-led efforts tend to be financially unsustainable. Moreover, the lack of relevant skills in the workforce (e.g. quantitative data collection, statistics, data analysis, IT) or the public sector's inability to retain them due to high demand can further undermine the quality of the LMIS.
- Insufficient attention to informal firms and employment. Informal employment is a dominant feature of labour markets in developing countries. Yet, administrative statistics typically contain only data on formal employment and firms.

For an example of selected challenges, see Box 2.3.

As a result of limited resources and poor performance of a LMIS, countries are faced with low relevance of labour market information, thus limiting its usefulness and added value to key stakeholders, and translating in low demand for it (which in turn limits resource allocation). As Sorensen and Mas (2016) note, this 'vicious cycle' of lack of resources, poor quality and low demand needs to be broken if LMISs are to be able to play their important role in improving the functioning of the labour market.

LMIS characteristics

FOCUS

Sorensen and Mas (2016) describe three broad types of LMISs, distinguished by their area of focus.

■ **Statistics-driven LMIS**⁽¹⁾. The main purpose of a statistics-driven LMIS is to produce information regarding general labour market outcomes. Such systems are geared towards policymakers to help them understand general patterns and to support the design of policies and interventions aimed at improving the functioning of the labour market. These systems build on a set of statistical indicators, such as macro-level labour market

BOX 2.3 Selected challenges to skills forecasting in the Mediterranean Region

UNESCO, under its NET-MED Youth programme, analysed the feasibility of conducting skills forecasting in the Mediterranean region in order to improve the understanding of future skills needed by the labour market in the short and medium term. Indeed, the ability to anticipate the future supply and demand for skills can be considered an important element of labour market information, as it is potentially key to guide reforms in education and labour policy.

The synthesis report found that, even though the basic data requirements to undertake a quantitative assessment of future skills needs seem to be met, in practice there are several important limitations, including:

- the lack of access to data to build relevant quantitative models, especially at a more detailed level, which limits what can be done in terms of skills forecasts;
- problems in establishing a stable picture of likely future developments, given the political and other uncertainties;
- the significance of the informal economy, which makes accurate measurement of the overall scale and structure of employment difficult;
- the general lack of well-established macroeconomic models on which to build projections.

Source: Wilson et al., 2016.

performance indicators (e.g. unemployment rates), new job creation by sector, demographic breakdown of the labour force, etc. The premise driving such systems is that better data on the labour market can improve analysis, which in turn should translate into more meaningful policy interventions. The statistics-driven approach to LMIS is largely reflected in the International Labour Organization's (ILO's) technical assistance to many developing countries, which consists of support of quality collection of a list of labour market indicators to measure progress on decent work outcomes⁽²⁾. This focus on statistical data has also shaped the organisational arrangements put in place to manage an

LMIS, whereby statistical departments such as the national statistics agency or the statistical department within the ministry of labour has often been given the responsibility of running a country's LMIS (Sorensen and Mas, 2016).

- Service-driven LMIS. This model focuses on providing information to workers, employers and labour market intermediaries(3). Where public and/ or private employment or recruitment services have succeeded in gathering data on a substantial number of job openings and job seekers, as well as information on training availability, they can make a considerable contribution to the country's LMIS. Such timely data on the functioning of the labour market is highly relevant and therefore of significant value to government agencies, employers, and education and training institutions alike (Mazza, 2002). Moreover, labour intermediation service providers can build a more sophisticated LMIS that goes beyond just collecting data from employers and job-seeking clients through the use in labour market trend analysis and planning. For instance, local employment services in Germany and the United States have conducted comprehensive labour market research and surveys contributing to a wide range of data collection efforts used in national statistics (Mazza, 2002). Finally, with the proliferation of online job search websites and job search functions on professional networking sites such as LinkedIn, large scale data sets are being generated that can be used to better understand labour market dynamics.
- Integrated LMIS. In an ideal scenario, an LMIS would integrate the two functions related to gathering general statistics and benefiting employment services. Such an LMIS emphasises quality data collection of national statistics related to labour supply and demand, while leveraging employment service providers as a vehicle to reduce information deficits of job seekers and employers. An integrated LMIS addresses the respective limitations of the narrow statistics- or service-driven approaches. On the one hand, broad national statistics are of limited use to many stakeholders, and the LMIS will fall short of its potential if it does not harness the information generated by the management of employment services

(Sorensen and Mas, 2016). On the other hand, without good state capacity to generate reliable descriptive information on the labour market, governments cannot prioritise and design appropriate labour market interventions.

The reality in many developing countries is that either the statistics function, the service function, or both are underdeveloped – and if they do both exist, they remain separate systems that do not speak to each other. Given the weakness of public employment services in many developing countries, the statistics-driven approach has so far prevailed (Sorensen and Mas, 2016).

INSTITUTIONAL SET-UP AND GOVERNANCE

Different levels of decentralisation across countries; variations in how responsibilities for education, training and employment services are assigned; and the influence of the private sector can affect choices made with regard to the set-up of an LMIS (ETF, 2009). For instance, the scope of an LMIS can be national or sub-national or by sector. The contributing stakeholders and decision-making structures may differ accordingly. Depending on the country context and scope of the desired LMIS, the following institutions may contribute to an LMIS to varying degrees:

- government agencies: national statistical offices; ministries (labour, education, economic); public employment services; regional development agencies; regional and local governments;
- educational institutions: schools (all types); centres for further education; higher education institutions; other training providers;
- social partners: employer bodies (such as federations of industry, chambers of commerce, sector training bodies), and workers' organisations (such as federations of trade unions, individual trade unions, small business organisations;)
- research community: higher education research bodies, research centres;
- other: employers (public and private sectors), private employment agencies; non-governmental organisations through various projects.













































































In practice, to enhance the systematic collection, analysis and use of labour market information, countries often create labour market observatories (LMOs). The role of LMOs typically includes (i) documenting and analysing labour market trends and challenges to inform the decision-making of relevant actors; (ii) producing studies on selected topics and proactive investigative reports (including through the launch of new data collection); (iii) stimulating discussion by organising meetings and events with public sector institutions, employer and worker organisations, civil society and academia; and (iv) evaluating employment policies and programmes (see e.g. EESC, 2018). LMOs can be created at different levels (e.g. national, regional) and essentially consist of a team or network of people, depending on the governance structure chosen. There are two broad governance models (Larsen et al., 2017), reflecting the relative influence and roles of the stakeholders involved.

- Hierarchical/centralised model. The government (national or sub-national level) drives the process, for example through a lead ministry. Decisions are applied in a centralised and top-down manner. Sub-models include the following.
 - Market embedded in hierarchy. State actors play a role as facilitator and intermediary while making extensive use of external experts from universities and research institutes. The results are then fed through the hierarchical line of public administration to the policymakers.
 - Network embedded in hierarchy. State
 actors initiate a network of different stakeholders of interest, which is then chaired by
 the relevant ministry (with decision-making
 authority). The results produced in the network
 feed back into the hierarchical structure.
- **Network model.** Interests between different stakeholders are negotiated within collaborative structures, based on mutual trust and consensus. Sub-models include the following.
 - Hierarchy embedded in network. A regional or local network is made up of relevant stakeholders, where representatives of public administration are also members.
 There is no formal connection of the network

to policymaking processes. Box 2.4 describes this model as utilised in Egypt.

BOX 2.4 Establishing a regional labour market observatory in Egypt

In Egypt, labour market information is collected by the Central Agency for Public Mobilization and Statistics as well as other ministries and agencies. Most of the data involves the national level and are not shared widely. This is problematic, since labour market conditions in Egypt vary significantly by governorate. The data collected are therefore only of limited use in informing the development of policies and programmes that promote employment and economic growth according to specific regional and local needs.

In response, the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), through its Employment Promotion Programme, has worked to set up regional LMOs in order to collect better labour market information at the local level - and thereby facilitate the alignment of technical and vocational education and training policies to private sector needs as well as the development of relevant active labour market programmes. GIZ used a survey-based, participatory method, placing strong emphasis on stakeholder dialogue, in establishing the LMOs. These were created in several industrial hubs, including Sadat City and Sixth of October City, and are composed of representatives from the private sector, the Ministry of Education and Technical Education, the Ministry of Manpower, and civil society representatives, under the guidance of a steering committee.

The LMOs collect and analyse supply- and demandside data as well as information about relevant training and matching services. These data are then used in labour market analysis reports published by the LMOs for sectors relevant to the respective region (e.g. textiles, chemicals).

The key challenges for the regional LMOs have been to ensure the quality of labour market research as well as to institutionalise and make financially sustainable this multi-stakeholder, decentralised regional structure within a highly hierarchical, centralised country.

Source: GIZ, 2015.

 Market embedded in network. A network is made up of public organisations and other stakeholders in association with corporate actors. The goal is to generate needs-based evidence. Again, there is no structural connection to policymaking processes.

In all cases, a functioning LMIS will always require the involvement and collaboration of a network of stakeholders in order to define information needs, facilitate access to relevant data, and promote dissemination and use. Experience suggests that a mainly network-based governance model makes it more difficult to influence the political decision-making process than where a network is built and steered along a hierarchical structure (Larsen et al., 2017).

LEVEL OF MATURITY

Due to a lack of common criteria and benchmarks, it is difficult to provide a detailed assessment and categorisation of LMISs by level of maturity. At the risk of oversimplification, Table 2.1 presents some broad distinctions in determining the maturity of an LMIS. Box 2.5 presents an example of a more advanced LMIS.

Success factors and good practices

As a GIZ source notes, 'There is no general blueprint for the one and most effective LMIS' (Woltermann, 2012, p. 6). That said, good practices from countries with more advanced systems as well as from reform efforts in developing countries, provide some guidance on potential entry points for strengthening LMISs in partner countries. These include the following⁽⁴⁾.

- Work towards an integrated LMIS. As discussed above, only an integrated system that combines a statistics-oriented function with a service-oriented function can be useful to a wide variety of users and effectively address the main information deficits that lead to inefficiencies in the labour market.
- Prioritise information needs. Since needs vary across users of labour market information (e.g. policymakers, employers, students), prioritising information needs is critical in focusing the roles and responsibilities of the system.
- Set up clear governance and institutional arrangements. A sound governance structure for managing the LMIS is important, establishing clear responsibilities and a sustainable structure. This should include the following.

TABLE 2.1 LMIS typology by level of maturity

FACTOR	TYPE 1: BASIC LMIS	TYPE 2: INTERMEDIATE LMIS	TYPE 3: ADVANCED LMIS
Geographic scope	Local, sectoral or national only	Local, sectoral or national only	Combination of local, sectoral and national
Model	Statistics-driven	Statistics-driven with linkages to services	Fully integrated
Institutional capacity	Low	Medium	High
Data availability	Limited set of quantitative indicators	Quantitative and qualitative information	Broad range of quantitative and qualitative information
Stakeholders involved	Mainly public sector	Mainly public sector	Diverse stakeholders, including private sector
Level of interaction among data producers, analysts and users	Low	Medium	High

Source: Author analysis, building on Sorensen and Mas, 2016.















































































BOX 2.5 Integrated LMIS in Greece

In Greece, the National Institute of Labour and Human Resources (NILHR), operating under the supervision of the Ministry of Labour, Social Security and Welfare, is responsible for analysing labour market information and informing labour market policies.

Following an action plan approved by the European Commission in 2015, a Labour Market Information/ Diagnostic System was institutionalised by the ministry in 2016. The diagnostic system is managed by the NILHR and governed by a coordinating committee made up of representatives of ministries, public agencies and social partners. An operational network of agencies and organisations provides the system with data inputs and is a primary user of the system's outputs. A scientific committee advises on matters of methodology and scientific integrity.

The system integrates a variety of national data sources, including from the National Statistics Authority, the General Commercial Registry, the Public Employment Agency and the National Employment Registry. Based on these sources, the NILHR conducts labour market monitoring (trends in unemployment, employment composition, job creation, entrepreneurship, etc.) and labour market analysis (employment projections, job creation by sector and occupation, etc.).

The available data can be disaggregated to the local level and is accessible online through the data visualisation platform Tableau Public to facilitate use by key stakeholders, including counsellors in public employment agencies.

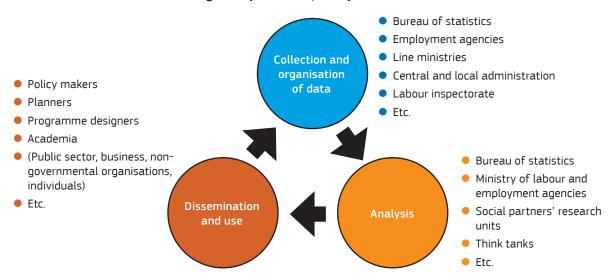
Source: NILHR, Labour Market Diagnosis System website.

- Clear ownership and a single, central authority that manages the system, e.g. through an LMO and a steering committee with relevant representatives.
- Built-in linkages to data users to ensure the demand-driven nature of the system. The collection and analysis of labour market information should be based on a clear understanding of the purposes for which it is required. To

this end, the LMO or other body responsible for the system should report directly to the main institutional user of the information, such as the ministry of labour, the ministry of education or the public employment agency.

- Strong coordination among data producers, analysts and users to ensure relevance. Access to detailed data on labour market trends is a determinant for success. This requires the establishment of effective partnerships. The authority managing the LMIS should not carry out all the activities alone but should coordinate a network of partners (and subcontractors), such as other government entities, universities, research institutes and data collection firms, to facilitate the sharing of data and fulfil the different functions of the system (see Figure 2.1).
- Build institutional capacity (collection, analysis and dissemination of labour market information). The body responsible for coordinating the LMIS should have sufficient capacity to produce core analysis in-house. Capacity development of existing researchers and/or recruitment from outside the organisation may be required to carry out the core functions of the system.
- Identify pragmatic ways to enhance data availability and quality. To the extent possible, leverage already existing data collection efforts to minimise the need for costly and burdensome new data collection. This can be accomplished by adding relevant questions on employment to existing household surveys. Data collection should be frequent enough to be useful for the main users the system seeks to inform. Data collection should be aligned with international standards and definitions, such as standard industry and occupational classifications, to allow for comparability and integration. Quantitative methods (e.g. household surveys, labour force surveys) should be combined with qualitative methods (e.g. expert interviews, focus groups) to allow for a richer and more nuanced picture of labour market dynamics. The information collected should also capture the situation of informal firms and employment.
- Capture local- and sectoral-level information in addition to national aggregates. People

FIGURE 2.1 Coordination among data producers, analysts and users



Source: EC, 2014.

tend to look for jobs close to where they live, and employers are interested in the skills available in the geographic area where they are based or planning to invest. Sub-national labour market information (e.g. by administrative region/state, sector) thus often holds greater relevance for both the worker and the employer than does aggregated, national information (Sorensen and Mas, 2016). Indeed, in developed countries, the LMIS provides geographical layers of data allowing users to zoom in on progressively more localised data. Efforts to promote sub-national LMISs can therefore be extremely useful and a good entry point for strengthening a country's LMIS overall.

- Integrated information and IT architecture. Related to the importance of coordination among data producers, analysts and users is the ability to put in place an information and IT architecture that allows for connectivity between different systems (of different ministries, between the national and regional levels, etc.). The central authority for the LMIS can thereby consult with other IT systems, databases and platforms to collect and aggregate information.
- Leverage real-time 'big data' to complement traditional labour market information. There has been a rapid rise in new online sources of labour market information beyond traditional surveys and government administrative data. These

include online job vacancy analysis, social media analysis and text message surveys (Johnson, 2016). Partnerships with online job portals and professional networking sites offer rich opportunities to obtain access to timely labour market information (see Box 2.6).

- Ensure effective dissemination of information. Quality research is not enough to improve decision-making; timely dissemination of results is required to inform users. This includes ensuring the availability of public interfaces (e.g. websites), tailoring these interfaces to different audiences, and making them user friendly. Different portals can be dedicated to career guidance (for students), general labour market data and studies (for policymakers and researchers) and job placement (for job seekers and employers), among others.
- Foster long-term financing and staffing. Building and strengthening an LMIS requires a long-term horizon, putting a premium on sustainable structures that can mature and grow. Short-term donor projects on their own are likely to be ineffective.

Finally, critical to the successful development and improvement of an LMIS is thoughtful **sequencing** of reforms and support efforts. This should be built on a sound understanding of the current maturity of the system as well as identification of the most pressing needs and demands of local stakeholders, in order













































































BOX 2.6 Using big data as a source of labour market information

In India, as in many developing countries, the lack of timely labour market data inhibits the crafting of evidence-based, up-to-date education and labour market policy. As a result, education, training and employment services are not sufficiently responsive to current and future labour market needs, resulting in skills mismatch and other inefficiencies. In response, the World Bank collaborated with Babajob, an online Indian job portal, to assess how online job portal data can be used as a basis for policy-relevant research in labour market and workforce skills development. The analysis highlights five areas where online job portal data can contribute to the development of labour market policies and analytical knowledge:

- labour market monitoring and analysis (e.g. vacancies and wages by occupation and location);
- assessing demand for workforce skills (e.g. in terms of work experience, language skills);
- observing job search behaviour and improving skills matching (e.g. to which occupations people apply):
- predictive analysis of skills demand (e.g. wage growth by occupation and location);
- experimental studies (e.g. impact of adding personality traits to applications).

Sources: Johnson, 2016; Nomura et al., 2017; WEF, 2017.

The study found that the nature of the data produced by online job search portals allows for the application of diverse analytical methodologies, including descriptive data analysis, time-series analysis, text analysis and predictive analysis.

Similar partnerships have been conducted with social media sites. The World Economic Forum partnered with LinkedIn to identify the most common types of high-skill jobs in the Middle East and North Africa region and the professional profile of the tertiary-educated workforce.

Interpretation should be approached with caution, as data are likely not representative of a whole population or labour market, especially in developing countries. Indeed, online job portals and social media sites tend to attract certain types of job seekers (often the better educated) and certain types of employers and vacancies (e.g formal sector companies in specific industries, usually offering white-collar jobs). Information from these sources might not be able to provide a picture of the often much larger group of less educated and disadvantaged job seekers and of the labour demand in blue-collar industries and the informal sector.

to identify interventions with the greatest 'payoff'. In many cases, the largest benefits may come from improved governance, system integration or data dissemination and use, rather than from efforts to collect more aggregate indicators and building the capacity of the national statistical agency. Some first- and second-generation priorities might include the following.

First-generation priorities:

- build institutional capacity (e.g. in terms of data collection and analysis);
- ensure availability of a minimum set of labour market statistics (e.g. related to ILO's Key Indicators of the Labour Market and decent work indicators);

- pilot sectoral/regional LMIS;
- enhance governance structures and improve he institutional coordination mechanism.

Second-generation priorities:

- integration with labour market intermediation (e.g. placement registries);
- enhance data dissemination and use:
- improve information systems and data integration across agencies;
- leverage big data.

Hence, there can be several entry points for development partners to engage with partner countries on strengthening LMISs. These include primarily education and technical and vocational education training system reform, strengthening ALMPs (in particular employment services), as well as efforts to improve a country's statistics capacity. Box 2.7 provides an example of EU-supported capacity building on LMIS in Africa.

BOX 2.7 Case study European Union support of an LMIS in a set of countries

LMISs are still nascent in many African countries, and there is a clear need for better labour market information to inform young job seekers, employers, training institutions and policymakers.

In Kenya, the National Employment Bureau is charged with collecting and providing labour market information. To address the lack of timely and reliable labour market information on skills available in the country, efforts were launched in 2017 to establish an LMIS. In support of this initiative, an international high-level meeting was held in partnership with the World Association of Public Employment Services and the European Union-supported SOCIEUX in September 2017 to share experiences and good practices from international labour market information experts with African countries and highlight major lessons regarding the implementation of efficient LMISs.

Source: WAPES, 2017; visit http://wapes.org/en/event/expert-meeting-labour-market-information to access presentations and videos from the event.

Notes

- (1) 'Statistics-driven' is used here to mean the same as Sorensen and Mas's label 'data-driven'.
- (2) E.g. the Key Indicators on the Labour Market (KILM) and the ILO's Framework Indicators corresponding to the Decent Work Agenda.
- (3) However, an information system used solely for the purpose of labour intermediation (i.e. to register job seekers and vacancies) should typically not be considered an LMIS given its narrow purpose.
- (4) This list of recommendations draws on ETF (2016); ILO (2013); Rutkowski, de Paz and Levin (2018); Sorensen and Mas (2016); and Woltermann (2012).

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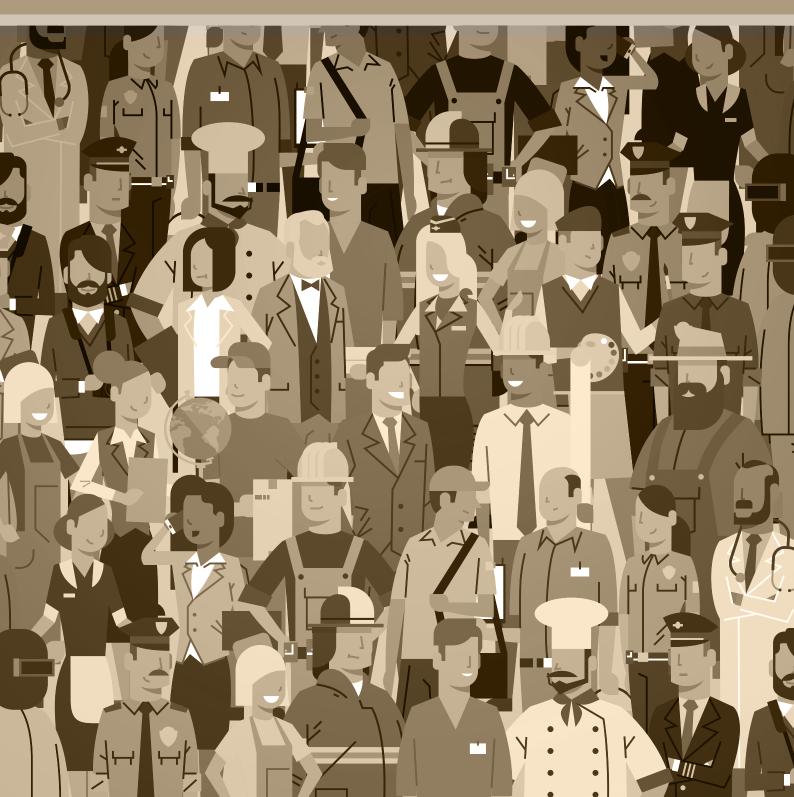
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Policy planning and coordination



his part provides practical guidance on what can be done to enhance the planning and coordination of national policy processes.

Promoting employment and decent work is contingent on the effective interplay of a variety of policy areas. Hence, countries need a concerted and coherent vision of their employment objectives and ways to achieve them. Guidance Note 3 thus introduces the role of national employment policies, which serve as an umbrella for a wide array of economic, social and labour market policies.

In practice, there are numerous stakeholders with different – and sometimes conflicting – interests and priorities with regard to labour market policies. For instance, while workers want higher wages, employment protection and other benefits, firms are concerned with keeping labour costs in check and having sufficient flexibility to deal with the workforce. Designing balanced policies in a way that meets the needs of different stakeholders is therefore critical. Guidance Note 4 highlights the role of social dialogue as a tool for building consensus on a wide range of employment issues through the involvement of social partners – workers, employers, government – in decision-making and implementation.



conomic growth alone does not necessarily translate into more and better jobs, especially for the poor, vulnerable and those at risk of being left behind. Economists agree that the pattern or nature of growth matters, too. In this regard, dedicated employment policies have become widely recognised as an important instrument for transforming growth into jobs. Many countries, both developing and industrialised, have formulated national employment policies that outline country-specific policy measures to meet employment objectives.

The intent that countries should take an active role in promoting full and productive employment is anchored in global standards such as the International Labour Organization's (ILO's) 1964 Convention on Employment Policy and the 2015 United Nations (UN) Sustainable Development Goals, providing global normative references for employment policy (see Box 3.1).

Scope of national employment policy

National employment policies are an inclusive and comprehensive approach to promoting full and productive employment. A national employment policy is a 'concerted and coherent vision of a country's employment objectives and ways to achieve them' (ILO, 2012, p. 15). Adopting a medium- to long-term time span of typically 5–10 years, a national employment policy is intended as a holistic and integrated framework linking all employment policy interventions and stakeholders – government, employer and worker organisations, financial institutions, industry and other civil society groups – that have a role in reaching employment targets.

OBJECTIVE AND KEY MESSAGES

This guidance note introduces the role of national employment policies for transforming growth into jobs and how to make them effective.

- National employment policies embody a country's employment objectives and how to achieve them.
- National employment policies serve as an umbrella for a wide array of economic, social and labour market policies, cutting across macro-, meso- and microeconomic dimensions (sectoral policies, business environment, skills development, labour market regulation, etc.).
- National employment policies have increased their focus on demand-side policy areas and on improving implementation. In addition, the latest generation of national employment policies addresses opportunities and challenges arising from the future of work.
- Major stakeholders should be involved in the formulation, implementation and monitoring of national employment policies – the ministry of labour and other relevant line ministries, representatives of employers and workers, civil society and development partners, etc.
- National employment policies need to be adequately resourced.

A national employment policy promoting the creation of quality jobs requires coordinating policies at various levels and the involvement of multiple actors. Depending on the country context, national employment policies cover a wide array of economic, social and labour market policies that affect both the supply











































BOX 3.1 The international normative framework on employment policies

The ILO's Convention on Employment Policy No. 122 (1964) provides the global reference for employment policy. It calls upon states to declare and pursue an active policy designed to promote full and productive employment as a major goal, while taking into account the stage and level of economic development and the mutual relationships between employment objectives and other economic and social objectives, as well as national circumstances. As of January 2018, 111 countries have ratified the convention.

In its Article 1, the convention sets forth three guiding principles for a national employment policy:

- there is work for all who are available for and seeking work (quantity);
- such work is as productive as possible (quality);
- there is freedom of choice of employment and the fullest possibility for each worker to utilise his/her skills, irrespective of race, sex, age, religion, political opinion, nationality or social origin (non-discrimination).

The UN's 2030 Agenda for Sustainable Development, approved in 2015, replaces the Millennium Development Goals. In particular, Goal 8 of the Sustainable Development Goals (SDGs) seeks to 'Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all'. While the SDGs do not provide country-level targets, its globally agreed targets (available here: https://sdgs.un.org/goals/goal8) are useful in guiding employment strategies and policies at the national level. As part of Europe's response to the 2030 Agenda, 'The New European Consensus on Development' (EC 2017) presents a joint vision for development policy for the European Union and its Member States.

and demand sides of the labour market, as well as the intermediation between them, cutting across macro- and microeconomic dimensions. It should diagnose the challenges and opportunities for decent job creation across policy areas and define policy priorities accordingly. The national employment policy can therefore serve as an **umbrella for complementary policies** (see Figure 3.1).

National employment policies provide an entry point to adopt an employment lens in a variety of policy areas. Since many policy domains have direct or indirect effects on employment, it is useful to consider these effects in the context of a national employment policy in order to **ensure policy coherence**, as the following examples illustrate.

- **Public infrastructure investment.** How can the government increase the employment and income-generating impact of public expenditures and investments at all levels (central, federal and communal)? Which policies will lead to an increase in formal employment and expansion of the tax base?
- **Foreign direct investment.** Which measures should be taken by relevant authorities to channel foreign direct investment towards sectors and/or geographical areas that have the highest employment-generation potential, without discouraging potential investors?
- **Trade.** Which potential exports could make the biggest contribution to creating more and better jobs? How can compliance with international labour standards be embedded in bilateral trade agreements and global supply chains?
- **Taxes.** What measures need to be adopted to reduce distortions and provide incentives to formalise?
- **Education and skills development.** What reforms are needed to ensure that the skills development system provides the skills needed by the private sector?
- Family and social services. What investments are needed to improve the availability of care services (e.g. for children or the elderly) in order to facilitate labour market participation by women? How can targeted social services be leveraged to enhance the employability of disadvantaged groups such as youth and persons with disabilities?
- **Social protection and health.** How can social assistance programmes support people who have lost their jobs? How should public health measures (e.g. in the context of COVID-19) be designed to

National development strategy National employment policy Labour market Education Economic policies and and skills Social policy Other policies institutions development **Pro-employment** Labour market **Basic education** Social protection macroeconomic regulation (mini-Migration policy policy policy policies mum wage, etc.) Small and Tertiary Active labour medium-sized Family policy **Health policy** market policies education policy enterprise policy Passive labour Social inclusion Vocational Urban and Tax policy education policy market policies policy agriculture policy Industrial, trade Research and and infrastrucinnovation policy ture policy

FIGURE 3.1 The multisectoral scope of national employment policies

Note: For illustrative purposes only. Actual policy coverage depends on country context.

minimise the negative impacts on businesses and workers?

- **Migration.** What systems are needed to better manage labour migration? Which policies contribute to efficient labour market integration of migrants? How can diaspora communities be involved in business creation and trade with their countries of origin?
- **Urban development.** How can city planning acknowledge the needs of people working in the informal economy, e.g. by adopting measures that regulate the use of public space and facilitate access to basic services?

In many cases – particularly in times of economic crisis – an integrated response across several policy areas is needed. For instance, to address the negative impacts of COVID-19, countries have adopted a mix of policies, including fiscal policies to stimulate the economy, social protection policies to provide income support, and occupational safety and health policies, among others (ILO, 2020a; 2020b).

As national employment policies have evolved over recent years, new priorities have emerged. Over time, national employment policies have come to cover broader areas of intervention, more explicit target groups and different policy levers, as well as cross-cutting issues such as gender, informality and green jobs (ILO, 2020c). This has led to a broadening of social dialogue, moving beyond the ministry of labour. More recently, a 'new generation of national employment policies' seeks to increase emphasis on a number of specific dimensions (ILO, 2020c).

- Demand-side measures. National employment policies are increasingly including specific interventions to accelerate the pace and improve the quality of job creation through public and private investment and private sector development.
- **Future of work.** National employment policies are increasingly addressing the effects of globalisation, climate change, demographic shifts and technology on the labour market, especially in terms of skills needs and quality of work.















































































■ Implementation. There is stronger emphasis on ensuring a successful transition from formulation to implementation of national employment policies, including by getting key ministries involved (e.g. ministries of finance, economic development and planning) and strengthening the monitoring and review of national employment policies.

The national employment policy process⁽²⁾

A national employment policy is a flexible instrument; it can be a stand-alone policy or integrated into a country's national development strategy, its sectoral strategies, etc. It is particularly meaningful when it responds to a national need.

- Revision of a national development framework. To successfully integrate employment issues into the national development framework, it is very useful to have a well-articulated employment policy ready when the development framework is being revised. This is particularly relevant right now when most countries will be revising their national development frameworks to align them with the 2030 Agenda.
- The formulation of medium-term expenditure frameworks. If budget allocations are based on programme budgets, all ministries must have an adopted policy with a medium-term expenditure framework in order to take part in the budget arbitration exercise.
- Establishment of a new government. Transitioning to a new administration involves the articulation of the government's main priorities and goals.

There are thus various entry points for embarking on a national employment policy process. Once the appropriate entry point has been identified, the national employment policy process comprises seven steps, as shown in Figure 3.2 (ILO, 2015b).

 Preparation. Put in place the organisational framework; define the goal of the national employment policy; prepare a work plan.

- Issue identification. Identify the issues that determine labour market opportunities and constraints (see also Guidance Note 1).
- Formulation. Determine national employment policy priorities; decide on corresponding policy interventions.
- **4. Adoption.** Build a national consensus (see Guidance Note 4); obtain government/parliament approval; inform the public.
- Action planning. Elaborate a detailed implementation plan.
- **6. Implementation.** Implement the policy through concrete programmes and interventions.
- **7. Monitoring and evaluation.** Measure and evaluate the results of the policy's action plan; analyse what needs to be done in the future.

As outlined in Guidance Note 1, the policy framework and priorities should be based on the barriers to and opportunities for employment within the **specific country context** (see step 2, issue identification). Comprehensive employment diagnostics are therefore a valuable input in formulating national employment policies. Subsequently, implementation of a national employment policy must begin with a realistic set of

FIGURE 3.2 The policy process



Source: ILO, 2015b, p. v.

resourced interventions that concretely address critical bottlenecks as identified in the diagnostics, around which coalitions for change can be mobilised.

In terms of **stakeholder participation**, national employment policies require that all relevant line ministries – not just the ministry of labour – social partners, civil society and development partners are involved in the formulation, implementation and monitoring of national employment policies. In particular, those ministries and agencies entrusted with macroeconomic management – such as the central bank, finance ministries and national planning agencies – are crucial. Their involvement is doubly critical because (i) the policies they implement have a significant impact on employment and (ii) their cooperation facilitates the integration of the national employment policy into budgeting and planning cycles.

An interesting institutional example of this comprehensive stakeholder approach is the South African National Economic Development and Labour Council (NEDLAC), which brings together business, labour, government and civil society; and covers economic policy, development policy, labour market policy and trade and industrial policy. Such coordinating organisations are indispensable in ensuring coherence across the various policies that contribute to comprehensive national employment policies.

Clear institutional anchorage for the national employment policy is also essential, because only a lead agency with the requisite authority and resources will be able to coordinate all the actors that should be involved in the process. The multiplicity of institutions and actors involved, and the diversity of their intervention modalities, requires strong coordination.

For a summary of success factors in formulating national employment policies, see Box 3.2.

Financing national employment policies

To be effective, a national employment policy needs to be adequately resourced. The primary source of funding will normally come from the country's national budget, which is aligned with national priorities as set out in the national development framework. The

BOX 3.2 Success factors in developing national employment policies

- Alignment with other national processes, such as integration in the national development framework or the coming-in of a new Government, to facilitate buy-in and mobilisation of resources.
- Partnerships, including with central ministries (finance, planning), across line ministries, with employers' and workers' organisations, and development partners.
- Broad and sustainable political commitment, preferably at the highest Government levels, such as President or Prime Minister.
 Strong political will must also materialise in sufficient national funding to operationalise the policy.
- Clear institutional anchorage to coordinate all relevant actors during formulation and implementation (e.g. Minister of Employment, Office of Prime Minister or President).
- Inclusive and accountable process, i.e. broad-based consultations and dialogue throughout the process, including with other ministries, social partners, and civil society.
- Clear implementation arrangements, i.e. an action plan with targets and concrete activities, as well as sound monitoring and evaluation arrangements, which in turn also requires strong labour market information systems to ensure data availability.

Source: Based on ILO, 2012.

ministry of finance will be more inclined to allocate funds to the national employment policy if the ministry of labour can **demonstrate that the creation of jobs is not an expenditure, but an investment** that will generate public income in the future. In fact, increasing labour market participation, lowering unemployment, and enhancing productivity and skills have the potential to significantly boost economic growth and government revenues (through higher consumption, tax revenues, lower spending on social assistance, etc.).

















































































To inform policy dialogue on the financing of employment policies, it is useful to **calculate the level of financial resources already devoted to employment promotion** in the country, including the state budget, parastatal agencies, externally funded projects, etc. This will enable the national employment policy team to quantify the resources available for the national employment policy overall, as well as estimate the space for increasing that amount while remaining realistic (ILO, 2012). This process involves close collaboration with the ministry of finance and development partners, and could include formal processes such as a public expenditure review.

Even though it may not always be possible to increase the overall budget, much can be achieved **using available funds more effectively and efficiently** by reducing redundancies and eliminating spending for ineffective policies; this in turn creates room for targeted investments towards new priorities and evidence-based policies.

Employment policies in EU development cooperation

European Union (EU) Delegations can support the design and implementation of national employment policies in several ways.

- **Knowledge development.** The EU may technically and financially support the formulation of employment policies within the framework of National Indicative Programmes. This can include supporting comprehensive employment diagnostics as a sound foundation for employment policy (see Guidance Note 1).
- Mainstreaming. EU Delegations and their national partners could analyse ongoing and planned programmes and projects across sectors from an employment perspective, and adjust such programmes to make them more employment-focused (e.g. with regard to trade policy or budget support).
- Implementation and assessment. Where national employment policies exist, the EU may co-finance their implementation through projects prioritised under the country's national employment policy. Within its own programmes and

beyond, the EU can support robust evaluations to foster evidence-based policymaking in the future.

■ **Coordination.** The EU, as the single largest donor in many developing countries, could take the lead in initiating thematic employment groups under the country's development cooperation coordination architecture. Such groups would look to coordinate employment-related projects and programmes across the donor community. The EU could also envision joint programming with Member States to support the national employment policy⁽³⁾.

In supporting these processes, it is also useful to coordinate with the **country programmes of other development partners**, such as the ILO's Decent Work Country Programmes (see Box 3.3).

EU support at the national level could be complemented at the **regional and sub-regional levels**, as well, including through continental and regional indicative programmes or partnerships. Examples include the following.

- The Africa-EU partnership includes a component on 'mobility, migration and employment', and the EU's strategy with Africa highlights a 'partnership for sustainable growth and jobs' as one of its pillars (EC, 2020).
- A post-2020 programme of cooperation between the EU and the African, Caribbean and Pacific countries will include a focus on 'decent jobs'.
- The indicative programme for Latin America includes a component on inclusive and sustainable growth for human development, which seeks to promote decent work, among other objectives.
- The 'New Deal' for engagement in fragile states promotes five 'peace and statebuilding goals', the fourth of which economic foundations seeks to 'generate employment and improve livelihoods'.
- The Union for the Mediterranean provides a policy framework through ministerial declarations on employment and labour and supports targeted initiatives e.g. through the Mediterranean Initiative for Jobs.

BOX 3.3 ILO's Decent Work Country Programmes

Decent Work Country Programmes (DWCPs) are the ILO's principal programming instrument at the country level. They provide a framework that identifies the priorities of ILO constituents in a country and specifies the planned support of the ILO to achieve results under those priorities. DWCPs must be fully aligned with the target country's own development cooperation strategy and with the UN Development Assistance Framework (UNDAF). As of 2017, 103 ILO member states had drafted DWCPs (Popova and Panzica, 2017).

DWCPs have been effective in that (i) they sharpen the focus of ILO interventions at the country level, (ii) facilitate the participation of constituents in the development process and (iii) promote the inclusion of decent work priorities in UNDAFs. Indeed, the ILO has concluded that the great majority of active UNDAFs include at least one pillar of the Decent Work Agenda (ILO, 2015a).

However, many DWCPs suffered from resource constraints because the implementation of the programmes required voluntary contributions from development partners that were not confirmed at the time of their formulation, and never materialised. Some DWCPs were unrealistic in terms of scope, scale and duration, and others found little ownership at the national level. The next generation of DWCPs shall be fully aligned with the 2030 Agenda.

Since policy or strategy development processes can be long and tedious, and because the quality of the end product remains somewhat uncertain, a **pragmatic approach** is often needed to balance policy and programmatic work. If a national employment policy does not yet exist, it is not always realistic to wait until it is in place to formulate programming. Moreover, even when a national employment policy has been developed in a multi-year formulation process, it often fails to be operationalised. In cases where a useful guiding framework for intervention is missing, **EU development support can pragmatically focus on reforms and interventions** that can address key barriers to employment in the short to medium term – thereby generating good practices

and model reforms/interventions that can subsequently be integrated into a broader policy process (see Box 3.4).

BOX 3.4 Albania's national employment policy

The development of a national employment and skills strategy was one component of the EU Action on Instrument for Pre-Accession Assistance 2010 Human Resources Development for Albania. With ILO technical assistance, the content of the strategy was discussed widely in regional roundtables, thematic workshops and stakeholder meetings involving more than 500 participants. The review looked at macroeconomic trends and sectoral policies, demographic projections, poverty and social exclusion, education and training, and the labour market situation. The main policy priorities were (i) fostering decent job opportunities through effective labour market policies, (ii) offering quality technical and vocation education and training for youth and adults, (iii) promoting social inclusion and territorial cohesion, and (iv) strengthening the governance of the labour market and qualifications system. The strategy and its action plan were adopted by the Council of Ministers in November 2014, and government funds were assigned for implementation. The EU is supporting implementation of the national strategy with EUR 27 million.

Sources: Republic of Albania, 2014; European Western Balkans, 2018.

Notes

- (1) Additional contributions to this guidance note were provided by Sher Verick and Kevin Hempel.
- (2) A more detailed description of the national employment policy process – including numerous tools and examples – can be found in ILO (2012).
- (5) For more information on joint programming, see the EU webpage on 'Joint programming of development cooperation'.



















































































KEY RESOURCES

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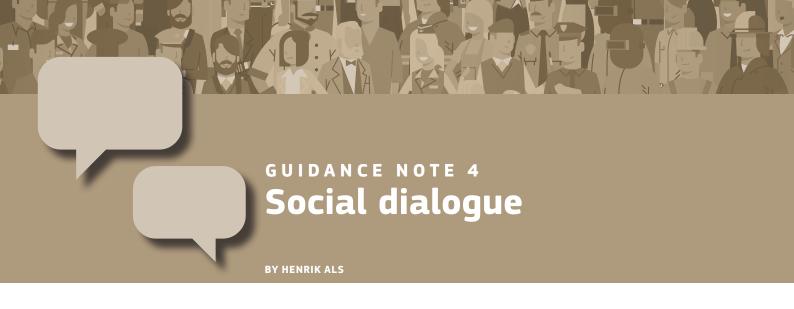
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ocial dialogue between government and employer and worker organisations is a constituent part of the European development model, aimed at improving 'governance through the involvement of social partners in decision-making and in the implementation process' (European Parliament, 2020, p. 1). The promotion of dialogue between management and labour is recognised as a common objective of the European Union (EU) and its Member States. Social dialogue is integrated in an array of key EU policy documents; is one of the four pillars of the International Labour Organization's (ILO's) Decent Work Agenda; and is anchored in international global agreements, including the United Nations (UN) Sustainable Development Goals (SDGs).

Social dialogue is both a *means* to achieve social, economic and environmental progress and an *end* in itself, as it gives people a voice and stake in their society and workplaces. Social dialogue is a **driver for development and in identifying common sustainable solutions**, such as generating economic growth and decent employment (SDG 8). It can also be instrumental in delivering on most of the other SDGs as well. As an **instrument for participation**, **ownership and sustainability**, social dialogue is a key governance tool for strengthening institutions (SDG 16) and partnerships (SDG 17) (Dereymaeker and Als, forthcoming; Hermans, Huyse and Van Ongevalle, 2016).

Contribution to inclusive growth and decent job creation

There are various ways at the national, sector and enterprise levels in which the partnership approach of social dialogue can be a tool to build consensus on a wide range of employment issues.

OBJECTIVE AND KEY MESSAGES

This guidance note discusses the relevance of social dialogue in promoting employment and decent work and identifies entry points for strengthening social dialogue in development cooperation.

- Social dialogue is a tool to build consensus
 on a wide range of employment issues. It can
 help build national policy frameworks, create
 an employment-friendly environment in industries and help address decent work deficits.
- An initial step often needed in strengthening social dialogue is supporting the necessary environment for it to function, including a conducive legal and institutional framework, democratic structures and trust among social partners.
- As social dialogue and social partners are often weak in developing countries, capacity building of legitimate actors is essential.

BUILDING INCLUSIVE NATIONAL POLICY AND REGULATORY FRAMEWORKS

National tripartite social dialogue (see Box 4.1 for definitions) is vital for harmonious industrial relations and solid sustainable economic growth in increasingly complex societies. **Policy measures that are designed and monitored through social dialogue tend to have a higher chance of being successful** than policies developed only by governments (Hermans, Huyse and Van Ongevalle, 2016). National tripartite forums, such as economic and social councils, involve social partners – and sometimes civil society groups – in the governance of public affairs.







































BOX 4.1 Definitions

Social dialogue: as defined by the ILO⁽¹⁾, includes 'all types of negotiation, consultation or simply [the] exchange of information between, or among, representatives of governments, employers and workers, on issues of common interest relating to economic and social policy'.

Social partners: refers to employer organisations and worker organisations (e.g. trade unions).

Bipartite social dialogue: dialogue between the social partners, such as sector agreements, collective bargaining agreements and dispute prevention and resolution at workplaces

Tripartite social dialogue: brings together worker and employer organisations (social partners) and government to discuss public policies and legislation.

Industrial relations: relations between management and workers in an industry.

(1) ILO, 'Social Dialogue' webpage.

Source: ILO, 2013.

These forums can build broad consensus and ownership on a range of employment and decent work aspects, such as industrial and employment policies, wage levels, gender equality, social security, occupational health and safety standards, education and vocational training, and labour inspections.

Social dialogue can play an important role in times of **transition or economic or social crisis**. It has played a critical role in transition processes in many countries such as in the transition from Apartheid in South Africa and in the building of a democratic society in Tunisia (see Box 4.2). Similarly, social dialogue has contributed to adequate policy responses in the context of the financial crisis of 2007–2008, for instance by facilitating reduced working hours in Germany.

Social dialogue is a governance tool for sustainable development. The SDGs clearly recognise that environmental, social and economic development are closely interrelated dimensions of sustainable development. The key to a successful **transition to**

BOX 4.2 Social dialogue facilitates new social contract and constitution in Tunisia

A social contract was signed by representatives of Tunisia's workers, employers and government on 14 January 2013, the second anniversary of the events that led to the Arab Spring uprisings. The contract was the result of long and difficult negotiations, and paves the way for improvements in labour legislation and industrial relations, employment policies, social protection, and vocational training, among others, as well as balanced regional development. It calls for the establishment of a National Council for Social Dialogue to ensure its implementation.

Later in 2013, when the democratic transition process was seriously in danger and Tunisia experienced increased violence and the risk of a civil war, cooperation between trade unions and employers was a driving force in bringing the national democratic dialogue on track again. The contract, and the difficult negotiations it entailed among its partners, was instrumental in the signing of the new Tunisian Constitution a year later. Members of the National Dialogue Quartet were awarded the Nobel Peace Prize in 2015 for their 'decisive contribution to the building of a pluralistic democracy in Tunisia'.

Source: Dereymaeker and Als, forthcoming.

a greener economy is inclusive governance and the population's acceptance that the transition will not lead to serious reductions in life quality, such as job losses.

CREATING AN ENABLING AND EMPLOYMENT-FRIENDLY ENVIRONMENT

Fair, productive and sound industrial relations based on social dialogue support economic growth and decent jobs creation in a specific industry or sector. In a regulated labour market with sound industrial relations, the interest of business to cooperate and establish a 'level playing field' with equal conditions for all companies is substantially higher than in an unregulated market. With a level playing field, the

sectors or industries compete on growth, job creation, labour productivity, innovation, and higher environmental standards – rather than at the expense of social, economic and environmental concerns. For example, in an unregulated market, companies have limited incentives to invest in skilled labour, as newly trained workers will seek higher salaries in a competing company (Hermans, Huyse and Van Ongevalle, 2016).

Sound industrial relations built on social dialogue attract foreign direct investment and contribute to lowering the number of cases of industrial disputes (Haufler and Mittermaier, 2011). A key factor for company owners and for investors is the level of labour disputes in a country or sector. Investors naturally prefer a stable investment situation, in which both employers and workers abstain from industrial actions such as strikes and lockouts.

Cross-border social dialogue can lead to increased productivity, innovation and decent work. In the absence of a state-driven multilateral framework, voluntary cross-border social dialogue initiatives and agreements - such as transnational company agreements and international or global **framework agreements** – have been the response of global unions and global enterprises to the lack of national regulations and compliance with internationally agreed-upon labour and consumer standards. Such agreements are the outcome of negotiations between individual multinational enterprises and global union federations, and are intended to promote principles of labour relations and conditions of work and to organise a common labour relations framework at the international level. A good example is the EU's Generalised Scheme of Preferences Plus (GSP+), under which developing countries receive extra trade benefits if they ratify and implement core international conventions relating to human and labour rights, the environment and good governance. Similarly, all EU free trade agreements include a trade and sustainable development chapter which seeks to ensure that partners follow international labour conventions.

ADDRESSING DECENT WORK DEFICITS

Social dialogue can contribute to **tackling the challenges related to informality of the workforce** and the rise in inequality levels. A critical societal challenge is the high number of informal economy workers. The prevalence of the informal economy and non-standard forms of employment are among the most significant factors in rising insecurity and inequality among populations. In 2015, the ILO adopted the Transition from the Informal to the Formal Economy Recommendation (R204). A central aspect of R204 is the involvement of social partners in the design and implementation of pro-poor policies and legislation (see Box 4.3).

BOX 4.3 The ILO Transition for Informal to Formal Economy Recommendation

R204 is designed to assist workers in claiming their rights. It outlines the policies and regulations required for the creation of decent jobs, while helping to increase incomes, strengthen workers' access to social protection and enable them to be recognised as lawful citizens contributing to the economy. The recommendation also provides policy advice for creating a level playing field so businesses can compete fairly. For governments, R204 calls for regulating the unregulated economy, providing a revenue base from tax collection.

Source: ILO. 2014.

Social partners can play a catalytic role in organising informal economy workers and businesses, thereby providing concrete services and giving them a voice and representation. Trade unions in developing countries are increasingly attracting informal economy workers as members. Through specially designed collective bargaining agreements for informal economy workers, their working and living conditions can improve through stable and higher salary, improved working hours, better and safer working conditions, and access to social protection funds. Similarly, national employers' organisations have increasingly become more interested in supporting the formalisation of informal business. Among other considerations, including recognition of the importance of



















































































decent work, employers' organisations view informal business as unfair competition to the formal economy, in that informal businesses do not pay taxes or have to comply with national labour law requirements.

Social partners can play a large role in addressing other decent work and human rights deficits, such as equality at work, discrimination at work, forced and child labour, unsafe working conditions, violations of labour rights, poor social protection and the lack of freedom of association. All these factors contribute to addressing issues of poverty and inequality. For instance, the Better Work programme implemented by the ILO and the International Finance Corporation has leveraged social dialogue to improve working conditions in the garment industry (see Box 4.4).

BOX 4.4 The Better Work Programme

Better Work – a collaboration between ILO and the International Finance Corporation – is a comprehensive programme bringing together all levels of the garment industry to improve working conditions and the respect of labour rights for workers, and boost the competitiveness of apparel businesses. The programme helps enterprises improve practices based on core ILO labour standards and national labour law. It puts a strong emphasis on improving worker-management cooperation, working conditions and social dialogue.

Source: Better Work website.

BUILDING PARTNERSHIPS FOR SUSTAINABLE BUSINESS

Social dialogue is central for **sustainable corporate strategies** as it can improve the levels of productivity, innovation, employment generation and decent work in enterprises (Farver, 2013). It can help in striking a balance between the profitability of enterprises and their obligations to comply with international human rights and corporate social responsibility guidelines and initiatives, such as the ILO Tripartite Declaration on Multinational Enterprises and Social Policy, the Organisation for Economic Co-operation and Development's Guiding Principles on Multinational

Enterprises, the UN Guiding Principles on Business and Human Rights (UN, 2011) and the UN Global Compact⁽¹⁾. Social dialogue is also a central tool in involving stakeholders in the strategic priorities of many medium-sized and multinational enterprises to create shared value and contribute to the SDGs (e.g. the SDG Compass). More and more multinational enterprises actively advocate for the SDGs, define it as their business case and long-term strategy.

Support to social dialogue in employment and decent work programmes

There is no ready-made blueprint for successful social dialogue. Context, trust, capacity and culture – as well as the complexity and unpredictability of the process, its enabling environment and institutional approach – are all important and interrelated elements of making social dialogue work. However, there are some **key considerations when engaging in social dialogue** in employment and decent work programmes.

- Engage social partners systematically from the beginning. Social partners are best placed to assess and develop all aspects of an enabling environment for economic growth and employment and broader social protection policies. The enabling environment for private sector development and related measures on taxation and financial rules, investment and procurement policies are of direct interest to social partners.
- Identify a priority policy area in which to leverage and support social dialogue. Strengthening social dialogue can be done at various levels, including in the context of national economic and social policies or at the sector level. Current reform efforts by the government (e.g. related to labour law, national or sectoral strategies) may often provide a natural entry point for engagement. In developing countries, due to high levels of informal employment, efforts to support social dialogue should look beyond the formal economy and work towards fostering the representation and engagement of employers and workers in the informal sector (ILO, 2020; Maffei, 2018). It may be necessary to support social dialogue in the context of a changing world of work (e.g. digitalisation and

automation) and the changing nature of employment relationships; Caspar, Rieff and Roelen (2019) discuss this for the case of Europe.

- Make an initial assessment of the status of social dialogue. Conduct this assessment with the contribution of social partners, the ILO and other key stakeholders. Any social dialogue engagement approach requires initial attention to the following factors.
 - An appropriate legal framework and the national capacity to enforce the law. Which ILO conventions on fundamental rights and social dialogue are ratified? How are these issues treated in the national legislation? Do the labour laws provide for freedom of association and respect the right to collective agreements at all levels? Is there an appropriate level of labour inspection, and are compliance mechanisms in place to be able to enforce the labour market law?
 - An enabling institutional framework. Is there a national tripartite forum (e.g. economic and social council) or bilateral forum to discuss national policies, and to what extent are the social partners involved (consulted or informed)? What are the functional social dialogue mechanisms at the national, sector and geographic levels (e.g. a tripartite or bipartite committee for employment and decent work)? What are the mechanisms for conflict resolution and mediation, and how well are they functioning?
 - Organisational and democratic capacity of social partners to perform as legitimate independent organisations. Are the partners democratic in structure and accountable to their members? How many dues-paying members are there? Which segment of the population do they represent? What is their mandate to engage and commit? Do they have the knowledge and capacity to engage professionally? What is their capacity to engage with informal economy workers and businesses? What internal policies and procedures exist to combat gender inequality and address other decent work aspects?

- The level of social dialogue and trust between social partners. Is there ongoing social dialogue, and how functional are the social dialogue mechanisms? Is social dialogue focused on negotiation, consultations or just exchange of information? Are conflicts and labour disputes solved through dialogue? What are the interests of different factions of the trade unions to cooperate at national and local levels? What are the social dialogue practices at the company level?
- Address key social dialogue deficiencies directly. Both social dialogue and social partners are weak in most developing countries. This situation is, however, part of the development challenge and should be addressed when developing inclusive employment and decent work programmes in order to foster national ownership and sustainability. The social dialogue deficits identified in the initial assessment need to be turned into development challenges to be addressed. The success of inclusive employment and decent work programmes depends on how core social dialogue problems, such as limited consultation with social partners in policy development or labour rights violations, are addressed.
- Integrate capacity building of legitimate social partners into employment and decent work programmes. The EU may provide specific capacity-building support to upgrade social partners' capacity in employment and decent work. Capacity-building programmes should address the following.
 - Engage the strongest social partners with a high level of autonomy, representation and mandate. These are legitimate democratic organisations and differ from most other nonstate actors, e.g. business councils, non-governmental organisations and community-based organisations.
 - Focus on (i) upgrading capacities in employment and decent work aspects, such as conflict resolution, mediation, trust building and negotiation skills; and (ii) improving social dialogue mechanisms and procedures (e.g. how to make a collective bargaining agreement). It is















































































important to acknowledge that social dialogue processes take time.

- Engage and consult with successful Northern or Southern social partners directly in the capacity-building programme to build knowledge, know-how and trust more efficiently and effectively. The involvement of like-minded partners increases the relevance, sustainability and impact of the programme.
- Identify win-win solutions, where both social partners (and government) can identify organisational benefits and advantages. For instance, in 2017, the parliament of Nepal approved a new legal package consisting of both a business-friendly labour act and a trade union-friendly social security act. Both acts were developed in strong consultation with the social partners; thus, both acts were enacted at the same time to strike a balance between the interest of employers and workers. This is an example of a win-win solution, where all parties gain, and where the EU could engage in social dialogue. Other proven entry points for win-win solutions include the following.
 - Improving occupational safety and health standards and procedures in companies and sectors, where workers become more protected and management ensures higher productivity. Occupational safety and health efforts have shown to be an efficient first phase of social dialogue, in which a minimum level of practice and trust is reached. Once this level has been attained, negotiations on more complicated aspects can follow, such as on wage setting.
 - Support to skills training and vocational training increases both labour productivity and the workers' salary level and employability.

ENHANCING AN ENABLING ENVIRONMENT

An enabling legal and institutional environment is central to the success of employment generation and decent work policies. EU Delegations can play a strong role in advocating for governments to improve and enforce the rule of law, with a focus on the following.

- Compliance with the international rule of law. In cooperation with the ILO, Delegations should enter into a policy dialogue with governments and parliaments on improving the legal framework and policies. One of the critical preconditions for social dialogue is compliance with the ILO's Fundamental Principles and Rights at Work, but other ILO conventions and recommendations are important in an analysis of the legal framework (see Dereymaeker and Als, forthcoming). The conventions need to be translated into national legislation.
- Support to labour courts, labour administration and legal inspections. Effective enforcement mechanisms in conflict mitigation and dispute-solving mechanisms, including labour courts, protect labour rights and create higher stability for production. EU Delegations may provide support to improving labour inspection and appropriate mediation and compliance mechanisms. Social partners can play a central role, especially in most developing countries with a weak labour administration. For instance, in Mongolia, the state and social partners - specifically, the Confederation of Mongolian Trade Unions and the Mongolian Employers Federation - have established tripartite labour dispute settlement committees at the local, regional and national levels to resolve conflicts. The social partners also provide legal advice to their members.

SUPPORT TO DEVELOPING NATIONAL SOCIAL DIALOGUE INSTITUTIONS

EU Delegations could provide valuable technical assistance to inclusive national dialogue processes and formal tripartite social dialogue forums (such the economic and social councils) on developing inclusive employment-friendly policies and legislation. (See Box 4.5.)

SUPPORT KNOWLEDGE DEVELOPMENT

The EU may support the set-up or operation of mechanisms and structures that – with the social partners – collect and analyse relevant employment,

BOX 4.5 National dialogue on employment in Uruguay

Uruguay's National Dialogue on Employment, convened in early 2012 by the Ministry of Labour and Social Security, was divided into five major themes: youth employment and vocational training, policies to address the labour supply shortage, matching structures evaluating labour supply and labour demand, employment policies targeting different phases of the economic cycle, and employment and micro- and meso-economic policies. Among the tangible results of this dialogue has been the approval of a law to increase youth employment.

Source: ITUC/TUDCN, 2016.

decent work and social dialogue information. One option is the development of a tripartite labour market information system (see Box 4.6).

BOX 4.6 EU funding mechanisms for social dialogue

EU Delegations can provide support for social dialogue through targeted calls for proposals or direct awards. They can also include appropriate actions in the programming approach (National Indicative Programmes) or at the programme formulation and implementation level by systematically ensuring that social partners have been consulted with or have participated at the programme design phase, particularly in programmes/actions that affect workers' lives (economic, trade and industrial policies, dialogue on business environment, etc.). Consideration could be given to include social impact assessments in development programming as it is under the trade policy, as well as at the level of action documents.

Note

(1) These various guidelines, which are aligned with each other, have all been updated in recent years to take into account both the SDGs and due diligence requirements.

KEY RESOURCES

J. Dereymaeker and H. Als, 'Using Social Dialogue as a Governance Tool and Driver for Inclusiveness and Sustainability in Economic and Social Development' (forthcoming).

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Instruments of labour market policies and programmes



his part provides guidance on specific instruments of labour market policies and programmes, in particular different active labour market programmes (ALMPs) as well as labour market regulation. Passive labour market policies, such as unemployment benefits, are not considered here, given their relatively rare (albeit growing) existence in developing countries.

While ALMPs are a popular tool among governments and non-governmental organisations to actively facilitate the integration of job seekers into the labour market, they are not a panacea, since they do not address structural issues in the labour market such as poor-quality education and lack of economic growth. Moreover, global evidence suggests that ALMPs often face a variety of challenges, with often limited impact on job seekers. Still, if well-designed and -implemented, these types of programmes can significantly boost employment and earnings, especially for disadvantaged populations. Policymakers and practitioners should be sure to follow international best practice principles such as those laid out in Guidance Notes 5–9 in designing and implementing ALMPs so as to maximise their impacts.

Adequate labour market regulation is critical in ensuring a conducive policy environment that protects workers while improving labour market efficiency. Such regulation establishes the minimum legislative requirements employers and workers must comply with when starting, terminating and during employment. Guidance Note 10 provides good practice principles to achieve balanced regulation that protects workers while avoiding inappropriate costs for employers that could lead to negative consequences – such as undermining firms' investments and thereby reducing the hiring of new workers.



BY KEVIN HEMPEL

mployment support and job creation takes time and involves a range of policy areas and systemic reforms related to macroeconomic policies, the business environment and the education system. While structural reforms are crucial to address the deep-rooted barriers to job creation, people also want – and need – help now. Mechanisms thus need to be established to provide quick assistance to those who find themselves un- or underemployed.

Active labour market programmes (ALMPs) are **direct interventions in the job market** undertaken to address structural and frictional unemployment⁽¹⁾, leverage the productive potential of a population and reduce costs related to social assistance. Interest in such ALMPs is particularly acute in countries going through a difficult economic and political transition.

ALMPs are meant to actively **facilitate people's transition to employment and higher incomes through relatively short-duration interventions**, typically less than six months and rarely more than one year long (see Box 5.1). By so doing, ALMPs can help reduce people's vulnerability and foster social inclusion. ALMPs are a popular instrument across the globe and have been anchored in the strategies of many countries and development partners, including the European Union (e.g. in the Europe 2020 strategy). The objective of actively supporting those in need is also reflected in the Sustainable Development Goals' principle to 'leave no one behind'.

In middle- and high-income countries, ALMPs are closely related to the concept of activation. In these countries, income support programmes and extensive social protection systems create the need for proactive policies to encourage people to work. Such activation policies, in turn, seek to 'effectively promote

OBJECTIVE AND KEY MESSAGES

This guidance note provides a general overview of active labour market programmes (ALMPs), including their benefits and limitations.

- ALMPs are a popular tool used by governments and non-governmental organisations to support people's transition to employment and higher incomes.
- ALMPs can be categorised into four types: skills development/training, entrepreneurship promotion, employment services (orientation and intermediation) and subsidised employment (public works and wage subsidies), each addressing different barriers in the labour market.
- The general evidence on the success of ALMPs is mixed. While they can have significant impacts and yield positive cost-benefit ratios, many are often poorly designed and implemented.
- Common weaknesses of ALMPs in developing countries include programme fragmentation, limited capacity of public employment service providers, poor targeting, and insufficient monitoring and evaluation.
- The choice of ALMPs must be informed by the respective employment barriers to be addressed.

and assist the return to work' (OECD, 2013, p. 132) by encouraging job seekers to actively look for work and/ or improve their employability (e.g. by acquiring new skills). In these contexts, the principle of activation is often directly related to the ideas of mutual obligation and conditionality – establishing that in return for









































BOX 5.1 Definition of ALMP

'Active labour market programmes includes all social expenditure (other than education) which is aimed at the improvement of the beneficiaries' prospect of finding gainful employment or to otherwise increase their earnings capacity. This category includes spending on public employment services and administration, labour market training, special programmes for youth when in transition from school to work, labour market programmes to provide or promote employment for unemployed and other persons (excluding young and disabled persons) and special programmes for the disabled'.

Source: Organisation for Economic Co-operation and Development Glossary of Statistical Terms.

receiving income support and being offered a range of employment services, individuals must comply with a set of requirements (active job search, participation in programmes, accepting job offers, etc.).

In low-income countries, ALMPs are typically used as an instrument to provide income-generating opportunities and help lift people out of poverty. As formal social protection mechanisms are often insufficient in these countries, people are under particular pressure to work in order to make a living. Hence, ALMPs can play an important role in providing temporary work opportunities and equipping people to find and retain more permanent jobs. In these contexts, ALMPs can also serve as a bridge from social assistance programmes (e.g. cash transfers) to self-sufficiency (graduation) (Almeida et al., 2012).

Target groups

ALMPs should – but unfortunately, are not always – be geared primarily towards disadvantaged groups of people with higher levels of vulnerability – that is, those who may have more difficulty finding work on their own. While vulnerability profiles and target groups vary across countries, and not all types of ALMPs equally target all groups, common target groups include:

- youth;
- women:

- persons with disabilities;
- migrant workers;
- older workers;
- long-term unemployed;
- low-skilled.

Beyond targeting the unemployed who are looking for work, ALMPs can support people outside the labour market (the inactive), those who are underemployed and those who are already employed. ALMPs can play a role in encouraging individuals to (re)integrate into the labour market, such as discouraged youth, housewives, etc. They may also enhance the productivity of those who are underemployed or engaged in subsistence activities, as well as connect people working in the informal economy with employment in the formal sector. In some cases, ALMPs can be used pre-emptively, targeting those at risk of becoming unemployed (e.g. by providing services for students or people who risk losing their work).

Types of ALMPs

ALMPs can be broadly classified into four types (Kluve et al., 2017):

- employment/intermediation services (including career guidance and counselling);
- skills development/training;
- entrepreneurship promotion interventions (i.e. support to self-employment and micro-, small and medium-sized enterprises);
- subsidised employment interventions (wage subsidies and public works).

Within the European Union, ALMPs are classified according to (i) labour market services, and (ii) labour market measures (see Box 5.2).

The various types of **ALMPs reflect the different barriers they seek to address** in the labour market. ALMPs can address barriers on either the supply or demand side, and issues related to matching in the labour market (see Table 5.1). Programme types can also be combined – for example, skills training and employment subsidies – to address multiple simultaneous barriers faced by job seekers.

BOX 5.2 EU classification of active labour market policies

- Labour market services cover all services and activities of the public employment service (PES) together with any other publicly funded services for job seekers (e.g. career guidance and counselling, job placements). These also cover other functions of the PES that are not directly linked to participants, such as services for employers and administrative functions.
- Labour market measures cover activation measures for the unemployed and other target groups including the categories of training, job rotation and job sharing, employment incentives, supported employment and rehabilitation, direct job creation, and start-up incentives.

Source: EC, 'Databases and Indicators - The LMP Database' webpage.

Skills training programmes are the most widely used employment intervention worldwide. In many developing countries, skills training programmes are the most popular type of ALMP.

Even in Organisation for Economic Co-operation and Development (OECD) countries, which have relatively better established public employment services, the largest share of public expenditures on ALMPs goes to skills training programmes⁽²⁾. The predominance of skills training programmes suggests that there is often an implicit or explicit assumption that skills deficits are the main barrier to better employment outcomes. While this may be true in some contexts, different barriers may be more severe in others. Therefore, a sound diagnostic about the most binding constraints is critical (see Guidance Note 1) before adopting a particular ALMP.

Benefits

ALMPs can achieve multiple objectives depending on their areas of intervention. By fostering employability, facilitating business creation, enhancing job search and providing short-term job opportunities, ALMPs can contribute to higher labour force participation, lower unemployment and higher earnings. They can also facilitate social inclusion of disadvantaged groups. Finally, by connecting people to the labour market, ALMPs can reduce a country's fiscal burden in terms of social assistance (see Figure 5.1).

Indeed, research shows that **ALMPs can improve labour market outcomes**, especially for low-income and disadvantaged groups (Card, Kluve and Weber, 2015; Kluve et al., 2017; Levy-Yeyati, Montané, Sartorio, 2019). There are examples of successful programmes across all types of ALMPs, which highlights that ALMPs, when well designed and implemented, can be an important instrument in facilitating transitions to work. Yet, the effects can vary substantially, and programmes for disadvantaged groups tend to be more effective. For instance, a focus on low-income youth or youth with low levels of education has been found to trigger higher employment and earnings than for youth across all country income levels (Kluve et al., 2017).

ALMPs have also been found to have higher impacts in low- and middle-income countries than in high-income countries. This is because developing countries often have large cohorts of disadvantaged people, for whom marginal investments in skills and employment opportunities can lead to larger changes in outcomes (Kluve et al., 2017).

Limitations of ALMPs

While ALMPs play an important role in improving the functioning of the labour market and assisting people in their transitions to work and higher earnings, they are **not a panacea**. Several limitations and risks should be kept in mind to manage expectations of what ALMPs can deliver.

- ALMPs do not address structural issues. By their very nature, ALMPs cannot resolve most structural issues within or outside the labour market that affect employment, such as a low-growth economy, a poor education system or inadequate labour regulation. Rather, they are mostly 'quick fixes' that seek to assist people especially the most disadvantaged groups in their employment transitions.
- ALMPs are vulnerable to political influence. As a short-term policy instrument, ALMPs are

















































































TABLE 5.1 Menu of ALMP interventions to address particular challenges

LABOUR MARKET CONSTRAINT	EMPLOYMENT BARRIER	POSSIBLE SHORT-TERM ALMP INTERVENTION(1)
Job search constraints (matching)	 Lack of information Lack of networks Difficulty in signalling abilities to employers 	Employment services: career guidance job search assistance job placement services skills certification training centre accreditation
Insufficient job- relevant skills (supply)	 Lack of (relevant) technical skills Lack of soft skills Lack of work experience Lack of basic skills 	Skills training programmes: • technical and vocational training • soft skills training • on-the-job training • literacy and numeracy training Also: • information about returns to education and training • training subsidies
Constraints to small-scale farming and self-employment (demand)	 Lack of information, education and business skills Lack of financial capital Lack of access to land, physical capital and inputs Lack of social capital Lack of access to markets Restrictive social and legal norms 	 Entrepreneurship promotion interventions: entrepreneurship training access to finance (savings, grants, loans, etc.), including microfinance access to land, physical assets and inputs advisory services (including coaching/mentoring) access to markets (including value chain development)
Low demand for workers (demand)	Slow job growthEmployer discrimination against certain groups	Subsidised employment programmes: • public works/service programmes • wage subsidies
Other constraints outside the labour market ⁽²⁾ (supply and job search-related)	 Low health (including mental health) Family responsibilities Culture and social norms Restricted mobility (e.g. due to security situation) Distorted aspirations and expectations 	Other support services: • health services (including psychological counselling) • childcare assistance • safe spaces; family and community engagement • mentoring • transport assistance • other social services

Sources: Based on Cunningham, Sanchez-Puerta and Wuermli, 2010.

(1) The interventions listed here do not necessarily imply an evidence base or proof of efficacy; the listing is also not exhaustive.

⁽²⁾The term 'social constraints' used by Cunningham, Sanchez-Puerta and Wuermli (2010) has been broadened to reflect other barriers as well.

FIGURE 5.1 Types, outcomes and intended impacts of ALMPs



often subject to being politicised, as it is relatively easy to make short-term promises to appeal to voters and the public (see Box 5.3). Political interests can also manipulate the design of ALMPs, for instance with regard to targeting and benefits levels.

Average results are relatively modest. While ALMPs can have strong impacts, this is the exception rather than the rule. On average, results tend to be modest (Card, Kluve and Weber, 2015; Kluve

BOX 5.3 The Amal programme in Tunisia

Tunisia's Amal (Arabic for 'hope') programme provided a monthly stipend to first-time job seekers who held at least an associate's degree, on the condition they participated in training, counselling or internships. Weak institutional capacity led to fewer than 20,000 of 145,000 programme registrants participating in any programme activities in 2011. With more than 85 per cent of programme beneficiaries receiving a cash transfer only, both the Tunisian national budget and the employment outcomes of beneficiaries suffered. In essence, the programme served as a political promise that provided cash to a politically sensitive group (higher education graduates) at the expense of achieving tangible employment results.

Source: Angel-Urdinola, Kuddo and Semlali, 2013.

et al., 2017; McKenzie, 2017). This has a lot to do with the complexity of designing and implementing these programmes. There may also be a more fundamental reason for the often modest success of ALMPs: they can only work when the employment barriers of the target group are accurately diagnosed. This basic condition is not always met, because sound employment and labour market diagnostics are not always available or used to inform programming (see e.g. El Oraby, 2017). In the absence of solid analysis, personal preferences and institutional mandates and inertia often drive the choice and design of interventions. For instance, a government agency or non-governmental organisation (NGO) traditionally focused on skills trainings is likely to offer more training even if the barriers to employment lie elsewhere.

- **ALMPs can be expensive.** While costs differ widely depending on the specific design and country context (including local price levels), costs per beneficiary often range between USD 700–2,000, and many initiatives exceed this amount by far (see e.g. Betcherman et al., 2007). This has implications for scalability, especially in developing countries with limited budgets.
- ALMPs can have unintended negative consequences. Such consequences affect both beneficiaries and non-beneficiaries. For instance, participating in classroom trainings may come at















































the expense of work, reducing income and potentially employability as a result of having less work experience (sometimes called the lock-in effect). Similarly, public works may attract people from other activities; entrepreneurship assistance may create increased competition to existing businesses (which in turn may earn less money and/or go out of business) or leave participants worse off if their business fails (e.g. due to lost savings or loans to be paid); and wage subsidies may lead to the replacement of non-subsidised existing workers. While careful programme design can minimise these risks, such care is not always taken. Moreover, since these side effects are typically hard to measure and quantify, little is known about how they play out in practice.

Key players

ALMPs are implemented by both public and non-public entities and primarily include the following.

- **Public employment services.** Most countries have some form of national public employment agency, which represents the implementing arm of the ministry of labour. This agency typically has a number of offices throughout the country where job seekers are registered and offered services, such as ALMPs. The public employment agency also typically administers unemployment benefits, if these are provided. Public employment services in many developing countries are weak, as discussed further below.
- Other ministries. Typically, numerous ministries such as the ministry of agriculture, industry or youth run training or other employment support programmes related to their mandate.
- **Private employment agencies.** Depending on the country, private companies may play a larger or smaller role in providing employment services. These generally include temporary work agencies, specialised recruitment agencies (e.g. for management staff, by industry, for migrants, etc.) and online job search platforms or other digital employment service providers⁽³⁾. Many times, private players are able to intervene rapidly and address market demands in a more flexible

manner. While public employment services are typically offered free of charge, private employment service providers may charge fees to job seekers and/or employers (the basic functions of web-based job search services are typically free of charge, funded through premium accounts and/or advertising)⁽⁴⁾.

- **NGOs.** In many developing countries, NGOs implement a range of ALMPs, usually funded by development partners. When state capacity is weak, NGOs may be able to provide employment services more efficiently and of higher quality, although sustainability is an issue. Even where the public system functions relatively well, NGOs, like private providers, can play an important role in complementing state services (expand geographical coverage, attract hard-to-reach groups, etc.).
- **Training institutions.** Vocational and other training institutions may be public (usually attached to a ministry) or private and may offer formal qualifications and/or non-formal skills training courses. They may also cooperate with companies to offer practical training and apprenticeship opportunities.

In general, there should be clear linkages and additionality between national employment services and non-public providers. Even with strong national public employment services, it is not possible for a single provider to deliver all relevant services to a diverse group of job seekers efficiently and at high quality. Hence, a good network of partner organisations, and coordination with relevant stakeholders and external service providers, is essential (see Box 5.4). This coordination can include subcontracting specific services to private agencies and NGOs through performance-based contracts. When public employment services are too weak, development partners may need to consider working directly through private companies and NGOs according to their respective capacity and comparative advantage.

BOX 5.4 Collaboration modalities between public and private employment service providers

Article 13 of ILO Convention No. 181 promotes cooperation between private and public employment services.

In addition, paragraph 1 of Recommendation No. 188 (1997) proposes the following measures of public-private employment services cooperation:

- pooling of information and use of common terminology so as to improve transparency of labour market functioning;
- exchanging vacancy notices;
- launching joint projects, for example in training;
- concluding agreements between the public employment service and private employment agencies regarding the execution of certain activities, such as projects for the integration of the long-term unemployed;
- training of staff;
- consulting regularly with a view in order to improve professional practices.

Joint activities can be of a non-commercial or commercial nature. In the first case, cooperation would not involve expenditure of public funds for services provided. An example could be the exchange of information regarding vacancies. In the second case, public resources are allocated to private employment agencies to carry out certain activities, such as training of the unemployed. Such commercial collaboration typically falls into two broad models of partnership between public employment services and other service providers.

- In some countries (for instance, Germany, Spain, and Italy) public employment services continue to act as the main service provider, but outsource specific services and activities, such as training, orientation, vocational rehabilitation and placement into community work, often subject to strict licensing mechanisms.
- In other countries (for instance, Austria, Denmark,
 The Netherlands and the United Kingdom) public
 employment services mainly act as a regulator,
 outsourcing all but the most basic employment
 services to other providers. For instance, in the
 UK private providers selected through tendering
 procedures are bound to deliver specific outcomes
 (job placements) and are left free to offer whatever services they believe to be most effective to
 individuals without government prescription.

Source: ILO, 2007; Kolektiv, 2014.

Common weaknesses of ALMPs

While ALMPs have the potential to achieve significant employment impacts, the latter are often reduced through numerous challenges.

Programme fragmentation. Coordination is often a challenge in ALMPs because of the number and variety of entities typically involved in their implementation. In many countries, multiple interventions co-exist in a fragmented way, suffering from duplication, conflicting approaches, and a lack of transparency, making it difficult for both policymakers and job seekers to navigate them. For instance, in Egypt, over 20 governmental institutions, various private sector organisations and dozens of NGOs implement ALMPs (ETF, 2015; ILO, 2017). Limited capacity and reach of public employment services (and potentially of non-public providers). Due to resource and capacity constraints, public employment agencies in developing countries are not always well equipped to adequately fulfil their functions. In some countries, they are almost non-existent, at least outside the major cities. Moreover, they operate in an environment of high informal employment, making it more difficult to establish strong linkages with the private sector. Common challenges of public employment services include low technical capacity, a lack of resources, weak infrastructure and inadequate governance structures (Angel-Urdinola, Kuddo and Semlali, 2013). These weaknesses can often translate into limited geographic coverage, limited use of public employment services by job seekers and employers, low quality of













































































services provided, and low effectiveness of interventions. Non-public providers, such as NGOs, may also be weak in many countries, with high staff turnover and a lack of proper systems for procurement, financial management, etc.

- Lack of labour market information. The weakness of labour market information systems in many countries (see Guidance Note 2) hampers proper analysis of labour markets and the effectiveness of ALMPs. This lack of information hinders proper efficient identification of target groups that are experiencing more difficulties in entering the labour market as well as sectors with an unmet demand for workers (ETF, 2015). In turn, this negatively affects the quality of targeting and programme design (e.g. in terms of priority sectors for skills training and related to career guidance services).
- **Poor targeting.** Rather than assisting the most vulnerable, ALMPs are often geared towards better-off (and politically more influential) groups. For instance, in the Middle East and North Africa, ALMPs have traditionally been highly skewed towards university graduates (Angel-Urdinola, Kuddo and Semlali, 2013); this may stem at least in part from this group's being better organised and more vocal (and thus politically more important) than poorer and less educated youth. Many implementers may intentionally target the better-off ('creaming') as they are easier to place in a job, making it easier to meet organisational targets (Lehmann and Kluve, 2010). Even when there is no political or programmatic bias against more disadvantaged people, it is not that easy to reach those most in need, because they are further removed from the labour market and thus harder to attract into programmes. Finally, there is often a lack of proper profiling - that is, categorising job seekers according to their respective characteristics and risks of remaining unemployed, and determining adequate services accordingly (Loxha and Morgandi, 2014). Programmes are often based on a one-size-fits-all approach that does not take into account the diversity of different beneficiary profiles (ETF, 2015).
- Weak programme design and implementation. ALMPs need to be carefully designed and implemented, based on a proper understanding

- of the target group, employer preferences and the local market. However, given limited institutional capacity in developing countries (of governments, NGOs, etc.), programme analysis, design and delivery are often flawed. For instance, many skills training programmes are supply-driven and suffer from a lack of cooperation with the private sector, which is crucial in ensuring that beneficiaries are trained in line with market needs. Similarly, services may not be client-/user-friendly or may use outdated instruction techniques; lack quality control measures; or suffer from administrative inefficiencies, resulting in delays, limited responsiveness to issues and complaints, etc.
- Lack of monitoring and evaluation. ALMPs are often not properly monitored and evaluated because of a lack of capacity and funding. Available information is often limited to the number of beneficiaries in various programmes (i.e. outputs), while data on the quality of implementation as well as on programme outcomes such as placement rates, job retention and earnings are often missing. The use of scientific impact evaluations seeking to measure the causal impact of an intervention on programme beneficiaries vis-à-vis a comparison group has traditionally been scarce, especially in some regions such as the Middle East and North Africa. This lack of systematic evidence creates a significant knowledge gap which makes it difficult to design new and effective programmes and close ineffective ones (ETF, 2015).

Lessons learned

- No type of intervention is inherently better than another. Different ALMPs have different purposes and characteristics (see Table 5.2). Even if there are a few rules of thumb on how to design ALMPs, the context and constraints holding people back from employment vary from place to place. Thus, accurate diagnostics in each context are critical in choosing the most appropriate type of ALMP (Blattman and Ralston, 2015).
- The overall context can provide direction on the types of interventions that make sense. For instance, in environments with a small private sector and/or high unemployment due to low

TABLE 5.2 Summary of ALMP features

FEATURE	EMPLOYMENT SERVICE	SKILLS TRAINING	ENTREPRENEUR- SHIP	PUBLIC WORKS	WAGE SUBSIDY
Purpose	Improve job search	Increase human capital / enhance employability	Facilitate busi- ness start-up (and expansion)	Provide tempo- rary employment	Incentivise hiring by employers
Cost	Low	Medium	High	High	High
Short-term effect	Positive	Negative	Positive	Positive	Positive
Long-term effect (best case)	Small positive	Positive	Positive	Zero to small positive	Zero to small positive
Displacement	Medium	Low	High	High	High

Source: Based on Kluve, 2014.

labour demand, wage subsidies, skills training and job search support are less likely to have an impact because they require jobs to be available. In these contexts, demand-side interventions to boost public and private investments and firm growth – such as public works, instruments to increase foreign direct investment or matching grants to firms – are needed (IEG, 2012).

- Quality of design and implementation is critical. The success of ALMPs depends on how well they are conceived and implemented. Indeed, programme design and implementation tend to drive results more strongly than the type of intervention: the 'how' may be more important than the 'what' (Kluve et al., 2017). Design features such as individualised coaching and follow-up of participants, providing small monetary incentives to trainees, or focusing on specific industries have been found to be associated with improved employment or earning outcomes (Levy-Yeyati, Montané, Sartorio 2019). Given the importance of proper implementation, promising interventions can only be successfully replicated when they are properly adapted and executed in the local context. Conversely, even when programme evaluations for an intervention show weak results, it may be possible to enhance their impact by modifying design features and enhancing implementation quality.
- The selection and design of ALMPs must be informed by beneficiary characteristics. Significant differences may exist in the needs of

different groups of job seekers. Matching job seekers with the right type or package of interventions is essential. For instance, a long-term unemployed job seeker over the age of 50 almost certainly requires different assistance than a recent university graduate. This highlights the importance of beneficiary profiling and segmentation.

- **Continuous learning and evaluation are essential.** While evaluations of ALMPs have become more common and an increasing amount of lessons learned and good practice principles generated in recent years, ALMPs still tend not to be subject to systematic evaluation in many countries. Yet, knowing whether ALMPs work or not in a given country is crucial, especially because of their high costs. ALMPs should generally be accompanied by strong monitoring and evaluation frameworks so as to measure whether they are effective, foster learning and facilitate continuous improvements.
- **ALMPs need to be accompanied by structural reforms.** While ALMPs are an important instrument of labour market policy in most countries, they cannot solve employment problems alone. Hence, ALMPs must always be embedded in a broader mix of employment policies and can be used as an element of more comprehensive employment programmes targeting both job seekers and firms. For instance, recent efforts, such as the World Bank's Youth Economic Inclusion Project in Tunisia, have tried to combine supply-side ALMPs with more structural, demand-side













































































measures (World Bank, 2017). Similarly, the combination of ALMPs with income support measures is considered crucial to protect job seekers against poverty and facilitate their participation in activation schemes (ILO, 2019).

■ Institutional context matters. ALMPs have to be looked at in the context of the institutions that implement them. While public employment agencies have a central mandate to implement ALMPs, they are often weak or even largely non-existent, especially outside the major cities. ALMPs should thus be accompanied with institutional development efforts, while also working with non-public providers such as NGOs where they a comparative advantage (see Box 5.5).

BOX 5.5 Implementation of ALMPs through a public-private partnership in Egypt

Egypt's Emergency Employment Investment Project funded by the European Union and administered by the World Bank sought to leverage non-public providers – in particular NGOs – in the implementation of ALMPs in its efforts to improve youth employability. The initiative was managed by the government's Enterprise Development Agency (formerly the Social Fund for Development). Between 2014 and 2017, the programme financed over 40 projects through its public-private partnership approach. Interventions mainly included skills training and entrepreneurship promotion. Specifically, the Enterprise Development Agency subcontracted projects to NGOs through a competitive selection process; payments to NGOs included a performance-based element contingent on meeting job placement targets. While NGOs were given significant flexibility in project design to encourage innovation and take into account local labour market constraints, they were also required to follow clear standards, such as the fact that they had to be demand-driven with linkages to employers and market needs. Moreover, in order to generate knowledge and learning from the NGO projects funded, the initiative put a strong focus on monitoring and evaluation, which included a detailed management information system, a process evaluation, and an impact evaluation with selected NGOs.

Notes

- (1) Structural unemployment refers to the absence of demand for certain workers, typically because there is a mismatch between the skills of unemployed workers and those needed for the available jobs. Frictional unemployment refers to the time period between jobs, when a worker is searching for or transitioning from one job to another.
- While expenditures for public employment services and administration exceed those for training in many countries, this also includes expenses for the administration of other benefits. Only specific expenses for job placement and related services are considered when comparing the relative weight of employment services compared to other ALMPs. See OECD.Stat, 'Public Expenditure and Participant Stocks on LMP'.
- (3) In many emerging and developed countries where Internet penetration is high, online job search engines and online job boards are among the top sources for finding and filling jobs.
- (4) According to the ILO Private Employment Agencies Convention (No. 181), Article 7, 'Private employment agencies shall not charge directly or indirectly, in whole or in part, any fees or costs to workers'. but exceptions with respect to certain categories of workers may be authorised by the competent authority.

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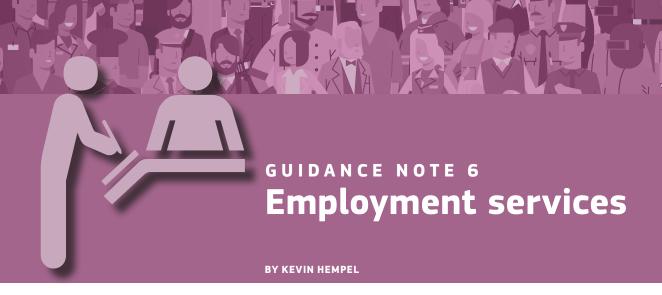












mployment services consist primarily of the following types of interventions – or a combination of these – implemented through a variety of modalities.

- Career guidance/counselling (orientation) includes services such as providing information on the labour market and specific occupations, aptitude testing, vocational guidance, developing career plans, etc.
- **Job search assistance** typically involves training on curriculum vitae (CV) writing, interview preparation, and how to search for jobs.
- **Job placement and matching services** include job fairs, providing access to information and communications technology (ICT) –based jobs search, referring job seekers to vacancies, as well as services to employers (posting and managing vacancies, searching profiles, pre-selecting candidates, etc.).
- **Referrals to other services** include, especially, referrals to other active labour market programmes (ALMPs)/measures (e.g. training, subsidised work), and social or legal services as needed.
- Skills certification and training centre accreditation seek to help workers communicate their skills to employers and thus improve their transition to a new job; these are not provided by employment service providers⁽¹⁾.

Employment services address constraints related to the matching of supply and demand in the labour market, particularly job search constraints and the lack of labour market information among job seekers and potential employers that can make it difficult for

OBJECTIVE AND KEY MESSAGES

This guidance note provides an overview of employment services, covering existing evidence and practical guidance on programme design and implementation arrangements.

- Employment services can be a cost-effective instrument, but their success rests on a relatively healthy economy with sound labour demand
- Programmes should adopt a dual-client perspective to ensure value to both job seekers and employers.
- Institutional capacity of public employment services is often weak, limiting their effectiveness. Interventions need to take into account limited capacity and lack of resources.
- Efficient service delivery requires a good understanding of the specific needs of different types of job seekers, matching them to the right kind of services accordingly. Light-touch interventions and more intensive services need to be appropriately targeted and sequenced.
- Adequate collaboration and subcontracting arrangements between public employment services and private providers are vital in achieving broad coverage and quality service delivery; such modalities are typically underdeveloped.

them to find each other. Indeed, **employment services are primarily concerned with labour market intermediation** – that is, connecting labour supply (workers) with labour demand (employers). Given that work is often found through informal networks,









































especially in developing countries, the matching function of employment services can be particularly relevant for those groups of individuals who lack information and networks in the labour market, such as youth, women and migrants (see Box 6.1).

Employment service providers may **perform additional functions** beyond facilitating job search and

BOX 6.1 Example of employment services in Rwanda

Since 2009 the Government of Rwanda has launched several reforms to realise its Vision 2020, which seeks to lead the country into a middle-income, knowledge-based economy. Employment services focused on youth employment play an important role in reaching this objective. In cooperation with partners from the private sector and development cooperation, several ministries, public employment offices, universities and schools are applying a multidimensional approach that includes elements of career guidance, life skills training and placement services.

The Public Employment Service Centres in Kigali and Musanze offer information on job vacancies, provide career guidance and connect job seekers with training and qualification opportunities. They also organise regular job fairs that connect job seekers directly with employers. The centres cooperate with employer associations, the Chamber of Commerce and individual companies, enabling them to increase the number of vacancies they register. The Ministry of Public Service and Labour and other partner organisations are also developing a labour market information and analysis system to support employment services.

The University of Rwanda Career Guidance Centre supports career development and active career-related learning among students. It prepares students for work, teaches them how to make career choices and provides orientation for the professional life. The centre facilitates and encourages relevant placements of prospective graduates and other students searching for jobs by organising career days and 'walk-ins' in different factories, industries and other workplaces.

Source: GIZ YouMatch Toolbox.

matching. For example, public employment services may also be responsible for implementing other labour market policies, managing unemployment benefits and managing labour migration (IDB, OECD and WAPES, 2015). They can also play a role in collecting, managing and disseminating labour market information (see also Guidance Note 2 on labour market information systems).

Given the different structure of labour markets in many developing countries compared to high-income countries (i.e. high underemployment and informality, rather than declared unemployment), The role of (public) employment services may also differ. In addition to being concerned with increasing labour market participation and facilitating people's access to employment (activation function), employment services in developing countries also have a role in supporting people's transition from low-productivity activities (e.g. in agriculture) to more productive activities (e.g. in services). In practice, this will often require working with workers and firms in the informal sector.

The evidence base⁽²⁾

Most available evidence on employment services comes from high-income countries, while evidence from low- and middle-income countries is very thin. Employment service interventions have their origin in assisting registered job seekers within an unemployment insurance system in a high-income country, and are therefore less common and less well-developed in low- and middle-income countries.

International experience suggests that employment services can be a cost-effective type of ALMP, provided a reasonable supply of job vacancies is available. As Betcherman, Olivas and Dar (2004) summarise, 'Employment services are generally the most cost-effective intervention: employment and earnings impacts are usually positive and, compared to other ALMPs, these employment services are inexpensive'. That said, a key condition for success is a relatively healthy economy; impact is limited in a context of low labour demand⁽³⁾. Also, looking at young people specifically, in their systematic review and meta-analysis, Kluve et al. (2017) found only very limited positive effects of

employment services on young people's employment and earnings – less than with other ALMPs.

Impacts tend to be somewhat short-lived. Given the 'work first' approach of job search and placement assistance programmes (as opposed to 'training first"), they tend to have greater short-term impacts than other ALMPs. However, in most studies, the changes in labour market outcomes have been found to disappear over time with no sign of a stepping-stone effect.

The role and impact of private versus public provision of employment services is still ambiguous. Many countries have moved to subcontract employment services, giving private employment agencies a significant opportunity to address mismatches and information failures in the labour market. A key argument for this shift is that private providers face more incentives to innovate and be cost-efficient, and that they are more flexible in adapting to rapidly changing labour markets (Boston Consulting Group and Eurociett, 2011). However, the limited evidence available for comparing public and private provision is rather mixed. For instance, studies in several European countries showed that private providers were either less - or, at best, as - effective (Krug and Stephan, 2013; Rehwald, Rosholm and Svarer, 2015). In low- and middle-income countries where public employment services are often much weaker than in Europe (see Box 6.2), private providers (including non-governmental organisations, digital job search platforms, etc.) could prove to be a more effective delivery mechanism. Hence, well-designed cooperation between public and private employment agencies can be crucial in better delivery of results.

One-stop employment centres are common in many countries. Public employment centres in the United States and Europe are explicitly designed to provide a full range of assistance to job seekers under one roof. However, there is no good evidence available about the extent to which such one-stop shops should focus on employment services or incorporate other social services as well.

There is a rise in non-centre-based approaches leveraging information technologies, but the evidence on these is very limited. Using the Internet, radio or text messaging instead of or in addition to physical job offices may provide an opportunity

BOX 6.2 Capacity constraints of public employment services in developing countries

Public employment services in developing and transition countries often have limited capacity to carry out intermediation services or plan, deliver and monitor other ALMPs. As a result of low funding, they often lack sufficient and qualified staff as well as basic equipment, which results in very high adviser-client ratios in many countries, inhibiting proper outreach and counselling of job seekers. Non-public employment service and training providers are also underdeveloped in many cases. Some countries lack a regulatory framework for private employment service providers; even where it exists, a culture of cooperation and practical cooperative arrangements among public employment services, private providers, non-governmental organisations and community-based actors are often absent. Programmes by the European Union and other development partners need to take into these institutional challenges into account when designing interventions.

to offer employment services across larger areas (Cunningham, Sanchez-Puerta and Wuermli, 2010). Online job portals and social networking sites such as LinkedIn and Facebook are increasingly popular channels for job search and matching. Other tools in this regard include mobile labour market services⁽⁴⁾; the Ta3mal employability portal, an Internet platform initiated by Silatech and Microsoft offering online access to career guidance, soft skills and e-learning as well as job and internship opportunities; and SoukTel, which provides platforms for firms and potential employees to connect via text messages or web-based applications.

The ready convenience and easy accessibility of such non-centre-based services makes them attractive to users (Dawes and Marom, 2013; Raftree, 2013). They may also provide opportunities for blended services combining digital offerings and face-to-face counselling, training or other support services.

Successful job matching may not be enough if candidates reject jobs for other reasons. Common factors that may lead job seekers to perceive an available job as being unattractive include













































low salary, long working hours and long distance to work. A more recently discussed phenomenon is 'reservation prestige' (see Box 6.3), which refers to unwillingness, especially by young people, to accept jobs considered lower prestige - as deemed by traditional role models or by stereotype – low status, or for which they are overqualified, like blue collar work. In such cases, employment services to facilitate job search and matching are not enough and need to be combined with activities that can address the underlying/structural issues through more comprehensive interventions. For instance, in addition to targeted counselling, this could include incorporating awareness campaigns targeting youth and their parents or providing early orientation through the education system to increase the attractiveness and reputation of certain jobs (see Box 6.4).

BOX 6.3 Reservation prestige in Jordan

A study in Jordan with university graduates tested the effects of providing firms and job candidates with an intensive screening and matching service based on educational backgrounds and psychometric assessments. Although more than 1,000 matches were made, youth rejected the opportunity to have an interview in 28 per cent of cases; and when a job offer was received, they rejected this offer or quickly quit the job 83 per cent of the time. The study also found that young people applied to only a small proportion of the job openings they were told about, with application rates greater for higher-prestige jobs than for lower-prestige jobs. Moreover, youth failed to show up for the majority of interviews scheduled for low-prestige jobs.

Source: Groh et al., 2014.

Lessons learned

Table 6.1 provides an overview of design features and implementation arrangements that should be considered when conceiving employment services.

BOX 6.4 Career guidance offered at young age by the education system

Research indicates that perceptions about career and occupations begin developing during child-hood, and are highly influenced by family, surroundings and the cultural value attributed by society to certain professions. Invalid career beliefs at an early age can negatively influence educational and occupational pathways. For instance, technical and vocational education and training has a negative image in many countries, even though work prospects may be quite good.

As defined by the UNESCO-UNEVOC International Centre for Technical and Vocational Education and Training's TVETipedia glossary, career guidance consists of 'services intended to assist individuals of any age and any point throughout their lives, to make educational, training and occupational choices and to manage their careers'. During childhood and youth, educational institutions can play an important role in providing these services. Other institutions delivering these services over the course of a person's life include public employment services, civil society organisations or the private sector.

In many Organisation for Economic Co-operation and Development countries, career guidance is part of the school curricula consisting of lessons, projects, internships, extracurricular activities, expert talks, visits to relevant institutions and the like. Similar approaches are increasingly being adopted in developing countries. Serbia has implemented a career guidance system in more than 1,000 primary schools (targeting grades seven and eight) and over 100 youth offices across the country to facilitate encounters with the world of work, reaching over 60,000 young people per year. In Mongolia, Girls' Days have been organised targeting girls in secondary school, allowing them to learn more about technical professions and experience practical applications in workshops. These events have increased participants' perception of technical vocations as being suitable for women and the share of girls considering a technical profession for themselves.

Source: GIZ, 2015.

TABLE 6.1 Good practice principles for employment services

FEATURE	DESIGN/IMPLEMENTATION PRINCIPLE
Labour market intelligence	 Good, up-to-date information about labour market conditions, including labour demand (e.g. growth sectors, wages across occupations, job vacancies), is essential in providing good orientation and matching services. Data should be disaggregated at the sub-national level to be relevant for local service
	delivery.
Targeting of beneficiaries and employers	 Information and job search constraints are typically most acute for disadvantaged groups; employment services should target this group accordingly.
	 Employment services should generally not discriminate on the basis of a firm's legal status, since excluding the informal sector would drastically reduce the number of jobs available, especially for un- and low-skilled job seekers.
	A unified client registry should be available.
	 A management information system should be available that allows for tracking of job seekers (e.g. number of visits, search strategy, follow-up).
Institutional	 The socio-demographic characteristics of front-line staff/caseworkers (e.g. age, sex, nation- ality) should mirror those of targeted job seekers.
capacity	 Trained staff should be available by type of service provided, and potentially specialised by types of industries/occupations (to ensure good understanding of the labour market).
	 The staff caseload – the ratio of registered clients to employment counselling staff – should not exceed 100–150 to 1⁽¹⁾. Too large a caseload does not allow for personalised job intermediation services.
	 The mode of delivery (stationary job centres, web-based services, offices at technical and vocational education and training schools, etc.) should be user-friendly and based on an assessment of the target group's usual job search behaviour. Use and integration of multi- ple channels may be needed based on beneficiary needs and efficiency considerations.
Delivery channel, including use of information and	 One-stop shops (access to a range of services in one location) is often useful by reducing transaction costs for beneficiaries.
communications technology	 Use online and self-service functions (e.g. web-based job vacancy database) for standard- ised procedures and less vulnerable groups, to concentrate resources and job counsellor attention on those more difficult to (re)employ.
	 Use of the Internet, radio or text messaging can provide an opportunity to offer employ- ment services more efficiently and across larger areas (stand-alone or in combination with a centre-based approach).
	 Efficient service delivery requires a good understanding of the specific needs of different types of job seekers (segmentation and profiling) and accordingly matching them to the right kind of services⁽²⁾.
Personal service model and	 'Light touch' interventions (information, access to vacancy databases, etc.) and more intensive services (individual counselling, individualised career plans, referral to other ALMPs) need to be appropriately targeted and sequenced.
	 More intensive placement services (combined with low caseload for staff) are needed for difficult-to-place groups that face multiple barriers to employment (including non-employ- ment-related barriers such as health problems, housing instability, financial problems, etc.).
efficiency	 In general, prioritise 'work-first' strategies (focus on job search and rapid placement), rather than placement into training measures.
	 A case management approach is desirable – i.e. identify individual barriers to employment, design individual action plans, refer to appropriate interventions, monitor job search activ- ity, etc.
	Individual action plans are a commonly instrument for personalised guidance.
	Regular follow-up allows for monitoring and encouraging job search and employment status and delivering information. (continued)

(continued)



















































































TABLE 6.1 Good practice principles for employment services (continued)

FEATURE	DESIGN/IMPLEMENTATION PRINCIPLE		
Employer engage- ment and services to employers	 Adopt a dual-client perspective (employers are an explicit target group as well as job seekers), and ensure employer satisfaction (e.g. through quick response times). 		
	 Maintain close connections with the private sector (e.g. employer participation in gov- ernance structures, proactive employer outreach) to identify labour market trends and employer needs and to be able to collect information on available vacancies. 		
	 Prioritise regular outreach to employers to collect information on job vacancies (including companies with current openings, with high employee turnover, in growing sectors, sea- sonal employers, foreign investors, etc.). 		
	 Conduct an assessment of employers' traditional recruiting processes to inform job search assistance and matching activities in line with employer needs. 		
	 Make it easy for employers to publish their vacancies (or even provide incentives for them to do so), e.g. by assisting them with the process and ensuring clear job descriptions. Facilitate pre-selection of candidates as needed. 		
Governance, partnerships and coordination	 Maintain close dialogue and cooperation with the community (e.g. community leaders, parents), education and training providers, civil society organisations, employer organisations, trade unions, social security services, etc. (to facilitate outreach, access to information, etc.). 		
	 For hard-to-place target groups, coordination and cooperation may be needed with a variety of authorities and providers in areas such as health, housing, social protection, and family and social services. 		
	 Since it is not possible to deliver all relevant services to a diverse group of job seekers by a single provider, it is essential to maintain a good network of partner organisations and cooperation with relevant stakeholders and external (including non-public) service providers to allow for referrals, subcontracting, etc. (3) 		
	 Leverage partnerships with local government, non-governmental organisations and private agencies to provide services in rural areas. 		
	 Ensure cooperation and alignment of interests among different stakeholders⁽⁴⁾. 		
	 Sub-contracting arrangements should be done through performance-based contracts that reward outcomes (e.g. job placement and retention). 		
	 If capacity allows, assign some flexibility to local employment services (e.g. in terms of budget, targeting, partnerships, outsourcing, etc.) to foster alignment with the local labour market context and needs. 		
Performance management	To align incentives between job counsellors and beneficiaries, there should be clear performance indicators, targets and processes for monitoring performances (at the central and local levels) ⁽⁵⁾ .		
Co-responsibilities	To be eligible for benefits/assistance, job seekers are often required to attend meetings with a job counsellor, actively apply to vacancies, etc.		

Sources: Based on ETF, Cedefop and ILO, 2015; IDB, OECD, WAPES, 2015; ILO, 2018 and 2019; Kuddo, 2012; Mazza, 2011; OECD, 2015; and Pérez and Restrepo, 2013.

(1) Calculated based on number of registered job seekers divided by the number of staff. A further reduction in caseloads from 100:1 to 40:1 has shown additional performance improvements (Hainmueller et al., 2015).

(2) For a detailed discussion of different profiling systems, see e.g. Loxha and Morgandi (2014) and Desiere, Langenbucher and Struyven (2019).

⁽³⁾ On the role of private employment agencies, see International Labour Organization, C181, Private Employment Agencies Convention; and the related recommendation R188 – Private Employment Agencies Recommendation.

(4) For more detail, see S4YE (2017).

(5) For a more detailed discussion, see e.g. Bjerre, Sidelmann and Puchwein-Roberts (2016) and Fertig and Ziminiene (2017).

Notes

- (1) This guidance note does not specifically address these certification and accreditation measures. For more information on recognition of prior learning, see EC (2015); Ulicna, Nevala and Hawley (2011); and the UNESCO-UNEVOC International Centre for Technical and Vocational Education and Training's TVETipedia glossary, 'Recognition of Prior Learning'.
- (2) For a further review of international evidence, see e.g. Betcherman, Olivas and Dar (2004); Betcherman et al. (2007); Card, Kluve and Weber (2015); Kluve et al. (2017); and Lehmann and Kluve (2010).
- (3) This is in line with the theory of employment services: intermediation services can only work if there are available jobs to which job seekers can be connected.
- (4) As an example, the Moroccan employment agency ANAPEC provides counselling services to rural job seekers through employment agencies operating in trucks (Goffard, 2019).

KEY RESOURCES

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kills development is a broad concept. It encompasses the acquisition of a vast range of practical competences, know-how, and attitudes for work and life (for an overview of concepts, definitions and international reports, see EC, 2012). Importantly, skills can be developed throughout a person's life and through multiple channels, including the formal education system, the workplace, training courses, community-based activities and volunteering. These pathways can be formal (leading to a degree or certificate), non-formal or informal. Hence, skills development is not the sole responsibility of schools. This is especially true in developing countries, where many young people may leave the education system early without having the necessary skills to succeed in the labour market.

Training-related active labour market programmes (ALMPs) usually comprise programmes outside the formal education and training system. Unlike formal training (e.g. in technical and vocational schools) which may take several years to complete, training-related ALMPs typically have a short duration, often less than six months. They primarily include the following types of services (or a combination thereof):

- technical and vocational training, i.e. tradeor job-specific training programmes ranging from manual skills to administrative skills, including computer/digital literacy;
- soft skills training (also called core skills or life skills), such as training in communication, self-control, self-esteem, motivation, conflict resolution, etc.:
- on-the-job training, including internships, short-term apprenticeships and practical

OBJECTIVE AND KEY MESSAGES

This guidance note provides an overview of training-related active labour market programmes, including existing evidence and practical guidance on programme design and implementation arrangements.

- Skills training programmes can lead to positive changes in employment outcomes, especially for disadvantaged groups and in low- and middle-income settings.
- Programmes should adopt a dual-client perspective, ensuring value to both job seekers and employers.
- Strong employer engagement, demanddriven training, and workplace experience are key to ensuring job placements after training completion.
- Comprehensive programmes that combine skills training with entrepreneurship assistance, employment services or subsidised employment are typically the most successful. Additional social support services, such as mentoring or health services, are essential when working with disadvantaged groups.
- Training provision should leverage non-public providers selected on a competitive basis and using pay-for-performance contracts.

learning-by-doing in a real work setting (during training or employment) to gain work experience;

literacy and numeracy training to develop basic or foundational skills, which is the foundation of communication and further skills development processes.

































In general, skills trainings seek to enhance beneficiaries' human capital and employability. Each type of training seeks to alleviate a different skills gap – i.e. lack of technical skills, lack of behavioural/soft skills, lack of work experience or insufficient literacy and numeracy skills.

The evidence base⁽¹⁾

In general, skills training programmes can lead to positive changes in labour market outcomes if they are in line with labour market needs. For instance, a recent meta-analysis of skills training programmes for youth (Kluve et al., 2017) found average improvements on employment and earnings (5 per cent and 7 per cent respectively), demonstrating that these programmes can indeed help people accumulate the necessary skills to better compete for jobs and improve their productivity.

More than other ALMPs, the effects of skills trainings programmes take time to materialise.

Meta-analysis results for both youth and adults suggest that impacts tend to be larger when measured more than one to two years after the end of the programme. This finding indicates that beneficiaries need time to translate increased human capital into better employment and earnings and possibly make up for the time spent in training.

Impacts of skills development programmes tend to be greater in low- and middle-income countries and for disadvantaged groups. This finding suggests that in lower-income countries, with large cohorts of disadvantaged populations with limited levels of education, marginal investments in skills development and employment opportunities can lead to larger improvements.

Stand-alone classroom-based technical skills training has traditionally had disappointing results. In addition to the lack of exposure to the world of work and thus a lack of practical training, classroom-based trainings are often supply-driven (not guided by the kind of occupations and skills needed in the labour market), and therefore lack labour market relevance. Box 7.1 illustrates an effort to address these deficiencies.

BOX 7.1 The VET Toolbox

The European Commission launched the VET (vocational education and training) Toolbox in April 2018 to improve engagement and cooperation between the private sector and training institutes or government stakeholders to address the gap between the industry demands and the skills set of VET graduates.

The VET Toolbox is jointly implemented by a consortium of Member State Agencies: Agence Française de Développement, Enabel Belgian Technical Cooperation, GIZ, the British Council, and LuxDev. It delivers on-demand expertise and capacity building to public and private stakeholders with a view to enhance labour market intelligence, enhance the involvement of the private sector in VET, and foster the inclusion of women and vulnerable groups in VET programmes. Support to countries includes conducting rapid labour market assessments and VET system analysis. The partnership mobilises a wealth of expertise and experience to enhance private sector involvement in the various building blocks of the VET system, including: curriculum development, standards and quality assurance, and boosting opportunities for workbased learning.

For more information and support options, see VET Toolbox website.

Soft/core skills trainings are promising, but the programmatic evidence is still mixed. The five types of soft skills that have been found to be most important for labour market success are (i) social skills (getting along with others, resolving conflict), (ii) communication skills, (iii) higher-order thinking skills (problem solving, critical thinking, decision-making), (iv) self-control (managing emotions, regulating behaviour) and (v) a positive self-concept (self-confidence, self-efficacy, self-awareness, etc.) (Child Trends, 2015)(2). Employers around the world value these skills – and report that job candidates lack them (see e.g. Cunningham and Villasenor, 2014; IFC, 2011). This lack stems from deficiencies in schools and families where these skills should be learned beginning from a very early age. While there is a clear rationale for strengthening these skills through training programmes, the impact of soft skills trainings has not yet been conclusively proven, reflecting challenges on

how to best teach these skills after childhood and in a short time (see Brown et al., 2015).

Work-based and multi-setting approaches (a combination of work-based and classroom) are more effective than classroom-based vocational training only. Combining class-based technical and life skills training with on-the-job training and active employer engagement has shown good results. Such training programmes for youth proved to be effective in promoting employability in several Latin American countries, as Box 7.2 highlights. In general, the superior performance of workplace-focused training can be attributed to a combination of factors, including high employer involvement, gaining firm-specific skills, and beneficiaries' improved contacts with firms.

Recent evidence also confirms the impact of stand-alone on-the-job training (i.e. internships).

While a solid evidence base is still missing (especially in developing countries), emerging evidence suggests that stand-alone on-the-job training can also yield positive employment outcomes (O'Higgins and Pinedo, 2018). For instance, in a programme in Yemen, youth placed in internships were more likely to be employed than those who were not in the programme (McKenzie, Assaf and Cusolito, 2015).

Comprehensive multi-service programmes are on the rise and successful. Over the past two decades, training programmes across the globe have evolved into more holistic interventions by combining them, for instance, with entrepreneurship assistance, employment services and subsidised employment (Fares and Puerto, 2009). Integrated programmes are considered particularly crucial for vulnerable populations, which may require additional support services such as guidance and counselling, health and mental health services, and links to other social services.

While job training programmes are very popular among policymakers, caution is warranted.

Since training programmes are often comparatively expensive but only achieve modest impacts, cost-benefit considerations should be taken into account. Moreover, most low-income countries lack a substantial modern wage sector that could absorb training graduates in formal wage employment (Fox and Kaul, 2018). It is therefore essential to properly diagnose the skills deficits training programmes can

BOX 7.2 The Jovenes Programmes in Latin America

Jovenes Programmes refer to a series of initiatives that have been implemented in Latin America since the early 1990s aimed at improving youth employability. Targeted at disadvantaged youth, they combine training and work experience as well as life skills, job search assistance, counselling and the provision of information.

The design of these programmes ensured private sector involvement by (i) identifying internships or job vacancies prior to the training for which participants would be trained; and (ii) involving participating firms in defining training content, thus ensuring a direct link between the skills taught and those needed by employers. Implementation was demand-driven through competitive bidding for the selection of training providers. Incentive payment schemes were based on trainees' employment outcomes (Betcherman et al., 2007; Kluve et al., 2017).

Evidence shows that these programmes contribute to both increased employment probability and increased earning of participants upon graduation, compared to their control group. For example, women's employment probability has increased by 10 per cent thanks to Proyecto Joven in Argentina, while monthly earnings increased by 10 per cent. On average, the labour market impacts of these programmes are higher for women and younger beneficiaries than for men and older cohorts (Ibarraran and Rosas, 2008).

address while having a clear vision about the jobs training beneficiaries will be able to find upon graduation (wage or self-employment) in order to train them for these jobs. Box 7.3 provides an example of a training programme model that integrates many good practice principles, such as strong employer engagement, intensive training and follow-up support to beneficiaries.

Lessons learned

Table 7.1 provides an overview of design features and implementation arrangements that should be considered when conceiving training-related ALMPs.















































































BOX 7.3 McKinsey's Generation skills development programme

Generation is a global youth employment programme implemented through local partner organisations that seeks to place disconnected young adults (age 18–29) in entry-level jobs, providing them with skills and support to succeed. Programme components include the following:

- job openings in priority sectors and direct employer engagement secured from the onset;
- student recruitment based on intrinsics, effort and employment standards for the profession;
- short, intensive 'boot camp' training covering relevant technical, behavioural and mindset skills;
- social support services, including monitoring, weekly feedback and mentoring;

Source: Generation website.

- follow-up with graduates in the workplace;
- measuring return on investment for employers and students in terms of income, job retention, well-being, etc.;
- tracking of beneficiary data from recruitment to work to ensure constant learning and improvement.

Existing data suggest that the programme is successful. Over 80 per cent of beneficiaries are employed within 90 days after programme completion, and over 80 per cent remain in the same job three months after placement. Moreover, 98 per cent of employers indicate they would hire Generation graduates again, and 88 per cent say that Generation graduates perform better than average.

TABLE 7.1 Good practice principles for skills development programmes

FEATURE	DESIGN/IMPLEMENTATION PRINCIPLE		
Governance and partnerships	 Use public-private partnerships (e.g. outsourcing of training implementation) where quality non-public providers exist. 		
	 When training is outsourced, private training providers should be selected on a competitive basis (e.g. calls for proposals) to identify those with the best quality/price ratio. Clear and transparent eligibility criteria for private training providers need to be in place to judge their quality (e.g. accreditation or other suitable references), and an independent assessment of providers should be periodically conducted for quality assurance. 		
	 Performance-based contracts – such as contracts that pay for certifications achieved, or job placements actually made – are recommended; using these, e.g. a portion of the contract value is paid if and when promised job placements have been achieved. Alternatively, bonus payments can be added to fixed-price contracts. 		
	 Make information publicly available on the quality and performance of training providers (based on systematic monitoring and evaluation) to enhance information for future trainees. 		
Targeting of beneficiaries	 Targeting should focus on more vulnerable groups, which tend to benefit more from training. Target group skills needs must be properly assessed in order to assign individuals to the appropriate training programme (or package of services). 		
Identification of labour market demand	 Ex ante identification of occupations and skills in demand (skills needs analysis) is instrumental in increasing the chances of job placement by ensuring relevance to the labour market. Main options include: 		
	 secondary data: national statistics (growing sectors, etc.) and existing recent market studies; 		
	 primary research: either vacancy-based (identify current and forthcoming vacancies) or sector-based (general skills and qualification needs in growing sectors). 		
	 If using a vacancy-based approach, ideally engage in ex ante agreements with employers to provide internships or jobs (for which the youth are then trained). 		
	 In contexts of small (formal) wage sectors, training may need to be targeted at fostering transitions to self-employment through the development of entrepreneurial skills in combina- tion with other assistance (e.g. access to capital). 		

(continued)

TABLE 7.1 Good practice principles for skills development programmes (continued)

FEATURE	DESIGN/IMPLEMENTATION PRINCIPLE		
Curriculum design	 Competency-based training is the preferred method for technical training (linked to existing skills standards for specific job roles, developed jointly with employers). Training curricula are preferably designed together with employers to ensure relevance. There should ideally be a strong focus on practical training, i.e. activities that closely mirror actual jobs, not just theory. 		
Soft skills training	 Employers often consider soft skills the main deficiency in job seekers and view them as more important than technical skills. Topic selection must depend on employer needs and the skills gaps of job seekers. No strong evidence is yet available on the best methodology to teach these skills as part of ALMPs, but practical approaches – including role plays, simulations, and use in day-to-day situations in which these skills can be practised – are usually considered important. 		
Basic skills training	Literacy and numeracy training (remedial education) may be needed for less educated beneficiaries.		
Training setting/ location	Stand-alone classroom-based training should be avoided; a combination of classroom- and workplace-based training is essential (or at least a workplace simulation, with adequate equipment and materials mirroring the workplace). Stand alone workplace based training such as interpoling can be useful.		
.	Stand-alone workplace-based training such as internships can be useful. Trainers should demonstrate up-to-date functional knowledge, relevant practical experience		
Trainers	and use of adequate pedagogy.		
Combination of services / Linkages	 Classroom-based training should be combined with workplace-based training Linkages to counselling, job search assistance, additional services or job placement are also desirable. 		
Duration	 Duration must be in line with skills/competency needs identified by employers, so the focus must be on relevant learning outcomes. Entry-level qualifications often range from 300 to 450 training hours in most national qualification frameworks. Comprehensive programmes often have 1-4 months of classroom training (technical, soft skills) plus 2-4 months of on-the-job training. Relatively short trainings may reduce dropouts and costs, and can be more responsive to 		
Incentives for participants	r Financial support during the training may be needed to cover costs and counter foregone earn ings. Training stipends should cover at least transport and meal expenses. For young mothers, an additional childcare stipend or childcare services may be needed.		
Gender- sensitivity	Programmes often need to be adapted to suit the needs of female beneficiaries (e.g. female trainers, flexible training hours, transportation, childcare arrangement, etc.).		
Certification	Skills/competency certification typically linked to a national qualifications framework, as opposed to course certification, can be more attractive for employers.		
Skills measurement	Ensure skill/competency-based testing to assess whether a job seeker is able to perform job tasks (according to competency profile used in curriculum).		
Programme monitoring	 Track beneficiary data over time, including job retention. Measure employer satisfaction and other benefits (e.g. lower recruitment costs, higher qualified employees); this is also useful to convince future employers to engage. Conduct periodic quality assurance of implementation (including if services are subcontracted). 		

Sources: Based on Almeida, Behrman and Robalino, 2012; Honorati and McArdle, 2013; Making Cents International, 2017; and MTC, 2010.

















































































Notes

- (1) For a further review of international evidence, see e.g. Card, Kluve, Weber (2010) and (2015); Chinen et al. (2018); Kluve et al. (2017); Stöterau (2019); Tripney et al. (2013); and What Works Centre for Local Economic Growth (2016).
- (2) See Guerra, Modecki and Cunningham (2014) for an alternative classification of socio-emotional skills for the labour market. The importance of personal and social skills such as critical thinking, teamwork and problem solving is reflected in the revised European Reference Framework of Key Competences for Lifelong Learning (see EC, 2018).

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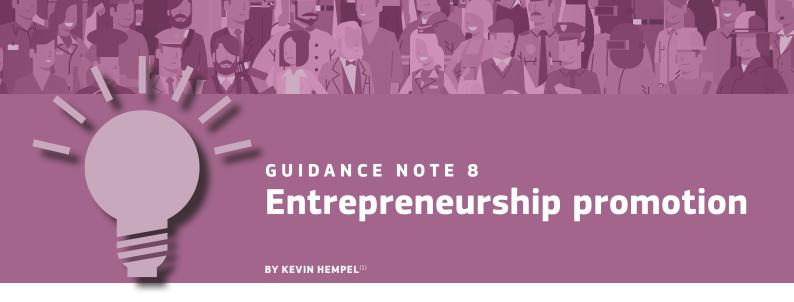












ntrepreneurship-related active labour market programmes (ALMPs) consist primarily of the following types of interventions, or a combination thereof.

Entrepreneurship/business training. Such training could cover idea generation, market analysis, business plan development, marketing, bookkeeping, etc. Financial literacy training can also be offered to help prospective entrepreneurs understand how to manage money and basic concepts regarding financial services such as savings, debt management and insurance. This type of training may be stand-alone or provided in combination with other types of training, such as technical or soft skills training.

See Guidance Note 7 for more detail on types of training.

- Access to finance. This involves linking beneficiaries to financial service providers or directly providing start-up or growth financing as needed. This might include one or more of the following: access to individual or group savings (formal or informal), start-up grants (as start-up subsidy, prize money, group grants, etc.) and access to credit and insurance by connecting beneficiaries with financial institutions (e.g. microfinance institutions, commercial banks) or targeted funding mechanisms (e.g. revolving loan funds).
- Access to land, physical assets or inputs. As a complement or alternative to facilitating access to financial capital, interventions may directly provide access to land (or other physical space), assets or inputs. Depending on the nature of the income-generating activities to be supported, this could entail providing start-up kits, livestock, fertiliser, etc.

OBJECTIVE AND KEY MESSAGES

This guidance note provides an overview of active labour market programmes to promote self-employment and entrepreneurship, including existing evidence and practical guidance on programme design and implementation arrangements.

- Unlike other active labour market programmes (e.g. employment services, training), interventions to promote self-employment and entrepreneurship can enhance labour market demand and contribute to the actual creation of new jobs.
- The global evidence suggests that the impact of entrepreneurship support interventions has been mixed, but that strong positive results are possible to achieve.
- Impacts on intermediate outcomes such as business knowledge and practices are more likely to be positive than on final outcomes such as earnings, profits and job creation.
- Stand-alone entrepreneurship training or access to finance are typically insufficient.
 Instead, comprehensive programmes – those combining training with funding and advisory services – are more successful at starting and growing businesses.
- Post-creation assistance through coaching, mentoring, etc., is generally considered vital for business survival
- Advisory services. These consist of business support services provided before, during and after start-up; they include (i) coaching and mentoring, (ii) administrative assistance with licensing and registration requirements, (iii) assistance with improving production and service techniques and







































(iv) incubation and cluster support (a mix of services often including access to physical space).

Access to market support. Such access connects beneficiaries with regional, national and international markets. It also includes holistic approaches such as value chain integration or targeted support in specific areas, such as linkages to exhibitions and trade fairs, linkages to potential clients and intermediaries, transportation and distribution support, and creating brands and labels to support the marketing process.

ALMPs to promote entrepreneurship primarily address firm start-up constraints for unemployed and disadvantaged groups, but may also seek (directly or indirectly) to promote firm survival and growth and thereby contribute to stronger labour demand. Indeed, in developing countries where formal wage employment opportunities are often limited (and hence the demand for workers well below the number of job seekers), facilitating transitions to self-employment in micro- and small household enterprises is typically an important part of an activation strategy (see Fox and Kaul, 2018).

Moreover, since a large share of the population may already work in subsistence agriculture or informal household enterprises, entrepreneurship-focused ALMPs may be at least as concerned with **increasing the productivity of existing ventures** as facilitating new entry into self-employment. When doing so, the entrepreneurship interventions listed above seek to address different types of barriers among the target groups – i.e. insufficient skills to start or grow a business; lack of access to finance; limited access to physical space, assets or inputs; lack of social networks and access to qualified advisors; and limited understanding of and access to prospective clients and markets.

Because entrepreneurship interventions also address skills constraints, the lessons and experiences in this note should be read in conjunction with Guidance Note 7, which covers general skills training.

It is important to clarify that entrepreneurship promotion programmes have come to include a wide variety of approaches that go far beyond ALMPs. Different

types of programmes also target very different profiles of entrepreneurs (see Box 8.1).

BOX 8.1 Necessity versus opportunity entrepreneurs

A large fraction of people in developing countries are self-employed, many of them in microenterprises in the informal sector. The majority of these microenterprises tend to stay small and have low productivity.

This fact is reflected in commonly used terminology that distinguishes between 'necessity entrepreneurs' and 'opportunity entrepreneurs', according to their respective motivation for self-employment. Necessity entrepreneurs are those driven by economic needs and the lack of alternative options for work. Opportunity entrepreneurs are self-employed out of choice to exploit business opportunities and their desire for independence.

Research suggests that the two groups tend to differ in terms of their socioeconomic characteristics, such as level of education, relevant experience and age. Their start-up motivation may have consequences for the way in which a business is managed and for business performance – including whether they want to grow. Therefore, entrepreneurship support interventions need to take into account the different needs of different types of entrepreneurs. While supporting necessity entrepreneurs may be perfectly warranted to foster the creation of income-generating activities, supporting the creation of small and medium-sized enterprises that employ others typically requires the identification of opportunity-driven entrepreneurs.

Sources: Berner, Gomez and Knorringa, 2008; Giacomin et al., 2011.

While this note focuses on ALMP-type interventions, the policies that address structural issues related to private sector development and education systems are essential for an enabling environment for self-employment and entrepreneurship (see Box 8.2).

The evidence base⁽³⁾

Entrepreneurship programmes can yield strong results. For example, a systematic review and

BOX 8.2 Types of entrepreneurship interventions

Entrepreneurship-related ALMPs. Entrepreneurship promotion efforts in the context of ALMPs are typically targeted at the unemployed and poorer and more vulnerable segments of the population⁽²⁾. These initiatives provide support to the creation and growth of microenterprises and small-scale farming in order to foster employment and earnings of those in need. Contrary to other interventions, they are more focused at the individual, seeking to remove barriers at the personal level and in their immediate environment.

Supporting growth entrepreneurship. A second type of 'entrepreneurship' interventions is associated with fostering the creation and growth of dynamic and innovative firms (also called 'gazelles'), for instance in areas such as digital entrepreneurship. Contrary to ALMPs, this second type of entrepreneurship support is generally anchored within general employment promotion efforts through private sector development as part of an agenda to foster Small and Medium Enterprises (e.g. through financial sector support to improve access to finance, improving the business environment, business development services, etc.).

Entrepreneurship education. Raising awareness and entrepreneurial competences is often also a key objective of education and training systems. For instance, the European Commission recommends that entrepreneurship be promoted across the learning system (formal and non-formal learning) to build entrepreneurial spirit and mindsets (Bacigalupo et al., 2016).

Strengthening the entrepreneurial ecosystem. Finally, there are many interventions not targeted at individuals but at the institutional and legal environment. For instance, this can include strengthening the provision of adequate financial products and services, enhancing the business environment, improving the legal framework for women entrepreneurs, or addressing harassment of self-employed workers by local authorities.

meta-analysis by Kluve et al. (2017) finds that, on average, entrepreneurship programmes for youth have higher impacts than other types of labour market interventions. On the other hand, assistance to

self-employment and entrepreneurship – more than other types of interventions – can have negative outcomes for beneficiaries if businesses fail.

Impacts on intermediate outcomes such as business knowledge and practices are generally more likely to be positive than final outcomes such as earnings, profits and job creation. This finding illustrates that fostering the creation and growth of micro- and small enterprises is a challenging task due to the complex nature of self-employment and making it viable.

Entrepreneurship programmes tend to be more successful in stimulating business creation than business growth. One factor that likely contributes to that finding is that many business owners do not want to grow beyond a certain size for a variety of reasons (e.g. administrative and tax implications, higher complexity of a larger business, etc.).

The impact of programmes across different groups of beneficiaries can vary substantially. For instance, effects can vary widely between men and women, typically due to the different constraints they face and how well these constraints are addressed by a particular programme. A study in Uganda has shown that the quality of household interactions (e.g. husbands pressuring women to spend capital outside the business) can severely affect business outcomes

(Fiala, 2015).

There is limited knowledge about the long-term effects and cost-effectiveness of entrepreneurship programmes. Knowing whether a critical mass of supported businesses is able to survive and generate income over time is key to determining the promise of this type of intervention. The limited evidence so far indicates that long-term impacts may be less positive than short- and medium-term ones. For instance, researchers conducted a nine-year follow-up of a cohort of Ugandan youth who received capital to implement business ideas. While significant positive impacts on earnings were found at four years out, these impacts had vanished after nine years as non-supported youth had caught up independently (Blattman, Fiala and Martinez, 2018).

Entrepreneurship training alone is not enough.While stand-alone business training/education



















































































programmes may increase business knowledge and skills, this is typically insufficient for generating employment and higher earnings. Emerging evidence indicates that short training programmes teaching entrepreneurial soft skills can be at least as, or even more effective than, traditional business training focused on business practices (Campos et al., 2017; Ubfal et al., 2019).

Access to finance is critical, but usually insufficient on its own, especially in the medium to long term. While there have been cases where expanding access to finance had sizeable effects on labour market activity (e.g. Blattman, Fiala and Martinez, 2013; Bruhn and Love, 2014), positive effects on employment are small in most instances, especially for already existing microenterprises. For example, access to microfinance - the most commonly available form of financing for low-income groups – has been shown to rarely result in increases in profits or household income (IPA, 2015). In addition to being expensive (high interest rates), the amounts of funding provided are often too small to lead to investments in fixed capital such as machines and buildings, which in turn could generate employment effects. The current evidence suggests that access to finance should be combined with additional support services, especially for young people. That said, even if capital alone may not be the answer, 'capital-centric' interventions have come to be considered the most promising tool to promote self-employment (Blattman and Ralston, 2015).

Grants seem to be a more effective tool than loans at the early start-up stage and in contexts of conflict and fragility. Loans are often not easily available or suitable for start-ups – especially for youth - due to lack of collateral, perceived risk of the recipient, high interest rates, the erosion of modest profits by loan payments, etc. Even microcredit is typically largely targeted at existing small businesses, and has been found to be more effective for existing rather than new entrepreneurs (Crepon et al., 2011). On the other hand, grants have been shown to be successful for start-ups. For instance, cash grants targeting women and youth groups in Uganda (see Box 8.3), a business plan competition in Nigeria and in-kind grants in Chile have all shown strong results (Blattman et al., 2013; Blattman, Fiala

BOX 8.3 Women's Income-Generating Support Programme in Uganda

It is a common concern that vulnerable households may not be able to develop and maintain livelihoods and income without skills, capital and social networks. The Women's Income-Generating Support (WINGS) programme targeted the very poorest and most excluded women in a war-affected region in northern Uganda; it had three core components:

- four days of business skills training;
- an individual start-up grant of roughly USD 150;
- regular follow-up by trained community workers.

An impact evaluation found that, a year after the intervention, monthly cash earnings had doubled, cash savings had tripled, and short-term expenditures and durable assets had increased relative to the control group. The success of the intervention was largely attributed to the cash grant. The study did not find effects on other dimensions of women's empowerment, such as psychological and social well-being, independence or freedom from intimate partner violence.

Source: Blattman et al., 2013.

and Martinez, 2013; Martinez, Puentes and Ruiz-Tagle, 2016; McKenzie 2015). Similarly, while loans are typically too risky and expensive to start or grow a business in contexts of fragility, free or low-cost capital injections have been successful in facilitating new income-generating activities or expanding existing ones (Blattman and Ralston, 2015).

Comprehensive programmes tend to be more successful at starting and growing businesses.

Since entrepreneurs typically face multiple barriers (insufficient skills, lack of capital, lack of networks, etc.), holistic programmes are needed under most circumstances – especially for disadvantaged groups like youth and women. Entrepreneurship training complemented with financial support and advisory services improves labour market activity significantly more than training or finance delivered on their own. Holistic approaches have been adopted under a variety of support models depending on the specific target group, such as the Graduation Model (for the extreme poor), Microfinance Plus and Microfranchising (for

low-income vulnerable groups) and incubators (for growth-oriented entrepreneurs), among others (see Box 8.4).

As part of a holistic approach, non-business-related support may also be needed.

Depending on the needs of the target group, programme effectiveness may be contingent on providing additional support services to help beneficiaries engage in self-employment activities. These services can include strengthening peer networks (social capital), enhancing decision-making capacity, providing information on health topics, etc. (see e.g. Austrian and Ghati, 2010; World Bank, 2012). A phased approach may be needed whereby these empowerment aspects come first, with livelihood support being added over time. Examples of such programmes include BRAC's Empowerment and Livelihood for Adolescents (ELA) programme or the Population Council's Neqdar Nsharek programme in Egypt.

Follow-up support is critical. Survival is a key challenge for businesses. Therefore, ongoing assistance and support during the start-up and early implementation phases of micro- and small firms are commonly considered essential and positively associated with programme performance (OECD and EC, 2015; RTI, 2012; YBI, 2010). Follow-up support may be especially crucial for disadvantaged groups with limited social and professional networks, such as youth, women and the poor. Follow-up can be particularly relevant alongside providing access to finance, in order to ensure the proper use of resources and foster loan re-payments as needed. While empirical evidence on the isolated impact of follow-up support is scarce, especially for microenterprises and during the start-up phase, emerging research confirms its promise. For instance, a study in Kenya demonstrates that mentoring of micro-businesses increased profits, and that it was more cost-effective than business classes (Brooks, Donovan and Johnson, 2018).

Access to markets and value chains is impor-

tant. The ultimate challenge for self-employment is improved access to clients and markets. While quantitative evidence is slim, it is commonly accepted that components that help connect entrepreneurs to markets are essential ingredients of entrepreneurship programmes. Adopting this approach can include (i) micro-level efforts supporting individual

BOX 8.4 Chile's Micro Entrepreneurship Support Programme

The Micro Entrepreneurship Support Programme is a large-scale, publicly run micro-entrepreneurship programme in Chile. Its target population comprises extremely poor households, specifically those with individuals over age 18 who benefit from social programmes and are unemployed or underemployed. The programme has three main components.

- Business training. The first three weeks of the programme consist of 60 hours of intensive formal training in micro-entrepreneurial skills (business practices).
- Access to finance (grant). After the formal training, financial support is provided in the form of an in-kind transfer of about USD 600, which the beneficiaries can use for machinery, raw materials or other inputs. Up to 10 per cent of the transfer can be received in cash or as working capital. Some beneficiaries received an additional lump sum of USD 240 seven months after the mentoring component.
- Mentoring. During a three-month mentoring period, the implementing institution visits beneficiaries three times to follow up on business performance and to provide managerial advice.

Institutions providing the training are selected through a bidding process. These organisations include private institutions such as foundations or tertiary education institutions accredited by the government. The chosen institution provides all services as a package, followed standardised protocols covering the content of the classes, maximum class size (20 students), transportation subsidies and childcare.

A randomised control trial found that the programme significantly increases employment by 15 percentage points in the short run (mostly through self-employment) and 7 in the long run (mostly through transitions into wage work). The programme increases labour income by 53 per cent and 17 per cent, respectively, in the short and long runs.

Source: Martinez, Puentes and Ruiz-Tagle, 2016.

















































































entrepreneurs to better sell their products or services (e.g. as part of coaching or by centrally creating market linkages as a programme component) or (ii) broader efforts to organise entrepreneurs selling similar products and services and integrating them into value chains, such as Latin America's Rural Productive Alliances.

In summary, given the high heterogeneity of potential beneficiaries, entrepreneurship interventions can only be successful if they are carefully targeted and tailored to address the specific challenges and needs of the intended target group (OECD, 2017). That said, the current evidence base suggests that comprehensive programmes combining different elements of support are often needed to address the multiple barriers to self-employment people face. At the same time, attention must be paid to cost-effectiveness, as more comprehensive programmes are also more expensive.

Lessons learned

Creating or growing a successful business is not easy. Consequently, entrepreneurship programmes, perhaps more than other ALMPs, can be highly complex with many elements to consider. Their design must be highly context-specific, based on a deep understanding of the target group's constraints. Table 8.1 provides an overview of design features and implementation

arrangements that should be considered when conceiving entrepreneurship promotion programmes.

Guidance Note 15 on promoting employment in contexts of informality provides additional detail on policy approaches for the microenterprise sector.

Notes

- (1) This guidance note uses a broad interpretation of entrepreneurship that is not restricted to 'growth-oriented' individuals and enterprises, but includes all types of self-employment, including own-account work and microenterprises, even if they are operated informally and/or out of necessity. Hence, the term 'entrepreneurship promotion' is used synonymously with terms like 'promotion of self-employment' and 'micro-, small, and medium-sized enterprise development'. Given its focus on active labour market programmes, this note does not consider other interventions to promote entrepreneurship, e.g. entrepreneurship education, science and innovation policies, financial sector policies.
- While ALMPs (including for entrepreneurship promotion) are not exclusively targeted at poor and vulnerable segments (e.g. can also include university graduates which tend to be economically better off), targeting the more vulnerable is often warranted since the barriers they face are higher.
- (3) For a further review of international evidence, see e.g. Chinen et al. (2018); Cho and Honorati (2013); Grimm and Paffhausen (2015); Kluve et al. (2017); McKenzie and Woodruff (2012); Patel (2015); Psilos and Galloway (2018); and World Bank (2018).

TABLE 8.1 Good practice principles for ALMP-type entrepreneurship programmes

FEATURE	DESIGN/IMPLEMENTATION PRINCIPLE
	 Conduct stakeholder mapping at the beginning to identify key stakeholders and gaps in support.
Ecosystem	 Micro-level interventions targeted at (aspiring) entrepreneurs may need to be combined with efforts to improve the entrepreneurial ecosystem (e.g. supporting banks to offer suitable sav- ings and loan products; improving the broader business environment; reforming gender-specific laws)⁽¹⁾.
Diagnostics	 People in different contexts face different barriers to starting and growing a business (moreover, barriers differ by target group). Proper initial assessment of the constraints to entrepreneurship by the target group is therefore critical
	 The main focus of the ALMP should be on disadvantaged job seekers (to become self-employed) and existing micro-entrepreneurs (to enhance productivity and growth).
Beneficiary	 Targeting of beneficiary segments should be relatively narrow based on unmet needs in ecosystem⁽²⁾.
targeting	 Especially when free money is provided, a mechanism is needed to ensure serious candidates (e.g. sequenced approach, boot camp).
	 Instead of targeting individual entrepreneurs, programmes may also adopt a group-based approach (i.e. business run by team of people) to leverage skills complementarities and account- ability (e.g. to ensure good use of money).
Market assessments	 Because of limited information, potential entrepreneurs do not always have a good understand- ing of whether their business ideas actually have market potential. Programme staff should thus have a strong understanding of local markets and new business opportunities (e.g. through ex ante market studies, value chain analysis) to guide beneficiaries
	 Programmes can adopt a sector-based approach to ensure sufficient understanding of how to best support beneficiaries in priority sectors. Ineligible sectors or activities could also be defined (due to complexity, market saturation, potential environmental harm, etc.).
	• Two main areas of assessment are viability of the project and the entrepreneur.
Assessment of businesses	 Competent assessment of business viability is needed; one method is to create committees of knowledgeable stakeholders (e.g. business community, credit officers of financial institutions, etc.).⁽³⁾
	 Personal assessment of entrepreneurs can be supported by psychometric testing, but existing experience is limited to growth-oriented entrepreneurship⁽⁴⁾.
Training	• Training content needs to be differentiated by target group, e.g. (i) for potential entrepreneurs, general information on requirements and challenges of starting a business; (ii) for people with no business idea, focus on market research and ideation; (iii) for people with a concrete idea, focus on business plan development and basic business management; (iv) for growth-oriented entrepreneurs, focus on marketing, quality standards, international trade, etc.; and (v) for entrepreneurs who have failed in the past, provide 're-start' assistance.
	 Business training should be practical and experiential (e.g. involve role models, field observation, participatory market research, geared to filling out own business plan) and adapted to the local context (accessible language, local references, gender considerations, etc.).
	 Soft skills training is often essential (self-efficacy, client orientation, self-confidence, communication, perseverance, etc.)⁽⁵⁾.
	Vocational and technical training and/or basic literacy/numeracy may need to be included.
Finance	 Grants are often more suitable for the start-up phase (especially where personal savings and contributions by family and friends are lacking). The grant size will typically vary based on busi- ness needs (i.e. define ceiling rather than standard amount) and should be sufficient for start-up expenditures but not so high as to crowd out alternative means of finance (e.g. microfinance).
	In Muslim societies, consider Islamic finance options. Tablish an appropriate form and light the form and light the form of the first the form of the fo
	 Establish programme linkages with financial institutions (including training on their processes

(continued)















































































TABLE 8.1 Good practice principles for ALMP-type entrepreneurship programmes (continued)

FEATURE	DESIGN/IMPLEMENTATION PRINCIPLE		
Advisory services	 Pre-creation coaching to develop a business plan is often useful. Post-creation coaching/mentoring – for ideally, 1–2 years – is crucial to support the start-up and early implementation stages; thus, programme time horizons need to be long enough to allow for continued assistance. The quality of the coaches/mentors is key; they may require training and careful matching to mentees. Facilitate access to networks and peer exchange (meetings with other self-employed people, business clubs and associations, etc.). For women this should include linkages with mixed-gender/male-dominated networks and the business community as gateways. For some types of businesses, access to shared work or production space (potentially with access to shared equipment and services) is useful (i.e. incubator approach). 		
Sensitivity to gender and peer attitudes	 Involvement of family, friends and community members in outreach and programme activities may be needed to foster an enabling environment for programme participation and subsequent self-employment. Adapt training delivery to the needs of girls and women (e.g. female trainers, flexible training hours, safe spaces, transportation, childcare, etc.) As needed, address women's constraints beyond limited business skills and finance, especially where socio-cultural and gender norms are restrictive (e.g. strengthen networks, involve husbands/family, strengthen decision-making, foster self-efficacy). Create role models and women's entrepreneurship advocates for a more enabling ecosystem. 		
Partnerships / programme delivery	 Build enabling environment with local actors, community and families of the target group (e.g. to prevent resistance, leverage for outreach). Partnerships with multiple organisations are often critical, since it is typically unrealistic for a single organisation to provide a full range of services (training, finance, mentoring, etc.). The mix of partners needs to combine credibility with the target group as well as implementation capacity. To facilitate access to a range of services, one-stop shops (physical or electronic online portals) may be useful. 		

Sources: Based on OECD, 2017; USAID, 2011; YBI, 2016, 2018; and World Bank 2018.

- (1) For an overview of broader policy measures to support micro-, small and medium-sized enterprises, see Reeg (2015).
- ⁽²⁾ Different categories have very different characteristics and needs, e.g. motivation (necessity versus opportunity entrepreneurs), stage (idea versus start-up versus expansion) and target group (youth, women, etc.).
- (3) It is unclear to what extent expert judges can really predict successful entrepreneurs (McKenzie and Sansone, 2017).
- ⁽⁴⁾ See e.g. Arráiz, Bruhn and Stuchi (2015).
- (5) For a more detailed discussion of entrepreneurial soft skills, see e.g. YBI (2019).

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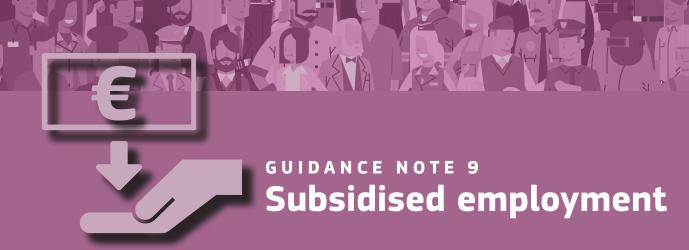
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BY KEVIN HEMPEL

ctive labour market programme (ALMP) interventions related to subsidised employment are of two broad types.

- **Public works** (also called cash for work, food for work or public employment programmes) are short-term community-based employment programmes that provide a temporary source of (cash or in-kind) income in exchange for beneficiaries' work on construction, maintenance or rehabilitation of public assets and infrastructure (e.g. roads, public spaces) or in community, environmental or social services (e.g. garbage collection, community safety, awareness campaigns). Youth service programmes can be considered a special type of public works.
- **Wage subsidies** are subsidies paid to the worker or employer to encourage firms to hire the target group by reducing their wage costs and/or nonwage expenditures such as social security contributions or insurance.

Both types of interventions seek to address constraints related to low labour demand. In the absence of sufficient demand for labour, subsidised employment is **intended to either directly create temporary employment (public works) or encourage hiring (wage subsidies).**

Public works are often a response to shocks and/or economic downturns, but can also be a regular component of employment policies, and are primarily targeted at poor and/or low- to semi-skilled workers with the objective of (re-)connecting them with the labour market while also creating public goods, through the infrastructure and services provided.

OBJECTIVE AND KEY MESSAGES

This guidance note provides an overview of interventions that subsidise employment (i.e. public works and wage subsidies), including existing evidence and practical guidance on programme design and implementation arrangements.

- While subsidised employment interventions are reliable tools to promote temporary employment and income generation, they typically do no improve employment outcomes beyond the duration of the programme.
- These interventions entail potential negative side effects, such as the substitution of non-subsidised workers or windfall effects for employers in the case of wage subsidies.
- Given the high cost of subsidised employment interventions, they should be very well targeted to ensure cost-effectiveness.
- Programme design and expectations about results differ depending on the specific objective of the intervention, such as providing a temporary income transfer or enhancing income security, creating assets or services, increasing employability, etc.

Wage subsidies can be targeted at all education and skills levels, but are typically used to encourage the hiring of particularly vulnerable groups employers are reluctant to hire, either because their expected productivity is too low relative to the market wage (e.g. due to lack of work experience) and/or because of stigma (e.g. long-term unemployed, young women, migrants). Wage subsidies are sometimes also used to encourage firms to retain workers during economic downturns (see e.g. Bruhn, 2016, on a case in Mexico).







































Evidence base and lessons learned: public works⁽¹⁾

While public works can be an ALMP instrument, they are also a key component of social protection systems, especially in developing countries where strong social insurance programmes may be lacking. It is thus important to differentiate expected impacts based on programme function and objective (ISPA, 2016).

- Social protection function. The emphasis here is on income security and transfers in cash or in kind, either to mitigate temporary income shocks (e.g. as a result of economic downturns, climate shocks, conflict or agricultural seasonality) or as more regular protection against poverty, vulnerability and food insecurity. Traditional public works programmes focus on this objective, either through short-term interventions or as part of predictable and multi-year programmes. The latter include employment guarantee schemes (as in India), consisting of rights-based programmes in which some level of entitlement to work is provided.
- Employment function. The emphasis here is on job creation in programmes that focus on the state as the employer of last resort, seeking to connect people to the labour market (including by providing a structured day and social contacts) and providing a bridge to more permanent employment. This objective is dominant in ALMP public works programmes. Traditional public works may often be combined with complementary services such as skills development, capital assistance or counselling ('public works plus') to facilitate graduation to unsubsidised work. In post-conflict and fragile settings, public works may also be used to jumpstart local economies and employ high-risk groups (e.g. ex-combatants, idle youth).
- Labour-based investment function. The emphasis here is on the quality and nature of infrastructure constructed, assets created or services provided. This may generally be the focus of public investment programmes in rural and urban infrastructure (such as rural roads, irrigation, and water management and supply), while adopting employment-intensive approaches and

small-scale contracting modalities, including community contracting for implementation.

The nature of the resulting programmes can vary widely, and public works programmes can contribute to several development objectives. Yet there are trade-offs and tensions between the different objectives; in practice, policy or programme design and implementation require the prioritisation of one function over others. Given these trade-offs, public works programmes should be designed and implemented in light of the national social protection system and in tandem with other complementary employment programmes to ensure synergies and complementarities.

As an ALMP instrument, there are several potential channels through which public works can foster employment. Public works obviously provide direct, short-term employment and income for beneficiaries during their programme participation. Subsequently, public works may foster (i) productive investments by beneficiaries through income gained, (ii) the development of beneficiary skills and experience (thus enhancing employability), (iii) wage effects (i.e. increase in wages and spending) in targeted areas in case of a major programme and (iv) enhanced economic activity (e.g. production, trade) induced by the infrastructure created. However, the empirical evidence on the different channels is mixed (Gehrke and Hartwig, 2015 and 2018).

In developed countries, public works programmes have generally been found to be less successful at fostering post-programme employment and income than other types of ALMPs — and may even have negative effects. Explanations for this are that many of these programmes are not able to build skills, employers often do not value this type of experience, and participants are locked into the programme rather than transitioning to unsubsidised jobs.

In low- and middle-income countries, public works programmes have been more successful, at least from a social protection perspective. Programmes generally have a positive short-term impact on beneficiaries, raising income and consumption/expenditures. As a result, they can help protect consumption and avoid negative coping strategies, and protect household welfare against shocks. In

conflict and fragile environments, in particular, public works programmes may be the only feasible option for creating temporary work – and can be possible engines for restarting local economies, when wages from public works fuel local spending. However, the net income gains for an individual or household are typically lower than the size of the transfer, because of a substitution of other sources of income (i.e. participants' opportunity cost). Assuming that beneficiaries would otherwise have been inactive or unemployed would greatly overestimate the impact of the programme on employment and income because many potential beneficiaries are already working, often informally, even in the absence of the intervention.

The literature finds little evidence on the impact of public works programmes on increasing future employability and employment beyond programme duration. While public works programmes by their very nature can raise short-term employment, they may not necessarily have a big effect on employment status during the programme because many people in developing countries are not strictly unemployed even in the absence of the programme. Instead, they tend to change people's composition of work (e.g. away from informal self-employment) and increase the amount of time worked (because they offer more regular hours and may even be combined with previous activities). Yet, according to the limited evidence available, post-programme employment outcomes tend to be weak because traditional public works programmes are often not successful at enhancing skills and employability, and earnings are not necessarily used for productive investments, especially in short-term programmes (Gehrke and Hartwig, 2018). Trickle-down effects on local economies are contingent on productive assets to be created and sustained.

Emerging evidence on 'public works plus' programmes suggests that they can open avenues for investment in the productive capacity of poor people and households as well as provide immediate income support. Public works plus programmes include a skills development component and/or other graduation support. Results from the Youth Employment and Skills Development project (PEJEDEC) in Côte d'Ivoire which offered complementary self-employment training show that post-programme earnings from self-employment increased

by over 30 per cent (Bertrand et al., 2017) (Box 9.1). Experience in other countries suggests that combining public works with capital assistance (e.g. access to grants or credit) may be more effective in improving post-programme outcomes than complementary skills development. Indeed, given the short-term nature of many public works programmes, it may be challenging to equip beneficiaries with appropriate skills the private sector can employ (Gehrke and Hartwig, 2015). Overall, the number of studies analysing these kinds of programmes is still too low to draw firm conclusions.

Little evidence exists about the extent of indirect benefits. One key difference of public works programmes from other social assistance interventions, such as cash transfers, is that they build or enhance community assets or services - improved roads or waste management, increased health awareness, etc. However, quantitative evidence on these indirect benefits with regard to their sustained impact on poverty, or the value of these assets and services to local communities, is difficult to measure and thin (Gehrke and Hartwig, 2018). While assets created have degraded quickly in some cases (Beierl and Grimm, 2018b), results from selected countries suggest that the indirect benefits of well-designed programmes can come close to matching the direct benefits to participants (see e.g. Subbarao et al., 2013) and that building productive assets can trigger indirect employment effects - for instance, by improving agricultural output and market access through water conservation and irrigation, rural roads, etc. Depending on the type of infrastructure or services created, different population groups may benefit to different extents, and some infrastructure may produce winners and losers (Gehrke and Hartwig, 2018).

The cost-effectiveness of public works depends on the underlying social protection and employment objectives. From a social protection perspective, cost-effectiveness is highly contingent on wage share, compared to other expenditures for materials and administration, and the net income gains of participants during participation. In practice, due to the prevalence of non-wage costs for project implementation and beneficiaries' foregone earnings due to substitution of other employment, alternative interventions such as social cash transfers may often be more cost-effective at achieving the short-term

















































































BOX 9.1 Public works plus in Côte d'Ivoire

Labour-intensive public works are a common intervention in Sub-Saharan Africa. In Côte d'Ivoire, the Youth Employment and Skills Development project (PEJEDEC) was put in place in 2011 following the post-electoral crisis. Among other interventions, the project included a component on labour-intensive works, seeking to provide temporary employment opportunities to youths, facilitate transition into more productive employment upon exit from the programme, and contribute to infrastructure/roads rehabilitation. The programme reached 12,000 youth aged 18-30, 30 per cent of whom were women, providing the equivalent of USD 4.50 per day over six months. Some participants also received basic entrepreneurship training, some job search training and sensitisation on wage employment opportunities.

Through a randomised control trial, a rigorous programme evaluation found that, in the short term (four to five months after programme start), there was only a slight increase in overall employment levels, largely because a majority of participants already had some type of work prior to the intervention. While earnings increased, they only rose by about 40 per cent of

Source: Bertrand et al., 2017.

the transfer amount because other income sources were replaced; impacts were stronger for women and the more vulnerable. In the medium term (12–15 months after exit from the programme), no permanent impacts were found on the level or composition of employment. However, an increase in income was observed, driven by higher self-employment incomes, especially for those who participated in the training on self-employment.

Several conclusions can be drawn in the African context

- While public works play a limited role in reducing unemployment, they can contribute to higher earnings.
- Combining better targeting towards the vulnerable (e.g. through improved self-targeting), as well as reducing non-transfer costs, can make programmes more cost-effective.
- In contexts where wage employment opportunities are scarce, facilitating transitions to post-programme employment are more promising when geared towards self-employment.

income transfer objective. Hence, from an ALMP perspective, public works programmes must go beyond that objective to measure whether it successfully maximises overall employment effects (direct and indirect), including post-programme employment, long-term benefits of the created assets and income effects.

Public works offer an opportunity to introduce workers to various elements of formal employment. For many public works participants, this may be their first experience with a written contract, clearly defined working conditions, regular payments, adherence to labour legislation, health and safety measures, mechanisms to settle disputes or enter into appeals, and payments through bank accounts. While

not all programmes will include all these elements, public works initiatives can be important in this regard in supporting employment and decent work.

Table 9.1 provides an overview of design features and implementation arrangements that should be considered when conceiving public works interventions. While there are some generally applicable good practices, the specific design and implementation arrangements must be aligned with the specific objective(s) of the public works programme and the context in which it is used (see Box 9.2).

TABLE 9.1 Good practice principles for public works programmes

FEATURE	DESIGN/IMPLEMENTATION PRINCIPLE		
Objective	Confirm the main objective(s) of the public works programme (e.g. employment versus social protection function; short term versus long term).		
	 Geographic targeting can be adopted if poverty/vulnerability is disproportionally high in some areas. At the beneficiary level, self-targeting can be adopted through below-market wage rates (wage setting must be preceded by a diagnostic of local labour markets). 		
Targeting	 Other transparent measures of vulnerability can also be suitable (e.g. proxy means test, community rankings). 		
	 Activities are largely geared towards unskilled workers, but higher skill levels may be needed depending on the type of infrastructure or services created. Consider trade-offs between benefi- ciaries' level of vulnerability and quality of assets/services. 		
	 Activities should be demand-driven and meet the needs of the local population, ideally the poor (public good). There should be community involvement to prioritise assets/services to be provided. Eligibility criteria should be clearly defined with regard to duration, share of labour cost, environmental impacts, etc. 		
	Potentially specify ineligibility criteria (e.g. if harmful to human health or the environment).		
Selection of works	 Selected works should ideally have the potential to raise employment over the long term, e.g. by improving agricultural output and market access through water conservation and irrigation, rural roads, etc.; or directly increase community well-being e.g. by improving access to water or sanitation. 		
(including sites)	 Selected activities should be gender-sensitive and include those suitable for both sexes according to the context and cultural norms. This may involve (i) extra services facilitating women's participa- tion (e.g. childcare); (ii) selection of assets/services that ensure women benefit equally; and (iii) dif- ferent activities for men (physical labour), as well as for women (community services) as needed. 		
	Locate activities in the proximity of participants' homes.		
	 Ensure quality of assets and services provided by using technical expertise during the implemen- tation stage (including employing supervisors and skilled artisans), using quality materials and anticipating maintenance needs. 		
Labour-intensity	To ensure high labour intensity of the works/services provided, a significant portion (e.g. at least 50–70 %) of programme expenditures should go to wages as opposed to other programme costs (machinery, tools, equipment, staff, etc.). ⁽¹⁾		
	 The best time to run a public works programme is when the opportunity cost of labour is low and more people are in need of a temporary source of income (e.g. during agricultural lean season). 		
Duration and timing	 If offered year-round, ensure that conflicts with normal economic activity are avoided (e.g. through slightly below market wage rate). 		
Duration and timing	 Duration should typically be over a period of 3–6 months per year (typically specified in work days), but there can be value in longer periods, ongoing part-time work or allowing participants to return to the programme. Trade-offs between longer duration and the number of people covered should be taken into account. 		
	 Wages should be set carefully, taking the local context into account, including local market wages, national poverty line, minimum wage and social protection transfers. Setting the wage rate too high may create distortions in the local economy; setting the wage rate too low may undermine social protection or food security objectives of the programme. 		
Benefits level / wage rate	 If the objective is to promote self-targeting by the poorest, wages should be below market wages for unskilled labour (while respecting wage floors to prevent exploitation). In some cases, different wages according to seasons may be needed. 		
	To ensure household consumption needs, the value of a basic food basket can be taken into account.		
	Equal wages should be set for women and men.		
	Cash payments are typically more efficient than in-kind payments.		
Payment	Payments should preferably be linked to an electronic delivery system (e.g. automated teller machine [ATM] cards).		
mechanism	 Payments should take place relatively frequently (e.g. bi-weekly), and emphasis should be given to regularity and reliability of payments. 		
	Unique identification of beneficiaries is needed. (continued)		

















































































TABLE 9.1 Good practice principles for public works programmes (continued)

FEATURE	DESIGN/IMPLEMENTATION PRINCIPLE		
Linkages / additional services	 To foster impacts beyond programme duration, programmes can offer complementary services such as on-the-job or formal training, agricultural extension services, behaviour change communication and linkages to other social services; cost-effectiveness needs to be considered in so doing. Any skills development components must carefully cater to local economic needs (e.g. microenterprise development, agriculture) and be realistic to deliver in the short time frame of programme participation. Savings promotion and complementary access to capital (e.g. credit) can help promote investments, agricultural output and self-employment. 		
Social or environmental impacts	 Conduct social and environmental review of proposed works (e.g. through checklists of potential negative impacts) to prevent harmful projects. For larger and higher-risk activities, more in-depth social and environmental assessments may be needed. Reviews/assessments should be conducted in accordance with country-specific regulations. Throughout implementation, monitor compliance with social and environmental regulations (including working conditions, workers' rights) and any mitigation measures put in place. 		

Sources: Based on Beierl and Grimm, 2018b; ISPA, 2016; and Subbarao et al., 2013.

Note: For detailed recommendations, see ISPA (2016).

(1) Wage share is defined as the proportion of the total wage bill in relation to the total operating cost.

BOX 9.2 Expanded Public Works Programme, South Africa

The Expanded Public Works Programme (EPWP) was set up in 2003 to provide poverty and income relief by creating temporary work opportunities for the unskilled, unemployed, poor and vulnerable, including the disabled. Government and stateowned enterprises use the programme to generate temporary labour-intensive employment opportunities through the delivery of public infrastructure (schools, roads, clinics), as well as the provision of socially useful services such as home-based care, community security and the cultivation of community gardens. An example of the EPWP is the National Youth Services Programme, which includes a mandatory training and skills development component.

Since its inception, the EPWP has generated over 8 million employment opportunities. As of 2015/16, female participation had grown to 69 per cent, while youth and persons with disabilities comprised 46 per cent and 2 per cent, respectively. The programme satisfies some of the provisions under the International Labour Organization's Social Protection Floors Recommendation (No. 202), which include entitlement to benefits prescribed by national law, adequacy and predictability of benefits and social inclusion, with prescribed participation targets for women, youth and persons with disabilities.

Source: ILO, 2018.

Evidence base and lessons learned: wage subsidies

Global evidence suggests that wage subsidies are unlikely to be an effective instrument in creating sustainable jobs over the long term.

Wage subsidies can, however, play a role in helping first-time job seekers or those who have gone through long periods of unemployment or inactivity gain work experience and increase their productivity. The general consensus suggests that wage subsidies can increase employment levels in the short term, but that these employment gains are typically not sustained (Almeida, Orr and Robalino, 2014; Kluve et al., 2017). For instance, while the impact of a wage subsidy in South Africa persisted one and two years after the allocation (Levinsohn et al., 2014), a pilot programme in Jordan had less prolonged effects. The programme gave beneficiaries a voucher equivalent to the minimum wage with a duration of six months (Box 9.3). While the voucher increased employment by 40 percentage points over the short term, four months after the voucher expired, the effects dissipated except outside the capital (Groh et al., 2012).

Another challenge includes low take-up of the subsidies in the first place, as firms are often reluctant to deal with the labour regulation associated with hiring subsidised workers (McKenzie, 2017). Hence, the effectiveness of wage subsidies may vary strongly

BOX 9.3 Wage subsidies for young women in Jordan

Throughout the Middle East, unemployment rates of educated youth have been persistently high and female labour force participation, low. Only 23 per cent of female community college graduates in Jordan are employed 16 months after graduating, despite 93 per cent saying they want to work at the time of graduation. Firms' reluctance to hire young women relates to their negative perceptions of youth employees in general – their lack of work experience and need for on-the-job training), and of young women in particular – doubts about how committed they are to pursuing careers, and whether they are sufficiently flexible.

The Jordan New Opportunities for Women (NOW) pilot program tested whether a wage subsidy to female community college graduates would help overcome these perceptions. Graduates receiving this intervention were given a job voucher that they could take to a firm while searching for jobs. The voucher had the graduate's name on it and was non-transferable. It paid the employer an amount equal to the mandatory minimum monthly wage (approximately USD 210) per month for a maximum of six months if the graduate was hired. To be eligible to use the voucher, a firm had

to provide proof of registration, have a bank account in which to receive the payments, and provide an offer letter with the graduate's name and specification of work duties. After the start of employment, both the firm and graduate were required to confirm employment with the program administrator each month, with periodic monitoring and random visits made to ensure reimbursement claims were legitimate. If employment was terminated before six months, the voucher remained with the graduate, who could then use the remaining months on it with a different firm. In total, half of the graduates used their voucher.

As part of a randomised control trial evaluation, follow-up surveys were conducted 6 and 14 months after the start of the intervention. The wage subsidies led to extremely large short-term gains in employment, with a 25 percentage point increase in employment in Amman and a 50 per cent increase outside the capital. However, by the last survey, the voucher no longer had any impact on employment likelihoods in Amman, and the treatment effect had shrunk to 8.5 percentage points outside Amman. Moreover, the effects outside Amman appear to have come at the cost of displacing jobs for people without a voucher.

Source: Groh et al., 2012.

according to context, how they are administered and the targeted subgroups – for instance, wage subsidies have been found to be relatively effective for immigrants in Europe (Butschek and Walter, 2014).

Wage subsidies are expensive and can induce considerable substitution/displacement effects and deadweight loss, which may reduce potential employment effects. Wage subsidies, by their very nature of being monthly payments, are typically among the most expensive ALMPs. Moreover, they can have negative side effects. Substitution/displacement effects refer to a situation where employers may replace non-subsidised workers to hire subsidised workers. Deadweight loss (or windfall effects to employers) means that employers may make use of the subsidy even if they had hired the respective employee(s) without any subsidy. Careful targeting is essential to minimise these negative side effects.

Since most existing research on wage subsidies comes from developed countries, more evidence is needed to draw firm conclusions about their effectiveness in a developing country context. In particular, a key question is whether workers benefiting from wage subsidies are able to acquire enough skills from the work they do (learning by doing) to increase their human capital and employability and therefore their future labour market opportunities beyond the subsidised job. More information is also needed on the extent of negative side effects in a developing country context.

Table 9.2 provides an overview of design features and implementation arrangements that should be considered when conceiving wage subsidies.



















































































TABLE 9.2 Good practice principles for wage subsidy interventions

FEATURE	DESIGN/IMPLEMENTATION PRINCIPLE
Payee	In developing countries, wage subsidies are almost always paid to the firm (rather than the individual), partly for administrative reasons; in some cases, they are given to the worker through vouchers.
Targeting	 The target population is often limited to newly hired workers (previously unemployed) in certain age groups (e.g. youth below age 30, older workers above age 50) or with another disadvantage in the labour market (e.g. long-term unemployed, disabled, migrant/refugee). Narrow targeting of the subsidy is desirable to reduce the budgetary cost of the programme and maximise the benefits to the favoured group. Eligibility criteria should be as simple as possible. Targeting those with no or little work experience and who face the highest risk of unemployment and inactivity is also desirable in order to reduce the deadweight loss.
	 Targeting of firms is also warranted: e.g. in selected industries, selected regions, by firm size, firms in financial distress.
	Subsidies should usually be limited in time. Common durations for time-limited subsidies are 6–12 months (sometimes up to 24 month). Short term subsidies (less than six months) are useful to everyone employers' initial reluctance.
Duration	 Short-term subsidies (less than six months) are useful to overcome employers' initial reluctance to hire, but depending on the type of job may be unlikely to achieve skills learning objectives. Medium-term and longer subsidy periods (6–24 months) can permit young workers to develop necessary skills, and as a result increase their productivity.
	 The core skills demanded by a given job are likely to have been acquired by one year for most jobs; longer subsidy periods should thus be the exception.
Level	 A proportional subsidy (as a proportion of the wage) is usually recommended over fixed subsidies as it aligns incentives between programme and employer (the employer contributes). Setting a ceiling on the subsidy (unless it is fixed) may be necessary to encourage integration of disadvantaged youth. This design predisposes employers to hiring low-skilled (and hence low-paid) workers, since capped subsidies (like fixed amounts) cover a larger proportion of wage costs
	for low-paid workers. The subsidy amount could be decreased over time, reflecting potential increases in productivity. Higher subsidies may also be used for more disadvantaged groups and smaller employers.
Payment vehicle	 Wage subsidies are typically paid in one of three ways: through the tax system, through the social security system, or as direct payments to the employer or worker via transfer or voucher. Piggybacking on an existing system lowers the administrative costs of the subsidy programme. If the payment goes to the employers, they should generally not receive payments ex ante, but be reimbursed for part of the labour costs incurred.
Condition- alities	 For firms, conditionalities can include restrictions on the dismissal of subsidised workers, restrictions on the dismissal of previous workers, as well as stipulations on extending the employment contract after the subsidy expires; that last might be difficult to enforce. Conditions for beneficiaries can include requiring them to participate in job-related or life skills training either before or after being hired.
Linkages	To maximise their impact, wage subsidies might need to be linked to other ALMPs such as training, counselling, intermediation and job search assistance, as well as other relevant support services as needed (e.g. childcare).
Verification	Wage subsidies must be accompanied by a rigorous monitoring system to prevent and/or detect fraud and abuse. The monitoring system must ensure that each employee for whom the subsidy is claimed is not only eligible for the subsidy but is actually working, that the claimed wages are being paid, and that the data used to determine the amount of the subsidy are accurate.

Sources: Based on Almeida et al., 2014; Honorati and Posadas, 2019; and ILO 2015.

Note

(1) For a further review of international evidence, see e.g. Beierl and Grimm (2018a); Blattman and Ralston (2015); Card, Kluve and Weber (2015); Gehrke and Hartwig (2018); Kluve et al. (2017); McCord (2012); and Subbarao et al. (2013).

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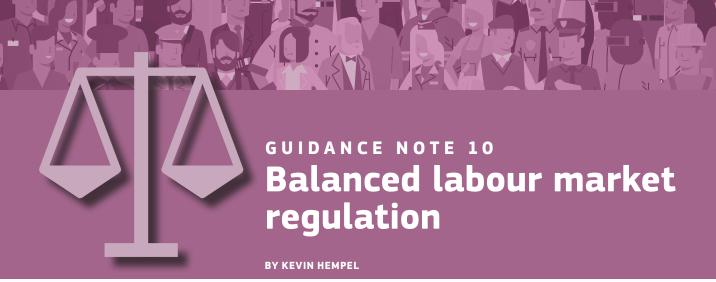
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abour market regulations seek to protect workers and improve labour market efficiency. They provide the minimum legislative requirements with which employers and workers must comply at the start of, termination of and during employment. Labour market regulation primarily refers to the following; this note provides guidance focused on the first three aspects:

- minimum wages to prevent exploitation and protect workers with limited bargaining against inadequate wages;
- employment protection legislation (including contract duration and dismissal procedures) – to enhance job security and protect workers from arbitrary dismissal;
- working conditions, including occupational safety and health (provisions on working time, rest periods, protective equipment, maximum exposure to harmful substances, etc.) – to prevent exploitative working conditions and work-related accidents and diseases;
- mandated benefits (such as paid annual, sick and maternity leave) – to facilitate a balance between work and personal life and provide basic protection in case of certain life events;
- unions and collective bargaining to increase the bargaining power of workers relative to employers.

When well designed, labour market regulation contributes to more efficient and equitable labour market outcomes, offering protection and addressing market imperfections – which especially benefits the more vulnerable workers. However, overly stringent

OBJECTIVE AND KEY MESSAGES

This guidance note explores creating balanced labour market regulations that protect workers without unduly burdening employers.

- Labour market regulations are important in protecting workers.
- Overly stringent regulation can have negative consequences, such as undermining firms' investments and the hiring of new workers.
- Because labour regulations are typically subject to controversy, policymakers should design them based on empirical evidence, and monitor and evaluate reforms.
- Social partners play a key role in the development and implementation of labour regulations, which promotes consensus building.

regulations can pose a significant burden for employers and thereby undermine investments and the hiring of new workers. Table 10.1 summarises the **benefits and limitations** of labour market regulations. The challenge in establishing labour market rules is to find the right balance between workers' protection and firms' flexibility in managing their human resources – that is, to avoid the extremes of over– and under–regulation. The appropriate level of regulation depends on country context (Betcherman, 2019).

Negative effects can be minimised if regulations are consistent with good practices and if compliance and interactions with other regulations are considered. While there are no universal principles for designing adequate labour market regulations, **International Labour Standards** can serve as a good starting point to determine minimum requirements. International



































TABLE 10.1 Benefits and limitations of labour market regulation

BENEFIT LIMITATION

- Can improve the employment situation of vulnerable workers by protecting them from arbitrary or discriminatory actions by employers and correcting imperfections resulting from inadequate information, uneven bargaining power, etc.
- Can support respect of fundamental rights, such as the prohibition of discrimination, the right to equal remuneration, and the right to bargain collectively through workers' and/or employers' organisations
- When overly stringent, can impede job creation, reduce productivity and hurt the workers they are intended to help
- Primarily benefit employees in the formal sector; in developing countries, the majority of workers are employed in the informal sector
- Often ineffective in many countries because of evasion and weak enforcement, even for workers with formal employment (compliance issues)
- Can be difficult to monitor effects if labour market information is inadequate

Sources: Based on Betcherman, 2019; and Kuddo, Robalino and Weber, 2015.

Labour Standards are legal instruments setting out basic principles and rights at work, either in the form of legally binding international treaties (conventions) or non-binding guidelines (recommendations). They can serve as targets for harmonising national law and practices with internationally accepted standards in a particular field. Box 10.1 presents a list of topics covered by International Labour Standards(1). In addition, directives from the European Union (EU) on various topics, such as working conditions and occupational safety and health, can provide a useful benchmark.

Employment regulations can be controversial, frequently subject to different interests (e.g. between workers and employers) and opposing ideological views. Such controversies highlight the essential role of **social dialogue** and tripartism in the development and implementation of labour regulations, as this will promote consensus building and ensure the involvement of primary stakeholders in decisions and actions related to labour relations (Kuddo, Robalino and Weber, 2015). Moreover, policymakers should base their decisions on empirical evidence of regulatory impacts (Betcherman, 2019), and monitor and evaluate reforms to identify effects in regulatory changes.

Finally, while a sound legal framework with regard to labour market regulation is essential, there are common challenges related to the enforcement of existing regulations, especially in developing countries which often have a large informal sector and weak institutional capacity. Development assistance must not only focus on improving regulations, but also on strengthening the enforcement capacity of partner countries (e.g. related to labour inspectorates). In

BOX 10.1 Subjects covered by **International Labour Standards**

- freedom of association;
- collective bargaining;
- forced labour;
- child labour;
- equality of opportunity and treatment;
- tripartite consultation:
- labour administration;
- labour inspection;
- employment policy;
- employment promotion;
- vocational guidance and training;
- employment security;
- social policy;
- wages;
- working time;
- occupational safety and health;
- social security;
- maternity protection;
- domestic workers;
- migrant workers;
- seafarers;
- fishers:
- dockworkers;
- indigenous and tribal peoples;
- other specific categories of workers.

Source: ILO, 2014.

doing so, it is important to take into account local institutional particularities in designing effective enforcement strategies (Ronconi, 2019).

Minimum wages

The primary purpose of minimum wages is to provide protection for wage earners against inadequately low wages. Minimum wages exist in most countries and vary significantly by country. Single national rates are most common, but there are many examples of countries with sub-national, regional, industrial and occupational rates. In practice, some workers and firms are sometimes excluded from the scope of the general minimum wage (e.g. the self-employed, agriculture workers, domestic workers). Minimum wages serve important macroeconomic functions such as ensuring domestic purchasing power and contributing to balanced, sustained and inclusive growth. Minimum wage and wage fixing are part of the 2017 European Pillar of Social Rights and of the Decent Work Agenda.

Although higher minimum wages increase earnings, they do not necessarily lead to poverty reduction. Specifically, the impact on poverty of raising the minimum wage in developing countries is typically modest because the minimum wage does not cover the majority of workers, who are employed in the informal sector (Gindling, 2018). Higher minimum wages also create losers. On the other hand, there is some evidence that wage increases in the formal sector may increase earnings in the informal sector and that, overall, there can even be some positive effect on reduced earnings inequality among low-income workers (Betcherman, 2019).

Higher minimum wages can have negative effects on employment, but these are usually small. In Organisation for Economic Co-operation and Development (OECD) countries, for which the most research exists, it has been found that adverse effects of higher minimum wages on employment tend to be small or non-existent. Many studies find some adverse effects in developing countries, but again they are typically modest; and some studies find no negative effects (Betcherman, 2019). Another potential consequence of higher minimum wages would be to shift employment from the formal to the informal sector – but again, the evidence base is mixed.

The negative effects of minimum wages are typically concentrated among young people, unskilled workers and women, because these groups tend to have lower

wages. Thus, when the minimum wage is higher than the expected productivity of a potential employee (e.g. a young person new to the labour market with little work experience), a firm might not hire that person because of the relatively high minimum wage (see Box 10.2 for an example of minimum wage reform, and see Table 10.2 for good practices).

BOX 10.2 Minimum wage reform in Malaysia

When studies found that over 30 per cent of private sector workers were paid below the national poverty line and that wages had risen significantly slower than productivity over a 10-year period, Malaysia sought to address these indications of labour market distortion where wages determined by market forces failed to increase salaries in line with productivity and the rising cost of living.

As a result, the country implemented a minimum wage policy on 1 January 2013. The policy set a minimum wage of RM900 per month (USD 297) for Peninsular Malaysia and RM800 per month (USD 267) in the poor eastern states of Sabah and Sarawak. The minimum wage covers both the local and foreign workforce, except for domestic workers such as domestic helpers and gardeners. The minimum wage policy is intended to ensure that the basic needs of workers and their families are met, to reward and protect them from exploitation, and to incentivise firms to move up the value chain by investing in technology and boosting productivity.

The minimum wage was largely determined by the National Wage Consultative Council, whose membership comprised six employer representatives, six employee representatives, six representatives of public officers and five other members. In setting the minimum wage, the council took into account social and economic considerations including the cost of living, productivity, competitiveness, employment, and geographic differences within the country. Demographic, sectoral and state/regional considerations were also taken into account.

Sources: Bank Negara Malaysia, 2013; Mahyut, 2013.









































































Indicators

TABLE 10.2 Good practice principles for minimum wages

FEATURE	DESIGN/IMPLEMENTATION PRINCIPLE				
Level	 There is no fixed formula for determining a minimum wage. Useful references include (i) minimum wages relative to median or average wages, (ii) share of workers affected by minimum wages and (iii) assessment of the needs of workers and their families (e.g. through calculation of an adequate living wage). The minimum wage level is most frequently set at around 40 per cent of average wages. It is important to disaggregate the analysis, taking into account the distribution of wages for women and men and for different industries; and to observe where a minimum wage lin these respective distributions. 				
Differentiation	 Minimum wages are sometimes differentiated by region, sector, age, qualifications, education or type of job. Differentiation can increase administrative complexity, create enforcement challenges, an lead to wage discrimination. The general trend around the world is to reduce the number of differentiated minimum wage rates. 				
Adjustments over time	 Minimum wage rates should adjusted over time to take into account changes in the cost of living and other economic and social conditions. It is important to reduce uncertainty about the frequency and levels of adjustment (e.g. review wage level at predetermined dates). Criteria to adjust minimum wage rates can include the cost of living, the consumer price index, workers' needs, the average wage in the country, the economic situation of the country, requirements of economic development, productivity, level of employment, economic competitiveness and the financial capacity of enterprises. Some countries automatically adjust their minimum wage – e.g. linking it to the cost of living or mean wages – thus avoiding political negotiations and reducing uncertainty among workers and employers. Provisions should be in place to stop indexation when concerns about economic, productivity and employment growth arise. 				
Institutional arrangements	 The authority for the final decision and institutional arrangements for fixing the minimum wage can vary (e.g. ministry of labour, wage boards or councils, collective bargaining). Full consultations and the participation of social partners need to be ensured. Recommendations by independent expert mechanisms can be used. 				
Non-compliance and enforcement	 Enforcement alone may not be sufficient to address low compliance. Countries should avoid overly complex minimum wage systems, be transparent, and have broad communications regarding minimum wage regulations and levels. Inspections should be carried out frequently with appropriate resources allocated to ensure that sufficient and adequately trained inspectors are employed. Trade unions can be involved in monitoring compliance with minimum wage legislation, provided they have sufficient capacity. Sanctions for non-compliance with minimum wage rules must be imposed to correct abuses and serve as a deterrent. Temporary exemptions of the minimum wage may be warranted for firms where the average labour productivity is below the minimum wage. 				

Source: Kuddo, Robalino and Weber, 2015.

Employment protection legislation

Employment protection legislation seeks to protect workers from abuse and discrimination and mitigate the adverse effects of employment termination on the workers concerned. In the absence of any type of dismissal protection, employers would be able to arbitrarily hire and fire workers. Dismissal rules intend to provide protection against a sudden loss of income and unfair practices (Kuddo, Robalino and Weber. 2015).

The evidence of the impact of employment protection legislation on labour market outcomes is mixed, and the **impacts can be either positive or negative**. On the one hand, countries with more protective

dismissal regulations tend to have more durable or stable jobs, contributing to investments in human capital, including training. On the other hand, employers may be reluctant to hire if strict regulations inhibit future dismissals. As a result, while better employment protection contributes to reduced turnover of those already employed, it has a negative effect on the creation of new employment opportunities (e.g. for youth trying to enter the labour market).

In general, when job security protections are strong, there are fewer transitions between jobs and between employment and unemployment; negative employment effects (e.g. lower formal sector employment) are concentrated in industries with high turnover (Betcherman, 2019). See Table 10.3 for good practices with regard to employment protection legislation.

TABLE 10.3 Good practice principles for dismissal procedures

FEATURE	DESIGN/IMPLEMENTATION PRINCIPLE
Valid reason for dismissal	 Justified dismissal can be based on (i) worker-related grounds, such as conduct or capacity (e.g. unpermitted absence from work, theft or intentional damage to property, violence, etc.), but not for discriminatory reasons (age, gender, ethnicity, religion, trade union activity, maternity or educational leave); or (ii) economic or technological grounds – e.g., where demand for a given product or service plummets or a new technology that increases productivity is adopted. In many countries, a trade union founder or leader may not be dismissed without the prior permission of a court. Adequate safeguards should be put in place to prevent recourse to short-term contracts of employment to circumvent the protection.
Advance notice	 Labour law should require employers to give advance notice before terminating workers, indicating the reason(s) for termination. In most countries, this notice period is 1–2 months, with the amount of notice frequently pegged to length of tenure. The notice period should be extended in cases of mass redundancies.
Collective dismissals	 Prior to collective dismissals, employers should consult with worker representatives to identify measures to mitigate the adverse effects of termination on the workers concerned. Employers or the government should prepare a programme of measures (a social plan) aimed at mitigating the impact of mass layoffs. Employers should be required to inform the public authority in charge of employment intermediation of intent to dismiss.
Access to support	Laid-off workers ideally should have access to income protection programmes for the unemployed as well as to active labour market programmes.

Source: Kuddo, Robalino and Weber, 2015.















































































Working conditions, including occupational safety and health

A legislative framework on working conditions, including with regard to occupational safety and health, is essential to prevent exploitation of workers and protect their health. In the absence of such regulation, employers might not put in place the necessary measures to ensure the basic rights and well-being of their employees. In the EU, such a framework is provided through directives; Box 10.3 provides information on the EU directive on occupational safety and health.

Guaranteeing the rights and well-being of workers is a core priority of the EU, both within the Union and as part of its international development assistance. For instance, 'fair working conditions', including worklife balance and a safe work environment, represents a key objective under the European Pillar of Social Rights, which expresses principles and rights essential for fair and well-functioning labour markets and welfare systems in 21st century Europe (EC, 2017a). Promoting labour standards and ensuring decent employment conditions is also an explicit objective in 'The New European Consensus on Development' (EC, 2017b). See Table 10.4 for good practices.

For more information on strengthening compliance with labour standards and fostering working conditions at the programme level, see Guidance Note 18.

BOX 10.3 Key responsibilities defined in the EU directive on occupational safety and health

The EU directive on occupational safety and health sets out obligations for both employers and employees to reduce accidents and occupational disease in the workplace.

Employers:

- are responsible for ensuring the health and safety of their workforce, including evaluating and avoiding risks, developing an overall safety policy and providing appropriate training to staff:
- appoint someone responsible for the prevention of risks at work;
- take the necessary first aid, firefighting and evacuation precautionary measures;
- assess risks particular workers might face and ensure necessary protective measures are in place:
- provide employees and/or their representatives with all relevant information on possible health and safety risks and the measures taken to prevent them;
- consult with employees and/or their representatives and involve them in all discussions on health and safety at work;
- ensure each employee receives adequate health and safety training relevant to their job.

For their part, each **employee** is responsible for taking care of their own and their colleagues' health and safety to the extent possible (with regard to correct use of machinery, protective equipment, etc.).

Source: EC, 2015.

TABLE 10.4 Good practice principles for selected working conditions

FEATURE	DESIGN/IMPLEMENTATION PRINCIPLE
Working time	 The standard for normal work hours should be a 40-hour week. Weekly rest should not be less than 36 uninterrupted hours, 48 hours for youth under age 18. Ensure adequate regulation of night work (hours of work, rest periods, compensation, transport assistance, etc.). Part-time workers should receive the same protections, wages and benefits as those accorded comparable full-time workers (proportional with time worked). Ensure that transfer from full-time to part-time work or vice versa is voluntary.
Occupational safety and health	 Government obligations: formulate, implement and periodically review a coherent national policy on occupational safety, occupational health and the working environment; put in place an appropriate system of inspection to enforce laws and regulations concerning occupational safety and health⁽¹⁾; determine processes and substances to which exposure is to be prohibited, limited or made subject to authorisation or control by the competent authority or authorities; establish and apply procedures for notification of occupational accidents and diseases; publish occupational accidents, diseases and other injuries arising in connection to work; include questions of occupational safety and health and the working environment in education and training. Employer obligations: ensure that the workplaces, machinery, equipment and processes under their control are safe and without risk to health; provide adequate protective clothing and equipment to prevent, so far as is reasonably practicable, risk of accidents or of adverse effects on health; provide for measures to deal with emergencies and accidents, including adequate first-aid arrangements; give appropriate training in occupational safety and health to workers and their representatives⁽²⁾.

Sources: Compiled from the following International Labour Organization conventions and recommendations: C106 – Weekly Rest (Commerce and Offices) Convention (1957); R116 – Reduction of Hours of Work Recommendation (1962); C155 – Occupational Safety and Health Convention (1981); C171 – Night Work Convention (1990); and C175 – Part-Time Work Convention (1994).

Note: This guidance is not exhaustive; for more detail, see the respective International Labour Standards.

(1) In practice, the introduction of a new system of occupational safety and health with appropriate inspection may lead to significant costs for companies and training providers (in terms of infrastructure, protective equipment, certification, etc.). Hence, it is important to foresee adequate measures that allow organisations to adapt to the new system (transition periods, easier requirements for small companies, etc.).

(2) In Tanzania, for instance, focal points for occupational safety and health were designated in companies and organisations as part of its new occupational safety and health system.







































Note

(1) For more information on International Labour Standards, see Volume 1, Chapter 5.2 (EC, 2018).

KEY RESOURCES

European Agency for Safety and Health at Work (website).

International Labour Organization, 'Employment Protection Legislation Database (EPLex)' (webpage).

International Labour Organization, 'ILO Global Database on Occupational Safety and Health Legislation' (webpage).

International Labour Organization, In Defence of Labour Market Institutions: Cultivating Justice in the Developing World (2008).

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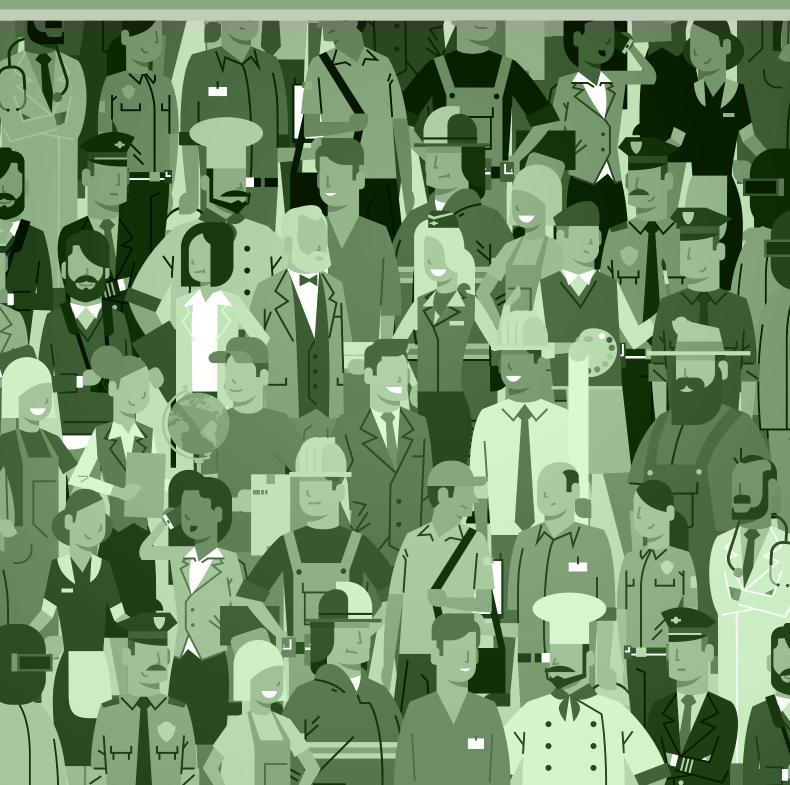
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Promoting employment for special target groups and contexts



his part presents the employment challenges, barriers and promising policy responses for specific populations and country contexts: youth (Guidance Note 11), women (Guidance Note 12), persons with disabilities (Guidance Note 13), rural areas (Guidance Note 14), the informal sector (Guidance Note 15), fragile or conflict-affected zones (Guidance Note 16) and migrants (Guidance Note 17). While these discussions are not exhaustive, they summarise the essential elements of which a practitioner should be aware in designing interventions. The information presented in these guidance notes is not intended to replace country-specific analysis. Moreover, note that several of the target groups or contexts discussed often overlap in reality, making for a more complex picture.

Despite these limitations, some common lessons emerge. First, the costs of not addressing population- and context-specific challenges are substantial to both the groups involved and to society as a whole. Second, the barriers to more and better employment are specific and unique as experienced by and in the different groups and contexts. To design appropriate interventions, the particular barriers applying to the group/context must be acknowledged and understood. Third, these barriers may often lie outside the labour market (e.g. legal frameworks, social norms, availability of infrastructure), thus requiring policy responses that extend well beyond labour market policies.



Youth employment

BY KEVIN HEMPEL

n most regions of the world, youth unemployment is two to four times higher than adult unemployment⁽¹⁾. While youth unemployment is highest in Northern Africa and the Arab states, lower unemployment rates in other regions (e.g. Sub-Saharan Africa) often reflect the fact that young people cannot afford to be unemployed, due to a lack of social safety nets.

Unemployment is further compounded by a large share of youth that is 'idle' – neither working nor studying. Approximately one in five youth can be categorised as **not in education, employment or training (NEET)**, with young women being about twice as likely as young men to have NEET status. This phenomenon also indicates a large number of discouraged youth who have given up even looking for work.

When they are employed, youth are more likely to have **vulnerable or precarious employment**. More than 75 per cent of young workers hold informal jobs, compared to 59 per cent of adults. Youth also frequently work involuntarily in part-time or temporary jobs and exhibit a higher incidence of working poverty than adults.

Young women are at a particular disadvantage in many countries, with lower labour force participation rates, higher unemployment and more vulnerable employment than their male counterparts.

As a result of poor labour market prospects and vulnerable employment, a significant share of youth sees rural-urban and international migration as a path towards a better life. For instance, 38 per cent of youth in Sub-Saharan Africa and in Latin America and the Caribbean, 37 per cent in Eastern Europe, 35 per cent in Northern Africa and 28 per cent in the Arab world would be willing to migrate abroad (ILO, 2016).

OBJECTIVE AND KEY MESSAGES

This guidance note highlights the main arguments to promote youth employment, the main barriers to employment for young people and priority intervention areas

- Young people face higher unemployment, underemployment and precarious employment than adults.
- The youth years are a critical window for public investment.
- An unsuccessful transition from school to work has negative long-term consequences for youth and society as a whole.
- Bad employment outcomes stem from an unsupportive macro environment, market distortions and characteristics of youth.
- Key areas of intervention to promote youth employment include improving the relevance and quality of education systems, providing labour market information and orientation early on, and establishing quality active labour market programmes to facilitate transitions to work.
- Interventions directly targeted to youth should adopt a youth-sensitive design, including by working across settings, emphasising quality adult-youth relationships and adopting peer-topeer engagement strategies.
- Targeted interventions need to address barriers facing informal sector enterprises, formal sector firms and farms – especially in sectors and values chains where young people are more likely to work.



































Justification for intervention

Young people are recognised as a priority target group in key international frameworks. For instance, 'substantially reducing the proportion of youth not in employment, education or training' is a main target of the Sustainable Development Goals. Young people are also defined as a priority target group in 'The New European Consensus on Development' (EC, 2017).

The youth years are a critical window for investment. A large body of literature documents the importance from a human development perspective of childhood and youth in determining adult outcomes (Carneiro and Heckman, 2003; Heckman and Masterov, 2007). Skills, behaviour and capabilities are established early in life; policies should therefore provide the foundation for young people to learn and enter a productive life.

Failure to provide young people the opportunity for a successful school-to-work transition can lead to long-lasting 'scarring' effects. It has been shown that unemployment and low earnings early in life can increase the likelihood of future joblessness and will reduce lifetime earnings (McQuaid, 2015; Nichols, Mitchell and Lindner, 2013). The inability to find work also means that a key element of the transition to adulthood is affected, with important implications on financial independence and starting a family (Hempel, Wuermli and Lundberg, 2012). The failure to tap into young people's personal and vocational preferences and aspirations can negatively affect their identity and have negative consequences on their physical, emotional and mental health.

This underutilisation of human potential is also costly for society.

■ Reduced economic growth and national prosperity. Estimates for many countries show that reducing youth unemployment to more modest levels could increase annual gross domestic product by at least 1–2 per cent (Cunningham and Hempel, 2010). High youth unemployment means governments lose tax revenues and face higher spending on social safety nets. Conversely, getting more young people into work can support economic well-being and poverty reduction.

whose aspirations have been shattered and who lack other perspectives can have negative effects on social cohesion, security and political stability. It has been shown that the lack of jobs negatively affects people's trust in institutions (World Bank, 2012). As a result, disaffected youth may be more likely to engage in crime and violence – including gang membership and radical extremism – providing a fertile ground for political upheavals. However, the link between a lack of employment opportunities and instability is by no means inexorable (see Box 11.1).

BOX 11.1 Link between unemployment and violence

There is a widespread view that youth unemployment leads to violence, conflict and instability. Empirically, however, there is no strong, causal connection between unemployment, underemployment or low-productivity employment and violence and war. While there are good reasons why a lack of employment might translate into frustration and violence – for example, the economic argument of 'occupational choice', whereby a lack of regular income-generating opportunities makes it relatively more attractive to engage in unlawful activities – the actual situation is more complicated.

The lack of employment or income alone does not appear to be a sufficient condition for violence and conflict. Indeed, the majority of people in the world who are poor and suffer from a lack of employment opportunities do not live in or fuel violent conflicts. Instead, other intersecting factors may be in play, such as linkages with masculinity, ethnicity and religion. Moreover, poor quality employment (demeaning tasks, exploitative working conditions, little prospect of promotion, etc.) can drive people to participate in unlawful and violent activities just as often, if not more, than unemployment.

Sources: Blattman and Ralston, 2015; Cramer, 2010.

Underlying barriers

Some of the constraints young people face in entering work are age-specific, while other barriers apply to all workers but often disproportionally affect the young. The types of constraints youth face can be categorised as (i) macro environment, (ii) market distortions and (iii) individual characteristics (Robalino et al., 2013). These cut across issues related to labour demand, labour supply and matching.

UNSUPPORTIVE MACRO ENVIRONMENT

Lack of job creation. The economy as a whole often does not produce enough jobs – and even when jobs are being created, the majority may be in low-productivity areas unsuitable or undesirable for increasingly educated youth, as is the case in many countries in the Middle East and North Africa. The lack of job creation presents a double burden for youth: first, it reduces the number of available work opportunities; and second, it makes it difficult to gain crucially important work experience if no jobs are available over a long period of time.

Demographics. In many countries, population growth driven by high birth-rates and increasing life expectancy exceeds economic growth, meaning that the number of young entrants to the workforce exceeds the number of jobs being created. Thus, young people have to compete with a large number of their peers for the few available jobs⁽²⁾. Such demographic pressures are greatest in Sub-Saharan African, South Asian and the Middle East and North Africa.

Economic shocks. Youth are more vulnerable to economic shocks and recessions, because (i) they hold a disproportionate share of temporary (seasonal, parttime, term) jobs whose contracts offer less protection; and (ii) employers may find young people more dispensable since they have spent less time working at the firm (i.e. last in, first out).

Conflict. Youth are more affected by conflict, because they may have to withdraw from education, face limited mobility to search and pursue a job, or are conscripted to fight. As a result, they may not be able to gain, or may lose, relevant skills for productive employment.

MARKET DISTORTIONS

Unfavourable labour regulation. While designed to protect workers, labour regulation can hurt young people's job prospects. For instance, poorly designed employment protection legislation may make it difficult and/or costly to replace existing workers with youth who have the desired skills. Similarly, inadequately high minimum wages can discourage the formal hiring of young (and initially less productive) workers. Generous social assistance or unemployment benefits can also reduce incentives to search for and accept jobs. Finally, there can be a disconnect between the minimum school leaving age and the minimum employment age, or a lack of appropriate contract types for young people (e.g. apprenticeship, internship), complicating their integration in the labour market.

Lack of information. Youth are more likely to lack adequate information about the labour market (related to growing sectors, wages by occupation, etc.) and about existing job opportunities; this can be the result of weak labour market information systems or inadequate employment services and a lack of career guidance. Similarly, employers may not have enough information about applicants' skills and behaviours, especially for first-time job seekers, because education degrees and certificates do not provide sufficient signals about recipients' skills and competences.

Lack of access to financial capital and land.

Youth are more likely to lack the financial capital needed to enter self-employment, as they have had less time to accumulate savings or assets than older workers. Youth also have fewer physical assets in their name that could be used as collateral when seeking a loan. Young people are similarly at a disadvantage in having or being able to obtain land for agricultural-related self-employment.

INDIVIDUAL CHARACTERISTICS

Inadequate skills. Despite their having typically higher education levels than previous generations, youth often lack the cognitive, 'soft' or technical skills needed to find adequate jobs. The education and training systems of many countries do not adequately prepare youth for the labour market, and university graduates gain degrees in areas not demanded by the economy.



















































































Lack of experience. Relevant work experience may arguably be the best signal for an employer to hire someone, especially when education systems are weak, as in many developing countries. This circumstance makes it particularly challenging for first-time job seekers to enter the labour market.

Lack of social and professional networks. Young people, especially in low-income families, are often less well connected than adults. This lack of social and professional networks has negative effects on career choice (often dependent on advice from family and friends), job search (often contingent on informal networks) and actual job opportunities in wage or self-employment.

Distorted aspirations and expectations. Young people often have unrealistic expectations about the role of education and labour market opportunities, which can influence their choices. For instance, public sector employment remains highly valued by young people in many developing countries (OECD, 2017a). On the other hand, technical and vocational education and professions – though typically very much needed in the labour market – are often unattractive to youth (and their families), leading many to pursue university education even if the career prospects are slim (see e.g. Bortei-Doku, Doh and Andoh, 2011).

Psychological factors. Procrastination, lack of self-control and lack of self-esteem can lead to suboptimal education decisions, limited job search and withdrawal from the labour force altogether.

Mobility constraints. Transport costs have been found to be a common constraint to youth employment, negatively affecting young people's ability to attend programmes, conduct job search and get to their jobs (Romero and Urquhart, 2018).

Gender-specific constraints. Young women often face additional barriers to the labour market, including early marriage, early pregnancies, limited mobility and time constraints due to other household responsibilities (see OECD, 2017b, for the case of Cambodia).

For more detail on women's employment issues, see Guidance Note 12.

Limited household income. When families have very limited means, they may not be able to afford education for any or all of their children, or may need to take their children out of school prematurely for the additional labour, thus reducing future opportunities. A lack of family resources can also constrain the ability to be self-employed or to be able to take the time to find the 'right' job.

Priorities for employment interventions

Acknowledge the heterogeneity among young people's backgrounds and needs, as well as the political factors that may drive policymaking. It is not uncommon for politicians to focus on employment measures for young university graduates (who are often from the upper-middle class), as this is the most vocal and best organised - and therefore most politically sensitive - youth group. On the other hand, less educated and poorer youth far outnumber university graduates and face more obstacles, thus providing an even stronger justification for public support. Young women also often face additional barriers to employment, hence requiring special attention in programme design and implementation. It is therefore essential to define priority target groups and understand their specific needs through adequate labour market and target group assessments (see Guidance Note 1). Further, policies and interventions must ensure proper segmentation and profiling of young people (by age, sex, level of education, etc.) to be able to target services to the particular needs of different subgroups (Corbanese and Rosas, 2017; Loxha and Morgandi, 2014).

Recognise youth as a priority target group in national development and employment strategies. To prevent the negative consequences of youth unemployment and idleness for both young people and society as a whole, policies should prioritise supporting job creation for youth, facilitating the school-to-work transition and providing second chances for those who have dropped out or otherwise already facing negative consequences. Given the diversity of challenges young people face, national strategies and action plans need to be cross-sectoral, involving the ministries of labour, education and youth, among others, and including youth representatives in the consultation process⁽³⁾.

Provide information and orientation as early as possible to facilitate the school-to-work tran**sition.** Since young people are less likely to have good information about job opportunities and may lack strong networks, it is critical to provide them with quality information to guide their education and career choices (e.g. on growing sectors, industries with staff shortages, wages by occupations). This information should ideally be provided while most youth are still in school - i.e. no later than secondary school. It can take many forms, including school career guidance counsellors, mini-internship programmes, company visits and job fairs; it should also be integrated into higher education, perhaps through career centres. To ensure wide coverage of information, such initiatives should be provided through a network of youth-serving institutions (schools, universities, employment centres, youth centres, etc.), while ensuring a consistent approach to avoid fragmentation and inadequate/ contradictory orientation. The ability to provide good information is contingent on having functional labour market information systems (see Guidance Note 2) that support the analysis and communication of relevant data. Better information and orientation may need to go hand in hand with improving the reputation and perceptions of certain educational and career paths (e.g. related to technical training and/or blue-collar work), for instance through promotional activities (GIZ, 2014).

Increase the quality, relevance and appeal of education and training systems to reduce skills mismatch. To provide young people with the necessary cognitive, socio-emotional and technical skills (including digital skills and literacy), education and training systems must be responsive to market needs and encourage the acquisition of transferable qualifications and competences such as self-efficacy, problem solving and critical thinking. This is also true for technical and vocational education, which in many countries suffers from low quality and a bad reputation. To increase linkages with the labour market, education and training systems should also provide early exposure to work experience. Since practical experience is best gained on the job, promoting apprenticeships and other forms of work-based training in both formal and informal settings can be an important entry point (Comyn and Brewer, 2018; ILO, 2017); see Box 11.2 for an example.

Leverage non-formal education to reach outof-school youth and provide second chances.

Since many young people in developing countries do not complete formal schooling, and because formal schooling may often be of insufficient quality, non-formal education can offer an important avenue to foster skills and prepare youth for the labour market. Nonformal education comprises activities and programmes outside the established formal system to impart basic education for out-of-school children and youth, life skills, work skills, adult literacy and general culture

BOX 11.2 Apprenticeship in Ghana's informal sector

The majority of young people in Africa lack the general qualifications to enrol in formal technical education or training programmes, since these require at least some secondary schooling. As a result, informal apprenticeships are widespread in Africa, particularly in West Africa. In Ghana, for instance, the majority of young people undertake training in the form of a traditional apprenticeship outside the country's formal education system. Traditional apprenticeships last three years on average and are based on an oral or written arrangement between the apprentice and the professional. In general, there are no entry requirements. Apprentices must pay a training fee; often, they receive subsistence costs and sometimes support with travel or accommodation expenses.

Several efforts have been undertaken to build on and enhance the traditional apprenticeship model. A GIZ initiative sought to improve the quality of traditional apprenticeships by strengthening relevant stakeholders (e.g. industry associations), creating a link to the formal vocational education and training system, and enhancing the recognition of qualifications gained through apprenticeships. The initiative also encouraged girls and women to seek apprenticeships in previously male-dominated professions. Another effort involved the National Apprenticeship Programme initiated by the Council for Technical and Vocational Education and Training, which piloted a one-year training period in order to reduce the amount of time before apprentices can enter the labour market.

Sources: IPA, n.d.; AfDB, OECD and UNDP, 2017.



















































































- typically delivered through community groups and non-governmental organisations. The evidence base for these types of programmes is very thin, however, and more research is need to determine which types are most effective (see e.g. Shephard, 2014).

Promote active labour market programmes (ALMPs) for youth to facilitate the school-towork transition. The various kinds of ALMPs - skills training, entrepreneurship promotion, employment services, subsidised employment – provide a rich set of instruments with which to support young people's transition to work. Choosing the appropriate tools must be made in line with the most relevant barriers in the local context. Labour markets in many developing countries have very limited wage employment opportunities, with the majority of people working in household enterprises and on small farms; this means interventions that prepare for wage employment are potentially less adequate than supporting transitions to self-employment and helping existing businesses grow (see e.g. Fox and Kaul, 2018). Moreover, in order to address the multiple barriers young people face, comprehensive and integrated approaches that combine, for instance, training, subsidised internship, and placement support are typically more effective. Interventions may also need to address contextual barriers such as transport costs, e.g. through the provision of transportation assistance or stipends (Romero and Urquhart, 2018). Against this context, youth-targeted ALMPs may include the following.

- **Employment services.** Job search assistance and career guidance can be a cost-effective tool, provided sufficient wage employment opportunities are available. More difficult-to-place groups need more intensive counselling and referrals to other ALMPs.
- **Skills training.** Skills training should be demand-driven (for growing sectors or even specific vacancies), include soft skills demanded by employers, emphasise practical on-the-job learning and provide linkages to placement support. See Box 11.3 for an example in the information and communications technology (ICT) sector.
- **Entrepreneurship support.** To facilitate the creation and growth of micro, small and medium-sized enterprises, there typically needs to be a comprehensive package including training, access

BOX 11.3 Digital Jobs Africa

In 2013, the Rockefeller Foundation launched Digital Jobs Africa to catalyse new, sustainable employment opportunities and skills training for African youth, with a focus on the ICT sector. It followed the impact sourcing approach – an inclusive employment practice by which companies intentionally connect high-potential, disadvantaged youth to available jobs. Specifically, the Rockefeller Foundation partnered with private training providers, non-governmental organisations and public academic institutions to connect high-potential, disadvantaged youth with digital jobs in the following categories through demand-driven skills training:

- jobs created in the ICT industry and ICT-enabled services (e.g. call centre operator, system administrator, programmer, and web developer);
- ICT-enabled jobs across sectors (e.g. billing and stock control in the retail sector; e-banking and mobile payments in the financial services sector);
- jobs accessed and performed online (e.g. microwork and paid crowdsourcing);
- jobs emerging via online platforms (e.g. running an e-commerce shop; being an online instructor; providing physical services enabled through online platforms such as Uber, Airbnb or TaskRabbit);
- jobs created through digital entrepreneurs (e.g. finding a job or starting a business related to digital products and services such as 3D printers or web services such as in programming, design, manufacturing or sales).

Over the course of the initiative, more than 150,000 youth have been trained and over 450,000 connected to jobs.

Source: Imaizumi, 2015.

to finance and advisory services. Follow-up assistance well beyond the start-up phase is critical.

■ Subsidised employment (public works and wage subsidies). Subsidised employment is effective in providing temporary jobs, but has limited impact beyond the subsidy period. Moreover, such programmes are expensive, and careful design is needed to minimise negative side effects.

For a detailed overview of good practices for different types of ALMPs, including for youth, see Guidance Notes 5–9.

Ensure youth-sensitive programming. Youth are not just 'young adults', but actually differ from older people in many aspects; this has implications for youth-focused employment interventions. For instance, young people are experiencing simultaneous and multiple life transitions (becoming more independent, forming their own identity, starting a family, etc.) and are strongly affected by the influences around them, such as family and peers (World Bank, 2006). Youth employment interventions therefore should integrate the success factors of broader youth development programmes – for example, by involving parents in outreach and information sessions, creating linkages to other youth-focused services and adopting peer-to-peer strategies.

Moreover, since forming an identity and having a sense of belonging is so crucial during the youth years, employment interventions for youth should foster the building of positive role models and the youth-adult relationships that may often be absent in highly vulnerable contexts. Building trust with caring adults should be a crucial element in employment programmes for youth, putting a premium on supplementary support services such as counselling and follow-up assistance. Box 11.4 provides an overview of key elements in youth-sensitive programming.

Integrate interventions targeted at youth with those targeted at job creation. The youth employment problem cannot be tackled in isolation, as it is part of the overall employment challenge in developing countries. Better employment outcomes for youth first and foremost depend on the creation of more employment opportunities; this in turn requires economic transformation and the creation of new economic entities and an increase in productivity among existing firms and farms (Fox and Kaul, 2018). Interventions must not only look at supporting youth directly, but at stimulating job creation. This requires targeted interventions on the demand side that address barriers facing informal sector enterprises, formal sector firms, and farms - especially in sectors and values chains where young people are more likely to work (Datta et al., 2018a, 2018b).

BOX 11.4 Success factors in youth-sensitive programming

- Know your clients, in order to be able to design interventions according to the specific beneficiary profiles.
- Develop socio-emotional skills, such as social skills, communication and self-control.
- Coach youth through goal management to help them think about the future and pursue their goals.
- Strong guidance and follow-up support, including after placement, as needed.
- Facilitate direct exposure and contact with the labour market to help youth see and feel the realities of different types of work.
- Create positive adult-youth relationships, based on caring and supportive interactions with programme staff.
- Adopt peer-to-peer engagement strategies, for example through peer trainers or mentors, interactive learning formats and youth-led activities.
- Adopt age-appropriate communication channels, such as leveraging social media where appropriate.
- Work with multiple stakeholders and across settings, involving young people's families and fostering collaboration with other relevant agencies and institutions (e.g. schools).
- Support staff engagement and development to ensure commitment and contribution.

Sources: Alvarado et al., 2017; Hempel, 2020; News Corp, Algorhythm and Youth Inc.

Ultimately, youth employment agendas have to be country specific and will typically need to address reforms and interventions outside the labour market, including on health, financial services and agriculture. To illustrate, Table 11.1 provides an overview of priority actions identified for youth employment in Sub-Saharan Africa.











































Diagnostics 1



































Indicators

TABLE 11.1 Priorities in promoting youth employment in Sub-Saharan Africa

AREA OF INTERVENTION	SHORT-TERM PRIORITY	MEDIUM-TERM PRIORITY		
Agriculture	 Enable rental markets for land Pilot intergenerational land transfer programmes Support high-quality, demand-driven extension services (covering information and skills) Link agricultural credit to extension services 	 Establish effective land registration and transaction systems Scale up intergenerational land transfer programmes Mainstream youth into smart interventions aimed at increasing productivity (producer organisations, livestock development, irrigation, etc.) Build skills through rapid improvements in education systems in rural areas 		
Household enterprises	 Develop a national strategy for household enterprises that reflects the voice of their ownership and youth Ensure access to workspace and infrastructure for household enterprises through improved urban policy Leverage non-governmental organisations to deliver interventions supporting disadvantaged youth in starting household enterprises by addressing multiple constraints (building a range of skills along with providing access to finance) Identify and support microenterprises with potential to grow (e.g. access to finance and markets) 	 Build foundational skills through rapid improvements in education systems Address infrastructure needs of household enterprises in urban development planning 		
Agriculture and household enterprises	 Promote rural village savings and loan associations and self-help groups Enable financial inclusion for households Use safety net programmes as a platform to deliver interventions to disadvantaged youth 			
Modern wage sector	 Reduce the cost of infrastructure services by addressing quality and efficiency Address logistics bottlenecks Reduce corruption and cost of business start-up Reform technical and vocational education and training (secondary and tertiary levels) Pursue public-private partnerships for delivering demand-driven training 	 Increase the quantity of infrastructure services Expand regional markets for products Improve the quality and relevance of education systems Improve access to credit through financial sector reform 		
Cross-cutting areas	 Increase awareness of opportunities and pathways to self-employment, especially for young women Consider second-chance education for basic skills 	 Promote early child development and nutrition to build a stronger foundation for skills development Build behavioural skills (consider reforms within the school system) Reduce fertility rates to lower the size of future youth cohorts (e.g. through girls' education, family planning) Build better labour market information and a stronger evidence base to identify country constraints, priorities and opportunities 		

Sources: AfDB et al., 2012; Filmer and Fox, 2014.

Notes

- (1) There are no common international definitions of 'youth'. This guidance note adopts an extended notion of youth that can include young people age 15–35, which is in line with definitions used in many developing countries. The various studies and statistics cited here may mean different age groups when referring to youth. For an overview of definitions, see UN DESA (n.d.). Data from this section are taken from ILO (2020).
- (2) A reduction in the size of the youth cohort, however, does not automatically translate into better employment outcomes.
- (3) For more information, see Rosas and Rossignotti (2008).

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Women's employment

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omen are more economically excluded than men⁽¹⁾. They have significantly lower labour force participation rates (47 per cent versus 74 per cent for men globally in 2019), especially in the Middle East and North Africa and South Asia. There are also significant gender gaps in unemployment, especially for young women.

When working, women are more likely to be in **pre-carious employment**.

- Women are more likely to be underemployed, working under temporary contracts and/or in parttime jobs.
- Women are over-represented in informal employment, limiting their access to social protection measures such as pensions, unemployment benefits and maternity protection.
- Women often face difficult working conditions when working in the formal economy.

Women are also disproportionally employed in less productive sectors and activities. In many developing countries, women are over-represented in subsistence agricultural activities and in the service industry, including such retail and personal services as cleaning and domestic care, which are often poorly remunerated. Gender-specific constraints mean that female farmers tend to have lower outputs and are less likely to be engaged in commercial farming than men; and female owners of micro, small and medium-sized enterprises (MSMEs) tend to have smaller firms in less profitable sectors.

Women generally earn less than men, which results from occupational segregation, differences in hours worked, lower education levels and discrimination.

OBJECTIVE AND KEY MESSAGES

This guidance note highlights the main arguments to promote women's employment, the main barriers to women's employment and priority intervention areas.

- Women are more economically excluded than men and more likely to work in precarious conditions, less productive sectors and unpaid work in family businesses.
- Gender equality in employment can significantly contribute to a country's economic prosperity and have positive intergenerational effects.
- Barriers affecting women's employment outcomes are multifaceted and include issues such as social norms, discrimination and time constraints. Country and programme diagnostics should be used to assess women's specific barriers in the local context.
- Employment-related policies and interventions consist of providing an enabling environment and targeted programmes to support women's transition to employment.
- Many important areas for interventions that affect women's employment lay outside the labour market, e.g. related to improving the availability of (child) care services, enhancing the legal framework (restrictions to own property and land), and addressing social norms and gender-based violence.

Women and girls are also responsible for the vast majority of unpaid care and housework (see e.g. UNICEF, 2016), as well as unpaid work in family businesses.









































Justification for intervention

It is widely accepted that gender equality - including in the area of economic empowerment - is a basic human right, since everyone should have the ability to live the life of one's choosing regardless of one's sex. This recognition is reflected in the widespread ratification of the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW) adopted by the United Nations General Assembly in 1979; the Sustainable Development Goals and the earlier Millennium Development Goals; several International Labour Conventions(2); and the policy frameworks of major development partners, including the European Union (EU) (see Box 12.1). 'The New European Consensus on Development' puts special emphasis on opportunities for girls and women under its 'people' pillar (EC, 2017).

Gender equality contributes to a country's economic prosperity. An increasing body of evidence suggests that raising female employment to male levels could significantly boost countries' productivity and gross domestic product growth – for instance, by up to 34 per cent in Egypt or 10 per cent in South Africa (Aguirre et al., 2012; Elborgh-Woytek et al., 2013; IMF, 2018; McKinsey Global Institute, 2015).

Jobs for women have positive intergenerational effects. Higher incomes for women have been shown to translate into more investments in children's education and health, thus providing a foundation for breaking the intergenerational cycle of poverty (OECD, 2012).

Female economic empowerment has important benefits at the individual level as well. In addition to providing increased financial independence, it can contribute to higher bargaining power within the household (e.g. more control and decision-making over household resources), and stronger agency in terms of the ability to make one's own decisions and act upon them (Majlesi, 2016).

Underlying barriers

Barriers affecting women's employment outcomes can be categorised as macro-level, institutional and

BOX 12.1 EU Gender Action Plan

Equality between men and women is at the core of EU values and enshrined in its legal and political framework. The EU's Gender Action Plan 2016–2020 (GAP II) focuses on three thematic areas, the second of which refers to the economic strengthening of girls and women:

- ensuring girls' and women's physical and psychological integrity (elimination of violence against girls and women, eradication of trafficking, increased access to healthcare, ending forced marriage, etc.);
- promoting economic and social rights and empowerment of girls and women (increased number of girls and women receiving quality education, improved access to decent work and social protection floors, supporting equal access to financial services and other productive resources, etc.);
- strengthening girls' and women's voice and participation (increased participation in policy, governance, and electoral processes; support of agents of change; etc.).

The Gender Action Plan also proposes a shift in European Commission services and the European External Action Service's institutional culture to more effectively deliver on the EU's gender commitments. This includes strengthening accountability (e.g. stronger gender considerations in results frameworks and monitoring and evaluation processes); fostering coordination and dialogue at the international, national and local levels; a stronger focus on evidence-based decision-making (e.g. through gender analysis); and ensuring adequate financial resources to implement the action plan. A new action plan (GAP III) has been developed for 2021–2025.

Sources: EC, 2015a; Council of the European Union, 2015.

individual. The main barriers in each of these categories are described below⁽³⁾.

MACRO-LEVEL BARRIERS

Social norms. Social norms affect women's work by dictating the way they spend their time and undervaluing their potential. Housework, child rearing and

elder care are often primarily women's responsibility and thus restrict their access to the labour market. Social norms also influence women's aspirations and, hence, their educational and occupational choices towards more traditional - and less productive and profitable - occupations such as small-scale retail, sewing, etc., or towards withdrawing from the workforce altogether (e.g. after marriage). Box 12.2 discusses gender barriers in the Middle East and North Africa.

BOX 12.2 Employment barriers for rural women in the Middle East and North **Africa**

Gender norms represent a key barrier to women's employment in the Middle East and North Africa region. Discriminatory norms are commonly supported not only by a majority of men, but also by many women. Traditional perceptions value women for their role in the household and in providing for the well-being of family members. Women's contributions to the family's economic activities - be these agricultural or entrepreneurial - tend to be conflated with their household roles, and hence undervalued, especially in rural contexts. Moreover, women's acceptance of paid work is often perceived as a response to supplementing family income due to the inability of the man to fulfil this role. Cultural perceptions of gender roles play an important part in shaping stereotypes of 'acceptable' occupations for women and men. Social service professions that correspond to caring and raising children, such as nursing and teaching, have been 'feminised'; others, related to machinery or to authority in society, are viewed as 'male domains'.

Restrictive legal frameworks pose another important barrier to women's employment. The Middle East and North Africa region has the highest average in the number of legal differences by gender and marital status in its laws. This in turn results in differential access to institutions, use of property, getting a job, building credit, work incentives and protections against violence - to the disadvantage of women. Discrimination in laws is among the key drivers restricting women to the informal economy, especially in rural areas.

Source: ILO, 2018b.

Legal and non-legal discrimination. Legal discrimination can affect many areas of women's lives and also restrict their economic opportunities. For instance, in some countries, discriminatory laws restrict women's ability to own or use property and land (reinforced through prevailing inheritance laws), build credit, or get a job on their own (e.g. requiring husband's consent)(4). Women also face non-legal discrimination - for instance by potential employers, who may see women as being more 'risky', as they may become pregnant and be unable to work. Women also tend to receive lower salaries than men for the same work.

Inadequate labour regulation. Discrimination may be reinforced by inadequate regulation, mainly in the context of formal wage employment. While often designed to protect women, labour regulations can backfire when not adequately designed. For instance, generous maternity leave policies can result in disincentives to hire women, especially when the costs are primarily borne by the firm as opposed to contribution based or government funded (World Bank, 2015).

INSTITUTIONAL-LEVEL BARRIERS

Access to productive resources. Even when not constrained by law, women in practice often face more difficult access to and control of productive resources such as land, credit and other assets, be it for social, cultural or religious reasons.

Inadequate health and social services. Women may be particularly vulnerable to inadequate public services (e.g. in healthcare and social protection), as the lack of these can directly affect their own sexual and reproductive health and family situation. For instance, teen pregnancies can strongly interfere with education and employment options (see e.g. OECD, 2017). Moreover, the common lack of affordable care infrastructure (e.g. for children or the elderly) restricts women's ability to work more hours, or outside the household.

INDIVIDUAL-LEVEL BARRIERS(5)

Lack of agency. In many developing countries, women cannot make independent decisions about fundamental aspects of their day-to-day life,























































































including reproductive health and starting a family; how to earn and spend money; and whether and when to go to school or work or participate in other economic-related activities.

Skills gap. In some countries, girls and women face unequal education and training opportunities – and the consequences thereof, which are reflected in lower school enrolment and completion ratios and higher rates of illiteracy. For instance, a majority of children not in education are often girls, as poor families, unable to afford education for all their children, often give priority to sons, while girls may be confined to household activities and support of family farming. Women may also face barriers in accessing professional training, including in terms of traditional role models, a lack of adequate infrastructure (e.g. separate toilets) or an appropriate environment in the local context (e.g. lack of female trainers).

Time constraints due to family responsibilities. This primarily includes difficulties in combining work and household responsibilities with regular wage employment due to a lack of available and/or affordable care services. In the least developed areas, basic household activities such as fetching water and cooking are, in the absence of modern appliances, very time intensive. These time constraints often lead women to more informal and home-based work, where these competing responsibilities can be more flexibly combined, or to inactivity altogether.

Limited mobility. Limited mobility can result from a lack of agency or social norms but also from security concerns (harassment, gender-based violence, etc.). In some cases, there may even be legal restrictions to mobility, as in Saudi Arabia, where women were not allowed to drive a car until quite recently.

Limited social networks. Since women tend to spend more time at home, they have less exposure to other people and are more isolated. They are therefore often more constrained in their access to information and social/professional networks, which are key to finding jobs and running a successful business.

Priorities for employment interventions

Given the broad nature of potential constraints to women's employment, governments and development partners must consider a policy mix that addresses barriers at different levels. International experience suggests that such policies may include the following, allowing for variation across local contexts: (i) adopting a gender focus in employment diagnostics and national strategies, (ii) employment policies that provide an enabling environment for women's work, (iii) labour market policies and programmes directly targeted at women, and (iv) policies to address constraints outside the labour market (Koettl-Brodmann and Hempel, 2018).

DIAGNOSTICS AND POLICY PRIORITIES

Integrate gender perspective into country and programme diagnostics. Strategies and interventions to reduce gender inequalities must start with a careful diagnostic of the main barriers to female employment in the local context. Unless good assessments already exist, this can be done as part of broader employment diagnostics or through targeted gender assessments.

See Guidance Note 1 for more on employment diagnostics.

Ensure that employment policies and strategies are sensitive to the particular challenges and needs of women. National employment policies offer an opportunity to make an explicit commitment to women's economic empowerment. Employment patterns should be disaggregated by sex, and the different needs of various social groups - including women - specifically addressed in the formulation of priority interventions. Since women are typically more strongly affected by issues such as inactivity, underemployment and informal work, interventions to address these challenges should be given special attention. Involving women's organisations and the ministry responsible for gender or women's affairs can further help embed gender sensitivity into policies (Kring, 2017).

EMPLOYMENT POLICIES THAT PROVIDE AN ENABLING ENVIRONMENT FOR WOMEN'S WORK

Foster gender-responsive macroeconomic pol-

icy. For instance, monetary policy can stimulate growth in labour-intensive sectors and channel credit to priority areas where women predominate (UN Women, 2017). Fiscal policies (e.g. through taxation and the design of family benefits, investments in girls' education, infrastructure investments to free up women's time), policies to increase the demand for female labour (e.g. by addressing discrimination) and other measures (e.g. flexible work arrangements) can also play an important role in promoting female labour force participation (Elborgh-Woytek et al., 2013; Fabrizio et al., 2020).

Gender mainstreaming across sectoral policies. Sectoral policies should address the specific needs of women. For instance, addressing the lack of female workers in the transport and logistics sector may require addressing gender stereotypes that influence study choices, a male-dominated working culture, inflexible and unattractive employment conditions, and workplace health and safety issues (Kushitashvili and Isik, 2018). Similarly, gender mainstreaming in occupational safety and health policies implies special considerations to address pregnancy, stress, harassment and other women-specific issues in the workplace (see e.g. ILO, 2013; TUC, 2017). See Box 12.3 for the definition of gender mainstreaming

used by the United Nations.

Promote adequate labour market regulation that ensures decent working conditions while reducing disincentives to hire women. Although designed to protect women, generous provisions in labour regulation (e.g. in terms of duration of and earnings during maternity leave) can backfire when they create excessive costs for employers. Hence, it is crucial to promote 'balanced' regulations based on dialogue among social partners (see also Guidance Note 10). For instance, paid maternity leave can be financed through national insurance systems or government tax revenues to alleviate the burden on individual employers.

Improve working conditions in female-dominated industries. In many countries, female

BOX 12.3 United Nations definition of gender mainstreaming

'Mainstreaming a gender perspective is the process of assessing the implications for women and men, of any planned action, including legislation, policies or programmes, in any area and at all levels. It is a strategy for making the concerns and experiences of women as well as of men an integral part of the design, implementation, monitoring and evaluation of all policies and programmes in all political, economic and societal spheres, so that women and men benefit equally, and inequality is not perpetuated. The ultimate goal of gender mainstreaming is to achieve gender equality'.

Source: UN ECOSOC, 1997.

workers are concentrated in certain industries, such as ready-made garments or agriculture, that are characterised by poor working conditions. Working towards the prevention of abusive practices, reducing excessive overtime, closing the gender pay gap, and improving occupational safety and health can make a strong contribution to women's quality of work. To this end, the Better Work programme implemented by the International Labour Organization and the International Finance Corporation has targeted the garment industry, demonstrating that improving working conditions can go hand in hand with strengthening companies' business performance (see Box 12.4).

LABOUR MARKET POLICIES AND PROGRAMMES DIRECTLY TARGETED AT WOMEN

Address cross-cutting gender-specific barriers in designing employment interventions. This may be accomplished through a variety of measures, including the following (Austrian and Ghati, 2010; World Bank, 2012; also see Box 12.5):

- involve families/husbands during beneficiary outreach;
- provide 'safe spaces', e.g. girls-only classes and/ or female trainers;

















































































BOX 12.4 The Better Work Programme

Better Work, a collaboration between the International Labour Organization and the International Finance Corporation, is a comprehensive programme bringing together all levels of the garment industry to improve working conditions, respect labour rights for workers, and boost the competitiveness of apparel businesses. The programme helps enterprises improve their practices based on core International Labour Organization labour standards and national labour law. It places a strong emphasis on improving worker-management cooperation, working conditions and social dialogue.

Source: Better Work website.

- offer flexible training schedules to accommodate household responsibilities, including child, elder and disability care;
- provide childcare and transportation options;
- enhance decision-making capacity (e.g. through soft skills training);
- strengthen social and professional networks (e.g. through mentors, participation in self-help or other interest groups);
- provide better information (e.g. on wages by occupation) to influence girls' aspirations and address occupational segregation;
- link employment-related activities with other topics such as maternal and reproductive health, and gender-based violence – possibly through a phased approach addressing empowerment aspects first, with livelihood support being added over time.

Adopt a gender lens in active labour market programmes (ALMPs). ALMPs can be very valuable for young women to gain information, skills and experience as well as for adult women in facilitating their re-entry into the labour market after breaks due to childbirth and child/family care (Kring, 2017). Regardless of gender, ALMPs should follow certain standards to be effective, as delineated in Guidance

BOX 12.5 BRAC's Empowerment and Livelihood for Adolescents Programme

Uganda has one of the highest rates of young women out of the labour force. For those in the labour force, females of all ages – but especially younger women – have higher unemployment rates than men. Young women also must deal with severe health-related challenges, including pregnancy, exposure to sexually transmitted diseases and HIV infection. Teen pregnancy and early marriage limit girls' ability to go to school and find gainful employment, increasing their dependency on older men. In sum, young women are often caught in a cycle of early fertility and lower economic outcomes.

BRAC's Empowerment and Livelihood for Adolescents (ELA) programme implemented in Uganda and other countries seeks to address these challenges. The programme operates through adolescent development 'clubs', a meeting place within each community that normally includes 20–35 girls aged 13–20. There, the girls can discuss problems with their peers in small groups and build social networks. For younger girls, the emphasis is on health education and social skills development. Older girls also receive training in livelihoods and financial literacy, and access to micro-loans. The clubs also host recreational activities such as reading, staging dramas, singing, dancing and playing games.

A randomised evaluation found that the programme had strong positive impacts on girls' economic, health and agency outcomes. For instance, the programme increased participants' likelihood of engaging in income-generating activities by 32 per cent; self-reported routine condom use by those who were sexually active increased by 50 per cent; fertility rates dropped by 26 per cent; and there was a 76 per cent reduction in adolescent girls reporting having had sex against their will during the past year.

Sources: Bandiera et al., 2013; ELA webpage.

Notes 6–9. For instance, skills training programmes should be demand-driven and emphasise practical work experience to prepare girls and women for available jobs. In addition to the general principles

and cross-cutting gender considerations mentioned above, a specific gender lens for the different ALMPs can be useful, as indicated below.

- **Employment services.** Deconstruct gender-specific role models and stereotypes through orientation and intermediation services, for instance through targeted information on wage differentials by occupation, etc.; mentoring; involving role models and opinion leaders; and the media.
- **Skills training.** Engage businesses as partners to address discrimination, foster apprenticeships for young women in non-traditional areas, etc.
- Entrepreneurship. To help women start and grow MSMEs, pay particular attention to access to credit, land and productive inputs. Facilitate social networks (e.g. through mentoring, selfhelp groups, business associations or informal meetings of female business owners) and access to information and business support services. Facilitating access to individual savings accounts can further enhance economic outcomes for women.
- **Public works.** Ensure that workfare activities are suitable for women by including labour-intensive community services rather than only infrastructure works (for more information on public works, see Tanzarn and Gutierrez, 2015).

Holistic approaches are needed for very poor women. For instance, bundled services such as BRAC's graduation model, providing a cash stipend and access to savings, training and technical assistance, a large (often in-kind) capital transfer, and health information and life skills coaching have been shown to be effective in many countries (IPA, n.d.). Similarly, integrated services for farming – consisting of access to farmer groups, financial services, extension and training on agricultural technologies and practices, etc. – are considered promising, as opposed to stand-alone interventions (Buvinic and O'Donnell, 2016).

POLICIES TO ADDRESS CONSTRAINTS OUTSIDE THE LABOUR MARKET

Potentially, the most important interventions may sometimes lay outside the labour market; this includes reforms related to the following:

- legal frameworks removing legal barriers for women, e.g. related to land ownership or other property rights;
- childcare policies making affordable childcare widely available;
- education system, by reducing distance and mobility barriers to schools, providing gender-sensitive facilities, removing gender bias in curricula, and providing incentives for girls' schooling (e.g. conditional cash transfers);
- health and social protection system, e.g. to ensure adequate access to sexual and reproductive health services, health insurance, family benefits, etc.⁽⁶⁾;
- public safety and security to reduce gender-based violence at and on the way to work.

Notes

- (1) This section draws on ILO (2018s, 2020).
- (2) Primarily, these are C111 Discrimination (Employment and Occupation) Convention (1958), C100 - Equal Remuneration Convention (1951), C156 - Workers with Family Responsibilities Convention (1981) and C183 -Maternity Protection Convention (2000).
- (3) This section draws on World Bank (2014).
- (4) For by-country and indicator analysis of gender inequality in the law, see the World Bank's Women, Business and the Law data set and reports.
- (5) Note that many barriers related to individual characteristics are ultimately related to issues at the institutional level. For instance, individual skills gaps relate to deficiencies in the education system. Similarly, women's time constraints are due to weak care services.
- (6) For a more detailed discussion of social protection systems, see EC (2015b).





















































































KEY RESOURCES

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Disability and employment

BY RUDOLF CZIKL, BETTINA LIESEL SCHMIDT AND KEVIN HEMPEL

ersons with disabilities are less likely to find work than people without disabilities, fuelling unemployment and inactivity. (See Box 13.1 for an explanation and definitions of disability-related concepts.) Globally, the employment to population ratio for persons with disabilities is 36 per cent, compared to 60 per cent for people without disabilities (UN, 2018). People with mental health difficulties or intellectual or multiple disabilities face particular disadvantages in the labour market. Women with disabilities face a double burden of gender- and disability-related barriers. Across all regions, their employment outcomes are significantly worse than for men with disabilities (UN, 2018).

Even when persons with disabilities are employed, they tend to work more in **precarious jobs and earn lower wages**. They often work in the informal sector, or in casual or part-time work, leading to lower pay, fewer benefits and less social protection (WHO and World Bank, 2011). For example, in India, more than 85 per cent of persons with disabilities who work are in the informal sector, compared to 69 per cent among the total population (WHO and World Bank, 2011). Working in the informal sector often means working under harmful and unregulated conditions, and without proper access to social protection.

Bad working conditions – particularly poor occupational health and safety – are also a key driver of work accidents and disability. According to International Labour Organization estimates, there are over 300 million non-fatal occupation-related accidents every year (ILO, 2014). While definitive statistics on the prevalence of **impairment due to work accidents** are limited, this likely represents a sizeable share. For instance, among the disabled population aged 51–61 in the United States, 17 per cent report

OBJECTIVE AND KEY MESSAGES

This guidance note highlights the main arguments to support persons with disabilities in fulfilling their right to employment, the main barriers to their employment and priority intervention areas.

- Persons with disabilities are less likely to be working than those without disabilities; when they are working, they tend to hold more precarious jobs and be more subject to employer exploitation.
- Addressing the employment needs of persons with disabilities is anchored in human rights conventions and the Sustainable Development Goals.
- The economic exclusion of persons with disabilities represents a high cost to society.
- Barriers to employment for persons with disabilities include weak legal frameworks, fewer opportunities to attend formal education and training, physical and communication barriers, discrimination during recruitment and in the workplace, as well as lower self-esteem and other personal issues.
- Interventions should consist of two complementary tracks: (i) empower persons with disabilities (as well as their families and representative organisations) and ensure disability-specific interventions in skills training, job placement support, etc.; and (ii) mainstream disability-sensitive measures into existing areas of development assistance in order to overcome legislative, physical and societal barriers faced by persons with disabilities.









































BOX 13.1 Disability definitions

An individual's **handicap** does not necessarily imply **disability**. Instead, disability is now understood as arising from the interaction of an individual's health conditions that limit his or her functioning with environmental and personal factors (e.g. available services, policies, self-esteem). This concept reflects a transition from an **individual, medical perspective** to a **structural, social perspective**, in which people are viewed as being disabled by society rather than by their bodies.

The United Nations, in the 2006 Convention on the Rights of Persons with Disabilities, defines persons with disabilities as 'all those who have long-term physical, mental, intellectual or sensory impairments which, in interaction with various barriers, may hinder their full and effective participation in society on an equal basis with others'.

The World Health Organization's International Classification of Functioning, Disability and Health 'emphasizes environmental factors in creating disability' and categorises problems with human functioning in three areas (WHO and World Bank, 2011):

- impairments are problems in body function or alterations in body structure – for example, paralysis or blindness;
- activity limitations are difficulties in executing activities – for example, walking or eating;
- participation restrictions are problems with involvement in any area of life – for example, facing discrimination in employment or transportation.

their impairment was caused by an accident or injury at work (Reville and Schoeni, 2004). Hence, combined with a lack of social protection, adequate insurance schemes and rehabilitation services, work accidents can incur tremendous costs for victims, their employers and the national economy. Even when a social protection system exists, persons with disabilities in general or those working in the informal sector may not be eligible for existing schemes.

Due to their increased level of vulnerability, persons with disabilities may be more exposed to employer

abuse and exploitation. Since persons with disabilities face increased difficulty in obtaining alternative employment, employers have disproportionate power over their employees, which can lead to poor treatment and harassment. There is also evidence of bonded labour or slave work involving persons with disabilities in developing countries⁽¹⁾ (Handicap International, 2016).

Persons with disabilities are more at risk of being affected by **poverty**. While the empirical evidence is mixed or not always readily available, data from many developed and developing countries suggest that poverty rates are often higher for persons with disabilities, even when they are employed. Higher healthcare costs, lower educational attainment and worse labour market outcomes are key drivers of poverty for this population. Moreover, disability and poverty can be a vicious cycle (Banks and Keogh, 2016). People living in poverty suffer from poor housing, malnutrition and access to basic healthcare - which in turn puts them at higher risk of illness, injury and disability. At the same time, people with a disability are more likely to stay trapped in poverty due to limitations related to education and employment. With fewer opportunities for decent work, they cannot break the cycle.

Justification for intervention

The moral and legal imperative for the inclusion of persons with disabilities is reflected in international human rights conventions. Article 23 of the Universal Declaration of Human Rights refers to equal rights and equal opportunities to be ensured for everyone in the context of employment; this includes for persons with disabilities. Moreover, as of 2018, 175 states had ratified the United Nations Convention on the Rights of Persons with Disabilities (CRPD). The European Union (EU) as well as EU Member States are parties to the CRPD.

Notably, the CRPD specifies universal human rights as they apply to the situation of persons with disabilities all over the world and seeks to 'promote, protect and ensure the full and equal enjoyment of all human rights and fundamental freedoms by all persons with disabilities'. Article 27 of this convention stipulates that countries recognise the right of persons with disabilities to work on an equal basis with others

(through prohibition of discrimination, protection of rights, promotion of employment opportunities, etc.). The convention further recognises the importance of diversity and the active involvement of persons with disabilities in decision-making processes at the policy and programme levels. Countries that have ratified the CRPD also commit to ensuring that international cooperation, including international development programmes, is inclusive of and accessible to persons with disabilities (Article 32). This point is also highlighted in the European Disability Strategy, which states that 'The EU and the Member States should promote the rights of people with disabilities in their external action' (EC, 2010).

Disability is addressed in the Sustainable Development Goals (SDGs). Several of the SDGs relate to employment and decent work for persons with disabilities, including (UN DESA, 2015):

- Goal 4 guaranteeing equal and accessible education by building inclusive learning environments and providing the needed assistance for persons with disabilities: reaching this goal will enhance the employability of persons with disabilities;
- Goal 8 promoting inclusive economic growth, full and productive employment allowing persons with disabilities to fully access the job market;
- Goal 10 emphasising the social, economic and political inclusion of persons with disabilities.

Taking persons with disabilities into consideration in efforts for achieving these and the other SDGs also contributes to one of the overarching principles of Agenda 2030 – 'leave no one behind'.

With 'The New European Consensus on Development' (EC, 2017), the EU and its Member States explicitly commit to promoting the rights of persons with disabilities in line with the CRPD. In particular, consensus prevails within the EU for 'vigorously' promoting equal participation of persons with disabilities in the labour market.

The exclusion of persons with disabilities represents an economic burden for society, households and individuals. Studies show that economic losses related to the exclusion of persons with

disabilities from the labour force can range between 3 and 7 per cent of gross domestic product (Buckup, 2009). Improving the economic inclusion of persons with disabilities allows for a more comprehensive exploitation of the economic potential of individuals (in terms of their contribution to the workforce) and of society as a whole. While creating inclusive societies does require financial investments, the costs of inaction are far greater (Banks and Polack, 2014).

Impairments and disability-related unemployment as a result of work accidents cause a loss of prior investments in education, vocational and skills training. Work accidents can significantly reduce people's productivity, and in severe cases lead to the inability to work. Through these, prior investments made in education and training by governments, employers and workers themselves are lost. Maintaining and securing a skilled workforce and high levels of productivity requires appropriate systems and measures for occupational health and safety as well as rehabilitation and reintegration of victims from work accidents (ILO, 2006).

Inclusive employment can help in overcoming negative perceptions about disability in society, thereby contributing to social cohesion. Those negative perceptions derive mainly from ignorance, ill information and prejudice prevailing in society. Disability-inclusive employment can help change these perceptions and consequently the attitudes of employers and those who will work with persons with disabilities. As the respect to diversity in the workplace grows, the association of disability with inferiority and inability, discrimination as well as stigmatisation can be reduced (Vilela and Leite, 2017).

Underlying barriers

Since disability can stem from a large variety of impairments – and because it is less a function of an individual's medical condition but more of his or her environment – barriers to the employment of persons with disabilities are manifold and include legal, cultural, social, behavioural, physical and informational barriers.



















































































BARRIERS RELATED TO THE MACRO ENVIRONMENT

Lack of disability-disaggregated data. The prevalence of disability is often underestimated. The World Report on Disability estimates that, globally, 15 per cent of the population live with some kind of disability, 80 per cent of them in developing countries (WHO and World Bank, 2011). National estimates are often much below this level, either because disability is defined differently than by the CRPD or the compilation of data is inadequate (UN ESCAP, 2012). Comprehensive, reliable country data on the status of persons with disabilities are typically not available, especially information on national labour markets and systems that support their diverse needs (ILO, 2015). Disability-related questions on national censuses, household surveys and other administrative data collection tools are often lacking or inadequate. Consequently, although persons with disabilities represent a significant share of society, the lack of quality data inhibits a proper understanding of their needs and the obstacles they face in the labour market, and can lead to limited policy attention.

Weak national frameworks to promote disability-inclusive development or weak enforcement.

Despite progress in recent years, there remains a persistent gap at the national level between policy and practice in guaranteeing the inclusion of persons with disabilities (UN, 2013). Legal frameworks (e.g. with regard to non-discrimination) may be weak; where they do exist, they often may not be adequately implemented and enforced. Moreover, in some countries, persons with disabilities may be declared incapable of working; elsewhere, national policies provide disincentives to work, for instance when not working is a condition to access disability benefits.

BARRIERS RELATED TO THE DIRECT ENVIRONMENT OF PERSONS WITH DISABILITIES

Lack of participation by organisations of persons with disabilities. Such organisations have a deep understanding of the employment situation and challenges faced by persons with disabilities in the labour market. However, their voice and expertise are often not sufficiently considered during project

planning, implementation and evaluation. The result is policies and interventions that do not sufficiently consider the needs of persons with disabilities.

Physical and communication barriers restrict access to information, training and work. Most places, including training institutions, public buildings and workplaces are not physically accessible for persons with disabilities. Similarly, persons with disabilities might not be aware of job advertisements and selection procedures where these are not accessible. Public transport, which is critical in commuting for persons with disabilities, is also often not accessible. People with hearing, visual, physical or intellectual disabilities have different needs and experience different access-related barriers.

Societal misconception about disability. There is often a general societal misconception about the capacity of persons with disabilities to work – a misconception frequently shared by persons with disabilities and their families, and ultimately affecting the ambitions of those with disabilities to seek jobs. Such attitudes are often due to limited knowledge, ignorance and prejudice which reinforce the belief that persons with disabilities are less productive than their non-disabled counterparts (WHO and World Bank, 2011). Misconceptions are especially severe regarding people with mental health difficulties. These stereotypes also influence employers and co-workers, resulting in a lack of effort to accommodate the hiring process and provide adequate on-the-job support; this in turn limits opportunities for persons with disabilities to get a job and advance in their careers.

Discrimination during recruitment and in the workplace. Employers may discriminate against persons with disabilities because of misconceptions, or simply because they do not wish to hire them (even though they may thereby violate laws and regulations). Indeed, persons with disabilities often want to work but are constrained to do so. For instance, according to Morocco's Second National Survey on Disability Prevalence, among persons with disabilities who do not work, 37.9 per cent of respondents said they would like to work but did not think it was possible, and 31.1 per cent indicated they faced discrimination due to their disability (Handicap International, 2016). Negative attitudes can be accompanied by employers' fears about the potentially high costs to

accommodate the workplace for persons with disabilities (Rohwerder, 2019).

Persons with disabilities have fewer opportunities to attend formal education and proper **skills training.** Multiple barriers in the education system, in social and physical environments and in households' socioeconomic situation limit the education opportunities of children with disabilities. Issues include community perceptions preventing school attendance, segregation in special schools, inadequate training and support for teachers, physical barriers and stigmatisation (WHO and World Bank, 2011). Similarly, vocational and skills training programmes are often not prepared to host trainees with disabilities. Besides limited physical accessibility, training materials, didactic methods and curricula often do not take the needs of trainees with disabilities sufficiently into account - making it arduous for them to complete these programmes (Thabo Mbeki Development Trust for Disabled People, Disabled People South Africa and Human Sciences Research Council, 2007).

Mismatch between market needs and training available for persons with disabilities. Even when vocational and skills training programmes are available and accessible for persons with disabilities, they often adhere to stereotypical job profiles. This narrow spectrum of prospective jobs leads to excessive supply of workers, limiting opportunities and perpetuating unemployment and inactivity. The lack of market demand is often compounded by a lack of recognised certification upon training completion (Handicap International, 2016).

Lack of quality employment support services.

Employment services play an important information function for all job seekers, including those with disabilities. However, public employment agencies and other service providers often do not have the institutional capacity to provide useful services in line with the special needs of persons with disabilities (e.g. occupational counselling). Similarly, advice to employers with regard to compliance with non-discrimination laws, creating and offering accessible workplaces, providing flexible working hour arrangements, or other types of support to workers with disabilities are rarely available.

CHALLENGES AT THE INDIVIDUAL LEVEL

Low self-esteem, aspirations and networks.

Persons with disabilities may often experience individual challenges beyond the restrictions resulting from their handicap. For instance, disability can reduce self-esteem and affect a person's expectations about finding a job, or even prevent an individual from trying to find employment. Persons with disabilities may also experience social isolation and hence weaker personal networks, which are often crucial in finding a job.

Lack of skills. Due to the limited access of children with disabilities to quality, inclusive education and training, many persons with disabilities have low formal qualifications and do not have sufficient technical or socio-emotional skills to compete in the labour market.

Limited awareness of rights at work. To access work-related justice, persons with disabilities need to first be aware of their rights. There may be many reasons for this lack of awareness, including inaccessible formats for publication of and information on the legislation. Inappropriate or insufficient law enforcement may also keep persons with disabilities from access to justice. In the context of employment, this can result in persistent illegal recruitment practices and exploitation, or persons with disabilities being unlawfully kept in indecent working conditions – without legal action being taken.

Priorities for employment interventions

Across the world, persons with disabilities are wage and self-employed workers in a large variety of occupations. Almost all jobs can be performed by someone with a disability, pointing to the need to create the right environment that allows persons with disabilities to be productive. That said, evidence on the types of interventions that improve labour market opportunities for persons with disabilities is thin, and more research is needed to understand which measures are most cost-effective and sustainable (WHO and World Bank, 2011).





















































































CROSS-CUTTING PRIORITIES

Efforts should generally be based on the social model of disability and follow a twin-track approach. The social model of disability emphasises that disability is the result of the barriers created by society and that the policy focus should therefore be on the removal of those barriers in order to promote the participation of persons with disabilities in an inclusive labour market. The twin-track approach, which is widely accepted by international multilateral and bilateral development agencies and non-governmental organisations, consists of these two complementary elements.

- The first track seeks to **empower persons with disabilities** (as well as their families and representing organisations) and provides disability-specific interventions, for instance in areas of skills training and job placement support.
- The second track seeks to **mainstream disability-sensitive measures** into existing areas of development assistance in order to overcome legislative, physical, attitudinal and other barriers in society that persons with disabilities face (see e.g. Al Ju'beh, 2017).

Make diagnostics and planning processes disability inclusive. Given the diversity of persons with disabilities and the potential barriers at various levels, a good understanding of both the needs and the local environment is essential. In particular, this requires the following actions (GIZ, 2020).

- Consultations with organisations of persons with disabilities. The active involvement of these organisations in planning, implementation, monitoring and evaluation must be systematic to ensure that the perspectives of persons with disabilities are captured.
- Inclusive labour market assessment. Different types of labour market assessments (sector studies, skills needs assessments, etc.) should try to understand the employment situation of persons with disabilities as well as the underlying barriers to their labour market inclusion as discussed above.
- Participatory physical barrier assessment.
 Physical barrier assessments (e.g. of the facilities

- of service-providing agencies) can be conducted in cooperation with organisations of persons with disabilities during planning phases or early in the implementation phase.
- Inclusive project design. Project proposals should explain how programming will address the specific needs of persons with disabilities and include disability-specific indicators. Proposals should also anticipate differentiated interventions for people with different types of impairments.

Strengthen institutional capacity among key **stakeholders.** This can include capacity building among development agency staff (e.g. on disability etiquette and inclusive language) as well as among implementing partners, such as education, technical and vocational education training, and employment service providers. Workshops about disability in cooperation with organisations of persons with disabilities and champions of disability inclusion (local leaders, public figures or staff of implementing partners) can be a suitable tool to increase awareness and develop capacity. Finally, organisations of persons with disabilities may need strengthening, perhaps related to general organisational development - such as regarding financial and human resource management systems - or stakeholder engagement and cooperation.

Promote the availability of accessible buildings, materials and reasonable accommodation. To facilitate full participation in education, training, work, etc., of people with various forms of disabilities, the environment needs to be accessible (see Article 9 of CRPD). Reasonable accommodation calls for appropriate adjustments to ensure the needs of persons with disabilities are met and that they can participate on an equal basis with others. This includes, for instance, the physical adaptation of means of transport, buildings and workplaces to ensure accessibility for people with physical disabilities. People with intellectual disabilities need instructions, rules or regulations relevant to their work to be available in simple language; those with visual impairments may need reading software or material in Braille. Universal Design refers to products, environments, programmes and services that cater to the needs of people with a diverse range of abilities. It minimises barriers and accommodates, among other users, people with all kinds of disabilities (UNICEF, 2013).

CONDUCIVE FRAMEWORK CONDITIONS

Support the implementation and enforcement of international frameworks and conventions at the national level. The challenge is to translate international commitments, such as those related to the CRPD, into actual changes on the ground by improving legislative, regulatory and policy frameworks and mechanisms as well as their implementation as they relate to employment and decent work for persons with disabilities (UN, 2013). This can include (i) promoting the rights-based approach to ensure that all persons with disabilities have equal opportunities and the right to decent work for earning a livelihood; (ii) supporting the enforcement of anti-discrimination legislation; (iii) strengthening the disability lens in national employment strategies and action plans, and/ or the employment lens in national disability strategies; and (iv) introducing quota regulations for the employment of persons with disabilities. Employment quotas require public and/or private employers to hire a certain share of workers with disabilities; companies are sometimes required to pay a levy if they do not meet the established quota (ILO and OECD, 2018).

Strengthen the collection, compilation and analysis of employment-related disability data and statistics. In order to formulate disability-sensitive employment policies and programmes, the quality, availability and use of disability data need to be improved (ILO, 2015; UN, 2013). This can be accomplished, for example, by including relevant questions or modules in labour force surveys and other relevant household surveys as well as in administrative data collection⁽²⁾. Such efforts can be part of broader initiatives to strengthen labour market information systems. Similarly, the inclusion of a disability lens in monitoring and evaluation mechanisms should be supported through capturing information on disability status, disaggregated indicators, etc.

Make social protection available to persons with disabilities and their families. Households that include persons with disabilities face significant additional expenses and risks. An occupational accident of a breadwinner leading to impairment can suddenly expose a household to an economic shock. Social protection has a key role in responding to such shock, for example, through income replacement schemes

to mitigate the lost income and compensate for additional expenses such as transport to work. The Report of the Special Rapporteur on the Rights of Persons with disabilities provides guidance to states and other actors on requirements to establish disability-inclusive social protection systems that promote active citizenship, social inclusion and community participation, in conformity with the CRPD while acknowledging existing difficulties in implementation (UN, 2015).

SUPPLY-SIDE MEASURES

Foster inclusive education and training. Inclusive education and training refers to providing meaningful learning opportunities to all students within the regular school and training system (UNICEF, 2013). To realise their equal opportunities and build employability, children and youth with disabilities should have access to mainstream education and vocational training (ILO, 2015). Facilitating this access requires a sound understanding of the specific barriers to access in the local context (see Box 13.2 for an example). In cases where persons with disabilities are mainly reached through targeted training and social services, it is crucial to ensure that these adopt a market-driven approach in order to be valuable. In Indonesia, for example, it was found that social care units could help prepare persons with disabilities for a productive life by better analysing private sector demands, establishing closer connections with companies and enhancing curricula, among other actions (GIZ, 2016).

MEASURES TO FACILITATE MATCHING OF JOB SEEKERS AND EMPLOYERS

Strengthen and adapt employment and placement services for persons with disabilities.

Depending on country context, this action may be done in cooperation with public employment agencies or specialised placement services. In either case, employment services should be targeted to the special needs and barriers of persons with disabilities – which may include mobility constraints, lack of information and social networks, skills gaps, mental health issues, etc. Hence, disability-sensitive employment services typically need to offer specialised counselling, mentoring, transportation assistance, supplemental training, guidance to employers, and similar additional support services. More in-depth



















































































BOX 13.2 Understanding the barriers of persons with disabilities in accessing vocational training in Southern Sudan

The EU has funded several programmes in Africa to promote the inclusion of persons with disabilities in training and employment. A South Sudan programme targets vocational education and training providers to contribute to increased employability and income-generating opportunities for youth through the provision of quality, demand-driven vocational and skills training and access to productive resources by civil society organisations and local authorities. The project aims to remove barriers faced by the target group in attending vocational education, focusing on their personal situation as well as their direct environment. Activities range from facilitating childcare for young mothers, to raising awareness in target communities in the area of disability inclusion and gender equality, to providing prep courses so potential candidates meet admission and enrolment criteria. The project also builds the capacity of vocational education and training providers to increase the inclusion and enrolment of the target group.

A baseline survey was conducted at the programme's start to identify existing barriers leading to restricted access to vocational education and training centres for young persons with disabilities. The survey also sought to understand the challenges persons with disabilities in the local area are facing in terms of job opportunities. The survey examined perceptions, forms, causes and level of awareness of general disability issues within the community; it further assessed means of redress and existing community interventions towards disability issues. Stakeholder interviews were conducted with vocational training centres, hospitals, a rehabilitation centre, local government offices and representatives of organisations for persons with disabilities, as well as with over 150 respondents for the labour market assessment.

Source: Light for the World, 2017.

case management is also usually needed, allowing for a 'person-centred' support model, as well as close employer linkages and on-the-job training and assistance (WHO and World Bank, 2011). Support services should also extend to people who experience

disability while already employed (e.g. as a result of a work accident), in order to facilitate a return to work if possible. To offer these various additional support services, or make existing programmes more inclusive, public employment agencies and other service providers need to be adequately trained.

Experience in many countries shows that such services could be delivered in collaboration with organisations of persons with disabilities, as these may be well positioned to offer activities for improving disability employment, such as job search, job matching, training, etc. In Bangladesh, as described in Box 13.3, an Inclusive Job Centre has been established to improve the inclusion of persons with disabilities in the ready-made garment sector, providing job matching services and capacity building of factory management and teachers in training institutions (GIZ, 2015).

Strengthen employer awareness and consider hiring incentives. Employers, believing that hiring persons with disabilities will lead to lower productivity and incur costs in providing reasonable workplace accommodations, may be less likely to hire persons with disabilities. The first step in addressing this situation is to break down misconceptions and foster employers' awareness of the business case for employing persons with disabilities, such as lower staff turnover rates (ILO, 2015). Countries and programmes can also provide financial incentives to employers in the form of grants, wage subsidies or tax incentives for employing a worker with a disability. In Australia, employers can receive up to A\$ 10,000 (approximately EUR 6,700) towards modifications to accommodate new employees with disabilities (WHO and World Bank, 2011).

DEMAND-SIDE MEASURES

Facilitate self-employment. Given the lack of wage employment opportunities and the prevalence of the informal sector in many developing countries, interventions should also consider facilitating entry of persons with disabilities into self-employment where appropriate. Self-employment may be a strategy in avoiding discriminatory or inaccessible environments, but, as is the case for people without disabilities, it is not a solution that works for everyone. Interventions should follow the general principles for successful

BOX 13.3 Bangladesh's Inclusive Job Centre

The ready-made garment sector in Bangladesh is characterised by exponential growth, thus requiring a vast pool of qualified workers. Until recently, industry and society had not recognised persons with disabilities as a potential source of qualified workforce. Experts cited the challenge for factories, particularly those in the textile and garment industries, to meet national laws and international standards ensuring worker rights and provisions for the inclusion of persons with disabilities.

The Promotion of Social and Environmental Standards in the Industry programme, spearheaded by the Ministry of Commerce in partnership with the German Government, aimed to take advantage of this window of opportunity to promote disability-inclusive employment in readymade garment factories. In 2015, the programme supported the establishment of an Inclusive Job Centre in Dhaka, along with an advisory committee, to which it provides technical and secretarial support. This committee is chaired by the chief executive officer of the National Skills Development Council Secretariat; its members are comprised of representatives of business associations, the Ministry of Women and Children Affairs, and civil society organisations including those for persons with disabilities.

To improve the economic and social inclusion of persons with disabilities in the ready-made garment sector in Bangladesh, the Inclusive Job Centre strengthens government and private sector capacities, including of business associations and civil society actors related to the textile and garment industries. The centre serves as a platform for information sharing, a source for advisory services on accessibility and standard setting, an agent for demand-driven vocational and skills development, a matchmaking hub for job seekers and providers, as well as an agent for rehabilitation services and the provision of assistive devices. It also provides psychosocial counselling and job retention services to persons with disabilities.

Source: GIZ 'Promotion of Social and Environmental Standards in the Industry (PSES)' project description webpage.

entrepreneurship support programmes (see Guidance Note 8), while taking the particular needs and barriers of persons with disabilities into account. Programmes typically need to be comprehensive in providing access to capital, marketing assistance, and long-term support and follow-up.

Notes

- (1) Bonded labour refers to a pledge of work or services as security for the repayment of a debt or other obligation.
- (2) A useful resource in this regard is the Washington Group on Disability Statistics, a United Nations Statistical Commission City Group that develops survey tools allowing for the collection of internationally comparable data concerning persons with disabilities.

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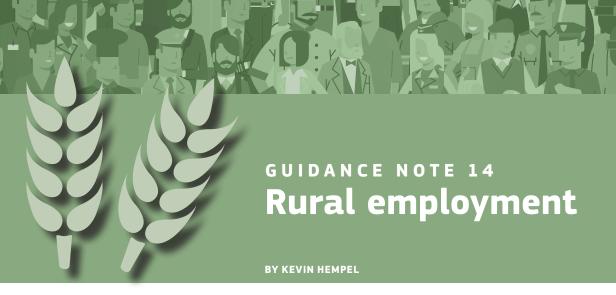
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hile comparable data on rural unemployment are not readily available across countries, unemployment is often lower in rural than urban areas (see e.g. ILO, 2016). However, this is not because of better employment opportunities in rural areas, but because of higher poverty rates. The rural poor cannot afford to stay idle and are therefore more likely to be employed under poor conditions (subsistence farming, own-account work in the informal sector, etc.). The problem in rural areas is not so much unemployment as underemployment⁽¹⁾.

Rural employment is characterised by **precarious** working conditions (FAO, 2015).

- **Underemployment is highly prevalent**, partly because agriculture is seasonal and small scale.
- Earnings are low and unreliable, reflecting low productivity and vulnerability to weather shocks and fluctuations in food and commodity prices. Nearly 8 of every 10 working poor live in rural areas, most of them working in agriculture.
- Less than 20 per cent of agricultural workers have access to basic social protection.
- Almost 60 per cent of all **child labour** is found in agriculture.
- Agriculture is one of the three most dangerous occupations in which to work, along with construction and mining.

Women are at particular disadvantage. They constitute a significant proportion of unpaid family workers, tend to be involved in mostly subsistence production and petty trade, manage smaller plots and generate smaller agricultural yields (FAO, 2010).

OBJECTIVE AND KEY MESSAGES

This guidance note highlights the main arguments to promote employment in rural areas, the main barriers to rural employment and priority intervention areas.

- Rural employment is often characterised by precarious working conditions, including underemployment, lower earnings, lack of social protection and widespread child labour.
- Addressing employment challenges in rural areas can reduce in-country inequalities, ease rural-urban migration pressures and improve food security.
- Key barriers to employment in rural areas include the lack of labour demand; limited education and training; stigma; poor access to land, capital and other productive inputs; and difficult access to markets.
- Interventions should prioritise decentralised investment, improved productivity in farming and the non-farm sector, demand-driven skills development, linkages to urban jobs, and measures to enhance occupational safety and health in agriculture.

Moreover, a lack of adequate infrastructure in many rural areas, such as limited access to water and energy, often means that rural women must dedicate more time to household activities such as fetching water and firewood (ILO, 2020).

Rural-urban migration can be substantial. The low remuneration and poor working conditions associated with low-productivity family farming, as well as a lack of land, turn young people away from agriculture











































and make them more prone to migrate to urban areas (Deotti and Estruch, 2016). Migration can also lead to the loss of a dynamic part of the workforce, with negative repercussions for agricultural productivity (FAO, 2017a).

The COVID-19 pandemic has been a major shock to rural populations. The pandemic has jeopardised livelihoods in rural areas as agri-food supply chains and markets are disrupted. Widespread informality in rural areas (over 90 per cent of agricultural workers in developing countries are informal) have challenged policymakers' ability to respond. Given a lack of alternatives, informal workers may continue to work without appropriate protection or may resort to negative coping strategies, such as distress sale of assets, predatory loans or child labour (FAO, 2020).

Justification for intervention

Achieving the Sustainable Development Goals and reducing poverty requires a focus on rural areas. Indeed, 80 per cent of the world's extreme poor and 75 per cent of the moderate poor live in rural areas (Castañeda et al., 2016).

Leverage the untapped economic potential of rural areas and address growing inequalities within countries. Many rural areas face significantly lower levels of overall development than the major cities, including low levels of economic and social infrastructure, thus confining a significant share of the population to low productivity. Increasing the productivity of rural areas, in turn, can lead to significant economic and social development (FAO, 2017b). Moreover, large in-country inequalities can be a source of social tension and political instability⁽²⁾.

Reduce migratory pressure on urban areas. Excessive or overly rapid inflows of people to urban areas can exacerbate urban growth and cities' difficulties with providing basic services such as housing; this can lead to the spread of informal settlements and associated problems (e.g. high levels of insecurity, poor health outcomes). These poor living conditions can make migrants – especially young migrants – vulnerable to falling victim to or engaging in criminal or illicit activity (Hu, 2012). While unstable, low-paying and hazardous jobs are common among

the urban poor, the situation is often worse for recent migrants who may lack the skills and networks for better employment opportunities (Tacoli, McGranahan and Satterthwaite, 2015).

Improve food security. Maintaining interest in farming as a profession and improving access to assets and resources are vital for future food security and agricultural development, particularly in the face of rising climate variability and extremes. Even before the COVID-19 pandemic disrupted global value chains, the prevalence of hunger had been rising worldwide for several years (FAO, 2019). According to some estimates, if women had the same access to resources (e.g. land, capital, inputs) as men in agriculture, the number of undernourished people in the world could be reduced by 100–150 million (Farming First, 2012).

Underlying barriers

Lack of labour demand. A lack of viable employment opportunities is a key challenge, particularly for young people, in rural labour markets. Investments, economic growth and job creation are increasingly concentrated in larger cities, while relatively fewer opportunities exist in rural areas. Economic opportunities in rural areas are largely determined by the extent of market access and agricultural production potential. Although two-thirds of rural youth in developing countries live in areas with high agricultural potential, only one-third live in areas with strong market access, limiting the outlook for labour demand (IFAD, 2019).

Limited education and training opportunities.

Rural youth often leave school earlier than their urban counterparts, and their literacy levels tend to be lower (UNESCO, 2016). Besides the lack of resources by poor households, the lack of infrastructure, distance to schools, and shortage of teachers are among the leading causes for lower education outcomes in rural areas. Moreover, education typically fails to provide advanced cognitive skills (critical thinking and problem-solving) and non-cognitive (soft) skills needed for wage employment, self-employment and establishing microenterprises in rural areas (IFAD, 2019). At the same time, training programmes are much less frequently available than in urban areas. Hence, people

often lack the basic knowledge and skills to engage in agriculture and entrepreneurship.

Poor access to land, capital and other productive inputs, especially for youth and women. Land scarcity and weak or absent land rights hinder youth from engaging in agriculture. Challenges in accessing land have been exacerbated by longer life spans, the rise in medium-scale commercial farms and – in Sub-Saharan Africa – rapid population growth. Climate change is expected to worsen land constraints. Moreover, the lack of access to loans and leases poses a barrier in obtaining land or relevant technologies and equipment (IFAD, 2019; S4YE, 2015).

Limited access to markets and value chains.

Urbanisation and better transport infrastructure globally have led to longer value chains, a proliferation of intermediate actors and increasingly close coordination between the different levels of the supply chains. People in rural areas often lack the knowledge and experience needed to interact with these supply and value chains, as well as the larger markets they offer, thus limiting earnings potential. More tightly integrated value chains have also led to increased exclusion of asset-poor individuals, particularly women and indigenous peoples (IFAD, 2016).

Poor transportation and other infrastructure.

Inadequate or unsafe transportation infrastructure can further compromise access to employment opportunities, as it reduces mobility (in terms of excessive commutes from home to work, etc.) and renders access to markets more challenging. The lack of electricity, adequate irrigation infrastructure and communication infrastructure can also constrain farm and non-farm businesses. Investments in these types of public goods are viewed as a prerequisite for large-scale private investment (IFAD, 2019).

Stigma. In many societies, agriculture is seen – or perceived by youth to be – a low-status livelihood. Many young adults in developing countries have negative opinions of the types of work opportunities offered in rural areas (Vargas-Lundius and Suttie, 2014). More than three-quarters of rural youth aspire to work in high-skilled occupations, but less than 15 per cent do (OECD, 2018).

Weak social capital. Women and youth are often excluded from relevant networks, such as farmers' organisations, workers' unions and community networks, that can provide know-how and linkages along the value chain to improve access to quality inputs, services, finance and markets. Hierarchical structures, high membership fees, access to land and other membership conditions may exclude them; this leads to a lack of representation in decision-making processes and limits opportunities (OECD, 2018).

Discrimination. In many countries, ethnic minorities and indigenous groups live in higher concentrations in rural areas and are more likely to live in poverty. They may lack policy and institutional frameworks respecting their rights or protecting them from discrimination – which may make it more difficult to find employment, start a business or access resources. Women may face discrimination based on social norms, such as preconceived ideas of 'appropriate' work, or customary/statutory law (OECD, 2019).

Climate change. Increasingly variable and severe weather and its impacts – including droughts, flooding and deforestation – are likely to further limit the availability of land, increase the scarcity of traditional food sources and decrease agricultural productivity. For instance, higher temperatures are estimated to have affected the health and productivity of rural populations that perform outdoor manual labour, leading to a 5.3 per cent decrease in global labour capacity in rural populations between 2000 and 2016 (Watts et al., 2018)⁽³⁾.

Environmental exploitation. Rural populations are increasingly threatened by exploitation of natural resources, including through tourism, mining, deforestation, overfishing and industrial agriculture. Increased agricultural commercialisation leads to soil degradation, groundwater depletion and agrochemical use, which can exacerbate air and water pollution as well as loss of biodiversity. Given rural individuals' reliance on natural resources for their livelihoods, environmental damage threatens increased poverty and exacerbates the lack of inclusion (IFAD, 2016).





















































































Priorities for employment interventions

Interventions to increase the dynamism of rural employment must focus on increasing labour demand, while raising productivity in smallholder farming and non-farm household enterprises. This includes a combination of poverty-targeting approaches as well as growth-oriented strategies (see World Bank, 2017). In pursuing strategies to promote rural employment, youth and gender lenses should be adopted, as these two groups are at a particular disadvantage in rural areas. Specific areas of intervention to consider include the following.

PROMOTING INVESTMENTS AND **PRODUCTIVITY**

Promote decentralised investments to support smaller cities and connect rural areas to urban markets. Since economic activity is often concentrated in the capital city and other major cities (e.g. on the coast), one avenue for intervention is to promote private investments in more disadvantaged, mostly rural, regions. This promotion is typically implemented through a variety of incentives related to taxes, customs or labour regulation, among others. Secondary cities and towns are more accessible migration destinations for rural residents and promote inclusive growth. Creating new poles of economic dynamism must usually go hand in hand with major public investment, in order to ensure adequate basic services as well as good public infrastructure (roads, airports, mobile connectivity, etc.) to facilitate accessibility and trade. Providing an enabling environment for such investments requires that rural areas be given stronger attention in national employment policies, including through economic and industrial policies (IFAD, 2019).

Strengthen producer organisations and foster their integration into value chains. Small-scale producers are often not able to participate in modern supply chains (e.g. sell to supermarkets). Reasons for this lack of participation include their small-scale of production, high transaction costs, lack of market information and knowledge of distribution channels, and inability to provide goods of consistent quality. Initiatives can strengthen the capacity of producer organisations (e.g. production, management, marketing), facilitate diversification to higher-value crops or moving up the value chain (e.g. from selling raw agricultural products to food processing), support key infrastructure and equipment (e.g. storage and packaging facilities), and facilitate collective agreements between producer organisations and commercial buyers. The rural productive alliances in Latin America are a successful example of this model (World Bank, 2016). Other approaches have focused on upgrading traditional skills among producers - for instance, enhancing product design and quality in the handicraft sector - and facilitating access to local, national and international markets⁽⁴⁾. An example of value chain development at scale is the regional cashew initiative undertaken by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) in Africa (see Box 14.1).

Promote rural entrepreneurship and increase productivity in farming and the non-farm sector. Supporting the creation and growth of micro, small and medium-sized enterprises may require one or more of the following strategies.

- Facilitate access to and investment in land. For instance, strategies can include reducing the cost of land transfers, promoting rental markets for land, encouraging land redistribution sensitive to the needs of youth and women, as well as promoting youth- and women-focused administration of communal or government land (Filmer and Fox, 2014). Strengthening land rights can foster investment in land, resulting in more sustainable farming practices and higher land productivity (Holden and Otsuka, 2014).
- Strengthen access to capital. This should involve improving access to credit but also facilitating savings (e.g. through local savings groups or mobile money), since savings increase the funds available for investing, mobilising additional financing and expanding insurance coverage (ISF Advisors, Mastercard Foundation and Rural and Agricultural Finance Learning Lab, 2019).
- Foster access to productive inputs and advisory/extension services. This includes a range of possible interventions to increase productivity, such as enhancing producer organisations,

BOX 14.1 Competitive Cashew Initiative

Even though more than 50 per cent of the global cashew crop is produced in Africa, the level of productivity is relatively low compared to international standards. There is significant potential to increase the yield per tree and thereby its productivity. The vast majority of Africa's cashew farmers live in rural areas and struggle to net as much as USD 120–450 per year from cashews; this sum accounts for about 20–50 per cent of farmers' cash income. Most of these farmers are disconnected from markets and have poor production practices; and lack access to training, finance and inputs such as improved planting material.

The Competitive Cashew initiative (ComCashew) is part of the GIZ Agricultural Value Chains for Sustainable Development programme, which also includes the Competitive African Cotton Initiative, the Sustainable Smallholder Agribusiness / Cocoa-Food Link Programme and the Competitive African Rice Initiative. ComCashew aims to enhance the competitiveness of the cashew sector in selected countries. The project supports activities along the cashew value chain in areas ranging from research, grafting and propagation, to production, processing and marketing. Importantly, ComCashew is supporting business linkages along the value chain from producers to processors. Since its inception, more than 620,000 farmers have been trained in Good Agricultural Practices, yields have increased by over 80 per cent and farmer incomes could be raised significantly through the programme.

Sources: GIZ, 'Competitive Cashew Initiative' project description; GIZ, 2017.

improving livestock production systems, and fostering sustainable irrigation and water management. For poor rural populations – especially poor women – bundled services, as opposed to stand-alone interventions, may be needed. These bundled services could include access to farmers' groups, financial services, and extension and training on agricultural technologies and practices (Buvinic and O'Donnell, 2016).

PROMOTING SKILLS AND TRANSITIONS TO EMPLOYMENT

Enhance skills for rural employment. This includes removing barriers to access education (e.g. through conditional cash transfers and facilitating transportation), improving the quality of basic education in rural areas to increase its attractiveness and the benefits of schooling, enhancing the relevance and quality of vocational schools related to rural work (e.g. through involvement of the private sector such as agricultural employer associations), providing avenues for second-chance and non-formal education and training (including strengthening informal apprenticeships), and making higher education in agricultural disciplines more attractive (ILO, 2011; World Bank, 2007).

Connect rural youth to existing employment opportunities, including in urban centres.

Demand-driven skills development and job placement programmes can help connect rural youth to open vacancies. Since these vacancies may not be available locally, this may also involve preparing them for jobs in urban centres, thereby facilitating a more structured rural-urban migration process. Indeed, this may enhance the job prospects for youth while benefiting rural households through remittances (see Box 14.2).

Conduct labour-intensive infrastructure schemes. Employment-intensive infrastructure projects – public works – can serve multiple objectives. They can build and maintain essential rural infrastructure such as roads, provide short-term employment and generate income in the off-season, and act as a social protection scheme. A notable example of such a programme is India's National Employment Rural Guarantee Scheme.

Consider comprehensive livelihood programmes for the rural poor. Comprehensive livelihood programmes may include building institutional platforms of rural poor households (e.g. self-help groups), supporting financial inclusion (e.g. informal savings and loan associations, and facilitating connections to formal financial institutions), building human capital (e.g. bookkeeping, financial management) and providing assets or capital to increase production. A large-scale example of this approach is India's National Rural Livelihoods Project (World Bank, 2011).

















































































BOX 14.2 India's Employment Generation & Marketing Mission

The Employment Generation & Marketing Mission was established in 2005 by the Andhra Pradesh Rural Poverty Reduction Programme and targets unemployed or underemployed youth from poor households. Working through a network of rural self-help groups and their federations, the programme offers a market-driven integrated approach, consisting of (i) identifying employment opportunities; (ii) setting up market-linked rural training academies; (iii) matching job seekers with vacancies (job placement); and (iv) providing post-placement support, including an alumni network. Programme results are very promising. The programme operates at scale with over 200,000 youth trained, and a placement rate of about 80 per cent. Incomes are three to four times higher than a family could earn in agriculture, and about 20 per cent of the income is sent back as remittances. As a result of the increased income, families are able to afford more nutritious food and have invested money to improve their housing conditions, while dependency on money lenders has decreased.

Source: Shenoy, Lakhey and Shah, 2010.

IMPROVING SOCIAL AND ENVIRONMENTAL STANDARDS

Improve working conditions in agriculture.

Enhancing occupational safety and health in agriculture may be needed in response to the often hazardous nature of agricultural labour, which can lead to health problems as well as negative environmental impacts through the misuse of fertilisers, pesticides, etc. For instance, the G7's Vision Zero Fund initiative aims to prevent work-related deaths, injuries and diseases in global supply chains. Since occupational safety and health risks strongly differ by sector and occupation, it is generally useful to identify the salient safety and health issues and suitable interventions along specific value chains (see e.g. ILO, 2017a, 2017b).

Promote sustainable use of natural resources.

Decentralised governance structures tailored to local circumstances should be included in policy and planning processes for natural resource management, climate change, agriculture and water use to ensure long-term productivity. Key populations, including smallholder farmers, women, youth and indigenous peoples, should be represented (IFAD, 2016).

Notes

- (1) Rural and agricultural employment are not the same. The majority of people living in rural areas also earn an income in non-agricultural sectors of the economy, such as small trade and services. In many cases, people in rural areas may combine agricultural and non-farm employment to make ends meet and compensate for seasonal variations in different income sources. Indeed, rural livelihoods may often consist of a diversified portfolio, including subsistence agriculture, casual labour or self-employment in non-farm activities. etc.
- (2) For instance, social and political protests in Tunisia typically emerge in the disadvantaged interior regions.
- (3) Labour capacity refers to 'the number of hours spent actively working as a percentage of the total hours available for work' (Kaplan Financial Knowledge Bank webpage).
- (4) See e.g. the Livelihood Creation Project to empower handicraft and handloom artisans undertaken by Harvard University's South Asia Institute and the World Bank's Developing Artisanal Livelihoods in Rural Pakistan project.

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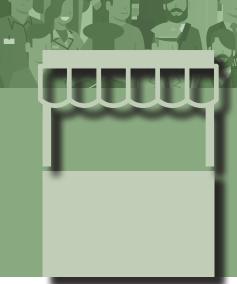
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Informal employment

BY MARTY CHEN AND KEVIN HEMPEL

ost workers in low- and middle-income countries, as well as across the Global South, earn their livelihoods in the informal economy; and most low-income households are sustained by informal livelihoods. Informal employment represents more than half of total employment in most developing regions (see Figure 15.1), illustrating that informal employment is often the norm and that the informal sector contributes a substantial share to the local economy. Most informal workers are self-employed.

Working in the informal economy is often associated with a range of **poor-quality working conditions**, including low earnings; long working hours; unfair terms of employment; occupational health and safety risks; lack of access to basic labour protections, other legal protections and social protection; and lack of organisation and worker representation (Roever and Rogan, 2016).

The informal economy and those who work in it tend to be **stigmatised by policymakers and the general public** as somehow illegal or having low productivity. Most informal workers consequently face an unfavourable, if not hostile and punitive, policy and regulatory environment (Chen, Bonner and Carré, 2015). For instance, street vendors are regularly subject to harassment, bribes, confiscation of goods and/ or evictions.

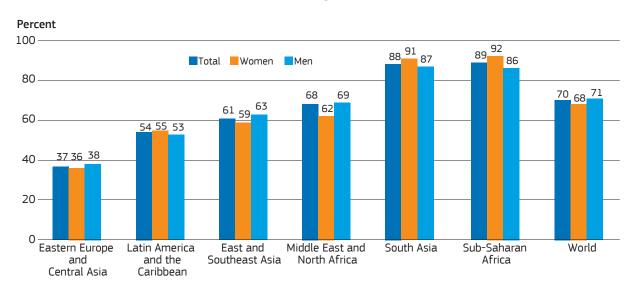
Informal workers **lack access to public spaces, public services and public procurement**. Most policymakers do not recognise them as legitimate economic actors entitled to use the public space for their livelihood activities or to bid for public procurement contracts for their goods and services. Informal workers also tend to live and work in underserved areas with limited access to social, basic infrastructure or transport services.

OBJECTIVE AND KEY MESSAGES

This guidance note highlights the main arguments to address informal employment, the main drivers of informality and priority intervention areas.

- Most people in low- and middle-income countries, as well as across the Global South, work in the informal economy, which is characterised by a range of poor working conditions and lack of access to public spaces and services.
- Countries can significantly boost economic development with targeted policies that increase the productivity of the informal sector and facilitate transition to the formal economy.
- Addressing poor working conditions in developing countries must tackle decent work deficits of the informal workforce.
- Key drivers of informality include the lack of social protection in many developing countries, the emergence of new forms of employment relationships such as subcontracting and temporary work, as well as technology transformation and trade shifts that reduce the employment intensity of economic growth.
- Interventions need to prioritise incentives for employers to register and hire workers formally, increasing productivity of the informal sector by providing access to support services, extending legal and social protection to informal workers, and strengthening representation of informal workers to increase their voice and bargaining power.

FIGURE 15.1 Informal employment as a percentage of total employment



Source: Bonnet, Vanek and Chen, 2019; ILO, 2018a.

Note: Total employment includes agricultural employment; data exclude developed countries. East and Southeast Asia includes China.

Informal workers have been severely affected by the COVID-19 pandemic. The lockdowns and reduction in economic activity have led to a loss of revenue for informal firms, but are expected to increase the size of the informal economy due to the reduction of formal employment and the absence of sufficient social safety net schemes in many low- and middle-income countries (ILO, 2020). Informal economy workers are also more exposed to health risks because of the difficulty of practicing physical distancing where they work and a lack of hygiene (e.g. hand-washing stations). In the absence of alternatives, informal workers may continue to work without appropriate protection or may resort to negative coping strategies, such as distress sale of assets, predatory loans or child labour (FAO, 2020).

Justification for intervention

Informality is a bigger issue than unemployment in most developing countries and is 'the new normal'. Tackling employment issues in developing countries requires focused attention on the informal economy, which is where the majority of people make their living. The informal economy is on the rise in many countries and often expands during economic crises, such as the Great Recession (Horn, 2009), functioning as a last resort for people excluded from

the formal labour market. Informal employment has also emerged in new guises and unexpected places. For instance, like industrial workers, workers in the gig economy are thought to be self-employed but are in reality contracted workers who depend on a firm or its intermediary for work orders, price setting and payments (ILO, 2018b). (See Box 15.1 for definitions.)

The informal economy contributes to the overall economy. Although earnings among informal workers are low on average, their activities cumulatively contribute substantially to gross domestic product (GDP) - which means these activities are a central, not marginal, part of the economy in many countries and therefore deserve policymakers' attention. For instance, the informal sector has been estimated to contribute 30-60 per cent of non-agricultural GDP in many countries (ILO and WIEGO, 2013)(1). Contrary to common belief, many informal sector firms and the self-employed actually pay taxes of various kinds, such as operating fees, license fees, market rents and value-added tax (Adamtey, 2014; Budlender, 2015). With adequate policies aimed at increasing the productivity of the informal sector and making the transition from the informal to the formal economy more appealing, countries have the opportunity to significantly boost economic development.

BOX 15.1 Definitions of informality

The **informal sector** refers to production and employment that takes place in unincorporated (household) or unregistered enterprises.

Informal employment refers to employment without legal and social protection – both inside and outside the informal sector.

The **informal economy** refers to all units, activities and workers and their output.

Over time, a more nuanced understanding has evolved to extend the focus from enterprises that are not

legally regulated to include employment relationships that are not legally regulated or socially protected.

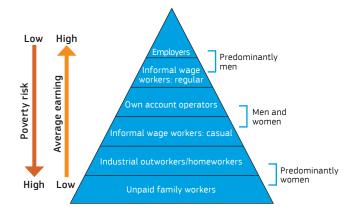
Today, informal employment is widely recognised as including a range of self-employed people who mainly work in unincorporated small or unregistered enterprises, as well as a range of wage workers who are employed without employer contributions to social protection (including within formal firms).

Thus, informal employment is a large and heterogeneous category, as shown in the following table.

	SELF-EMPLOYMENT	WAGE EMPLOYMENT	
Informal firms and households	Employers in informal enterprisesOwn-account workers in informal enterprisesContributing family workersMembers of informal producer cooperatives	 Employees in informal enterprises not covered by social protection or benefits Paid domestic workers by households (not covered by social protection or benefits) 	
Formal firms	Contributing family workers	Employees in formal enterprises not covered by social protection, national labour legisla- tion, or entitlement to certain employment benefits, e.g.	
		 casual or day labourers temporary or part-time workers contract workers unregistered or undeclared workers 	
		 industrial outworkers/homeworkers 	

Different types of informal employment are more common among women than men, and can be associated with different earnings and risks of poverty (see following figure). Specifically, casual labourers, industrial outworkers and unpaid family workers are the most vulnerable forms of informal employment.

FIGURE Model of informal employment: Hierarchy of earnings and poverty risk by employment status and sex



Source: Chen, 2012. For additional detail on defining and measuring different concepts of informality, see ILO (2013a).











































Enterprises in the informal economy face multiple barriers that prevent them from exploiting their full potential. For instance, many do not enjoy secure property rights, which deprives them of access to both capital and credit. They also have difficulty accessing the legal and judicial system to enforce contracts, and have limited or no access to public infrastructure and public markets (ILO, 2013b).

There are significant social costs associated with informality. Informal workers tend to face greater deficits than formal workers in four key dimensions of decent work: opportunities, rights, protection and voice (ILO, 2002). Addressing poor working conditions in developing countries must include tackling decent work deficits of the informal workforce. This requires public policies to generate economic opportunities and extending legal and social protections that directly target informal firms and workers.

Addressing the decent work deficits in the informal economy and informality and promoting the formalisation and growth of informal enterprises is part of the global development agenda. Indeed, target 8.3 of the Sustainable Development Goals specifically refers to enhancing formalisation. Also, the International Labour Organization adopted Recommendation 204 on the Transition from the Informal to the Formal Economy (ILC, 2015), which recognises that formalisation is a gradual process with different dimensions, including protection of informal livelihoods while extending social and legal protections to informal workers.

Underlying barriers

Over time, different schools of thought have put forward different explanations of informality as well as different policy responses (see Box 15.2). None of these can explain the complex phenomenon of informality on its own, and each applies to some categories of informal workers and some contexts more than others. It is thus crucial to **understand the drivers of informality in a specific country and context**, while differentiating among informal workers by branch of industry, employment status, place of work and gender, class and ethnicity.

BOX 15.2 Overview of schools of thought on informality

The **Dualist school** argues that the informal economy is a distinct sector, separate from the formal, and excluded from modern economic opportunities due to imbalances between the growth rates of the population and modern industrial employment, and a mismatch between people's skills and the structure of modern economic opportunities.

The **Structuralist school** argues that the nature of capitalism/capitalist growth drives informality – specifically, in the attempts by formal firms to reduce labour costs and increase competitiveness and their reaction to the power of organised labour, state regulation of the economy (e.g. through taxes and social legislation) and global competition. The practices of formal firms are associated with a process of industrialisation that includes flexible specialisation, off-shore industries, subcontracting and value chains.

The **Legalist school** argues that a hostile legal system (e.g. lack of property rights) leads the self-employed to operate informally with their own informal extra-legal norms.

The **Voluntarist school** argues that informal operators choose to operate informally, after weighing the cost-benefits of informality relative to formality.

Source: Chen, 2012.

Lack of social protection. In many developing countries, the working-age population grows faster than employment opportunities, especially in the formal private sector. However, because of the lack of adequate social protection and unemployment insurance systems, poor people cannot afford not to work. They must instead make a living as best they can, typically in the informal economy.

Inappropriate regulations. Formal regulations have typically been designed for larger enterprises and are therefore often inadequate for the needs and conditions of micro and small enterprises – which for their part may find it too cumbersome or costly to operate formally (Huitfeldt and Juetting, 2009). Similarly, if labour law and regulations are not adequately designed and sufficiently flexible, they may

pose a burden for small companies (in terms of hiring and firing, minimum wages, etc.). Labour regulations are designed for recognised employer-employee relationships, yet more and more wage workers are in disguised wage employment, third-party employment arrangements or other forms of contracted employment.

New forms of employment relationships. Driven by globalisation, deregulation of labour markets, changes within sectors and increasing competition, many employers have replaced once-formal jobs with informal jobs to decrease costs; this has been accomplished, for instance, through subcontracting or temporary work arrangements (ILO, 2016). For example, outworkers in the garment industry work from their homes under subcontracts for a piece rate without secure contracts or any real bargaining power.

Trends in technology and trade. Recent trends in technology and trade are reducing the employment intensity of economic growth. This phenomenon of 'jobless growth' means that the formal economy is less and less able to provide employment for a growing labour force (Kanbur, 2014). This explanation supports the conclusion that informality is here to stay since 'the forces shaping technology and trade are unlikely to reverse in the next two decades' (Kanbur, 2014, p. 8).

Migration. As migration flows increase as a result of displacement or economic disparities, many migrants may cross borders through informal channels. Because they lack a work permit in the receiving country, their only recourse in many cases is to engage in informal employment.

Priorities for employment interventions

The informal economy is a key feature of labour markets in developing countries and likely to remain so for the foreseeable future. Policy interventions that extend benefits to and increase the productivity of the informal sector are thus essential for overall economic development and poverty reduction. A more inclusive approach to formalisation is in order, one that reduces the injustices faced by informal workers (reduces the negatives) while creating a stronger

enabling environment and increasing the benefits of formalisation (increases the positives) – rather than simply attempt to register enterprises and tax them. The International Labour Council's Recommendation 204, Transition from the Informal to the Formal Economy Recommendation, lists provisions countries are encouraged to adopt to facilitate this transition and promote the creation of decent jobs in the formal economy (ILC, 2015).

Create incentives for informal operators to register their business and for employers - in both formal and informal firms - to hire workers formally. Administrative procedures for registering businesses and workers should be simplified. Incentives for registration should target informal businesses (e.g. by providing access to credit, public markets and training) as well as informal workers (e.g. by providing access to health insurance) (ILO, 2013b). Simplified and progressive taxation is key. A review of the effectiveness of interventions to reduce informality found that interventions targeting the formalisation of workers are often more effective than those targeting firms, and that policies at scale are usually more effective than individual programmes (Jessen and Kluve, 2019).

Provide legal and social protection to informal operators and informal wage workers. Existing laws and regulations tend to be irrelevant to, inappropriate for and hostile towards informal workers. Both labour regulations - which are premised on a recognizable employer-employee relationship and commercial regulations - which are designed for larger formal firms - privilege formal firms and elite consumers over informal livelihoods. Similarly, most social security systems cover the civil service and military as well as formal salaried workers. With increased awareness of the size and contribution of the informal economy, and its persistence, if not growth, reforms of the policy/legal environment and social security systems are now underway in several countries. Many reforms are the outcome of the legal struggles and advocacy efforts of organisations of informal workers, including universal health systems, occupational health and safety schemes, employer contributions to the health insurance of domestic workers and regulation of labour relations in value chains.











































Create an enabling environment and strengthen support services to enhance the earnings and growth potential of informal operators and workers. This includes addressing the risks and costs associated with working in public space, such as policy uncertainty, harassment and evictions by local authorities, and occupational health and safety risks in order to create a more stable and predictable work environment. For instance, the regulated use of public space is essential for countless informal sector workers, such as street vendors. Another area of positive intervention is facilitating access to transport and basic infrastructure services, as well as financial services, skills training (and recognition of informally acquired skills), and other business development services for informal workers at their workplaces. whether in public spaces or in their homes.

Facilitate representation of informal workers and promote their representation in participatory rule-setting and policymaking processes. Informal operators and employees should be able to exercise their right to organise and bargain collectively with employer organisations or government and local authorities, respectively. Indeed, collective bargaining by informal worker organisations is increasing in scale and impact. For instance, HomeNet Thailand has facilitated collective negotiations with municipal authorities by home-based workers (relocated from central Bangkok to the periphery of the city) for additional bus routes and a pedestrian bridge at a dangerous traffic junction. Similarly, organisations of waste pickers in Brazil, Colombia and India have negotiated contracts and infrastructure, including sheds and equipment, from local government (Chen et al., 2013; also see Box 15.3). The Self-Employed Women's Association in India is the largest organisation of informal workers in the world and facilitates collective bargaining and policy advocacy with its members, while providing practical support services to them (see Box 15.4). Hence, governments are encouraged to consult representative organisations of informal workers and operators concerning the design, implementation and monitoring of policies and programmes of relevance to their livelihood activities, including formalisation.

BOX 15.3 Waste pickers in Colombia

For decades, if not centuries, recicladores (waste pickers) in Colombia's capital city of Bogotá have earned a living recycling metal, cardboard, paper, plastic and glass, selling the recycled material through intermediaries. But privatisation of public waste collection threatened their livelihood. Previous municipal administrations in Bogotá granted exclusive contracts to private companies for the collection, transport and disposal of waste and recyclables. In response, the Asociación de Recicladores de Bogotá (ARB) - an umbrella association of cooperatives representing over 2,500 waste pickers in Bogotá – began a legal campaign to allow the recicladores to continue to collect and recycle waste. The recicladores achieved a landmark victory in 2003 when the Constitutional Court ruled that the municipal government's tendering process for sanitation services had violated the basic rights of the waste-picking community. Subsequent cases have appealed to constitutional provisions, including the right to survival as an expression of the right to life (Article 11), which was used to argue the right to pursue waste picking as a livelihood, and the right to pursue business and trade (Article 333), which was used to argue that cooperatives of waste pickers - and not only corporations - can compete in waste-recycling markets.

The most recent ruling, in December 2011, halted a scheme to award USD 1.7 billion worth of contracts over 10 years to private companies for the collection and removal of waste in Bogotá City. The court mandated that the cooperatives of waste pickers had a right to compete for the city tenders and gave the ARB until 31 March 2012 to present the municipality with a concrete proposal for solid waste management inclusive of the waste-picking community. The mayor of Bogotá honored this mandate by de-privatising waste collection, setting up a public authority to manage solid waste management and allowing ARB and other organisations of recicladores to bid for contracts. In March 2013, waste pickers began to be paid by the city for their services. In June 2014, the national government mandated that the Bogotá model be replicated in cities and towns across the country.

Source: Chen et al., 2013.

BOX 15.4 Self-Employed Women's Association, India

The Self-Employed Women's Association (SEWA) is an organisation of over 2 million informal women workers from a variety of occupations and trades in urban and rural India. SEWA's main goal is to organise women workers to improve the work and living conditions of the women and their families. To help its members achieve their goals, SEWA engages in what it calls 'struggle and development' - union-style collective bargaining and campaigns to raise awareness, air grievances and demand change; and development interventions to promote alternative economic opportunities and build assets. SEWA's development interventions include financial services (savings, loans, insurance), social services (healthcare, childcare, adult literacy), infrastructure (housing, sanitation, electricity, transportation), capacity building (technical skills, leadership), and enterprise development and marketing services.

Source: Chen et al., 2013.

Note

(1) This is the contribution from informal enterprises and does not include that from informal employment in formal firms or households.

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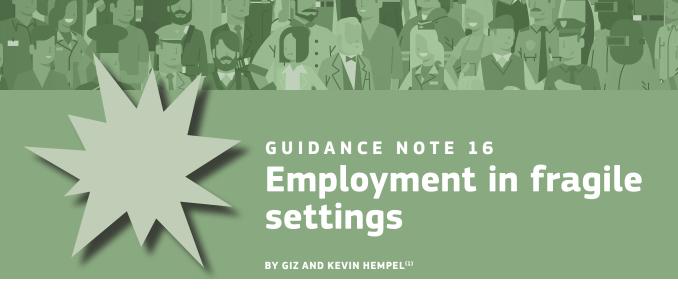
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mployment rates in fragile settings are lower than in other low- and middle-income countries. For instance, labour force participation rates are slightly lower (57 per cent versus 61 per cent) and total unemployment rates are higher (7.2 per cent versus 5.5 per cent) than in low- and middle-income countries in general⁽²⁾.

Labour markets in fragile settings are characterised by **poor-quality employment**. Indeed, formal private sector employment is typically very limited, leading to high levels of informal and vulnerable employment.

Even if people work, the amount of work and income generated is not enough to lift many them out of **poverty**. Poverty rates are significantly higher than the average levels in low- and middle-income countries (36.9 per cent versus 11.9 per cent of the population at USD 1.90 per day, or 58.5 per cent versus 31.4 per cent of the population at USD 3.30/day).

Due to ongoing or past conflict, fragile states often feature large numbers of **displaced populations**. Displaced people have typically lost their homes and livelihoods and need to rebuild income-generating activities in their new host communities (inside or outside the country, in camps or cities) – as well as upon return to their homes – often under very difficult circumstances.

Justification for intervention

A large number of people in the developing world are affected by conflict, fragility and violence; extreme poverty is increasingly concentrated in these countries. Around 2 billion people live in countries affected by fragility, conflict and

OBJECTIVE AND KEY MESSAGES

This guidance note highlights the main arguments to promote employment in fragile countries, the main barriers to employment under fragile conditions and priority intervention areas.

- Around 2 billion people live in situations of conflict, fragility and violence. Addressing employment needs in these settings is critical for social cohesion and post-conflict recovery, as well as to reduce pressures of migration and forced displacement.
- Key barriers to employment in fragile settings include potentially high levels of insecurity, weak state capacity, political and economic instability, and damaged infrastructure. At the individual level, people are typically constrained by disrupted education and health issues, including mental health problems such as trauma, anxiety and depression.
- Employment promotion interventions in fragile contexts need to combine long-term approaches (e.g. build infrastructure, human capital and state capacity) and short-term interventions to support people's income generation. Efforts need to be informed by conflict dynamics and should not overload state capacity.
- Public works and capital-centric programmes are likely to be the most suitable short-term livelihood interventions.
 Interventions may often need to integrate psychosocial and mental health components.

violence (OECD, 2018), and by 2030, the share of the extreme poor living in fragile and conflict-affected situations could reach over 60 per cent (Corral et al.,







































2020). Fragility is likely to be a major obstacle to achievement of the Sustainable Development Goals. By 2030, the remaining low-income countries in the world are expected to be those affected by conflict and fragility (Blattman and Ralston, 2015).

Conflict and fragility is a key driver of migration and forced displacement, a prominent global policy issue. By the end of 2019, more than 79 million people were forcibly displaced as a result of persecution, conflict, generalised violence or human rights violations (UNHCR, 2020). Addressing the causes of forced displacement requires addressing the underlying issues of conflict and fragility (Helfrich, 2016). Displacement, in turn, fuels its own set of challenges. Besides the immediate human suffering, it can also put severe pressure on public services and labour markets in destination areas, both inside the country and abroad. For instance, the experience of host countries for Syrian refugees shows that a high influx of refugees can put an additional burden on already tight labour markets, exerting downward pressure on wages, among other effects (Stave and Hillesund, 2015).

Employment and income generation are essential for social cohesion and therefore fundamental elements for post-conflict recovery and peacebuilding. The lack of jobs and bad working conditions, when intersecting with other elements of social discontent, can negatively affect social cohesion and be destabilising (UNDP, 2015; World Bank, 2010). While unemployment is generally not considered a root cause of conflict, it can be a reinforcing factor contributing to a perception of inequality and injustice and leading to social segregation, frustration and the marginalisation of certain groups. On the other hand, creating employment opportunities can restore people's sense of opportunity, dignity and hope, while providing perspectives for young people and helping to reintegrate ex-combatants and returnees. The challenge is to generate jobs fast enough in these complex and volatile settings.

The international community has committed itself to promoting employment as part of its engagement in fragile states. The 2030 Agenda for Sustainable Development identifies the promotion of peaceful and inclusive societies and decent work and growth as priorities. Leaving no one behind, a key

aspiration of the Agenda, requires special attention to fragile and conflict-affected countries. Moreover, the Fourth High Level Forum on Aid Effectiveness widely endorsed the New Deal for Engagement in Fragile States in 2011. The deal, agreed upon by members of the International Dialogue on Peacebuilding and Statebuilding, aims to align engagement in fragile and conflict-affected states through five goals. The fourth of these – generate employment and improve livelihoods – seeks to transform the economic foundations of these states (International Dialogue on Peacebuilding and Statebuilding, 2011). 'Peace' and 'prosperity' are also key pillars of 'The New European Consensus on Development' (EC, 2017).

Underlying barriers

The various barriers to employment in fragile and conflict-affected settings depend on the aspects of societal, political and economic dynamics at play in prevailing or recurring situations of vulnerability and instability (ILO, 2016). Many of these dynamics may hamper employment as well as employment promotion efforts. Common barriers are discussed below.

High insecurity and ongoing violence. The rule of law is one of the fundamentals needed to create an environment for employment generation. Crime and disorder, on the other hand, pose high costs and uncertainty for the private sector, thus discouraging business investments and demand for workers. Previously existing businesses may have been destroyed or forced to close. Furthermore, widespread illicit economic activities with potentially significant financial returns can raise opportunity costs for legal income-generating activities. High levels of insecurity might also render external support more difficult.

Weak state capacity and legitimacy. Fragile contexts are typically characterised by weak institutions and a disruption in service delivery. Moreover, social capital (e.g. relationships and community structures) have often been destroyed, fuelling mistrust and frustration between and among citizens as well as a lack of confidence and trust in local institutions and formal authorities. State institutions may be perceived as illegitimate, thus seriously restricting the room to manoeuvre on employment promotion efforts.

Macroeconomic and political instability. Fragile settings tend to be characterised by high levels of economic and political instability, such as inflation, political power struggles, etc., providing a hostile environment for investment and economic development.

Damaged physical infrastructure. Adequate basic infrastructure (transportation, energy, communication) is important for businesses to operate properly. In contexts of fragility and violence, physical infrastructure is often damaged or destroyed, thus increasing transaction costs and limiting trade and business activities.

Disrupted education and lack of human capital.

Conflict and fragility often erode human capital accumulation. During times of severe conflict, children and youth are often not able to attend school regularly or at all, sometimes for years, with implications on literacy levels and other skills. Moreover, youth may be conscripted to fight, which would force them to withdraw from education.

Negative health and societal effects. Conflict and violence can have significantly detrimental impacts on people's health, which in turn affects their current and/or future ability to work. These impacts can include physical injuries as well as trauma and mental health issues, such as anxiety and depression. Such issues may be particularly severe for refugees, internally displaced people and ex-combatants, including child soldiers. For instance, over 20 per cent of people living in an area affected by conflict are estimated to suffer from depression, anxiety, post-traumatic stress disorder or other mental health issues (Charlson et al., 2019). There are also negative long-term consequences of being born and growing up during periods of war and conflict on adult outcomes – for instance, as a result of nutritional deficiencies (Lundberg and Wuermli, 2012).

High population growth. Many fragile countries have high population growth rates, putting demographic pressure on labour markets. Fertility rates in fragile states are significantly higher than in lowand middle-income countries in general: 4.5 versus 2.6 births per woman, according to the World Bank's World Development Indicators.

Priorities for employment interventions

In contexts of conflict, fragility and violence, employment-promoting measures need to be designed and implemented carefully since diverse challenges have to be taken into account. The difficult circumstances in which action or collaboration with certain stakeholders take place need to be considered. It is important to avoid negative effects through any potential interventions ('do no harm'). The 'United Nations Policy for Post-Conflict Employment Creation, Income Generation and Reintegration' (ILO, 2009) as well as the International Labour Conference Recommendation 205 on Employment and Decent Work for Peace and Resilience (ILC, 2017) provide some general guidance on employment and decent work in fragile situations. Good practices for employment programming in fragile settings are summarised below.

GENERAL APPROACH

Employment promotion efforts need to be informed by an understanding of the conflict dynamics at stake. Further, they should recognise the interaction of the planned engagement and conflict dynamics (OECD, 2007). Projects should therefore be designed based on an employment and labour market analysis combined with a conflict, fragility and violence—specific context analysis (see e.g. GIZ, 2016). They should actively promote transparency and accountability and systematically ensure that all relevant stakeholders have been consulted. Monitoring and evaluation must not only look at narrow employment effects but also assess the impact of employment programmes on conflict/peacebuilding dynamics.

Employment promotion interventions in fragile contexts need to combine short- and long-term approaches. The rebuilding of physical infrastructure, human capital and state capacity – among other elements – is critical to recovery. However, such efforts take time and need to be complemented with short-term approaches – 'quick wins' to generate tangible improvements in people's lives. Short-term approaches can build capacity, create opportunities and offer alternatives to violence (e.g. through temporary public works schemes, as discussed below). In

















































































turn, achieving short-term goals such as the rehabilitation and improvement of livelihoods, the inclusion of marginalised groups and the reduction of disparities contributes to economic improvements in the long run.

Programming must not overload government's capacities. Given weak capacity of – and low trust in - many governments in fragile settings, implementation mechanisms such as channelling cooperation through non-governmental organisations or cooperation with the private sector are recommended. Public accountability can be increased to actively contribute to rebuilding government legitimacy and capacity, for example through public-private and tripartite dialogues⁽³⁾. In fragile societies, where mistrust and frustration prevail, approaches that do not require a strong network of trust, such as cash transfer programmes or short-term skills training, can be effective in the short run. Employment promotion can also help build social cohesion by fostering interaction and trust among groups (see also Box 16.1).

Proper implementation arrangements are needed. In contexts of high insecurity, the safety of personnel, partners and target groups should receive highest priority. For instance, mobile cash transfers can be used to pay for temporary employment, and civil-military cooperation can offer a structure in highly insecure environments. Community-based approaches or mobile training units that do not rely on physical infrastructure can be used where physical infrastructure has been damaged.

RECOMMENDATIONS FOR PROGRAMMING

Clarify programme purpose and targeting.

Targeting needs to be based on a sound understanding of the labour market and conflict dynamics. Directing development cooperation towards resolving conflict, fragility and violence, while working so as not to aggravate the situation, is crucial for engagement in fragile states. Based on programme objectives, the target groups may differ. For instance, in order to address inequalities in opportunities and labour market outcomes, employment interventions might focus their support on the poor and vulnerable populations. However, the most vulnerable groups (e.g. young girls

BOX 16.1 Youth employment promotion in Sierra Leone

After Sierra Leone's 1991–2002 civil war, many companies faced a lack of skilled employees, and many members of the population lacked a way forward. The GIZ Employment Promotion for Marginalised Youth in Sierra Leone project (2006–2013) focused on employment possibilities through rural value chain approaches and labour-intensive rural development. The project ran literacy campaigns, many involving women, and supported the repatriation of young ex-combatants and civil war refugees. In districts where both the poverty rate and the employment potential were high, the project intervened with a multilevel approach, focusing on the cocoa, coffee, rice and livestock value chains.

- Staff members from government institutions, including the Ministries of Labour and Social Security, Youth Affairs and Agriculture, were advised on and trained to elaborate a National Employment Policy with a particular focus on youth.
- National and local state and non-state service providers were supported to work with target groups on activities such as good agricultural practice and vocational education and training, as well as to encourage small enterprises.
- Farmer groups were assisted in organisational and technical matters and through the provision of agricultural inputs.
- Through public-private development partnerships, the project and private companies supported unemployed youth in obtained secured access to land and acquire the necessary knowledge to produce coffee and cocoa bought by exporters.

Over the course of the project, around 2,500 young people returned to their home communities in rural areas to work in agricultural value chains. About 10,000 farmers in cocoa production were able to improve their product's quality and increase their income by about 30 per cent. Through this project and its diverse participants, social cohesion and trust were enhanced between the generations at the local level and confidence in the government supported.

Source: GIZ, 2015.

or single mothers) may not be the most high-risk ones in terms of instigating or engaging in violence (usually men). To improve social stability, programmes may need to be targeted at high-risk men, including ex-combatants (Blattman and Ralston, 2015).

Finding the right focus and balance based on country context is crucial. As a general rule, particular attention needs to be paid to the inclusiveness of programmes with regard to potentially rival groups (e.g. along ethnic lines), so as not to exacerbate grievances and perceptions of injustice among the population. Indeed, employment promotion measures always influence the distribution of income by offering access to jobs or increasing income levels to some – and not other – households. Similarly, in displacement settings, employment programmes should be targeted at both refugees or internally displaced people and host communities to avoid social conflicts.

See Guidance Note 17 for information on interventions targeting labour migrants and displaced populations.

Pay attention to the socioeconomic (re-)integration of war-affected populations. Such populations include refugees, internally displaced people and ex-combatants (including child soldiers), who are among the most vulnerable groups in post-conflict environments. Efforts to facilitate employment for these groups will need to take into account their mental health and psychosocial needs. (See Box 16.2.) To avoid resistance from host communities, projects should always adopt an inclusive approach and extend their support to members of the host community as well.

The objectives of reconstruction and employment creation can be combined through public works programmes. Such programmes can rehabilitate basic infrastructure in a short time and create immediate employment for large segments of the population, delivering economic benefits for the communities in which they are offered (World Bank, 2018). To counteract the temporary nature of these programmes and increase the chances of longer-term employment opportunities, public works programmes can be combined with contractor training programmes, small enterprise upgrading, and cooperative development (demand side); additional skills

BOX 16.2 Supporting the mental health of war-affected youth

As a result of the long civil war in Sierra Leone, an estimated 15,000–22,000 children of all ages were associated with various armed groups. As youth affected by the war began to enter adulthood, they faced new challenges including unemployment, interrupted education, the need to support families, marginalisation and the psychological effects of exposure to war and displacement. Qualitative research also suggested that young people lacked a vision of the future that would allow them to fully take advantage of stand-alone employment and livelihood support.

To better equip this target population to benefit from educational and livelihood opportunities, local and international partners designed the Youth Readiness Intervention for youth aged 15–24. The intervention drew on a two-staged model for dealing with complex trauma. Stage 1 focused on promoting participants' stabilisation and coping skills, including emotion regulation, identifying personal strengths and practicing goal setting. Stage 2 addressed traumatic memories, including grief, developing a capacity for healthy attachment and overcoming fear of change. The weekly intervention took place over 10 sessions lasting approximately two hours.

The pilot intervention was accompanied by a randomised control trial, with over 400 youth participating in the research. The evaluation found a variety of positive effects on psychological well-being, including in terms of emotion regulation, pro-social attitudes and decreased psychological distress. It also found that participants were more likely to persist in school and demonstrate better classroom performance.

Sources: Betancourt, 2017; World Bank, 2014.

training (supply side); career preparation, development and transition; and continuous analysis of market demands and skills needs (matching to the labour market). Public works could become part of a country's safety net system, such as through employment guarantee schemes, with compensation rates low enough to allow for self-targeting of those not able to directly integrate into the primary labour market

















































































(Gehrke and Hartwig, 2015). Public works and cash for work programmes are also widely used to offer employment opportunities for refugees, internally displaced people and ex-combatants.

For more detailed recommendations on the design and implementation of public works programmes, see Guidance Note 9.

Alongside cash for work, it has been found that capital-centric programmes may be the most effective tools for putting people to work and boosting incomes in poor and fragile states.

Capital-centric programmes include interventions such as cash grants, capital goods or livestock, often in combination with additional support, to stimulate self-employment and the development of micro and small enterprises (see Box 16.3 for an example of business grants to youth groups in Uganda). Given the encouraging evidence in low-income and fragile settings, some academics argue that policymakers should shift the balance of active labour market programmes in this direction (Blattman and Ralston, 2015). On the other hand, there is still little evidence on how these programmes have mitigated fragility factors; for instance, recipients in Uganda were not found to be any less likely to engage in anti-government rallies. It may be advisable to combine employment interventions with other approaches that more directly address weak state legitimacy and capacity and societal fragility, mistrust and structural discrimination. Experience with youth employment as a component in the armed violence reduction and prevention approach has shown that combining developmental and preventive strategies with effective law enforcement can reduce youth violence (OECD, 2009).

One of the central findings in the literature is that the conceptual groundwork and empirical evidence on the link between employment promotion on the one hand and peace and stability on the other remain limited (Blattman and Ralston, 2015). Therefore, it is crucial to further evaluate, synthesise and aggregate individual project experiences.

BOX 16.3 Uganda's Youth Opportunities Programme

With resources from the government-established North Uganda Social Action Fund, the Youth Opportunities Programme was set up to expand skilled employment, reduce poverty and decrease the risk of social unrest following decades of strife in the north of Uganda. Consisting of a cash transfer targeting poor and unemployed young adults aged 16–35, the programme sought to address a key constraint for poor youth in establishing their own business – the lack of affordable finance.

Applicants self-selected into the programme; onethird were women. They were asked to organise themselves into groups to apply for a grant from the programme (USD 382 per group), to be used to finance training as well as for tools and materials in starting a business.

An impact evaluation showed that the unsupervised, one-time group grant led to impressive results: investments, work and income increased substantially and persistently. These effects extended beyond the group members, as some of the artisan businesses set up during the programme were able to employ additional staff.

Source: Blattman, Fiala and Martinez, 2013.

Notes

- (1) This guidance note was written by Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) Sector Project Employment Promotion in Development Cooperation and Kevin Hempel. It is mainly based on GIZ (2015).
- (2) The statistical data in this section are from the World Bank's World Development Indicators database.
- (3) Organisation for Economic Co-operation and Development webpage, 'Local Content Requirements Impact the Global Economy'.

KEY RESOURCES

C. Blattman and L. Ralston, 'Generating Employment in Poor and Fragile States: Evidence from Labor Market and Entrepreneurship Programs' (2015).

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Employment in the context of labour migration and forced displacement

BY STEPHANIE DEUBLER AND KEVIN HEMPEL

ince the movement of people across countries is restricted by borders and entry regulations, workers in developing countries often remain trapped in low productivity, leading to higher unemployment and lower wages (World Bank, 2016a). Jobs and workers remain unequally distributed across the globe, resulting in large income differentials for the same kind of work. While many Organisation for Economic Co-operation and Development (OECD) countries face shortages of workers in certain occupations, developing countries have a large surplus of workers. When people are not able to generate enough income for themselves and their families in their country of origin, working abroad thus becomes an attractive option. Box 17.1 outlines different forms of migration relevant to the contexts considered in this guidance note.

Pressures to migrate combined with the absence of legal pathways to enter other countries can lead migrants to **desperate measures** such as relying on smugglers to cross borders. This pattern induces a large financial burden (often in the form of debt) for the migrants – and often for their families and communities in their countries of origin – as well as very dangerous situations during transit, including death.

Migrants often **lack protection** and suffer from poor working conditions. Even when migrating legally, many workers go abroad under highly precarious circumstances and without support from their sending government. This may result in excessive recruitment costs, informal employment or underemployment, and exploitation by employers or others in the host country, as is the case for many domestic workers abroad. For instance, migrants may be deceived about the nature of the job and the working and living conditions, and not be able to leave exploitative

OBJECTIVE AND KEY MESSAGES

This guidance note highlights the main arguments to promote employment in contexts of labour migration and forced displacement, the main barriers to employment in such contexts and priority intervention areas.

- Migrants are more likely to suffer from poor working conditions. Refugees, in particular, often take many years to be integrated into the labour market, if they are allowed to work in the formal sector at all.
- If not well managed, migration can have negative repercussions on both countries of origin (brain drain) and host countries (pressures on labour markets and social cohesion). Well-managed migration can lead to a triple win for sending and receiving countries as well as for the migrants themselves.
- Typical barriers to migrants' employment include the legal framework, discrimination, unstable housing and a lack of networks. Barriers tend to be even more severe for displaced populations than for labour migrants.
- In contexts of labour migration, efforts should focus on building structured labour-sending systems, working with receiving countries to facilitate integration and fostering cross-border collaboration.
- In contexts of forced displacement, it is crucial to adopt an inclusive approach that targets both the displaced and their host communities.

work as wages and personal documents are withheld (Harroff-Travel and Nasri, 2013). When labour migrants and displaced populations are not allowed



BOX 17.1 Overview of different forms of migration

Voluntary migration. Voluntary migration can occur for many reasons (e.g. family, education, job search) but is usually undertaken for economic motives (labour migration). Voluntary international migration can be legal (with some type of permit or visa) or irregular/undocumented (if crossing a border or remaining in a country without proper documentation). It should be noted that many 'voluntary' migrants may have felt at least partially forced to move in response to difficult circumstances in their home country (e.g. a lack of economic opportunities).

Involuntary migration. Forced displacement is all displacement related to individual persecution, (civil) war and generalised violence, in accordance with the definitions of the Geneva Convention and the United Nations Refugee Agency. Forced migration is a larger term, comprising migration movements due to large infrastructure projects, climate and environmental change, etc.

Refugee. A refugee is someone who has been forced to flee his or her country because of persecution, war or violence. The determination of refugee status requires that fear of persecution for reasons of race, religion, nationality, political opinion or membership in a particular social group has been officially recognised. (For more detail, including the official definition according to the Geneva Convention, see UNHCR, 2010.)

Asylum seeker. Asylum seekers are those who have fled their own country and seek sanctuary in another, but whose claims for refugee status have not yet been determined. An asylum seeker must demonstrate that his or her fear of persecution in his or her home country is well founded.

Internally displaced person. An IDP is someone who has been forced to flee his or her home due to conflict or disaster, but remains in his or her own country and has not crossed an international border. (For more detail, including the official UN definition, see UN Guiding Principles on Internal Displacement.)

Sources: UNHCR webpages: 'What Is a Refugee?'; 'Asylum-Seekers'; 'Internally Displaced People'.

to work legally, they are even more prone to harassment; exploitation; and informal, low-skilled employment (downward mobility)⁽¹⁾.

Entering the labour market is particularly challenging for forcibly displaced people, and their outcomes generally lag well behind those of other migrant groups. When war, generalised violence or major human rights abuses force people to flee their country of origin – or flee within their home country, making them internally displaced persons (IDPs) migration movements tend to be particularly abrupt, unregulated and large scale. These dynamics make access to employment in host communities/countries particularly challenging. In the European Union (EU), for instance, it took between five and six years to integrate more than 50 per cent of refugees into the workplace and as much as 15 years to reach a 70 per cent employment rate converging towards the outcomes for labour migrants (Konle-Seidl and Bolits, 2016). Even when return to the home community is possible, economic reintegration of refugees and IDPs can be a serious challenge.

Besides the employment-related challenges, migration can also have a **high toll on families**. Even when migration occurs voluntarily and employment can be secured, it often involves social costs, as when families are separated with parents working abroad and children remaining behind.

Justification for intervention

International migration is a reality in an increasingly interconnected world and is likely to grow **still more in the future.** As of 2019, approximately 270 million people lived outside their country of origin, which corresponds to approximately 3.5 per cent of the world population. Three out of four international migrants are of working age (UN, 2019). Close to 90 per cent of international migrants had moved voluntarily, while about 12.5 per cent moved involuntarily - approximately 26 million refugees (including around 5 million Palestinian refugees under the mandate of the United Nations Relief and Works Agency for Palestine Refugees in the Near East), 4 million asylum seekers and 3.6 million Venezuelans displaced abroad (UNHCR, 2019). In addition, there is significant in-country migration, including involuntary migration; the number of IDPs in 2019 – 46 million – is almost double the number of refugees (UNHCR, 2019). Overall, about 95 per cent of the displaced (refugees, asylum seekers and IDPs) live in the developing world (World Bank, 2017).

If not well managed, migration can have negative repercussions on both countries of origin and host countries. For instance, countries of origin might lose their brightest minds ('brain drain', i.e. the emigration of the highly skilled); while receiving countries might face increased pressure on already tight labour markets and on affordable housing and public services, and negative effects on social cohesion (World Bank, 2017). Indeed, not adequately addressing the pressures induced by migration risks political and social discontent in host countries – a concern that is often exploited by populist politicians.

If well managed, migration can lead to economic gains. Migration – if safe, orderly, regular and responsible⁽²⁾ – can yield large benefits for everyone involved, a triple win for host countries, countries of origin, and migrants and their families.

Host or receiving countries. Immigration is a key driver of population growth in often ageing (high-income) societies. The movement of workers to higher-productivity settings boosts global gross domestic product (GDP). In 2015, migrants contributed an estimated USD 6.7 trillion, or 9.4 per cent, to global GDP – some USD 3 trillion more than they would have produced in their countries of origin (McKinsey Global Institute, 2016). Moreover, immigrants are an important source of workers, contributing 40-80 per cent of the labour force growth in major destination countries (IMF, 2015; McKinsey Global Institute, 2016). Most studies also indicate that the fiscal impact in their destination countries is small (typically slightly negative in the beginning but a small net positive effect over time) and plays a positive role in easing pension burdens (IMF, 2015). Conversely, fears of an adverse impact of immigration on the wages, unemployment and living standards of native-born workers are usually unfounded (Dadush, 2014; OECD Development Centre and ILO, 2018).

- Countries of origin or sending countries. Countries of origin mainly benefit through remittances - money transfers by the diaspora to their home countries. In 2018, worldwide remittance flows were estimated to have reached USD 689 billion, with developing countries estimated to have received about USD 529 billion - which is over three times the amount of all global official development assistance (World Bank, 2019). While remittances are private money, they support local consumption and investments in health, education and other domains, and contribute to poverty reduction (Maimbo and Ratha, 2005; Ratha, 2013). Moreover, as goods and labour markets adjust to the changes caused by migration, the reduction in labour force can reduce unemployment and lead to higher wages, which is beneficial to those who stay behind. For instance, estimates indicate that an increase in emigration of 10 per cent can contribute to a 2-5 per cent increase in wages and a 1.6 per cent decline in poverty among the general
- Migrants. Immigrants generally earn higher wages by moving, though their wages remain some 20–30 per cent below those of comparable native-born workers (McKinsey Global Institute, 2016). They can also gain skills and professional experience, and establish international networks. Migrants' families in home countries benefit from the remittances, as described above.

population (Adams and Page, 2003; IMF, 2015).

There are strong humanitarian arguments for policy intervention. Large displacement movements can lead to significant human suffering. Thus, there is an imperative (supported by international law and United Nations guidelines) to support these populations with basic services and protection, including employment-related interventions, to enhance their ability to make a living for themselves and their families.

Successful integration of migrants, including into the labour market, is key to realising the benefits and minimising the potential negative repercussions of migration. The success or failure of integration (spanning dimensions such as employment, education, health and housing) has long-term consequences, influencing whether second-generation

















































































immigrants born in the receiving country become full and productive citizens or remain socially excluded and economically disadvantaged. Several studies show that children and youth with migrant parents may lag behind their peers in terms of skills, education and integration in the labour market (see e.g. Papademetriou and Benton, 2016).

Based on the above, addressing the causes and consequences of migration has become a global policy priority.

- The 2030 Agenda for Sustainable Development. The Agenda recognises the contribution of migration to inclusive growth and sustainable development. Its core principle to 'leave no one behind' specifically includes migrants, while several of its Sustainable Development Goals contain targets and indicators related to migration, including Goal 8 on promoting employment and decent work, with regard to protecting labour rights.
- Global compacts on migration and refugees. In 2018, two new instruments on people's movement were adopted by governments across the globe: the Global Compact for Safe, Orderly and Regular Migration, and the Global Compact on Refugees. The compacts reiterate the importance of the topic and indicate commitment for action.
- 'The New European Consensus on Development'. For instance, the EU and its Members seek to 'step up efforts to address the root causes of irregular migration and forced displacement', 'promote the better management of migration in partner countries', and 'promote the dignity and resilience of long-term forcibly displaced persons and their inclusion in the economic and social life of host countries and host communities' (EC, 2017, p. 19).

The costs of doing nothing about migration are enormous. Economic benefits would remain elusive, limiting the potential of migration for reducing poverty and increasing prosperity, while the burden on the vulnerable – as well as on societies at large – would be significant.

Underlying barriers

A first barrier is often the **lack of safe, regular and orderly ways to migrate**. Even though industrialised countries often lack a young, qualified workforce due to demographic changes (see e.g. Cerulus, 2016), access to the respective labour markets is heavily regulated and extremely difficult to enter when coming from certain regions and countries. Even when legal channels exist, the lack of access to information (about recruitment processes, fees, contracts, rights in the host country, etc.) leaves migrants vulnerable.

Upon arrival in the host country, migrants face a myriad of barriers to good and productive employment (see Figure 17.1). Understanding the extent of these barriers is essential in developing appropriate support structures. Generally speaking, both labour migrants and displaced populations face severe difficulties, although refugees face barriers to employment that go beyond those of labour migrants (while irregular labour migrants face significantly more barriers than those with formal status). Characteristics that differentiate displaced populations from labour migrants include the following (World Bank, 2016b).

- Forced displacement causes substantial human suffering, increasing the likelihood of physical injury, trauma and mental illness.
- Displaced populations generally do not have the support of proper migration preparation in their home country, including labour-sending systems⁽³⁾.
- Forced displacement flows consist of larger numbers of people moving simultaneously and staying for longer periods than voluntary labour migrants.
- Displaced populations often cannot select their destination and may be isolated from both economic hubs and strong social networks.
- Displaced populations often lack the option to return home for a long time and therefore are more vulnerable to economic downturns in the host country.
- The abrupt nature of forced displacement means these movements usually entail significant risk of losing specific assets, belongings and savings.

Lack of networks and contacts Mental health issues (e.g. trauma, depression) Cultural barriers Poor physical health (e.g. injury) Inability to navigate the system Specific preferences and beliefs (e.g. **Health** and Lack of appropriate services to capital and risk aversion, short time horizon, low behaviour support employment transitions trust) Lack of sufficient Labour market employment opportunities Unstable housing situation barriers for **Housing and** Workplace labour migrants Discrimination Lack of mobility (e.g. legal mobility and displaced restrictions, transportation Lack of knowledge of host populations issues, safety) country's workplace culture Lack of specific assets. Legal status Education belongings, and savings and labour and skills laws Limited proficiency of local language Temporary and uncertain residency Low levels of education and/or lack of qualifications Restrictions to enter the labour market No documentation for education/skills (including to open a business) Difficulties with recognition of skills, qualifications and experience

FIGURE 17.1 Typical barriers to employment for labour migrants and displaced populations

Source: Based on Prospera Consulting, forthcoming; drawing on Asylum Access, 2014; Konle-Seidl and Bolits, 2016; Refugee Council of Australia, 2010; Schuettler and Caron, 2020; and UNHCR, 2013.

Note: Italics indicate a barrier is particularly severe for forcibly displaced migrants.

A key take-away is that **barriers to employment go far beyond individual-level barriers related to skills and the ability to work**, especially for refugee populations. They include fundamental aspects of life such as poor health and unstable housing, which dramatically affect people's ability to look for and find employment, as well as common legal restrictions to work⁽⁴⁾. Unless such fundamental barriers are addressed, all other employment support services will likely be ineffective.

Lack of work experience in host country

Finally, it should be noted that **returnees** – migrants who return to their country of origin after studying or working abroad – can also face difficulties, such as a lack of social, and especially professional, networks as well as skills acquired abroad that do not necessarily meet the needs of the local market or that are not recognised.

Priorities for employment interventions

This section presents intervention priorities first in contexts of labour migration, and then for contexts of forced displacement. For an overview of measures proposed by the G20, see G20, (2017).

CONTEXTS OF LABOUR MIGRATION

Promote better working conditions in countries of origin. A first natural entry point in the context of labour migration is the promotion of employment opportunities and better working conditions in countries of origin to mitigate migration pressures. This requires a targeted approach based on the specific constraints to employment in the local context. Such efforts take time, however, and may not reach the scale needed to make an impact on the majority of the population.

Shape migration. Development cooperation should support labour migration management systems















































































seeking to shape migration to make it beneficial for both the countries of origin and destination as well as for migrants themselves. Given the labour shortages in many developed economies, paired with the labour surpluses in many low- and middle-income countries, building systems to connect these labour markets can be an important avenue for intervention (World Bank, 2016a). It is critical to take into account the skills composition of available jobs and job seekers.

This approach primarily involves the **promotion of** enhanced employment-related legal migration channels and support structures to facilitate the transition from one country to another. Possible actions follow (OECD, 2020; OECD et al., 2016, 2018; World Bank, 2016b).

- Support the design of labour-sending systems.
 - Provide interventions for improving access to information prior to departure.
 - Enhance active intermediation to help migrants connect to opportunities in overseas labour markets.
 - Regulate selection of workers, especially at the low-skill end, ensuring fair and ethical recruitment practices.
 - Provide information and preparation (pre-departure training) for workers in international markets.
 - Make skills training programmes in countries of origin relevant to the labour market needs of receiving countries (e.g. language training, certified technical training).
 - Strengthen protection and redress mechanisms for safe migration at the various stages of the migration process.
- Work with labour-receiving countries.
 - Create legal pathways for both temporary (e.g. seasonal) and permanent migration that align immigration policy with the needs of labour markets.

- Strengthen frameworks for recognition of skills and qualifications to facilitate labour market integration.
- Promote the integration of migrants into host societies, including, but not limited to, the labour market (encompassing housing, education, social networks, etc.).
- Ensure the respect of labour standards and decent working conditions among migrant workers.
- Identify interventions that can change the negative public opinion of immigrants among the general public - and, more specifically, among employers - and enforce anti-discrimination policies to hold employers accountable.
- Design systems to include migrants in host country safety nets.
- Design support mechanisms for nationals who might lose from more migration in the short term (through skills upgrading, social protection assistance, etc.).
- Enhance cross-border collaboration and coordination.
 - Strengthen overseas job matching systems to connect workers with jobs abroad (e.g. through cooperation of public employment services, regulation of private international recruitment agencies).
 - In contexts where the overall environment in the country of origin is amenable (e.g. job and business opportunities, rule of law), support circular migration and the economic reintegration of returnees to enhance knowledge and skills transfer and counteract potentially negative repercussions of brain drain.
 - Promote linkages between diaspora and home countries to foster economic linkages (e.g. trade, mentoring) and return entrepreneurship⁽⁵⁾.
 - Facilitate portability of social security entitlements and earned benefits.

One comprehensive policy to explore in this regard is bilateral agreement through a **global skill part-nership**. Global skill partnerships seek to channel migration pressures into mutual benefits for a country of migrant origin and a country of migrant destination (see Box 17.2 for a successful example). The destination country financially supports – prior to migration – the training of potential migrants in the origin country in occupations needed by destination country employers. The country of origin provides that training and receives support for the training of non-migrants as well, thereby enhancing local human capital (Clemens and Gough, 2018; OECD, 2018). Key success factors in this type of intervention include (Clemens, Dempster and Gough, 2019):

- strong partnerships with relevant ministries in countries of origin and destination;
- private sector involvement to define the skills needed;
- differentiated training for trainees who will migrate and those who will stay in the home country, in line with respective labour market needs;
- identification of qualified trainers;
- portability, in terms of being able to change employers.

CONTEXTS OF FORCED DISPLACEMENT

Empirical evidence on interventions to promote the labour market integration of displaced populations is scarce, especially for low- and middle-income countries. The following guidance draws primarily on reviews of diverse policy papers and available research (e.g. Jacobsen and Fratzke, 2016; Konle-Seidl and Bolits, 2016; Schuettler and Caron, 2020).

Conduct market, political and policy mapping of the local context. Beyond having a good understanding of labour market dynamics and opportunities (see Guidance Note 1), it is critical to understand the political climate and policy environment in order to avoid tensions with the government and local communities (Jacobsen and Fratzke, 2016).

BOX 17.2 Triple Win Pilot Project: responsible recruitment of skilled workers

In the Triple Win project, Germany has sought to meet its widespread nursing shortage by recruiting from Bosnia and Herzegovina, the Philippines and Serbia, where the unemployment rate among nurses is high. As of November 2019, over 3,000 qualified nurses from these three countries had been successfully recruited for work assignments in Germany.

In selecting the partner countries, the project follows the World Health Organization's Global Code of Practice for International Recruitment of Health Personnel (WHO, 2010). The code regulates international placement, selection and exit processes and avoids brain drain.

Agencies in the nurses' countries of origin coordinate the application and selection processes, ensuring appropriately skilled, trained and motivated candidates. The project then places the selected nurses to fill vacancies at German hospitals and nursing homes. Prior to their departure, the nurses take language and nursing-related training to prepare for their work and life in Germany. The Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) and receiving employers provide support with immigration procedures and help the nurses settle in. After the nurses complete their assignments in Germany, they may return to their countries of origin or extend their stay to continue to work in Germany.

The project has been quite successful, and demand and interest continue to increase. The nurses bring high qualifications and motivation. Despite challenges regarding the language and a new working and living environment, they become integrated and continue their development, both professionally and personally. The employers are also satisfied, with about a third participating multiple times. Placing the nurses in jobs in Germany relieves the labour market in their countries of origin. Thus, a win-win-win situation has been created.

Source: GIZ, 2019.













































Adopt an inclusive approach that targets both displaced populations and host communities. An inclusive approach involves targeting support services to both locals and the displaced populations, while offering separate assistance (including non-employment-related) to host communities to help them cope with the influx of people. This can include strengthening basic service delivery in education, health, urban and environmental services. When displacement can be forecast, host countries and communities should be supported in preparing for the influx of IDPs or refugees. An inclusive approach can increase a positive government perception of development partners' programmes, bring nationals and non-nationals together, and discourage discrimination and resentment (Feinstein International Center, 2012).

Strengthen the resilience of those who stay behind and support the integration of returnees.

Even in contexts of war and violence, the majority of people do not flee their home countries. Development efforts can complement humanitarian actors in stable parts of conflict-affected countries to maintain livelihoods and strengthen community-based institutions among those who endure conflict in their home countries. The return of displaced populations can be challenging, both for returnees as well as receiving countries and communities. Hence, supporting viable socioeconomic opportunities for them is an important area for external support.

Link livelihood and non-livelihood services.

Programmes to assist displaced populations often involve a wide range of non-livelihood services (see Box 17.3), including cash assistance; health and medical assistance, including psychosocial counselling; educational programmes; and other social services such as assistance with registration, housing, legal matters, childcare and case management.

Pair employment programming with advocacy efforts on the right to work and freedom of movement. Carefully undertake such advocacy in order to promote early access to the labour market. While it is often politically difficult, it is recommended and supported by international law to minimise restrictions to work in order to allow for rapid labour market access (ILO, 2016). Supporting refugees' transition to employment is not just a technical problem,

BOX 17.3 The case for non-livelihood services

Health first. 'Health issues can be a fundamental obstacle to integration, as they affect virtually all areas of life and shape the ability to enter employment...or interact with public institutions'. The British Survey on Refugees (2005–2009) found, for example, that those who described themselves as being in good health were more likely to be employed than other refugees. In Sweden, counsellors assess mental health in conversations with asylum seekers and make referrals to psychological counselling or psychiatric treatment as necessary.

Civil society engagement. A welcoming business environment and the support of local communities and non-governmental organisations is essential in helping refugees 'settle'. Indeed, discrimination in the labour market and beyond can be a key obstacle for refugees. Offering possibilities for exchange between host communities and refugees through sports or other community recreational activities can be invaluable. Similarly, supporting social networking, such as mentoring projects and volunteer interaction, is generally recommended.

Source: Konle-Seidl and Bolits, 2016.

but first and foremost a political one, as policies related to legal status and the right to work constitute a key barrier. Thus, 'Without the political will on the part of the authorities to create and implement a supporting policy framework – including legal status and work authorisation – livelihood investments cannot pay off' (Jacobsen and Fratzke, 2016, p. 15). Such efforts are likely most effective if done in collaboration with other international organisations, such as the International Labour Organization, the United Nations Refugee Agency and the World Bank; as well as local partners, such as business leaders and local authorities (see also Asylum Access, 2014; Zetter and Ruaudel. 2016).

A combination of employment support programmes may be needed to aid labour market integration of displaced populations. While empirical evidence is scarce, there is relatively strong consensus among international organisations for

using the following interventions, though their combination would depend on target group needs and local context:

- early language training;
- recognition of qualifications and experience (e.g. through skills assessments, certification systems for non-formal skills);
- education and skills that are in demand in the labour market (e.g. through short, intensive bridging courses to develop country-specific skills);
- job search assistance;
- availability of on-the-job training (also in connection with language training);
- temporarily subsidised jobs (e.g. public works or wage subsidies)⁽⁶⁾;
- coaching and mentoring (for guidance and to compensate lack of social networks);
- providing networking opportunities.

As mentioned above, these employment support efforts often need to be combined with other support services (e.g. health, legal, social) to be effective. Also see Box 17.4.

For an overview of evidence-based practice of active labour market programmes in general, see Guidance Notes 6–9.

Provide services to employers and connect them to relevant actors. Firms should be given support that reduces their screening and hiring costs and helps them overcome the potential bureaucratic and practical challenges associated with recruiting refugees (Adecco, 2017). Engagement with employers may also be geared towards making the business case for hiring refugees, helping adapt human resource management to the needs of hiring refugees (modified requirements related to references, background documents, etc.) and providing an enabling work environment (OECD and UNHCR, 2018).

BOX 17.4 Example of integrated employment services for refugees and host communities in Lebanon

In response to the influx of Syrian refugees in Lebanon, the International Rescue Committee provides cash and livelihoods support to vulnerable Lebanese and refugees. The objective is to help vulnerable households in the most affected areas meet their essential needs and increase their self-reliance. To this end, the International Rescue Committee operates Livelihood Centres in Akkar and Mount Lebanon, where beneficiaries can access a range of employment services and active labour market programmes, including job counselling and job referrals, skills trainings, on-the-job training, cash for work and microenterprise support. These livelihood-related services are offered in combination with protection services, such as general information sessions, legal counselling, emergency cash for basic needs and referrals to social services. Beneficiary demand has been high, with an average of close to 1,000 people registering at the centres every month.

Source: IRC, 'Economic Recovery and Development at the International Rescue Committee: Enterprise Development and Employment' webpage.

Provide access to finance and markets to facilitate self-employment. Providing access to finance may be needed to address the common loss of savings and assets displaced populations face, especially in environments where access to wage employment is restricted or there is a lack of wage employment opportunities. Overall, cash grants or asset transfers appear to be more suitable than microfinance or other loans for this target group (Schuettler and Caron, 2020). In addition to providing access to finance, interventions must also ensure that they facilitate access to markets and integration into local/regional value chains, while working to improve the broader market systems (Nutz, 2017).

Promote decent working conditions. Interventions may need to work towards the respect of labour standards to prevent or reduce the exploitation of refugee workers in wage employment. This may require strengthening compliance mechanisms, ensuring

















































































rights to organise and join trade unions, etc. (Gordon, 2019).

Foster coordination among integration actors.

Given that mandates and service provision typically lie across a range of national and civil society players, aligning the work of these multiple stakeholders is essential to providing services effectively and efficiently. To this end, in several Scandinavian countries, public employment services have taken on a coordination function; however, early experience has shown that they have been overwhelmed in this role (Konle-Seidl and Bolits, 2016). Other OECD countries with traditionally limited service provision to immigrants and refugees (e.g. Slovenia and Portugal) have adopted 'one-stop shops' (Konle-Seidl and Bolits, 2016).

Populations affected by forced displacement mostly stay within their country of origin or neighbouring countries: **95 per cent of displaced populations worldwide are hosted by developing countries**. The additional needs of these countries in terms of financial and technical support are recognised by the Comprehensive Refugee Response Framework and the New York Declaration for Refugees and Migrants (see UNHCR, 2018, for more detail).

Specific challenges arise for **transit countries act- ing as interim hosts** for refugees (meaning that the refugee only stays in the host country on a temporary basis). They may experience high initial expenditure and pressure on basic service provision without gaining any economic payoffs as the displaced eventually move on to other countries. The international community must step up and support the financing of these services in such situations.

For an example of EU programming related to employment promotion in the context of migration and forced displacement, see Box 17.5.

See Guidance Note 16 for additional guidance on interventions in fragile settings.

BOX 17.5 EU Emergency Trust Fund for Africa

The EU Emergency Trust Fund for Africa aims to foster stability and contribute to better migration management, including by addressing the root causes of destabilisation, forced displacement and irregular migration. The Trust Fund works with 26 partner countries across three regions of Africa – the Sahel and Lake Chad, the Horn of Africa and North Africa – which are facing growing challenges in terms of demographic pressures, extreme poverty, weak social and economic infrastructure, internal tensions and institutional weaknesses, insufficient resilience to food crises and environmental stress.

One pillar of the Trust Fund includes economic development programmes addressing skills gaps, improving employability through vocational training, and supporting job creation and self-employment opportunities with a focus on strengthening micro, small and medium-sized enterprises. With close to 50 programmes funded, the Trust Fund seeks to assist close to 300,000 people in developing economic income-generating activities.

Source: EU Emergency Trust Fund for Africa website.

Notes

- (1) Workers in situations of labour migration and forced displacement often do not benefit from labour rights and are therefore less protected, making them vulnerable to exploitation and other forms of abuse. See International Labour Organization webpage on 'International Labour Standards on Migrant Workers'.
- (2) Target 10.7 of the Sustainable Development Goals is to facilitate orderly, safe, regular and responsible migration and mobility of people, including through the implementation of planned and well-managed migration policies.
- (3) Since these labour migration support systems are not well developed everywhere, many labour migrants also do not have access to such support.
- (4) While refugees' right to work is enshrined in the 1951 Geneva Refugee Convention, analysis of the 20 countries that are hosting 70 per cent of the world's refugees finds strong disparities regarding legal provisions.
- (5) For specific guidelines and tools, see GIZ (2013, 2017) and Meijer and Deubler (2014).
- (6) In Europe, wage subsidies have been found to be more effective than other types of active labour market programmes. See Butschek and Walter (2014).

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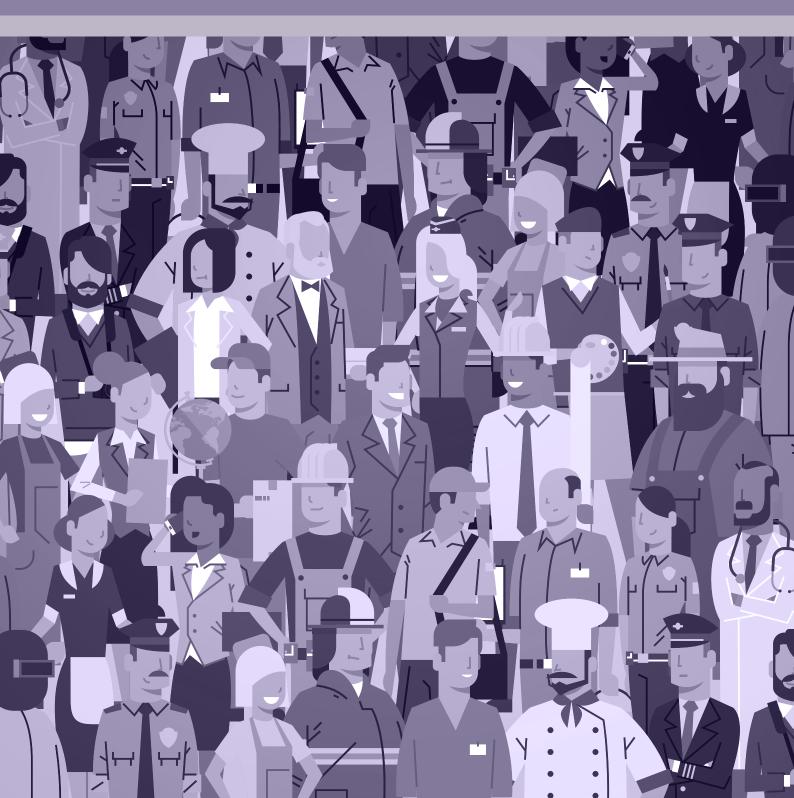
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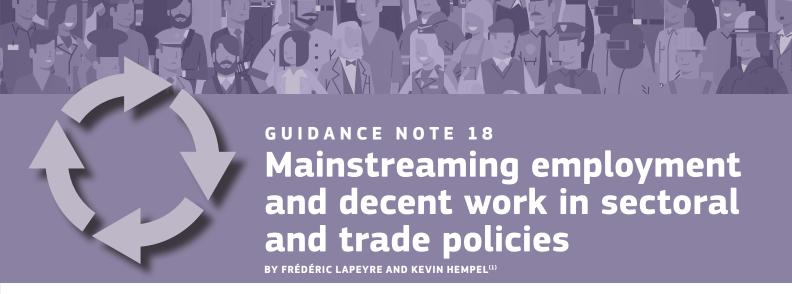


Mainstreaming employment and decent work



his part shows how employment and decent work can be mainstreamed across sectors and funding instruments. Guidance Note 18 illustrates how trade and sectoral policies can be made more employment-sensitive and how the use of targeted employment impact assessments can help predict employment effects or provide ex post measurement. It also provides examples on how to foster compliance with international labour standards in global value chains. Guidance Note 19 discusses integrating employment and decent work in budget support operations. Budget support operations can be a good opportunity to raise employment issues to a strategic and cross-cutting level that complements individual programmes.

The part also seeks to facilitate data-driven learning. Guidance Note 20 provides an overview of the tools that can be used to meet different learning objectives and foster quality assurance in programming. Key messages include the importance of strong monitoring frameworks for all interventions, as well as the fact that different types of evaluations need to be selected and sequenced based on learning needs and programme maturity. Guidance Note 21 provides additional guidance on defining and using relevant indicators to measure progress and success at various levels. While a comprehensive list of employment-related indicators for the many types of existing interventions is beyond the scope of this manual, this guidance note offers an overview of the most common types of indicators, which can serve as a basis when designing new interventions.



he 2030 Agenda for Sustainable Development acknowledges the importance of employment generation and decent work through Sustainable Development Goal (SDG) 8 on 'promoting sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all'. In that context, the European Union (EU) and its Member States aim to mainstream and strengthen the employment dimension across all development cooperation policies through a comprehensive and strategic approach.

The objective of **promoting inclusive growth** recognises that economic growth alone is not enough for development. Increasingly, the assumption of an automatic link between growth, job creation and poverty reduction has been questioned. The last 60 years of development strategies in developing countries provide strong evidence that without **employment-oriented strategies**, growth by itself cannot be relied upon to translate into better incomes and jobs for all people, nor into employment generation. The pattern and sources of growth and the manner in which its benefits are distributed are equally important for achieving the goal of decent work for all, poverty reduction and social justice.

Despite many developing countries having experienced renewed growth revival in recent years – some with exceptionally high growth rates – the record of decent employment creation has been very disappointing. As a consequence, there is growing interest on the part of policymakers for **pro-employment** sectoral and trade policies within a clear, productive transformation strategy. This approach raises several fundamental questions that are explored in this guidance note.

OBJECTIVE AND KEY MESSAGES

This guidance note discusses the impact of sectoral and trade policies on employment as well as the different methodologies and tools that can be used to assess pro-employment sectoral and trade policies. It also outlines principles to observe so sectoral and trade policies can lead to more and better jobs.

- To foster employment-oriented growth, sectoral and trade policies must explicitly take into account job creation and decent work.
- Meeting this objective requires obtaining a better understanding of how different sectoral and trade policies affect employment so that these policies can be improved to enhance the employment outcomes.
- To create a pro-employment sectoral and trade policy framework, some key principles should be followed, such as considering countries' specificities and priority sectors' relationship with the rest of the economy.
- Employment impact assessment tools must be formulated and used to monitor effective sectoral and trade policies.
- Mainstreaming employment and decent work across sectors requires targeted efforts to ensure compliance with international labour standards
- How do sectoral and trade policies affect employment?
- What does a pro-employment sectoral and trade policy framework look like, and which sectoral and trade policy framework is needed to support decent job creation?





































How can the employment impact of sectoral and trade policies for more and better jobs be assessed and monitored?

Impact of sectoral and trade policies on employment

Enhancing employment outcomes requires an understanding of the **relationship between trade and sectoral policies to see what their interaction may mean for employment**. The main components of the relationship between trade and sectoral policies on employment can be summarized in the following conclusions.

- While there is no clear consensus on this point, in the long run, trade (either exports or imports) appears to be good for employment. This positive relationship seems to operate by raising labour productivity within sectors rather than causing sectoral shifts and a sectoral recomposition.
- While trade growth has little effect in most countries on the inter-sectoral component, in those countries where it does, the effect is mainly positive and can be mostly found in middle-income countries.
- **Trade in manufactures** appears to be the principal conduit for the forces that raise labour productivity and boost employment. Trade in minerals and agricultural raw materials is also important. Imports of products from these categories play a larger role in raising labour productivity than their exports.
- Trade liberalisation and structural transformation are likely to lead to a combination of employment and wage effects in the short run. Whether the impacts primarily affect wages or the rate of employment will **differ across countries**, and largely depends on labour market institutions, the efficiency of capital markets and social policies. Compared to higher-income countries, lower-income countries appear to lack the capacity to translate trade into higher labour productivity.
- Benefits of trade liberalisation and structural transformation will vary across workers. Both trade and sectoral policies can potentially lead to

important gains in employment for both skilled and unskilled workers. But that would much depend on complementary measures to ensure that those who in principle should benefit from better market access and greater competition actually do so. In practice, poor households and regions in developing countries often do not benefit from trade opening because they are effectively not connected to markets, lack access to key inputs such as credit, or confront excessively high transport and other transaction costs. Moreover, some sectors, firms and workers will suffer displacement as the economy evolves. That is why trade and structural transformation must be seen as a necessary but not sufficient policy to achieve decent employment.

To summarise, jobs connected to global markets have been propounded as good for development. International trade, participation in global value chains and foreign direct investment may lead to positive spillovers, but these presume a certain level of development and absorptive capacity. With insufficient capacity and increased competition from emerging economies, many developing countries may fail to convert cross-border flows of trade and capital into productive and decent jobs.

Guiding principles for proemployment sectoral and trade policies

Even where trade and sectoral policies could have a natural positive effect on employment, this **effect** is **not systematic**, primarily because of the lack of capacity absorption of developing countries, inadequate labour market information or a lack of diagnostic and monitoring tools. To create a pro-employment sectoral policy framework, the following guiding principles should be followed.

■ Countries' specificities need to be considered to ensure that sectoral and trade policies are in line with country context. Sectoral and trade policies to promote decent employment are complex and touch on a wide set of policy areas and instruments. Each country needs to design policies according to its own competitive advantage and

aspiration, taking into account limited fiscal space, and government and institutional capabilities.

- The contextual structure of the economy needs to be analysed to understand the expected effects created by an increase or decrease in economic activity of various sub-sectors (ILO, 2011). This can help in identifying future investment in priority sectors, expected benefits to the economy and employment, and the different impacts on the pattern of growth and job creation and in avoiding the false assumption of an automatic trickle-down effect.
- Sectoral targeting should be mainstreamed in national development strategies with employment impact as a priority. Sectoral policies can aim at (i) promoting labour-intensive sectors to increase labour demand in an economy, and (ii) supporting sectors that are growth oriented and relevant for structural change in an economy to secure future economic development and job creation.

Policymakers and stakeholders need concise and comprehensive descriptions of **priority sectors' relationship with the rest of the economy**, a mapping of the various channels of sectoral contributions to overall growth and job creation, and an analysis of the differential contributions of various sectors to guide the policy development process. Labour intensity can be an important criterion for prioritising sectors; additional **criteria to be taken into account in sector selection** include the following:

- the weight of the industry in total employment;
- technological change;
- the evolution of the global market in the medium and long term, etc.;
- productivity, which is important for the sustainability of growth over time in a context of globalisation (there may be trade-offs between labour intensity and productivity);
- the quality of new jobs associated with priority growth sectors;

- the attractiveness and inclusiveness of specific sectors for specific groups, such as women and youth;
- the geographic distribution of the sectors, such as whether they are concentrated in an economically disadvantaged region of the country;
- the capacity of sectoral policies and investments to generate additional local investments and spillover effects on indirect and induced employment.

The scope of the policy shall not be restricted to manufacturing-led growth strategies. The services sector can play a leading role in fostering growth and employment creation. Because it is often seen as a low-productivity, non-tradable sector, it may be overlooked in sectoral policymaking. Yet services represent a diverse portfolio of activities cutting across health, education, travel, transport, trade, financial services and telecommunications. There is strong evidence that the services sector – particularly communications, banking services, business services and community services – can be a key driver of aggregate labour productivity and output growth; in India, it functioned as a leading sector (Eichengreen and Gupta, 2011).

Indeed, knowledge-intensive manufacturing industries are the main users of producer services (finance, communication and business services), and producer services industries are themselves important users of these services. This indicates a virtuous cycle between developments in these particular types of manufacturing and service activities. In this view, services should not be seen as a substitute for, but rather a leading and lagging complement to, manufacturing, with attendant implications for development policy. This is all the more important to consider as digitalisation will boost services and generate jobs in the services sectors.

Once priority sectors are identified, integrated sectoral policies should focus on **removing the main binding constraints** and providing a sustainable environment for more and better jobs (see Box 18.1).

Besides sectoral policies, trade policies should be designed sensibly, and with an employment focus, according to the local economic structure.

















































































BOX 18.1 Gabon: Identifying priority sectors from an employment perspective

With the conclusion of Gabon's initial Poverty Reduction and Growth Strategy Paper which covered the 2006–2008 period, the Ministry of Labour, Employment and Social Welfare undertook the design of a second-generation strategy by assessing the impact of priority sectors on income and employment and identifying key sectors to support for job-rich growth.

Specifically, the ministry conducted an input-output analysis, capturing in a matrix the movement of commodities and services across different sectors by origin and destination. The main findings can be summarised as follows.

- Gabon's economic structure is not sufficiently diversified, with oil accounting for an inordinate percentage of gross domestic product. Gabon's economy is thus highly vulnerable to external shock, and its growth is dependent on non-renewable resource exports. Moreover, the oil sector is very weakly integrated into the rest of the economy.
- Top employment sectors include post and telecommunications, crude oil and natural gas production, educational services and health, oil refinery, timber and wood products industries, construction and public works. While agriculture is a key sector in terms of share of employment, it is a poor

generator of incomes in other sectors because of weak forward and backward linkages.

The timber and wood products sector generates more income, production and employment multipliers.

Given its context of oil depletion, it is crucial for Gabon to formulate a priority sectors strategy to promote economic diversification and the development of productive capacities. The input-output analysis suggests that the improvement of employment opportunities in terms of both quality and quantity should be structured around the expansion of transformation industries linked to the exploitation of natural resources (in particular wood) and the development of agriculture potential. It is essential to increase the value added of forest products' exports and to develop non-agriculture employment in rural areas through the development of food processing small and medium-sized enterprises. The development of these two sectors should be supported by the development of economic infrastructures and an appropriate integrated policy framework. The main outcome of this new vision is the three-pillar 'emerging Gabon' development plan, which includes developing 'a green Gabon' based on priority sectors such as timber, sustainable forest management and eco-tourism.

The following guidance is useful in this regard; also

Source: Bensaïd, Ibourk and Khellaf, 2011.

see Box 18.2.

■ Use the available policy space provided by multilateral trade rules to provide temporary and reasonably low trade protection to nurture infant industries while using policy tools to promote exports.

- Create relevant learning and skills development opportunities.
- Liberalise trade gradually and in a sequenced manner as capabilities are accumulated.
- Promote diversification into new technologies and higher-value-added manufacturing.

- Take advantage of South-South cooperation by transferring appropriate technologies, importing cheaper capital goods and exporting low-technology goods.
- Attract domestic and foreign investment in non-traditional tradable and support learning networks between domestic and foreign firms, such as value chains, joint ventures, clusters, industrial parks or business incubators.
- Mainstream employment and the Decent Work Agenda into investment policies and operations.
- Use government procurement to enlarge markets for locally produced goods in order to benefit from increasing returns, more productive employment and learning space.

BOX 18.2 The STRENGTHEN approach for maximising the employment impact of trade policies

The STRENGTHEN project, funded by the European Commission and implemented by the International Labour Organization, aims to strengthen the capabilities of country partners to analyse and design sectoral and trade policies and programmes to enhance employment creation quantity and quality. The project's component on trade and employment has developed an innovative approach to identifying products a partner country may have the potential to export and thereby create more and better jobs. This approach is the outcome of a close collaboration between the International Labour Organization and the International Trade Centre. It utilises the export potential assessment methodology developed by the International Trade Centre to identify a country's products or sectors with export potential in existing or new markets based on detailed trade and market access statistics. It can be applied to compute the extent of unrealised export potential at the sector level, with the ultimate objective of measuring how its full utilisation would translate into the creation of employment in general and for women and youth in particular. The approach has been applied in six developing countries - Benin, Ghana, Guatemala, Morocco, Myanmar and the Philippines.

Employment impact assessment approaches

To implement all these previous guiding principles, the development of tools and methods to measure and assess the effects on job creation are needed. Communities and decision-makers increasingly wish to design policies that answer to multiple questions, such as the number of jobs that will be created as a result of sectoral and trade policies, public investments, various incentives and tax regulation reforms, and their economic impact.

Assessing the impact on employment is inherently complex. Even for a single investment project, there is a wide range of transmission channels, each of which has to be assessed using specific tools and methods and within a specific time frame. These

transmission channels involve supply chains, consumption effects, access to credit and trade costs, among others. A second challenge is the timing of the employment impact assessment, which can take place at different phases of a project either ex ante, in itinere or ex post.

- The purpose of **ex ante assessment** is to inform stakeholders about the employment impact of candidate projects. This assessment is made with limited information about the scope of the investment, the detailed activities of the project or even the geographic location of the beneficiaries.
- In itinere assessment relates to monitoring of the employment dimensions of projects as they are implemented and will be linked to the progress (including completion) reports and the information system set up by the beneficiaries.
- Ex post evaluation takes place at the end of a project, but with some ex post methodologies, data collection has to start at the beginning of the project. Ex post evaluation measures employment created through the program. Its objective reflects the initial employment objectives, and it informs policymakers as to whether these objectives have been met. Such assessments can help evaluate the actual economic, social and environmental impacts of a trade agreement on both sides, and identify possible unintended consequences⁽²⁾.

Ideally, the evaluations conducted over these three phases should be consistent with and complementary to each other. The phase at which the assessment is carried out has an impact on its cost, as ex post evaluations – which often use randomised control trials – are much broader in scope and can be very costly.

A third challenge is the multidimensional nature of employment. Employment is a notion that combines both the destruction of existing jobs and the creation of new ones. Tracking whether new employment opportunities are net employment creation or have entailed a destruction of jobs is inherently difficult. For this reason, measuring the quantity of employment must take place alongside measuring the quality of employment. Here as well, measuring employment quality is not an easy task, as it





















































































may depend on various factors including employment status, type of occupation, level of productivity, level of remuneration and access to social security benefits. Gender and age are two important aspects of employment that also need to be considered. These dimensions require sophisticated data that are lacking in developing countries.

As part of this third challenge, a distinction must be made between the direct employment effects resulting from the investments and the indirect, induced and long-term employment effects that result from the positive externalities associated with these investments. Direct job monitoring and evaluation is important, and must be done with appropriate indicators. Yet, if possible, it would be helpful to go beyond direct job headcounts, as indirect and induced job creation can be substantial and may differ greatly from direct job creation. The main reasons for this is the importance of the supply chain as well as the importance of consumption, prices, wages, labour demand and labour supply effects. In most cases, indirect and induced effects cannot be measured, but have to be estimated based on the direct effects and comparable interventions.

Even if there is no standard approach for assessing employment impact since each sector has its own peculiarities that require a specific approach, there are some **commonly used tools** that can be identified.

■ Input-output analysis. Most international financial institutions rely on an input-output analysis to assess ex ante the employment dimension of their investments. All developed, and many developing, countries use input-output techniques for national income accounting, economic planning and estimating labour intensity for maximising labour absorption. Input-output tables are mobilised to measure both direct and indirect employment creation throughout the value chain. The first step is to measure the amount of euros created through the value chain for every euro invested in a particular sector. The production multipliers are transformed into employment multipliers using a measure of labour productivity. The input-output analysis then provides information about the number of jobs - often measured as full-time equivalents - created directly through investment in a given sector and employment created indirectly through the value chain.

The advantage of input-output analysis lies in its simplicity as well as in the information it yields regarding sector interlinkages. It allows the development of empirical strategies for identifying those sectors that can contribute the most to added value, employment generation and multiplier effects for the economy. It also suggests a broad framework that can be used to help generate and target investments to those sectors. Its main shortcoming is that input-output tables are often outdated and are generally produced on an irregular basis.

- **Local multipliers.** This recent methodology aims at producing sectoral employment multipliers based on population census data. Local multipliers answer a similar question as in input-output analysis: how many jobs are created in sector y when one job is created in sector x? As highlighted in Box 18.3, this methodology has been tested in the STRENGTHEN project funded by the International Labour Organization (ILO) and the European Commission (EC) in Ghana, Rwanda and South Africa (Charpe, 2019)(3). Local multipliers can be combined with input-output and social accounting matrix-based analyses to better understand the importance of the domestic supply chain for sectoral employment multipliers. Local multipliers have several advantages.
 - Population census data are the first data collected in developing countries. These data are collected every 10 years, enabling a dynamic view of employment, and cover the entire population and entire territory.
 - Local multipliers work directly with employment and produce an intuitive ranking of sectors among manufacturing, services and agriculture.
 - The analysis is at the municipality level, which
 fits well with the size of a project intervention.
 Initial results show that in Africa these multipliers are three to five times the size of multipliers found in high-income countries.

BOX 18.3 The local multipliers approach in Rwanda

The employment creation potential of different sectors in Rwanda becomes crucial for structural transformation to continue – especially in a country with a young and fast-growing labour force. In Rwanda, 43 per cent of the population is younger than 16 years old, according to the 2012 census; the working-age population increased by half a million individuals between 2011 and 2014.

Against this backdrop, the objective of the ILO STRENGTHEN project is to use innovative employment impact assessment methodologies to stimulate social dialogue and place employment at the centre of sectoral policymaking.

The project has relied on the latest advances in urban economics to design a tool that measures induced/ overall job creation in the economy following job creation in a particular sector. This local multipliers methodology relies on the geographic, economic and sectoral information contained in census data. A key finding indicates a clear hierarchy among sectors. Manufacturing displays the largest employment multipliers, followed by services; agriculture jobs are associated with a negative multiplier (Moretti, 2010). Notably, one job created in manufacturing leads to the creation of five to six jobs in the rest of the economy.

A social accounting matrix and multiplier analysis is used to measure the impact on employment of construction sub-sectors such as national roads, feeder roads, labour-based feeder roads, government buildings and the rest of construction. The study found that

for every USD 1 million invested by the government in feeder roads, between 250 and 600 full-time-equivalent jobs are created, depending on whether more equipment or labour-based methods are used. This implies that the recently adopted National Feeder Road Policy and Strategy - which specifically aims to maximise the use of labour-based methods - has the potential to create the equivalent of up to 24,000 full time jobs per year if labour-based methods are used (Lieuw-Kie-Song Haile Abebe et al., 2019). The study also found that this approach would further contribute to structural transformation in Rwanda by attracting underemployed workers from agriculture into the construction sector, where their productivity is much higher, and enhance the participation of small enterprises in the construction sector.

A third methodology intends to estimate the employment effects in agricultural value chains of increasing exports. The project looked at the export potential and product diversification potential of the Rwandese economy, taking into account global supply and demand as well as trade barriers. This work, which was undertaken in collaboration with the International Trade Centre, stresses that Rwanda only achieves 60 per cent of its export potential in coffee as well as only 41 per cent of its export potential in tea (Decreux and Spies, 2016). Surveys were also conducted to map how employment is distributed and varies along the value chain. It was found that increasing exports of coffee and tea would increase wage employment for rural workers in processing these products (Gahamanyi, 2018).

■ **Nightlight satellite data.** Recent advances in economics have pointed to the usefulness of nightlight satellite data to derive a measure of economic growth at the municipal level when national statistics are missing. The ILO is currently exploring the possibility of using this information to improve the employment impact assessments of international finance institutions' investments.

Given severe data limitations, job creation estimates should be treated with caution. However, employment impact assessments (see Gibson and Flaherty, 2017, for an overview of methods) are a viable technique for developing an indication of the

orders of magnitude that can be achieved with different degrees of financial effort. **Sectoral analysis** can be used to determine how to prioritise sectors by their degree of labour intensity. Comparing alternatives can help key stakeholders build consensus around priority sectors and decide where to invest time and resources to gain the greatest benefits in terms of income and employment generation.

The following elements should be taken into account when assessing the employment impact of sectoral and trade policies.

















































































21 Indicators

- Some of the intermediate inputs to production are imported. Thus, some backward linkages are linked not to the domestic economy but to production outside the country. Ignoring this issue would mean an overstatement of employment multipliers, especially for sectors that source a significant proportion of their inputs abroad.
- The simple creation of jobs is not as important as creating decent jobs. A certain sector might be highly labour intensive, but employment in that sector could predominantly be of poor quality (e.g. in terms of low wages, poor job security, poor benefits, weak enforcement of labour legislation).
- The impact of sectoral and trade policies should be calculated in terms of formal and informal employment. Such consideration is particularly significant in countries with a large share of informal employment.

Strengthening compliance

Global supply chains can be subject to serious decent work deficits. According to ILO estimates, 60-80 per cent of global trade involves global supply chains. While the contribution of these trade mechanisms to global economic growth and job opportunities are important, their impact on the working conditions and safety and health of workers involved in global supply chains in developing countries can be a concern. Analysis by the International Trade Union Confederation shows that 50 of the world's largest companies directly employ just 6 per cent of the workers in their supply chains; the remaining 94 per cent are employed in companies along the supply chain of global production⁽⁴⁾. These supply chain workers are often trapped in insecure and unsafe jobs with low wages, long hours and potentially other poor working conditions.

Addressing decent work deficits and promoting socio-environmental standards has become a key priority for the EU. This priority has been reflected in several core documents, including the following.

The New European Consensus on Development' emphasises that 'The EU and its Member States

- will continue to support responsible business practices and responsible management of supply chains, respecting tenure rights and integrating human and labour rights, financial probity and environmental standards and accessibility' and that 'They will promote labour standards that ensure decent employment conditions and decent wages for workers, in particular those defined by the International Labour Organisation' (EC, 2017a).
- The EU Council conclusions on 'The EU and responsible global value chains' encourage 'the Commission and the Member States to further ensure that policies contribute to support sustainability in global value chains and promote CSR [corporate social responsibility] principles' (Council of the European Union, 2016).
- Similarly, the EC Communication on 'A Strategic Framework on Health and Safety at Work 2014–2020' underlined that 'risk prevention of safer and healthier conditions in the workplace are key not just to improving job quality and working conditions, but also to promoting competitiveness' (EC, 2014).
- At the sectoral level, an EC staff working document outlines the EU's response towards more sustainable garment value chains (EC, 2017c; see Box 18.4).

Sectoral approaches to improving working conditions and addressing decent work deficits have proved promising. The economic links between local suppliers and global supply chains can be an opportunity to encourage adequate working conditions to meet the typically higher standards of high-income countries. For instance, the Better Work programme implemented by the ILO and the International Finance Corporation has targeted the garment industry, demonstrating that improving working conditions can go hand in hand with strengthening companies' business performance (see Box 18.5). Other value chains of focus for EU development assistance besides the garment industry include food and agriculture and mining⁽⁵⁾.

Related efforts have focused on the improvement of occupational safety and health,

BOX 18.4 Sustainable garment value chains through EU development action

The garment sector is an important economic and employment-driving force in many low-income countries. It employs millions of people and strongly contributes to export revenues, supporting export-led industrialisation. The garment sector in Bangladesh, for example, accounts for 80 per cent of overall exports and employs roughly 4 million people directly, with a large number of jobs indirectly associated with the industry. An estimated 75 per cent of all garment workers globally are women.

Common issues in the sector include below living wages; a lack of regular contracts and of the enforcement of collective bargaining and freedom of association rights; long working hours; human trafficking, forced labour and child labour; poor building safety, the harmful impact of hazardous chemicals used in garment production, and overall poor occupational safety and health protection; the precarious position of many women employees; an unsustainable use of resources; and poor water, energy and waste management. Efforts to control the sector's production and working conditions can be complex, as smaller subcontractors may be informal and unregistered.

Building on ongoing EU activities, the EC has identified three thematic priorities and three intervention areas as elements for the EU development cooperation response to more sustainable garment value chains.

Thematic priorities:

- women's economic empowerment;
- · decent work and living wages;
- transparency and traceability in the value chain.

Main intervention areas:

- providing financial support for specific actions to improve working conditions along the value chain in selected countries;
- promoting social and environmental best practices;
- reaching out to consumers and awareness raising.

Source: EC, 2017c.

BOX 18.5 The Better Work Programme

Better Work – a collaboration between the International Labour Organization (ILO) and the International Finance Corporation (IFC) – is a comprehensive programme bringing together all levels of the garment industry to improve working conditions and respect of labour rights for workers, and boost the competitiveness of apparel businesses. The programme helps enterprises improve practices based on core ILO labour standards and national labour law, with a strong emphasis on improving worker-management cooperation, working conditions and social dialogue.

An independent assessment of the Better Work Programme has demonstrated impact on both working conditions – including in terms of preventing abusive practices, reducing excessive overtime, closing the gender pay gap – and firm performance in terms of productivity and profitability.

Source: BetterWork, 'Progress and Potential' webpage.

including in the context of global supply chains.

The ILO estimates that 2.78 million workers die every year from work-related injuries and diseases, and that an additional 160 million workers suffer from work-related diseases and over 370 million workers from non-fatal injuries per year – many of these resulting in extended absences from work⁽⁶⁾. In response, the G7's Vision Zero Fund initiative aims to prevent work-related deaths, injuries and diseases in global supply chains. The EU has also supported separate related projects on Improving safety and health at work through a Decent Work Agenda and on occupational safety and health in global supply chains. See Box 18.6 for selected findings from the latter.















































































BOX 18.6 Key findings from the EU-ILO project on Occupational Safety and Health in Global Supply Chains

Understanding safety and health vulnerability

- Casual workers bear the consequences of low-visibility risks.
- Women's and youth's specific needs are often overlooked.
- High seasonality and low product differentiation are barriers to organisation (employers, producers, workers) and subsequent occupational safety and health awareness.

Developing a vision for compliance

- There is no one-size-fits-all solution. Improving safety and health down to the lowest tier of suppliers requires a thorough understanding of influences, root causes and underlying constraints for compliance at each production stage before designing interventions.
- Private compliance initiatives face limitations.
- Labour inspectorates can play an important role.

Building an enabling environment

- Integrated approaches on prevention, protection and compensation for occupational risks at the national and workplace levels are needed.
 Compliance checks and requirements must be coupled with clear incentives and operational support functions, including occupational health services and social security institutions.
- Organisations that can act as occupational safety and health catalysts must be identified and reinforced.
- The business case for occupational safety and health is key in influencing the sustainable adoption of a culture of prevention down the supply chain.

Source: ILO, 2017.

Notes

- (1) This guidance note was written by Frédéric Lapeyre with contributions from Mathilde Cournut (European Commission Directorate-General for International Partnerships) and the following colleagues of the International Labour Organization Employment Policy Department: Mathieu Charpe, David Kucera, Maikel Lieuw-Ki-Song, David Cheong, Drew Gardiner, Valter Nebuloni, Aurelio Parisotto and Olga Strietska-Ilina. The section on International Labour Standards in global value chains was written by Kevin Hempel.
- See the European Commission webpage on 'Trade' for examples of ex post evaluations of trade agreements.
- (3) For more information, see the ILO webpage on 'Strengthening the Impact on Employment of Sector and Trade Policies (STRENGTHEN)'.
- (4) Source: International Trade Union Confederation, 'Supply Chains Resources Hub' webpage.
- (5) See e.g. EC (2017b) and EC 'International Partnerships' webpage.
- (6) Source: ILO 'Safety and Health' webpage.

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GUIDANCE NOTE 19

Employment and decent work in EU budget support operations

BY KAROLYN THUNNISSEN

udget support is a major aid modality of the European Commission (EC), which is used to contribute to the achievement of the objectives of 'The New European Consensus on Development' (EC, 2017c)⁽¹⁾. European Union (EU) budget support involves four key elements, as illustrated in Figure 19.1.

Budget support embodies the principles and commitments of the aid effectiveness agenda. By providing funds directly to the country's budget and thus using national policy and public finance systems, budget support is **totally aligned with partner countries' own development policies, priorities and objectives**; strengthens ownership, transparency and accountability, and harmonisation and coordination with other donors; helps tackle corruption; and reduces aid transaction costs. It focuses policies on results achieved and links support to reforms and improvements in the policy environment. Budget support is a means of delivering effective aid and durable results in support of EU partners' reform efforts and the Sustainable Development Goals (SDGs).

The EC provides budget support via **three different contracts**, based on a partnership with mutual accountability (see Table 19.1). The choice of contract is based on the specific objectives and expected results of the support.

- In enlargement countries, only sector reform performance contracts (SRPCs) are provided.
- In fragile or transition countries, only state and resilience building contracts (SRBCs) are provided at first; these can later be followed by SRPCs or Sustainable Development Goals contracts (SDG-Cs).

OBJECTIVE AND KEY MESSAGES

Budget support can be used to further the focus of policymakers and implementers on issues of employment and decent work.

- Budget support is an ideal instrument for drawing policymakers' attention to the importance of mainstreaming employment and decent work issues in policy design and implementation.
- Budget support can foster reforms conducive to improved employment and play an active role in promoting a favourable environment for improved employment and decent work.
- Through the use of performance-related payments, budget support can focus attention on key weaknesses and key results to be attained by policy implementation.
- Budget support should stem from a thorough diagnostic of the employment policy and situation.
- Implementation of budget support involves the monitoring of policy results and, when necessary, the timely discussion with stakeholders of corrective measures to address identified risks and constraints.
- SDG-Cs and one or more SRPCs can be provided in tandem in a country. In some cases, SRBCs can be combined with SRPCs when a sector policy is in place.

Budget support can only be used in countries that satisfy the EU's **four eligibility criteria**; these must be met before a contract can be signed, and progress







































FIGURE 19.1 Key elements of EU budget support

Financial transfers

Budget support provides financial resources to the national treasury of a partner country, following its respect of agreed-upon conditions for payment. As part of the global resources of the partner country, the funds are managed and used by the government in accordance with its public financial management system. Budget support contracts usually include two annual payments, one of a fixed amount and one of a variable amount dependent on progress achieved in attaining pre-agreed results.

Performance and results assessment

Budget support is directly linked to developmental results, which are collected, monitored and evaluated through country monitoring systems and discussed with stakeholders. Clear indicators, realistic targets, resource requirements and institutional set-up are important elements in system reliability; budget support relies on these to assess progress achieved in attaining targeted performance results, which in turn determines amounts disbursed.



Budget support offers a platform for dialogue with the partner country to agree on the reforms or development results to which budget support can contribute. Coherent with the political dialogue, it facilitates discussions with national/sector stakeholders on policies and their objectives, financing and results. Informed by monitoring of policy implementation performance results, it allows timely identification of policy slippages, possible corrective measures or revision of policy objectives and targets.



Budget support is accompanied by capacity strengthening of institutions responsible for national and sector policymaking. Implementation, monitoring and delivery of public services. This should be done using the country's policy and public finance systems and improving the accountability of the government towards its citizens, rather than creating parallel structures administered outside the budget by third parties.

during implementation must be shown before each disbursement. Countries must be able to demonstrate:

- implementation of a relevant and credible macroeconomic strategy that pursues stability-oriented growth;
- the existence of a credible and relevant public finance management reform programme;
- the existence of a relevant and credible national development policy and/or a relevant and credible sector policy;
- publication of either the executive's budget proposal or the enacted budget within the previous or current budget cycle.

The partner country must also exhibit a positive track record and a commitment to the EU fundamental values of human rights, democracy and the rule of law if it is to qualify for an SDG-C.

TABLE 19.1 Types of budget support contracts

SUSTAINABLE DEVELOPMENT GOALS CONTRACT (SDG-C)

- Supports the implementation of national development policies and strategies based on fundamental values including human rights
- Supports the attainment of the SDGs
- Supports higher-level strategic development objectives

STATE AND RESILIENCE BUILDING CONTRACT (SRBC)

- Builds up state and societal resilience in situations of fragility and transition
- Supports the improvement of government's financial capability to restore peace and macroeconomic stability
- Supports vital state functions and delivery of basic services

SECTOR REFORM PERFORMANCE CONTRACT (SRPC)

- Supports sector reforms and improved service delivery
- Supports legislative and regulatory approximation and/or policy convergence processes with the EU
- Emphasises equitable access and quality of public service delivery

Potential role of budget support in employment and decent work

Improving the status of employment and decent work in a country requires ensuring an enabling environment and addressing specific constraints (see Volume 1, Chapter 3; and Guidance Note 1). Budget support can play an important role in this regard, particularly in relation to the macroeconomic and budgetary framework; sector policy; and regulatory, institutional and operational frameworks. Budget support's potential contribution to employment is fourfold, as follows.

Promotion of a conducive environment for inclusive growth and job creation through the satisfaction of the four budget support eligibility criteria. Scrutinised before providing budget support and during implementation, each of the four budget support eligibility criteria plays a role in ensuring an enabling environment for employment and decent work.

■ Sound macroeconomic and fiscal management provides an incentive for maintaining a favourable and stable environment for sustainable, inclusive and equitable growth, which is a prerequisite for job creation. Favourable banking, financial sector, trade and investment policies, and favourable regulations (including labour market regulations) and laws define the environment in which firms can thrive and jobs be created. Similarly, governance policies including justice, security and human rights, define the rule of law

and set important parameters for the manner in which labour policies are implemented and decent work can be upheld.

- Sound public finance management ensures, among others, that strategic policy priorities are reflected in budgetary choices and resources are used efficiently for service delivery. In addition, strengthening public finance management can address critical issues affecting public investment (such as implementation of projects and maintenance of public assets) and private sector activities (through public sector procurement) that directly affect employment in the country.
- Relevant and credible national/sector policies ensure that key weaknesses are addressed and that the government is committed to reform. Depending on the employment challenges identified, budget support can focus on national development policy, sector policy or thematic policy issues and ensure that employment and decent work are national priorities.
- Transparency and external oversight of the budget enhance good governance and domestic accountability, which facilitates wider participation in policymaking and monitoring. This is particularly important in cross-sector and thematic policies such as employment.

Focus on specific reforms and policy issues that have been identified as essential for job creation and decent work through budget support's linkage to results-based performance indicators. Constraints to job creation and decent work













































and results to be achieved are likely to range across different domains and policy areas, depending on the country context. Agreeing with the government on the monitoring of performance indicators in several areas within the context of budget support can provide additional incentives for policy measures to address constraints by linking their achievement to budget support disbursements. In SDG-Cs, indicators can be linked to performance in the investment climate or fiscal management, or specifically to performance in the areas of employment supply, demand, matching or working conditions. In SRPCs, employment-related indicators can be agreed upon with government in productive and social sector monitoring matrices. Including employment indicators in SRPCs in agriculture, industry, services, natural resource exploitation, education, labour market and social protection policies - which are instrumental in shaping the demand for and the supply of labour - ensures that attention is paid to issues of employment promotion, social protection, social dialogue and respect, and promotion and realisation of the fundamental principles and rights at work across the board in public policies. In addition, SRPCs can be designed to exclusively address employment, if an employment strategy exists in the country.

The appendix to this guidance note provides some illustrations of results-based performance indicators used by the EC.

Complementary actions in favour of employment within the budget support operation. In SRPCs dedicated to supporting employment, complementary support for capacity strengthening is usually included in the budget support package. This aims to strengthen key institutions and policymaking processes. In enlargement countries, it is often used to provide technical assistance to adapt to EU rules and regulations (acquis communautaire). Complementary measures in the field of employment can also be included alongside budget support programmes as specific projects, in full synergy with the issues targeted through budget support.

High-level strategic dialogue on employment and decent work policies and on specific employment-favourable policy measures. Employment and decent work can be included as a dialogue item in budget support monitoring and dialogue processes involving the EC, the government and wider stakeholders (e.g. civil society; the private sector; representatives of businesses, employers and workers associations), even when employment performance indicators are not included as disbursement triggers in the budget support contract. For example, this is always the case for policy dialogue linked to SDG-Cs, where discussion of employment issues is central to achieving inclusive economic growth.

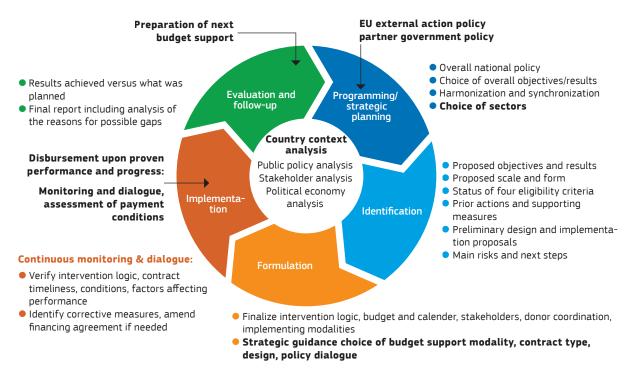
Note that while budget support contracts focus the attention of policymakers and stakeholders on employment issues, budget support will not necessarily increase the public resources allocated to employment. Budget support increases available public resources. but the way these are allocated within the state budget remains a domestic decision based on policy priorities, the sector's context (financing, needs, capacities, etc.) and the results agreed on to be achieved. EC budget support dialogue and monitoring will focus on the effectiveness and efficiency of government actions in tackling employment issues, while disbursements will be linked to results attained by the policy measures rather than to the resources and inputs mobilised to implement these measures. Table 19A.1 in the appendix to this guidance note provides an illustration of these disbursement-related indicators.

Programming and identification of budget support operations

PROGRAMMING EU COOPERATION

Within the EU cycle of operations, sectors of cooperation are identified during the programming phase⁽²⁾. The EC's programmatic cycle is typically five to seven years (see Figure 19.2 for an illustration of the EC cycle of operations). Programming consists of identifying two or three focal sectors of engagement with the partner country according to the government's policy priorities and the principles of the EU External Action Policy. For the 2014–2020 period for example, at least 20 per cent of EC aid was to be allocated to social inclusion and human development, in line with the Agenda for Change (see EC, 2012). This resulted in employment and social protection having the seventh highest budget allocation among

FIGURE 19.2 The EC cycle of operations, with a focus on budget support



the EC's ongoing sector budget support programmes. The 2021–2027 programmatic cycle will reflect priorities set out in 'The New European Consensus on Development' (EC, 2017c), including the role of employment, in line with the SDGs; the 'Budget Support Guidelines' EC, 2017a) already added job creation and the promotion of gender equality as general objectives for budget support, thus emphasising the importance of employment.

Programming requires a thorough understanding of the country and sector context and policies, institutions and stakeholders, including in the area of employment. The analysis should also encompass the country's political, economic, social and environmental situation; its development strategy; and national and regional problems, constraints and risks⁽³⁾. Consultations with the government, the national parliament, civil society and private sector representatives, EU Member States and other donors are an essential step in the decision-making process on sectors of cooperation.

IDENTIFICATION OF EC PROGRAMMES AND PROJECTS

If employment is acknowledged to be a major priority by both the partner country and the EC, it can either be retained as one of the three focal sectors of cooperation or as an important cross-cutting issue in other sectors of cooperation. In both cases, the next step in the EC cycle of operations will be the identification of programmes and projects that contribute to employment and/or of ways in which employment can be mainstreamed in other sectors' cooperation programmes. Figure 19.3 illustrates the decision-making process tree for employment. It is at this juncture (identification) that the use of budget support will first be considered as a possible implementation modality.

If employment is a priority but not a focal sector of cooperation as such, and if the EC uses budget support in the country, employment should be mainstreamed in either the SDG-C (if available) or in other sectors' budget support contracts.

■ Mainstreaming of employment in SDG-Cs.

SDG-Cs and SRBCs cover wider areas and can thus accommodate employment issues in



































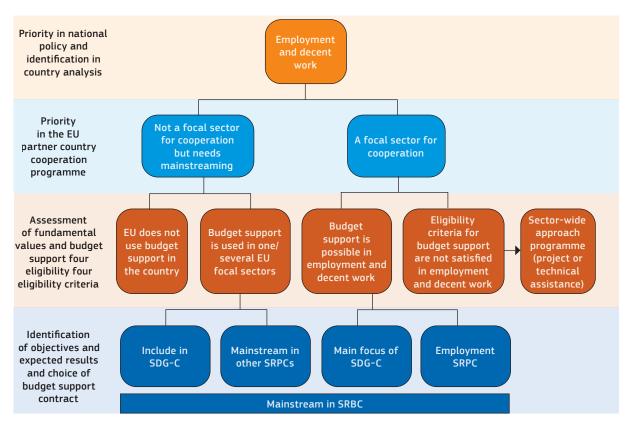








FIGURE 19.3 Budget support decision tree for employment and decent work during identification



complementarity to other issues (fiscal, industry, trade, etc.) both in their disbursement matrices and their policy dialogue – see, for example, indicators pertaining to youth and women's employment, or success rates in integrating the labour market after training in SDGs in Cabo Verde (EC, 2016b) and Côte d'Ivoire (EC, 2016c). Whenever the operation refers to inclusive growth, and/or aims at contributing to jobs, at least a comprehensive employment analysis (on both quantitative and qualitative aspects) should be part of the formulation process, and employment measures and indicators added to the action.

■ Mainstreaming of employment in SRPCs. Employment considerations fit well in SRPCs benefiting sectors inherently linked to employment, such as productive economic ones like agriculture and industry, but also education and transversal sectors such as export promotion, competitiveness, business development and private sector development. The employment dimension of these policies needs to be identified during sector analysis to bring to light employment-specific issues at

the sector level. Appropriate measures can then be discussed and integrated in the matrix of performance indicators used for disbursement of the variable tranches if necessary (see examples in Table 19A.1 in the appendix to this guidance note).

When employment is retained as a focal sector **of cooperation**, the identification and formulation of projects and programmes promoting employment requires more in-depth context and sector analysis. A detailed analysis of the national employment policy and other relevant macroeconomic and sector policies (labour market, education and training, social, migration, industrial, agricultural, etc.) is required. This will typically involve mapping out stated employment objectives, priorities for intervention and planned reforms, institutions and stakeholders, funding, track record of implementation and financing, monitoring systems and reporting procedures, etc.(3) If not already done so, an initial employment diagnostic⁽⁴⁾ will need to be undertaken to identify the key barriers to employment, prioritise them and identify the policy measures and reforms required to address them.

See Guidance Note 3 for the different aspects of national employment policies. See Guidance Note 1 for details on how to conduct employment diagnostics.

Based on the context and sector analysis, employment objectives and results to be achieved need to be defined. Employment challenges to be addressed are discussed with the partner country and stakeholders in order to identify the support the EC can provide, the risks this would entail, and the assumptions that are made for support to be effective in contributing to achievement of the country's employment results.

Where employment challenges require a comprehensive, strategic, policy-level response, budget support is the preferred implementation modality. In this case, an analysis of the four budget support eligibility criteria – as well as an appreciation of the country's risks, including its commitment to fundamental values – must be undertaken (see EC, 2017a, Chapters 4 and 5.2.1). A more detailed analysis than undertaken during identification will enable impediments to the use of budget support and the possible need for prior actions and or supporting measures to be identified⁽⁴⁾.

If the eligibility criteria are fulfilled, the most appropriate budget support contract can be selected.

An SDG-C can support employment as an important cross-sector theme at the highest strategic level as a priority of national development. In this case, policy dialogue and indicators will target decent job creation and employment promotion across multiple policy areas in a coherent manner. Support will aim for achievements in areas such as economic growth, fiscal incentives for job creation, improved labour market regulations, social protection policies and systems, equity and inclusiveness of access, education and training, etc. Political dialogue will be able to broach sensitive issues related to fundamental values such as child and forced labour, the rights of minorities or migrant workers (for examples, see Box 19.1; and EC, 2014a, 2016a, 2016c, 2016e, 2016f).

An employment SRPC can focus policy dialogue and disbursement indicators exclu**sively on employment issues.** When the country already benefits from an SDG-C, an employment SRPC could provide an additional platform to discuss selected employment issues and support specific results in employment, such as the effectiveness of public job placement programmes (EC, 2015, 2016a, 2017b), job creation linked to small enterprise development (EC, 2016d) or skills-job matching (EC, 2016a, 2017b). The SRPC can either support a national employment policy, if one exists, or a cohesive and coordinated approach to employment issues involving several sector ministries and agencies and potentially leading to the definition of a common national employment policy - see, for example, programmes in Morocco (EC, 2014a, 2016g) and Jordan (EC, 2014b), which fostered cross- and intra-sector coordination for a more integrated consideration of employment issues. In both cases, the dialogue and indicators will aim to cover progress on specific employment-related issues and monitor results reflecting different dimensions of the sector.

Where the country's employment challenges require addressing very specific employment constraints, projects and technical assistance can be used. These instruments can be used regardless of whether the country or sector is eligible for budget support. Typically, the project modality is used to address well-defined, self-contained issues that can be helped by the provision of equipment or infrastructure, technical assistance or pilot testing of a new approach.

Ideally, budget support and individual projects should be complementary. EC budget support should be used to complement projects targeting specific barriers and blending instruments that promote investment. A portfolio approach, using different instruments, and a comprehensive approach to employment will provide the best results. This was corroborated by the findings of an evaluation of World Bank–funded youth employment programmes (World Bank, 2012). Although each project supporting skills development, school-to-work transition or job mobility, or the creation of jobs or work opportunities was found to have contributed to positive results, these













































projects did not always complement each other. The evaluation recommended that the World Bank take a more strategic, comprehensive approach to employment. In practice, however, the number of World Bank–funded budget support operations exclusively focused on employment has remained very limited (only three between 2014 and early 2018), with very few performance indicators pertaining to job creation and/or employment issues included in these programmes. The EC funded employment SRPCs in six countries over the past four years, and included employment indicators in another eight countries (see Box 19.1).

Formulation of budget support operations

All budget support operations require formulation choices about amounts, disbursement indicators, timing and size of tranches, accompanying measures, monitoring mechanisms, etc. Whether the contract choice is an SDG-C, an SRBC or an SRPC, the steps in formulation are the same, with the specificity of each contract depending on the specificity of the objectives and expected results. The main difference in the contracts is the focus – more general for an SDG-C, basic state functions for an SRBC and sectoral for an SRPC – which will be translated in practice by the choice of indicators. In SDG-Cs and SRBCs, one or two indicators (of a total of eight) may directly be on employment; in an SRPC, all indicators will be employment related (see Box 19.2).

KEY AREAS OF ANALYSIS

At least three key areas need to be analysed in order to formulate budget support focused on employment and decent work.

Sector context and issues. The sector analysis undertaken during the identification phase should be supplemented with a comprehensive employment diagnostic to identify employment constraints. A discussion with stakeholders should then identify the steps required to alleviate these constraints.

The employment policy framework. As described in Annex 3 of the 'Budget Support Guidelines' (EC, 2017a), this entails an analysis of the following.

BOX 19.1 EC support to employment: a snapshot

Over the 2014-2017 period, the EC provided budget support in the field of employment to seven countries: Albania, Armenia, Dominican Republic, Georgia, Jordan, New Caledonia and South Africa. The average size of these contracts was EUR 35.7 million, for a planned disbursement over four years. Employment has been included as an important theme for policy dialogue and monitoring in several SDG-Cs, sector and thematic SRPCs (notably in education, vocational training and social protection). Employment-related disbursement triggers were, for example, used for variable tranches in budget support contracts in Bhutan, Cabo Verde, Côte d'Ivoire, Kyrgyzstan, Moldova, Morocco, and Turks and Caicos Islands during the 2014-2017 period.

Sometimes, budget support to different sectors is used in complementarity. This was the case in Morocco, where the EC, through the use of variable tranche performance indicators for three different SRPCs, drew attention to the need to strengthen the country's regulatory framework (e.g. child labour regulations), improve migration management (e.g. defend migrants' rights to benefit from public sector employment promotion programmes) and improve social protection (e.g. adoption of social labour laws). In Côte d'Ivoire's SDG-C, the business environment, working conditions, youth employment and quality professional training are promoted through the monitoring of specific performance indicators in these areas as triggers for disbursement.

Overall, EC support ranges from job creation by small and medium-sized enterprises, to active labour market measures, to making the policy framework more conducive to results, or modernising the vocational education and training system to make it more responsive to labour market needs and address skills mismatch (EC, 2017a). Accordingly, the focus of performance indicators ranges from reforms of the legal, operational and institutional frameworks for employment and decent work, to results obtained in women's, youth or vulnerable people's employment and job creation.





BOX 19.2 Budget support intervention logic

The main effects of budget support are felt at two levels (see OECD DAC, 2012).

- Direct outputs. Budget support inputs improve
 the relationship between external assistance and
 the national budget and policy processes, specifically regarding: the availability and predictability
 of funds, transaction costs, alignment and coordination of policy dialogue and capacity-strengthening activities conducive to reforms, and monitoring
 and reporting of reforms.
- Indirect outputs. These are the policy and institutional changes that result from the policy dialogue, the monitoring of specific performance indicators and the complementary support measures.

The links between these direct and indirect outputs and sector/national outcomes and impacts are difficult to determine. Budget support is expected to contribute to the policy, whose implementation is expected to lead to outcomes. Since policy outcomes are also influenced by many other, including external, factors, it is difficult to clearly attribute the contribution of budget support to these outcomes and impacts.

To illustrate the link between direct and indirect outputs that can be achieved, the World Bank assessed its successive support to skills and employment in Morocco (World Bank, 2017), using the same set of performance indicators as EC budget support. It found that the operation successfully and directly contributed to strengthening the government's provision of technical and vocational education and training (TVET) and active labour market programmes – especially for disadvantaged youth - and to fostering better coordination and participation of the private sector. It also indirectly unlocked regulatory and institutional constraints that prevented active private sector participation in TVET provision and improved the institutional governance and operational frameworks of TVET and employment programmes. Furthermore, the programmes contributed to gearing employment services towards demand and disadvantaged segments of the population, promotion of the formalisation of microenterprises and strengthening of labour market information systems.

In contrast, an external evaluation of EC budget support to South Africa that included an employment and skills support programme found that budget support facilitated successful policy innovations, but had only limited effects with regard to key structural bottlenecks characterising the South African context and affecting policymaking processes (insufficient employment growth and strengthening of micro, small and medium-sized enterprises' participation in economic activity; inadequate skills development resulting in a low level of employability of the labour force).

- Policy content and formulation process. What are the main elements of the policy, and where it is defined in a single employment policy document, in several sector policies? Who designed and who approved the policy? How inclusive was the design process: were social partners involved? Etc.
- **Policy coherence.** The policy's coherence is particularly important because of the cross-sectoral nature of employment. Other sector policy agendas (economic, trade and investment, education, labour and social protection) and the growth strategy need to be analysed to ensure consistency of objectives with regard to employment and decent work. Other cross-sector reforms, such as public administration and institutional reform programmes, need to be taken into account,

especially where they aim at increasing labour productivity.

Policy monitoring and evaluation mechanism.

This mechanism will be used during implementation of budget support both to monitor progress of policy implementation for general eligibility criteria and to provide information on the performance indicators retained for the variable tranche. Weaknesses in statistical systems, timeliness of data availability and quality of data should be assessed. The monitoring mechanism should produce annual progress reports to support informed policy dialogue with stakeholders, provide information for national accountability mechanisms, and feed evidence-based decision-making.















































































Coordination mechanisms existing in the sector(s). Monitoring should be a consultative process involving all relevant stakeholders, with yearly reviews and coordination led by the government. Because of the cross-sectoral nature of employment, capacity for coordination might need strengthening.

Relevance and credibility of the employment policy. The policy should be analysed to demonstrate that it is relevant and credible.

- Relevant. Key constraints and weaknesses are being addressed by the government's strategy to reach employment and decent work objectives and to contribute to sustainable growth and improved service delivery to citizens.
- **Credible.** The proposed employment policy should be assessed for its realism, institutional arrangements, costing and financing, track record and political commitment to reforms. Of particular interest is the quality of the employment policy costing and the consistency between the policy and the budgetary framework, while verifying budget comprehensiveness, value for money, financial sustainability, and where relevant, fiscal decentralisation aspects.

MAIN OUTPUTS

The formulation of the budget support programme relies on the above-described analysis and discussions with stakeholders. Six key outputs can be identified.

Development of the intervention logic for budget support to employment. The budget support programme will contribute to the same outputs, outcomes and impacts as those pursued by the employment policy. The sector and policy analysis should thus be used to identify how these outputs, outcomes and expected impacts have been defined and to understand the logical chain between inputs-outputs-outcomes-impacts as well as identify the assumptions made implicitly or explicitly for this logical sequence of events to be realised. This logical structure and its underlying theory of change form the backbone of the budget support's intervention logic, serves to identify performance indicators used

for disbursement, and will be used during budget support implementation to monitor progress and identify deviations from expected results. At the end of the budget support, the intervention logic will help guide the evaluation of results achieved.

See Annex 2 of the 'Budget Support Guidelines' (EC, 2017a) for detailed guidance on defining the objectives and intervention logic of a budget support operation.

Agreement with the government on the policy to support and the monitoring framework to be used for the employment policy implementation. If an employment policy does not (yet) exist, agreement should be reached on the employment dimensions of different sector policies to be supported. Relevant performance indicators reflecting these dimensions must be identified as part of a monitoring framework that will, among other functions, be used by the EU to assess policy implementation progress and continued budget support eligibility.

See Guidance Note 3 for details on the design of a national employment policy.

Agreement with the government on areas requiring capacity-building support to ensure effective policy implementation and monitoring. Possible areas include macroeconomic, public finance

and sector management. Technical assistance can be mobilised to strengthen national labour statistics, employment observatories, public employment services, labour inspection services, etc.

Agreement with the government on the coordination mechanisms between government, stakeholders and other external partners.

Employment policy implementation and monitoring requires a solid, well-performing and unbiased social dialogue with trade unions and workers' associations, including the informal sector and business associations (see Guidance Note 4).

Agreement with the government on the number, amount and distribution of fixed and variable tranches. Budget support is usually provided with a financial commitment of three to six years with an average of 60 per cent of the amount disbursed as

fixed tranches and 40 per cent as variable tranches, with the amounts distributed equally over the period of support. However, the combination of amounts per year and fixed/variable tranche amounts depend on individual needs and preferences, such as using the variable tranche to provide an incentive (while ensuring predictability), front- or back-loading of costs in the policy's action plan, and shaping the support to the track record of policy implementation. The timing of the disbursement should always be consistent with budgetary planning and execution cycles.

Agreement with the government on disbursement conditions. These conditions include the choice of performance indicators, their definition, their baseline and target values, timing of data availability and the scoring method of performance achieved, as well as the timing and type of monitoring framework used for assessment. Some principles in choosing variable tranche disbursement indicators follow; also see the appendix to this guidance note for further details.

Indicators and targets should be selected from the country's monitoring matrix or from the sector monitoring matrix and agreed upon during the formulation phase.

- If no monitoring matrix exists, indicators should be selected according to policy priorities while ensuring coherence between contract objectives, problems diagnosed, and selected indicators and targets.
- Indicators should be well defined e.g. SMART (specific, measurable, attainable, relevant, timebound); RACER (relevant, accepted, credible, easy to monitor, robust against manipulation); or CREAM (clear, relevant, economic, adequate, monitorable) – and their values should be updated/ monitored annually, with timely information available and sources identified.
- The indicators selected should be ones over which the government has reasonable control: preference should be given to induced output or outcome indicators.
- The number of indicators can range between 3 and 10.
- Indicators and targets may be disaggregated by gender, region or population group wherever relevant.

Possible scoring methods are shown in Box 19.3.

BOX 19.3 Possible scoring methods for calculating variable tranche disbursement amounts

Method 1: Assess individual indicators

- 0 = no progress; 0.5 = significant progress; 1 = target met
- Pro rata payment: aggregate amounts for each indicator

Method 2: Assess aggregated performance of indicators by policy objective

- 0 = unsatisfactory (aggregated score >35 % of maximum); 0.5 = satisfactory (36-70 %); 1 = strong (71-100 %)
- Pro rata payment: 0 = no disbursement, 0.5 = 50 % disbursement; 1 = full disbursement

Method 3: Assess all indicators together for overall performance with total score

- >30 % of maximum = unsatisfactory = no disbursement
- 31–45 % = limited = 35 % disbursement
- 46–75 % = satisfactory = 65 % disbursement
- 76–100 % = strong = full disbursement

In principle undisbursed funds will not be recycled to subsequent tranches (decommitted or used for complementary support actions). In exceptional cases, an indicator can be neutralised or waived, and the amount reallocated to other indicators or the next year and/or reassessed in the following year if the trend has been positive.

Source: EC, 2017a.



















































































Implementation of budget support operations

Budget support implementation requires close **monitoring** to ensure continued satisfaction of the four eligibility criteria; regular monitoring of policy implementation in the supported sector(s); and regular dialogue with government and stakeholders to discuss progress in implementation, results attained and challenges met. **Dialogue**, at both strategic and technical levels, is an essential component of budget support. It is used to track developments and constraints to policy implementation so adequate and timely measures can be discussed when and where necessary if policy or implementation slippages occur. Dialogue provides a platform for discussing policies' strategic directions as well as practical issues where the EC can offer complementary support if required.

Policy dialogue held in the context of budget support should be coherent with the dialogue the EC has at the political level with partner country governments and other stakeholders. It enables the broaching of sensitive topics, such as child labour, the protection of minorities' right to work, or the access of refugees to work permits or social protection; these are also sometimes included as budget support performance indicators.

Finally, the disbursement mechanism of budget support requires an **annual formal assessment** of the progress attained in achieving targets for the agreed-upon set of performance indicators. This mechanism focuses policymakers' attention on the results achieved by policy implementation, based on reliable statistics and a well-functioning and inclusive monitoring system, and fosters accountability towards citizens.

For information on the evaluation of budget support operations, see Guidance Note 20.

Notes

- (1) This guidance note is based on EC (2017a).
- (2) See EC (2016i), Chapters 5 and 6; and EC (2017a), Chapter 5.
- (5) See the programming instructions in EC (2012), especially Annex 3, which provides the format for analysis of the partner country's national development plans. This must, among other things, pay attention to employment in terms of economic vulnerability and potential, sector analysis and social vulnerability (which includes the poverty and inequality situation, taking into account employment, social protection schemes and access to social services and in this connection regional labour mobility and migratory flows).
- (4) In some cases, the decision to provide budget support relies on prior adoption of specific policy measures and/or the provision of supporting measures in order to limit risks. This may be the case in fragile countries or countries with a weak public financial management environment (see EC, 2017a, p. 56).

KEY RESOURCES

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Appendix: Characteristics of indicators used in budget support

In many countries, performance assessment frameworks are used jointly by development partners. For example, in Morocco, the World Bank's development policy loan for skills and employment used a set of indicators which was also used by the EC in its budget support programme.

The performance assessment framework and indicators chosen for the budget support contract should support domestic decision-making and sector reform processes. The indicators should focus on issues and actions over which the government has control and that can be linked to budget support inputs.

Performance indicators to be used for the variable tranches of budget support should be selected from the country monitoring system. In the design of a budget support operation, the choice of indicators, benchmarks and systems to be used to measure and monitor progress in policy implementation and for the achievement of objectives is crucial. Strengthening of data collection, national statistical systems and monitoring frameworks should be a critical component of policy dialogue and capacity development support.

Wherever possible, outcome indicators focusing on both quantity and quality are preferred as performance indicators because they:

encourage evidence-based policymaking and implementation;

- allow partner countries to choose appropriate strategies;
- foster increased demand for quality data;
- promote domestic accountability.

However, the feasibility of using outcome indicators depends on the time lag for their production and the quality of the monitoring and evaluation system (which is linked to the quality of the statistical information system). Using input, process and output indicators may be appropriate when:

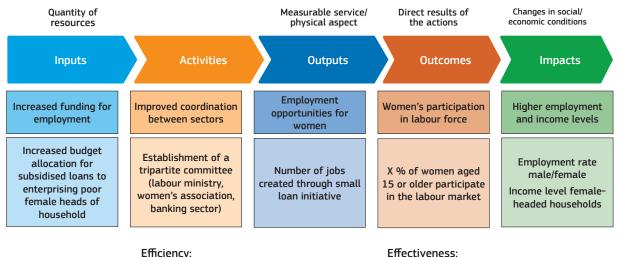
- there are special concerns at those levels;
- performance has to be measured in the short term:
- budget support targets improvement of the regulatory framework;
- statistics and information regarding outcomes are not (yet) available or unreliable.

Figure 19A.1 shows a sample intervention logic for a budget support operation.

For each indicator used for variable tranche disbursement, an indicator documentation sheet needs to be completed; see Figure 19A.2 for an example.

Table 19A.1 provides examples of employment indicators used in EU budget support operations since 2014. Also see 'Budget Support Guidelines', Annex 8 (EC, 2017a).

FIGURE 19A.1 Example of employment indicators at different levels of the budget support intervention logic



Efficiency:
Ratio of INPUT/OUTPUT

Ratio of INPUT/OUTCOME or OUTPUT/OUTCOME

Note: This example is based on a pilot initiative involving small loans to women entrepreneurs in South Africa.

FIGURE 19A.2 Indicator documentation sheet

Indicator no. X	Title		
Policy	Reference to the partner country's policy		
Objective	Reference to the relevant objective within the policy		
Department	Department making use of this indicator within this policy		
Indicator type	Process / input / output / outcome		
Measurement unit	E.g. %, national currency, km and other units		
Calculation method	Exact formula (e.g. numerator and denominator for a ratio)		
Disaggregation	E.g. by sex, geographic area or population groups		
Data collection method	E.g. administrative collection or survey		
Measurement periodicity	E.g. monthly, annual or every 3 years		
Department responsible	Department(s) in charge of data collection, processing and publication		
Delivery date	Timeline for the publication of data and related documentation		
Limitations and bias	Methodological weaknesses, statistical features (e.g. precision; confidence interval; expected coverage or completeness) or, in case of a proxy, the bias with regard to the desired indicator		
Means of interpretation	Significance in relation to the policy – what is actually measured? What can other indicators tell in connection with this indicator?		
Change in methodology	State whether the department responsible for the production of the indicator intends to change the calculation or data collection method.		
Baseline	Year & value (or state of play for process indicators)		
Targets	Years & values (or expected progress for process indicators)		

Source: EC, 2017, Annex 8.









































































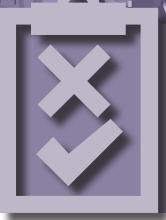




TABLE 19A.1 Selected examples of indicators used in recent budget support programmes in the areas of employment and TVET

INDICATOR TYPE	EXAMPLE			
Input	 Percentage of pilot agricultural VET institutions offering work-based learning schemes (i) for selected professions/qualifications (based on specifications suggested by college management board), (ii) with at least 3 months duration and (iii) using newly equipped and renovated specific infrastructure (as defined in policy matrix) Establishment of multifunctional VET centre 			
	 Increase of TVET budgets between 2016 and 2017 Expenditure on education as percentage of total public expenditure 			
	Number of students enrolled in public formal secondary technical education			
	Number of jobs facilitated (created and sustained) by public employment services			
Output	 Number of people from disadvantaged segments of society including National Aid Fund beneficiaries who benefited from active labour market measures other than TVET 			
	 Number of temporarily employed (including seasonal and paid works) people within annual state employment programmes 			
	 Number of permits/self-employment certificates issued to Syrian refugees registered with the UN Refugee Agency (UNHCR) per year 			
	Number of public employment offices reorganised according to the new service model			
	 Number of young persons (aged 16–29) employed within state programmes aimed at sustainable employment creation, based on state employment agencies' administrative statistics 			
	 Share of VET teachers/instructors trained through the basic didactics training programme in VET 			
	 Integrated policy and regulatory framework governing the employment and technical and vocational education and training sector revised and strengthened 			
	 Functional national commission for professional training, whose decree provides its man- date in line with the national VET strategy 			
Induced output/	 Institutional setting for labour market information system model defined and approved by the responsible government entity 			
process	 Action plan for further development of Social Services Agency's employment support services is prepared and approved by the responsible government entity(ies) 			
	 Inter-institutional agreement or other legally biding norm for implementation and regula- tion of the national qualification framework issued and applied 			
	Adoption of the revised labour code			
	Facilitation of the issuance of work permits to Syrian refugees by the Ministry of Labour			
	 Number of temporarily employed (engaged, including seasonal and paid works) persons within annual state employment programmes 			
Outcome	 Percentage of graduates who studied in education system of 17 VET institutions mod- ernised under 2010–2014 budget support who find a job according to their qualifications within one year after graduation 			
	Increase in number of students in mixed apprenticeship (study including work placement)			
	Share of graduates finding employment following VET			
	 Share of registered unemployed job seekers benefiting from employment promotion programmes 			
Impact	Youth employment rate (15–29 years)			
Impact	Gender gap in employment			

Sources: EC, 2014a, 2014b, 2015, 2016a, 2016b, 2016d, 2016e, 2016f, 2016g, 2016h, 2017b, 2017d.



GUIDANCE NOTE 20

Monitoring, evaluation and learning in employmentfocused interventions

BY KEVIN HEMPEL

he general public and other development assistance stakeholders are increasingly demanding transparency about cooperation with developing countries. This concern places development partners, including the European Union (EU), under increasing scrutiny regarding the results of their interventions.

Further, reaching core development objectives – such as reducing poverty and inequality, and promoting prosperity and social inclusion – requires **continuous learning and improvement**. There are no readymade solutions, and the primary challenge is to rigorously assess what works and what does not, and how interventions can be improved to maximise impact. This is particularly true in the field of employment promotion, which is contingent on an adequate mix of policy interventions across different areas, including macroeconomic policy, private sector development policy, labour market policies, education policy, etc. Yet, in many developing countries, the available evidence on the success of different employment promotion strategies is scant.

As a result, development partners increasingly recognise that quality monitoring and evaluation (M&E) of their interventions is crucial to enhancing the effectiveness of development cooperation – and of public policies in general. This trend is also reflected in development partners' evaluation policies in recent years. The EU's own evaluation policy emphasises that the EU is 'committed to the 'evaluation first' principle, using evaluation as a critical tool to inform its choices and decisions on the best available evidence in order to improve its strategies and practices' (EC, 2014, p. 3).

OBJECTIVE AND KEY MESSAGES

This guidance note highlights the main tools and approaches for monitoring and evaluating employment-focused interventions.

- Monitoring and evaluation has two major purposes: accountability and learning.
- The starting point for monitoring and evaluation is the collection of information needs and learning objectives, which in turn will define the tools to be used.
- While a strong monitoring system should be part of every intervention, targeted evaluations, including impact assessments, are also needed. The right mix depends on the learning objectives and maturity of the intervention.
- Employment promotion interventions may have positive and negative side effects that should be assessed; these include knowledge spillovers, indirect jobs created and displaced workers.
- The employment effects of trade and sectoral policies should be examined through ex ante and ex post assessments, using a variety of methodologies.
- Budget support evaluations should rely on a comprehensive evaluation framework, with an assessment along all levels of the results chain

Within this context, M&E serves two major purposes⁽¹⁾.

Accountability to programme stakeholders and taxpayers. M&E contributes to providing accountability for the use of resources and results delivered by comparing the performance











































of development assistance (and public policies in general) to its original objectives.

■ Learning to improve the effectiveness of interventions. By learning from successes and failures, M&E generates knowledge about what has worked under which conditions, enabling those who develop strategies, design projects and implement interventions to improve their effectiveness (evidence-based policymaking).

Intervention logic and learning objectives

Clear intervention logic is a precondition for both accountability and learning. Programme design and M&E require a clear hypothesis - known as a theory of change or intervention logic - as to how implementation of an intervention is expected to lead to the desired changes and improvements. An intervention logic identifies the changes we want to bring in a given context, how we think this might happen, why and on the basis of what assumptions/evidence. Without such an intervention logic, it is impossible to plan and assess the work in a structured way. Yet, many interventions often lack this crucial foundation. While a full intervention logic or theory of change may include many elements, non-linear processes, feedback loops and assumptions, it can also be expressed and visualised in a simplified results chain⁽²⁾ (see Figure 20.1). Specifically, a results chain requires a common understanding about:

- how the allocated resources (inputs) will be used by the project (activities) to translate into tangible infrastructure, goods and services delivered (outputs);
- the direct effects of these outputs on beneficiaries (e.g. in terms of behaviour change) and the direct improvements for the target group (outcomes);
- the programme's contribution to long-term change at the sector, country or regional level in the political, social, economic and environmental global context (impact)⁽³⁾.

Building on the results chain, discussion of M&E should begin with stakeholder information needs and learning objectives. Ideological debates

proliferate on the 'best' type of evaluation tool. Some experts are strong proponents of qualitative methods, some emphasise participatory methods, others focus on quantitative tools. In practice, these debates are not useful; the 'right' tool depends on what one wants to do or learn. Therefore, a discussion about M&E should never start with the evaluation tools themselves, but rather with stakeholders' information needs. These needs should be defined during the design stage of an intervention and will inform the choice of M&E tools needed. In practice, the intervention logic implicitly already captures several learning objectives, as it describes the key features of implementation and expected results to be assessed and measured.

Broadly speaking, M&E can answer three types of questions. These are descriptive questions, normative questions and cause-and-effect questions (Morra Imas and Rist, 2009; see Table 20.1). Note that while descriptive and normative questions can be related to all levels of the results chain/system (inputs, activities, outputs, outcomes, or impact), cause-and-effect questions are specifically targeted at the outcome and impact/higher-level outcome level.

All types of questions need to be considered in the design of an appropriate M&E system. None of the above types of questions is more important per se. All types of questions are needed for a programme, though different stakeholders may be more interested in some than others. It is crucial to consult with different stakeholders (policy level, donor, implementing agency, etc.) to collect their information needs. For example, a programme manager primarily needs to know what is going on in his or her project (descriptive); while a donor agency may primarily focus on whether targets were achieved (normative); and a finance minister may want to know about the proven, causal impact before allocating significant funds from the national budget.

While priority information needs may differ by context, every stakeholder should have an interest in establishing a positive causal relationship between the intervention and outcomes of interest, as this is the only way to 'prove' success. Therefore, cause-and-effect questions (and in turn rigorous impact evaluations) should ideally always be part of an intervention's learning agenda.

FIGURE 20.1 Example of a results chain for public employment services

Implementation (under control of the intervention) Real change for target group (no direct control) Results Inputs Outputs **Outcomes Impacts** Direct effects of What the programme Long-term effects on Resources mobilised Services delivered outputs on target does living standards population Budget Provide career Vacancies identified Short-term Lower counselling and job Better information unemployment Staff Beneficiaries search assistance about labour market complete different Higher household Local counterparts Provide job types of active Improved job search Trainers placement services skills and behaviour measures Reduction in Partnerships (matching with Job matches made Enhanced poverty vacancies) Facilities employability Satisfaction with Offer services to Equipment services delivered Mid-term employers (e.g. (job seekers and Increased labour Supplies registration of employers) market participation Technical expertise vacancies) Increased probabil-Curricula Provide referrals ity of employment to active measures Reduced time to (e.g. skills training, find a job entrepreneurship, subsidised Increased employment retention employment) • Better quality of employment Increased earnings

TABLE 20.1 Types of questions to be answered by M&E

TYPE OF QUESTION	DESCRIPTION	EXAMPLE
Descriptive	Describe situations, processes, conditions, stakeholder views, etc. What is going on in our project?	 What is the cost or the intervention per person? (input) How many trainings were conducted? (activity) How many beneficiaries were trained (by age, sex, etc.)? (output) What is the share of beneficiaries who improved their technical and behavioural skills? (outcome) What is the share of beneficiaries who found a job after the programme? (outcome)
Normative	Compare what is taking place with what should be taking place Has the project been imple- mented as intended? Is perfor- mance as expected?	 Are staff and financial resources adequate? (input) Is the selection process fair and equitable? (activity) Was gender balance in participation achieved? (output) Did participant income increase by X % as planned? (outcome)
Cause and effect	Seek to understand the difference an intervention makes, and whether any measurable change was achieved as a result of the intervention What is the impact or causal effect of the intervention on outcomes of interest?	 As a result of job training, do participants have higher-paying jobs than they otherwise would have? (outcome) Does including internships increase the employment rate of technical training graduates? (outcome) Does the programme benefit young men and young women differently? (outcome) Did the project contribute to poverty reduction in the governorate? (impact)















































































While each intervention is different, there is a **minimum set of questions** every employment promotion intervention should seek to answer in order to provide needed information about its effectiveness. This priority information is listed in Table 20.2.

It is important to understand why certain things are happening the way they are. In order to systematically generate knowledge and lessons learned on employment promotion interventions, it is important to understand the drivers and dynamics that lead to positive and negative employment outcomes. For instance, why are young women less likely to participate in the programme than young men? Why do beneficiaries drop out of the programme? Why do some start-ups survive while others fail? Answering these and many other questions that arise during an intervention typically requires qualitative tools (focus

groups, key informant interviews, observation, etc.), either in the context of standard internal monitoring or as part of targeted evaluations.

Instruments for programme monitoring and evaluation

The right mix of M&E instruments depends on the priority questions to be answered. As discussed above, there are many potential information needs associated with conducting employment promotion interventions. Prioritising these needs will determine the focus of the M&E system to be put in place. In addition to a monitoring system, which should be part of any intervention, performance evaluations are most commonly used. Robust impact evaluations are typically needed to provide a quantitative measure of the real impact of an intervention.

TABLE 20.2 Priority information needs for employment interventions

RESULTS CHAIN LEVEL	INFORMATION NEED	EXAMPLE	PURPOSE
Input Cost per beneficiary		How much did the intervention cost per beneficiary served and per person placed into employment / per job created?	Understand if the costs are reasonable compared to other alternatives
Output	Scale of people served	How many people benefited from the intervention (e.g. by geographic area)? What scale did the intervention reach?	Understand the share of the population reached by the programme
	Targeting accuracy	Who is benefiting from the programme (the socioeconomic profile of beneficiaries)? Is the intervention reaching the most vulnerable (e.g. poor, youth, women, persons with disabilities)?	Understand if the programme is reaching those intended, and whether it is benefiting disadvantaged groups
Outcome	Job creation/ access	How many / what share of beneficiaries was placed in a job or started a business following the intervention? What is the number of (net) additional jobs created?	Understand if the intervention is leading to new employment
	Job retention / business survival	If people were placed in a job or started a business, how long did they stay in this activity? Are they able to grow (e.g. be promoted, grow the business)? When they leave, do they leave for other opportunities, or do they fall back into unemployment and inactivity?	Understand if beneficiaries' employment rates are sus- tained or change over time
	Job quality	What is the (net) additional income generated? Do beneficiaries have contracts, and are they covered by social protection and insurance? Are working conditions acceptable (e.g. in terms of occupational health and safety)?	Understand not only whether people are employed but also their working conditions

See Box 20.1 for descriptions of key M&E instruments and Figure 20.2 for the links between learning objectives and the M&E tools to be used.

A quality monitoring system should be the foundation of every programme. A strong monitoring system is critical to programme success. Every programme, no matter how small, needs one. A good monitoring system ensures an accurate picture of implementation progress and issues, and provides useful information about estimated results (e.g. through outcome monitoring). It thus provides the basis for continuous learning and for making needed programme adjustments (i.e. through quick feedback loops). Good monitoring is also an important ingredient in quality evaluations, as it provides the necessary information on which evaluations can build. Indeed, a

programme that lacks a strong internal monitoring system often cannot be effectively evaluated (Kessler and Tanburn, 2014). A useful benchmark for a quality monitoring system of employment interventions is the Donor Committee for Enterprise Development's (DCED's) Standard for Results Measurement (see Box 20.2).

In determining M&E tools and instruments, a mixed methods approach should be followed.

Collecting quantitative information (e.g. on placement rates) is important in understanding a programme's achievements, but it is not enough. The use of qualitative tools (in the context of standard monitoring or targeted evaluations) is at least as important, because many employment promotion interventions suffer from poor implementation – in part due to capacity

BOX 20.1 Key monitoring and evaluation instruments

Monitoring system. The monitoring system consists of a clear theory of change; indicators and targets; data collection arrangements and a data management system; and procedures for analysis, reporting and decision-making.

Performance evaluation. Performance evaluations are retrospective and seek to provide a comprehensive assessment of an intervention, including its achievements as well as the quality of design, implementation and M&E. Performance evaluations typically follow the evaluation criteria set out by the Development Assistance Committee of the Organisation for Economic Co-operation and Development (OECD DAC): relevance, effectiveness, efficiency, sustainability and impact; additional EU-specific criteria include coherence and EU added value. Performance evaluations are often conducted at mid-term, at the end of a project or as an ex post evaluation.

Process evaluation. This type of evaluation is geared to fully understanding how a programme works and how it is being implemented. It determines whether there are gaps between planned and realised activities and seeks to understand the reasons for these gaps. Process evaluations look to identify ways to improve the services offered.

Impact evaluation. Counterfactual impact evaluations specifically seek to answer cause-and-effect questions. Their focus is on attribution; they aim not only to measure whether a change occurred, but also whether these changes occurred because the programme was implemented. They require a credible and rigorously defined 'counterfactual', i.e. what would have happened to beneficiaries in the absence of the intervention. The counterfactual determines the set of methodologies that can be used (e.g. experimental and quasi-experimental approaches). In practice, impact evaluation methodologies involve comparing the outcomes of interest for those who benefited from a policy or programme with those for an otherwise similar comparison/control group that was not exposed to the policy or programme.

Cost-effectiveness and cost-benefit analysis.

Cost-effectiveness analysis measures the cost per output or outcome (e.g. per youth trained, per job created) and compares it to similar interventions. Cost-benefit analysis weighs the total expected costs against the total expected benefits (outcomes) of an intervention, where costs and benefits are expressed in monetary terms. Cost-benefit analysis looks at direct and indirect costs/benefits for participants and society (including participants' opportunity costs, community benefits, spillover effects, etc.).

Source: Hempel and Fiala, 2011.



































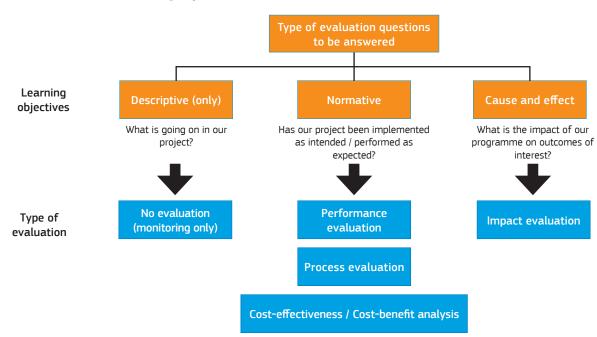








FIGURE 20.2 From learning objectives to M&E tools



Source: Hempel and Fiala, 2011.

constraints prevalent in many developing countries in both the public sector and among non-public providers. A better understanding of beneficiary behaviour and implementation bottlenecks is critical to improving programme performance.

Measuring beneficiary outcomes beyond programme participation is crucial. Enabling such measurement should be accounted for in the M&E system (e.g. through tracer surveys). Since the main outcomes of interest for employment programmes (placement rates, job retention, business survival, job quality, etc.) can only be measured after programme completion, beneficiaries need to be followed over time. Indeed, some benefits (e.g. from training) may take time to materialise; in other cases, short-term gains may not be sustainable (e.g. loss of job after subsidised employment runs out). Tracer studies with beneficiaries can be complemented with employer surveys (capturing employer satisfaction with people placed, working conditions, reasons for discontinuing jobs, etc.). Sufficient resources need to be available to conduct data collection at different points in time (e.g. 6, 12 and 24 months after beneficiaries complete the programme).

Counterfactual impact evaluations can provide credible estimates of net impact and improve

the evidence base on employment promotion **interventions.** Quality diagnostics and monitoring alone cannot provide sufficient proof of what works (and for whom). Further, simply asking 'Does the programme, or intervention model, work?' often may not be sufficient. Indeed, a simple yes or no answer is of little use for future programming decisions other than 'let's continue' or 'let's stop everything'. International experts and practitioners increasingly argue for mechanism experiments and experiential learning that go beyond simple counterfactual impact evaluation (see e.g. Blattman, 2008; Ludwig, Kling and Mullainathan, 2011; Pritchett, Samji and Hammer, 2013). **Mechanism experiments** refer to the evaluation of programme or policy alternatives; structured experiential learning refers to the practice of collecting rapid feedback and results on pre-identified programme alternatives⁽⁴⁾.

For instance, instead of evaluating the impact of start-up grants alone, evaluation can focus on start-up grants (alternative 1) versus start-up grants in combination with training (alternative 2) versus start-up grants in combination with training and post-creation assistance (alternative 3). These research designs do not necessarily rely on external comparison groups that did not receive any service – which may be challenging to implement or subject to ethical concerns

BOX 20.2 The DCED Standard for Results Measurement

The DCED Standard for Results Measurement provides programmes with the framework, tools and incentives to monitor their results in a systematic way. Organisations also have the option to participate in an external audit of their measurement system to further enhance credibility. The DCED Standard comprises the following guidelines.

Articulating the results chain or programme logic.

- An appropriate, sufficiently detailed and logical results chain(s) is articulated explicitly for each of the interventions.
- Each results chain is supported by adequate research and analysis.
- Mid- and senior-level programme staff are familiar with the results chain(s) and use it to guide their activities; key partners can explain the logic of interventions.
- The results chain(s) is regularly reviewed to reflect changes in programme strategy, external players and programme circumstances.
- Each intervention results chain is supported by adequate research and analysis on gender.
- Research and analysis underlying the results chain(s) take into account the risk of displacement.

2. Defining indicators of change and other information needs.

- There is at least one relevant indicator associated with each change described in the results chain(s).
- Qualitative information on how and why changes are occurring is defined for each intervention.
- A small number of indicators at the impact level can be aggregated across the programme.
- There are specific indicators that enable assessment of sustainability of results.
- Mid- and senior-level programme staff understand the indicators and how they illustrate programme progress.
- There are specific indicators that enable assessment of gender-differentiated results.
- Anticipated impacts are realistically projected for key quantitative indicators to appropriate dates.

3. Measuring attributable change.

- Baseline information on all key indicators is collected.
- Monitoring information on all key indicators is collected.
- Impact assessment is conducted to assess attributable changes in all key indicators in the results chain(s) using methods that conform to established good practice.
- The programme implements processes to use information from monitoring and results measurement in intervention management and decision-making.
- The programme has a mechanism for assessing and understanding gender-differentiated results.
- The programme monitors to identify unintended effects.

4. Capturing wider changes in the system or market.

- The programme has an overall plan for assessing systemic changes at the programme level.
- Systemic changes are assessed at the market system and beneficiary levels using appropriate methods.

5. Tracking costs and impacts.

- Costs are tracked annually and cumulatively.
- Programme-wide impact is clearly and appropriately aggregated.
- Costs are allocated by major component of the programme, as applicable.

6. Reporting costs and results.

- The programme produces a report at least annually which describes results to date.
- · Results of gender impact are reported.
- · Results of systemic change are reported.
- Results are published.

7. Managing the system for results measurement.

- The programme has a clear system for using information from the results measurement system in management and decision-making.
- The system is supported by sufficient human and financial resources.
- The system is well managed and integrated with programme management.

Source: DCED, 2018.

Note: Recommended elements are indicated in italics. All other elements are required.

















































































(see Box 20.3); they can also be more feasible than standard impact evaluations through the use of internal comparison groups⁽⁵⁾.

Evaluating programme alternatives also makes impact evaluations much more useful from a design and implementation point of view, making practitioners more likely to be interested in these kinds of evaluations. As a general rule, impact evaluations – like the monitoring system itself – should be designed prior to the start of an intervention in order to be able to choose from the most rigorous methodologies.

BOX 20.3 The ethics of impact evaluations

Some decision makers and practitioners are reluctant to conduct randomised impact evaluations, which rely on assigning potential beneficiaries into those who receive a programme (treatment group) and those who do not (comparison group). The main concern is that the evaluation leads to withholding seemingly obvious benefits (training, money, etc.) from needy individuals, which would be unethical.

However, it is wrong to assume that one would be denying a benefit if a programme has not yet been thoroughly evaluated.

- Uncertainty of programme impact. For most interventions, it is not clear if it has a positive impact on the individual or beyond. It may have zero impact or even unintended negative side effects. Even when it has an impact, this may be small and not be able to justify its costs.
- Budget constraints. It is rarely possible
 to serve everyone in need. Hence, most programmes have to exclude some potential beneficiaries one way or another (only intervene
 in some geographic areas, first-come-first
 served, etc.). In this context, random assignment of potential beneficiaries into the programme (or different programme alternatives),
 as is done in experimental impact evaluations,
 is a fair procedure, giving everyone an equal
 chance of participation.

Source: Hempel and Fiala, 2011.

Proper sequencing of M&E instruments is crucial. There may be trade-offs among different M&E tools. On the one hand, especially for relatively new interventions, there is a need for speed and flexibility in making programme adjustments and altering programme design based on monitoring data and early evaluations (quick feedback loops). On the other hand, rigorous impact estimates typically require lock-in of programme design features that contradict the previous objective. Thus, proper sequencing of M&E instruments according to the maturity and life cycle of a programme is key.

For instance, before setting up a robust impact assessment, it should be verified that the programme is actually ready for such an evaluation approach. Indeed, in order to avoid conducting an evaluation of a poorly implemented intervention, measures should be taken - including careful monitoring and process evaluation - to ensure that the intervention has been implemented in accordance with its logic model (see Nadel and Pritchett, 2016; Samji, 2014). Concretely, in the case of a newly established four-year programme, while the impact evaluation approach should be planned from the start, the actual data collection for the impact evaluation may only begin in the second or third year after initial implementation challenges have been resolved. Figure 20.3 provides a simplified overview of M&E priorities by programme maturity; Box 20.4 provides a case example in which several M&E instruments were used.

Measuring side effects of employment interventions

Employment interventions may have positive or negative side effects that go beyond intended direct employment effects. For instance, a training programme may lead to knowledge being shared with non-training participants, who in turn also benefit. Similarly, if a programme successfully facilitates the creation of self-employment, the new start-ups may also lead to more jobs being created among suppliers or distributors. On the other hand, training and placing some people into jobs may come at the expense of other people who would have received these jobs in the absence of the intervention. And new start-ups may create increased competition and potentially lead to lower income and business failure among

FIGURE 20.3 M&E priorities by programme maturity

	PHASE 1 PHASE 2		PHASE 3	
	Small pilot or early stage implementation	Full pilot	Programme at scale	
Programme focus	 Set up team and delivery system Establish beneficiary interest and satisfaction Resolve operational issues 	 Run fully operational programme with limited geographical scope Incorporate lessons from small pilot 	 Expand the programme if Phase 2 succeeds Incorporate lessons from impact evaluation 	
M&E focus	 Monitor outcomes (e.g. before-after) Understand implementation bottlenecks 	 Rigorously measure impact of the programme (or of programme alternatives) 	 Ensure consistent quality in delivery Evaluate additional programme alternatives as needed 	
Priority M&E tools	 Monitoring Performance and/or process evaluation Cost-effectiveness analysis 	Impact evaluation (and ideally cost-benefit analysis)Monitoring	 Continue monitoring and performance evaluations Additional impact evaluation as needed 	

competitors. These types of effects can be summarised as **indirect effects** (among the target group) or **induced effects** (among the wider population) (see Box 20.5).

Most development programmes only measure and report on direct employment effects on beneficiaries. This yields an incomplete and possibly misleading picture about programme impact, by, on the one hand, significantly overestimating its real impact. Indeed, many programmes may simply redistribute employment opportunities by offering jobs to some beneficiaries at the expense of others. Such substitution and displacement effects reduce net benefits and cost-effectiveness of employment programmes (Fox and Kaul, 2018). On the other hand, ignoring potential multiplier effects (e.g. indirect and induced jobs created) may lead to underestimating the impact of a programme. In turn, measuring only direct effects may bias programming decisions towards interventions with large direct (but possibly short-lived) effects (Kluve and Stöterau, 2014).

To properly estimate net employment impacts of interventions, total job effects must be considered. This is especially important for larger

interventions, where these secondary effects are likely to play out more. In practice, this may require evaluation strategies that allow for capturing these 'general equilibrium' effects - for instance, through impact evaluations that randomise programme participation at the community or district level. However, the challenges regarding research design and data collection can be substantial, and these designs may not always suit the nature of the intervention. A second-best option can be to use reference values about the relevance of indirect and induced effects for specific intervention types from previous programme evaluations and the existing literature (Kluve and Stöterau, 2014). To illustrate, a typical training programme might hypothetically have a substitution effect of 20-40 per cent of net direct employment effects. Unfortunately, the evidence base is still too weak to have credible parameters for indirect and induced effects in different contexts.

Despite these measurement challenges, it is possible to explicitly take these potential broader effects into account during programme design – as noted in the following sample suggestions – in order to maximise positive spillovers and minimise substitution, displacement and deadweight loss.















































































BOX 20.4 Monitoring and evaluation in the EU-funded Emergency Employment Investment Project, Egypt

Between 2014 and 2017, Egypt's Micro, Small and Medium Enterprise Development Agency (MSMEDA) financed pilot youth employment projects aimed at facilitating young people's sustainable transition into wage and self-employment. The initiative was part of the Emergency Employment Investment Project funded by the EU and administered by the World Bank. Non-governmental organisations (NGOs) proposed interventions, the most promising of which were selected for implementation. The goal was to identify and evaluate different approaches, and contribute to building the evidence base on youth employment programming in Egypt. To this end, the programme made use of several M&E tools.

Monitoring system. To ensure systematic collection of monitoring data across participating NGOs, NGOs were given a list of information and common indicators that had to be collected and reported upon (e.g. socioeconomic profile of beneficiaries, employment status, retention, income, etc.). This information had to be collected at baseline (during beneficiary registration) and after programme completion. The information was aggregated in MSMEDA's Management Information System that allowed for aggregate reporting and analysis.

Independent verification. In order to verify information reported by NGOs (in particular on post-programme employment status of beneficiaries), an independent verification was conducted of every

participating NGO project. Based on the results achieved and validated through the independent evaluation, NGOs received a performance-based payment of up to 10 per cent of the contract value.

Process evaluation. In order to better understand typical challenges, weaknesses and success factors across projects, a process evaluation was conducted with a sample of 12 participating NGOs. The process evaluation looked primarily at the relevance of NGO projects, adequacy of inputs (e.g. staff), quality of project design and delivery, stakeholder satisfaction (e.g. beneficiaries, employers, trainers), and the key drivers of good and bad project performance.

Impact evaluation. In order to increase the evidence base on youth employment interventions in Egypt, a randomised control trial was conducted with two participating NGOs. The NGOs were identified based on interest and maturity during an impact evaluation training workshop and subsequent discussions with researchers. The evaluation was set up as mechanism experiments, evaluating the relative impact of different programme components (e.g. on-the-job training alone, versus on-the-job training with post-placement counselling, versus no intervention).

Performance evaluation. At the end of the programme, a performance evaluation was conducted to provide an overall assessment of achievements and lessons learned

- **Positive spillovers.** Explore options to facilitate step-down training such as through peer-to-peer strategies (e.g. youth trainees are encouraged to share training content with friends; women's association representatives are guided to transmit skills to other members).
- Substitution/displacement effects. Identify employers having hiring difficulties (e.g. vacancies open for long time) to prioritise where youth are placed in jobs.
- Deadweight loss. This can often be minimised through intentional and stringent targeting of those in real need of assistance. For instance,

focus financial start-up assistance on low-income groups that are unlikely to have other savings or access to loans, or restrict wage subsidies to target groups that are (based on available data) unlikely to be hired naturally in the local market due to discrimination or employer risk aversion.

Measuring employment effects of trade and sectoral policies

International trade can have diverse and unevenly distributed effects on employment and working conditions across countries. Consequently, these effects

BOX 20.5 Terminology of potential effects

Direct effects. Changes in employment and non-employment outcomes among direct beneficiaries of the intervention (e.g. youth participating in a training programme). Typically, direct effects are a primary objective of the intervention (increase in skills, increased employment rate, increase in income, etc.).

Indirect effects. Changes in outcomes among the target population who are not direct beneficiaries (other youth in target areas who did not participate in the training programme). These effects can be either positive or negative.

- Substitution effects (negative). Employment
 effects within the target population at the expense
 of other subjects within the target population who
 did not benefit from (participate in) the intervention (e.g. training participants placed in jobs at the
 expense of other youth in the area).
- Multiplier/spillover effects (positive).
 Employment effects as a consequence of the initial effect of the intervention (e.g. beneficiaries share knowledge with their peers).

Induced effects. Changes in outcomes among individuals and firms that are not part of the target group of the intervention. These effects can be either positive or negative.

Source: Based on Kluve and Stöterau, 2014.

- Displacement effects (negative). Positive employment effects within the target group are offset by negative employment effects for individuals/firms outside the target population (e.g. wage subsidies for youth lead to firing of older workers).
- Multiplier/spillover effects (positive).
 Employment effects as a consequence of the initial effect of the intervention (e.g. beneficiaries share knowledge with parents, increase in beneficiary income benefits other people).

Employment impacts. The overall (economy-wide) change in employment as a result of the entire set of employment-related effects brought about by an intervention. Employment impacts reflect the additional employment creation that can be attributed to an intervention. Hence, employment impacts are by definition always measured net of the potential counterfactual scenario or any negative indirect/induced effects of interventions.

Deadweight loss. The inefficient use of resources. In the case of employment programmes, this typically refers to paying someone to do something they would have done anyway (e.g. provide a wage subsidy to a firm that would have recruited someone anyway, or a start-up grant/subsidy to a person who would have started the business even without the assistance).

should be measured before and after **trade agreements** are put in place. To ensure inclusive growth, trade with developing countries should be based on a fair distribution of trade gains. The EU emphasises that 'changing trade flows, diversifying economies and exploiting comparative advantages should not be at the expense of working conditions or fundamental human rights' (EC, 2013, p. 3). Yet, knowledge at the global and country levels of how international trade and foreign direct investment affect employment and working conditions remains limited. Two instruments are helpful in measuring the employment effects of trade policies.

Ex ante assessment. For instance, the EU has been conducting trade sustainability impact assessments. These assessments are based on a

set of scenarios and apply qualitative and quantitative methods to assess the impact of different aspects of trade negotiations – including the impacts of a trade agreement on employment, wage levels, poverty, wealth distribution and the four pillars of the Decent Work Agenda (job creation, labour rights, social protection and social dialoque).

Ex post assessment. The EU has begun to commission analyses of the actual effects of trade agreements already in force. The main objective of these assessments is to highlight and evaluate the actual economic, social and environmental impacts of the agreement on both sides, and identify possible unintended consequences⁽⁶⁾. Evaluations are prepared by European Commission



















































































services in accordance with the Better Regulation Agenda⁽⁷⁾.

Similarly, employment and decent work dimensions should be measured in the context of sectoral policies such as private sector development, infrastructure development (roads, energy, etc.), and agriculture and rural development. To better understand the impact of sector policies on employment, assessment of the effect(s) policy reforms and development programmes/projects may have on employment outcomes needs to be strengthened. As with trade, employment impact analysis can be used to evaluate the effectiveness of completed projects, or used as a prognostic tool to simulate current and future impacts of a public investment programme (Ernst, Miller and van Imschoot, 2015). A study of the employment impact of 11 infrastructure investments by the European Investment Bank found that the direct employment effects were often lower than originally anticipated and that limited employment data were generally available – suggesting the need for more systematic efforts to improve the monitoring of employment effects and enhancing the employment content of investments (van Imschoot and Brudefors, 2015). Measuring employment impacts can be done through a range of methodologies at the project and macro levels. To better understand job creation effects, the Lets' Work initiative has tested different methods in several countries and sectors (see Box 20.6).

For more information on macro-level employment impact assessments in the context of trade and sectoral policies, see Guidance Note 18.

Evaluating budget support

Budget support evaluations seek to 'assess to what extent and under which circumstances budget support has successfully enhanced the policies, strategies and spending actions of the partner government so as to achieve sustainable national and/or sector-level development outcomes and a positive impact on poverty reduction and economic growth' (OECD, 2012, p. 6).

The methodological approach for budget support evaluations is based on a Comprehensive Evaluation

BOX 20.6 Measurement tools by the Let's Work initiative

Let's Work partners agreed to jointly implement case studies to understand job creation effects and develop a framework for broad use by project teams. Measurement tools applied by the partners include the following.

- The value chain method uses surveys to understand patterns of job creation along a given value chain at the sector and firm levels.
 The tool can be used prior to an intervention to forecast results and also post-intervention to analyse the number of jobs created from investments.
- Tracer surveys follow the beneficiaries/users (e.g. firms, farmers, own-account workers, job seekers) of an intervention and measure changes in labour market outcomes.
- Macro simulation models aim to explore (often prior to an intervention) the range of possible employment effects that can result from investments in a sector.

Source: 'Let's Work' webpage.

Framework (OECD, 2012). This framework sets out a sequence of effects of budget support programmes across five analytical levels:

- budget support inputs, including funds, capacity building, and policy dialogue;
- direct or budget outputs improvements in the relationships between external assistance and the national budget and policy processes;
- Induced outputs expected positive changes in the quality of public policies, the strength of public sector institutions, the quality of public spending and resulting improvements in public service delivery;
- outcomes positive effects at the level of final beneficiaries (service users and economic actors) stemming from improved government policy management and service delivery;

impact – envisaged positive effects on sustainable economic growth, poverty reduction, empowerment of the poor and improvements in their real incomes, and other issues and priorities specified in the respective budget support programme(s).

OECD proposes a three-step approach to assessment.

- Assessment of the inputs, direct outputs and induced outputs of budget support (budget support inputs, direct or budget outputs, and Induced outputs), including analysis of the causal links between these three levels.
- 2. Assessment of the outcomes and impact of the government policies, strategies and spending actions that donors supported and promoted with budget support, and identification of the main determining factors of those outcomes and impact, through policy impact evaluation techniques.
- **3.** Exploration of the contribution of budget support to government policies, strategies and spending actions that produced the outcomes and impact identified in Step 2, to be carried out by combining and comparing the results of Steps 1 and 2.

For examples of budget support evaluations, see Particip (2013). For more information on budget support, see Guidance Note 18. For details on specific indicators to be used in the context of employment promotion interventions, see Guidance Note 21.

Notes

- (1) See EC webpage on 'Monitoring and Evaluation'.
- (2) For more detailed discussion and guidance on the use of theories of change, see Vogel (2012).
- (3) While the term 'impact' is commonly used to refer to the highest level of the intervention logic, some practitioners and evaluation professionals prefer the term 'higher-level outcome' so as to distinguish this from the concept of 'causal impact'.
- (4) Also see the related concept of problem-driven iterative adaptation', described on Harvard University's webpage on 'Building State Capability'.
- (5) 'Internal control groups' refers to the comparison of two (or more) groups that receive different types or versions of

- an intervention; no group in these comparisons does not receive any services.
- (6) See the European Commission's webpage on 'Ex Post Evaluations' for examples. For instance, an evaluation of generalised tariff preferences used the 'gravity modelling' methodology, which is linked to the assumption that preferential treatment will increase exports to the preference-giving countries (EC, 2017b).
- (7) This is a framework to ensure that political decisions are prepared in an open, transparent manner; informed by the best available evidence; and backed by the comprehensive involvement of stakeholders. See EC (2017a).

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Selected indicators for employment-focused analysis and programming

BY KEVIN HEMPEL

genda 2030 for Sustainable Development provides an overarching global framework for eradicating poverty and achieving sustainable development, and is the main reference against which development progress should be measured. The employment dimension of Agenda 2030 is most prominently addressed in Goal 8 of the Sustainable Development Goals (SDGs): 'Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all'. Selected targets under SDG 8 include the following.

- **Target 8.3.** Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalisation and growth of micro-, small- and medium-sized enterprises, including through access to financial services.
- **Target 8.5.** By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.
- **Target 8.6.** By 2020, substantially reduce the proportion of youth not in employment, education or training.

Progress towards each target of the SDGs is measured using one or more specific indicators. In light of Agenda 2030, 'The New European Consensus on Development' (EC, 2017) includes two key themes directly linked to employment promotion efforts.

- **People.** This theme is mainly concerned with eradicating poverty, tackling discrimination and inequalities, and leaving no one behind.
- **Prosperity.** Under this theme, the European Union

OBJECTIVE AND KEY MESSAGES

This guidance note provides an overview of key indicators to analyse a country's employment situation as well as assess the performance of employment promotion interventions.

- Country-context indicators (e.g. unemployment rate, vulnerable employment rate, rate of informal employment) provide the big picture of the employment situation in a country/region and allow development progress to be measured over time.
- Project-level indicators seek to measure the performance of specific interventions, for instance with regard to enhancing employment prospects for targeted groups. To ensure the quality of project-level indicators, common standards should be respected.
- While there are many common indicators that can be used for different types of employment promotion interventions, each programme is different and may require a selected number of programme-specific indicators to adequately measure implementation and results.

(EU) emphasises the creation of decent jobs, particularly for women and youth, as an essential element for inclusive and sustainable growth.

A core intervention logic for employment promotion efforts can be derived from these objectives to guide the analysis of EU intervention success. At an aggregate level, employment promotion **activities** carried out by development partners – including the EU – fall under a range of sectoral interventions, covering elements such as labour market policies, private sector development, and education and training policies;







































these, in turn, are expected to deliver direct/tangible infrastructure, goods and services (**outputs**). These outputs seek to achieve a variety of **outcomes** which, depending on the type of intervention, may include decent job creation, improvements in working conditions, etc. Ultimately, these improvements among direct beneficiaries of development interventions are expected to contribute to the broader **impact** of sustained, inclusive, and sustainable economic growth and full and productive employment and decent work for all, as reflected in the SDGs (see Figure 21.1)⁽¹⁾.

The EU accordingly classifies the results and performance of development interventions into three levels, as reflected in the EU's Results Framework (EC, 2018).

Level 1 corresponds to the development progress

- of **partner countries** (i.e. medium- and longterm development outcomes/impact related to the situation of the labour market).
- Level 2 corresponds to outcomes and outputs to which EU-funded interventions contributed in collaboration with partner governments and other funding providers.
- Level 3 focuses on policy priority mainstreaming as measured by budgetary commitments directed towards specific objectives (e.g. human development, gender).

'Results' refer to the outputs, outcomes and impacts (intended or unintended, positive and/or negative) of a development intervention (OECD DAC, 2010).

FIGURE 21.1 Simplified results chain for employment promotion

Implementation (under control of the intervention) Real change for target group (no direct control) Results Inputs Outputs Outcomes **Impacts** Direct effects of What the programme Long-term effects on Resources mobilised Services delivered outputs on target does living standards population EC Agenda for Policy dialogue, National employ-Improved employ-Sustained, inclusive Development analytical work, ment policies in ment opportunities and sustainable programmes, technical place for youth, women economic growth Country strategies and other groups assistance, etc. in key Demand-driven Full and productive Financial areas: training and Improvements employment and commitments education systems national decent work for all in working Partner employment policy in place conditions (wages, Increased labour organisations framework occupational safety Vulnerable groups force participation (International and health, access vocational participate in active Labour Lower unemployto social security, education and labour market Organization. ment, including for etc.) training programmes **European Training** vulnerable groups Better protection of Foundation, etc.) active labour Integrated labour Reduction of youth labour rights market policies market information Different funding not in employment, system in place Increased access instruments labour market education or training to credit and busiregulation Adequate labour • Etc. Reduction/eradiness development market regulation cation of child and International services in place Labour Standards forced labour Formalisation and Social partners social dialogue Increased social growth of micro, involved in inclusion of vulnerprivate sector small and mediumpolicymaking able and marginaldevelopment sized enterprises Credit guarantee ised groups infrastructure Increase in worker scheme established Etc. development productivity New business trade policies Decent/formal job development creation in the macroeconomic services established Poverty reduction private sector policies Etc. Social cohesion • Etc. etc.

A variety of indicators are needed to adequately measure progress across all levels.

Indicators answer the question: 'How do I know'? They are proxies for what we want to measure (productivity, employment, working conditions, etc.), even though they may not perfectly reflect the elements of interest. Indicators are meant to be tangible signs that something has been done or achieved, and can therefore be considered markers of success (Shapiro, 2003). Defining indicators is crucial for any intervention, as they drive all subsequent data collection, analysis and reporting. In practice, the choice of indicators will strongly depend on the specific context and intervention. That said, to estimate progress across interventions (e.g. at the level of a specific agency or country), it can be helpful to define indicators that can be summed up and aggregated to fit different types of interventions. For instance, at the output level, an indicator on the number of people who have benefited from education or labour market interventions could reflect the scale of beneficiaries reached across a wide spectrum of EU-supported employment programs related to technical and vocational education and training, entrepreneurship, public works, etc.

The EU Results Framework defines core indicators in line with the SDGs and 'The New European Consensus on Development'. Revised in 2018, the EU Results Framework includes a total of 31 Level 1 indicators, 30 Level 2 indicators and 10 Level 3 indicators, totalling 71 indicators in all. Table 21.1 provides an overview of the core indicators related to SDG 8; these should be complemented and supplemented as necessary by additional indicators relevant to the specific intervention.

This note provides additional indicators and guidance related to Level 1 (country context) and Level 2 (project level). Indicators should be used to capture both quantitative and qualitative aspects of employment. Since labour markets in developing countries are characterised by poor-quality employment (high levels of informality, necessity-driven self-employment, etc.), it is not sufficient to just consider whether more jobs have been created when measuring results in terms of decent employment creation. The qualitative nature of employment dynamics is equally important when analysing the country context and project-level results.

TABLE 21.1 EU indicators related to SDG 8

RESULTS STATEMENT	LEVEL 1: DEVELOPMENT PRO- GRESS IN PARTNER COUNTRY	LEVEL 2: OUTPUT/OUTCOME FROM EU INTERVENTIONS
Promote an economic trans- formation that creates decent jobs and increases productive capacity	SDG 8.1.1 Annual growth rate of real gross domestic product per capita SDG 1.1.1 Proportion of employed population below the international poverty line	Number of jobs supported/sustained by the EU
Improved economic govern- ance, business environments, contribute to scaling-up private and public investments, includ- ing addressing the micro, small and medium-sized enterprise financing gap	World Bank Doing Business distance to the frontier score	Number of countries supported by the EU to strengthen investment climate Number of beneficiaries with access to financial services with EU support: (i) firms, (ii) individuals
Promote trade and regional integration	Export of goods and services as a percentage of gross domestic product	Number of quality schemes adopted by economic operators with EU support
Meet the specific needs of youth, particularly young women and girls, by increasing quality employment and entrepreneurship opportunities	SDG 8.6.1 Proportion of youth (aged 15–24) not in education, employ- ment or training	Number of people who have benefited from institution- or workplace-based vocationl education and training/skills development interventions supported by the EU

Source: EC, 2018.











































































This guidance note focuses on the definition and use of relevant indicators in the context of employment promotion interventions. For more comprehensive guidance on monitoring and evaluation systems, see Guidance Note 20.

Country-level indicators

Country context indicators are primarily used to assess the overall situation on employment and decent work in a given country. Such situational analysis is integral to understanding the specific challenges in a country (e.g. high levels of unemployment among women and youth, high levels of informal employment, underemployment, large share of agricultural employment, etc.), which in turn can guide policy priorities. Country context indicators are thus a key ingredient of labour market information systems and employment diagnostics (see Guidance Notes 1 and 2).

The primary source for aggregate indicators on employment are the Key Indicators of the Labour Market (KILM). Developed by the International Labour Organization (ILO), the KILM database consists of country-level data on 17 indicators (see Box 21.1) compiled since 1980 from international data repositories as well as regional and national statistical sources. The KILM database provides a useful foundation to analyse productive employment and decent work in partner countries. The KILM is comprehensive, covering virtually the entire world, and allows labour market data to be compared across countries and over time.

For a more comprehensive assessment of decent work at the country level, the ILO adopted the 'Framework on the Measurement of Decent Work' in 2008 (ILO, 2008; ILO, 2013a). The framework covers 10 elements corresponding to the four strategic pillars of the Decent Work Agenda, as well as an 11th element related to country context:

- employment opportunities;
- adequate earnings and productive work;
- decent working time;
- combining work, family and personal life;
- work that should be abolished;
- stability and security of work;
- equal opportunity and treatment in employment;

BOX 21.1 The ILO's Key Indicators of the Labour Market

- labour force participation rate;
- employment-to-population ratio;
- status in employment;
- employment by sector;
- employment by occupation;
- part-time workers;
- hours of work;
- employment in the informal economy;
- unemployment;
- youth unemployment:
- long-term unemployment;
- time-related underemployment;
- persons outside the labour force;
- education attainment and illiteracy;
- wages and compensation costs;
- labour productivity;
- poverty, income distribution, employment by economic class and working poverty.

Source: ILO, 2016.

- safe work environment;
- social security;
- social dialogue, employers' and workers' representation;
- economic and social context for decent work.

Each category is measured by a set of statistical and legal framework indicators, which include the KILM but go far beyond it.

Efforts to improve the measurement of decent work has received significant support by the EU (see Box 21.2), thereby facilitating the development of goals, targets and indicators related to employment and decent work in the context of the SDGs.

Country-level indicators can serve to measure development progress in line with the targets defined in the SDGs. Indeed, each of the objectives and targets laid out in the SDGs is accompanied by a number of indicators (beyond those used in the EU Results Framework) in order to be able to measure progress at the country and global level. For instance, selected targets and indicators associated with SDG 8 include the items shown in Table 21.2.

BOX 21.2 The EC/ILO Monitoring and Assessing Progress on Decent Work project

The EU-funded project on Monitoring and Assessing Progress on Decent Work (2009–2013) sought to strengthen national capacity to self-monitor and self-assess progress towards decent work. Building on the ILO Framework on the Measurement of Decenyt Work adopted in 2008, the project facilitated the identification of decent work indicators, supported data collection, and used the collected data for integrated policy analysis of decent work in order to make them relevant for policymaking. It also supported the production of guidelines and manuals on measuring and assessing decent work.

Three toolkits were produced by the project:

- Decent Work Indicators (ILO 2012);
- Assessing Progress towards Decent Work at the National Level (ILO, 2013b);
- Mainstreaming Decent Work in European Commission Development Cooperation (ILO, 2013c).

In many cases, the indicators used to measure progress against the SDGs are drawn from the KILMs.

Project-level indicators

Project-level indicators help assess project implementation dynamics and project

achievements. They are indispensable for project and performance management, and a chief ingredient in any monitoring and evaluation system.

Regardless of the specific intervention, defining project-level indicators should follow certain standards. Box 21.3 provides an overview of guiding principles in defining good indicators, and Table 21.3 provides an example. The DCED Standard for Results Measurement provides additional requirements and guidance for defining indicators (DCED, 2018; Sen, Kessler and Loveridge, 2017). These requirements include the following.

- There is at least one relevant indicator associated with each change described in the results chain(s).
- Qualitative information on how and why changes are occurring is defined for each intervention (e.g. with regard to beneficiary perceptions, understanding behaviours, capturing unexpected changes).
- A small number of indicators can be aggregated across the programme. First, programmes with many activities should have sufficiently generic aggregate indicators that can capture the collective results those activities. Second, the indicators used within specific programmes should be linked to the corporate indicators used to measures the results of EU development cooperation.
- There are specific indicators that enable the assessment of sustainability of results (e.g.

TABLE 21.2 Targets related to SDG 8

SELECTED SDG TARGET (GOAL 8)	INDICATOR
SELECTED SDG TARGET (GOAL 6)	INDICATOR
By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work	Average hourly earnings of female and male employees, by occupation, age group and persons with disabilities.
of equal value	Unemployment rate, by sex, age group and persons with disabilities
By 2020, substantially reduce the proportion of youth not in employment, education or training	Percentage of youth (aged 15–24) not in education, employment or training
Promote development-oriented policies that support pro- ductive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalisation and growth of micro-, small- and medium-sized enter- prises, including through access to financial services	Share of informal employment in non-agriculture employment, by sex

















































































BOX 21.3 General guidance on defining project-level indicators

Select indicators across all levels of the results chain. Outcome-level indicators are indispensable in understanding the success of an intervention. Process-level indicators (in terms of inputs, activities, outputs) are useful in understanding project

Process-level indicators (in terms of inputs, activities, outputs) are useful in understanding project implementation dynamics and how these may have affected outcomes (i.e. to identify bottlenecks and explain success or failure).

Consider the variety of potential outcomes.

Outcomes of employment promotion interventions can be diverse, going beyond outcomes related to employment and integration in the labour market. For instance, interventions may seek to improve skills, psychosocial development, use of financial services, risky behaviours (e.g. drug use, crime and violence), migration and family formation.

Take unintended effects into account. Interventions may have unintended effects that can potentially be negative. For example, providing loans to foster self-employment may lead to indebtedness and leave people worse off if their businesses are not successful. Anticipate potential unintended outcomes and define appropriate indicators.

Involve key stakeholders. Choosing indicators without the proper involvement of primary internal and external stakeholders can lead to a lack of ownership on their part.

Source: Based on Hempel and Fiala, 2011

Follow quality standards for defining indicators.

Indicators should follow RACER criteria and be relevant (closely linked to the objectives to be reached); accepted by staff, stakeholders, etc.; credible for non-experts, unambiguous and easy to interpret; easy to monitor (e.g. data collection should be possible at low cost); and robust against manipulation (EC, 2017a).

Avoid too many indicators. Since indicators are only proxies of what we intend to measure, it is common to define several indicators for particular elements of the results chain. While a project's official results framework may focus on a very select number of indicators, a project's monitoring and evaluation system may want to define and track additional indicators for a more nuanced picture. Too many indicators, however, make a monitoring and evaluation system needlessly complex. It is good practice to select the one to three key indicators that best reflect each element of the results chain.

Define baseline and targets. Knowing the baseline value at the beginning or prior to the intervention allows realistic targets to be defined and future progress to be tracked against the initial situation. To set realistic targets, consult suitable benchmarks (e.g. from similar interventions and contexts), when available. If specific numerical targets are too arbitrary, targets may be expressed as a range.

percentage of beneficiaries employed for at least nine months after job placement, i.e. retention rate).

- Mid- and senior-level programme staff understand the indicators and how they illustrate programme progress.
- There are specific indicators that enable the assessment of gender-differentiated results.
- Anticipated impacts are realistically projected for key quantitative indicators to appropriate dates.

Institutional development efforts seek to enhance the overall policy and legal framework,

policymaking process and institutional capacity of relevant stakeholders. Indicators related to these types of outcomes are typically related to the existence and quality of strategic documents, regulations, processes, systems, etc. (See Table 21.4.)

Programmes targeting end beneficiaries (i.e. individuals and firms) are concerned with enhancing the quantity and quality of employment, and making access to jobs more inclusive. Hence, indicators measuring the success of these types of interventions are typically expressed as the number or percentage of the programme's target group that meet selected criteria. The unit of analysis is often expressed as participants, individuals, firms or (programme) beneficiaries.

TABLE 21.3 Example of selected indicators for a training programme

RESULTS CHAIN LEVEL	RESULTS CHAIN ELEMENT	EXAMPLE
Input	Project budget	Percentage of total funds disbursed (disbursement ratio)
Activity	Provide technical and life skills training to youth (100 hours)	Number of trainings organisedNumber of total training hours delivered
Output	Youth participated in training	 Number of youth enrolled in the training (by age, sex, education) Number of youth who completed the training (by age, sex, education) Percentage of youth who did not complete the training (dropout rate) Percentage of youth satisfied with the training Percentage of youth who improved their knowledge on a specific topic⁽¹⁾
Outcome	 Increased employability Increased income 	 Percentage of youth who improved their technical and behavioural skills Percentage of youth who have at least three job offers in their field of training within one month of training completion Percentage of youth employed within three months of training completion (placement rate) Percentage increase of / average monthly income of project beneficiaries 6 and 12 months after the intervention
Impact ⁽²⁾	(Contribution to) reduced unem- ployment and inactivity	Unemployment rate Not in employment, education or training (NEET) rate

Note: A detailed logical framework or results matrix would also define the following information for each indicator: baseline value, target value, data collection method / source of information, data collection frequency, data collection responsibility and indicator definition (as needed).

(1) The EC considers changes in knowledge as an output, as a direct result of a training, while improvements in skills are typically considered an outcome. Other practitioners may classify changes related to knowledge and skills as outputs; still others consider both as outcomes.

⁽²⁾The logframe in EU action documents includes the impact level. Other organisations do not include the impact level in results chains for individual interventions given that the influence of the intervention on country-level indicators is arguably extremely small.

See Table 21.5 for key programme indicators relevant across labour market interventions; Table 21.6 presents additional indicators for key labour market interventions. For simplicity, disaggregation of indicators is not always indicated. Depending on the type of intervention, disaggregation of indicators by different groups may be needed (sex, age, level of education, etc.).

While the sample indicators commonly used in employment promotion interventions can inform programme monitoring and evaluation, it is important to recognise that each intervention is different.

Therefore, staff responsible for programme design, management, and/or monitoring and evaluation should always consider the specific logic of the intervention and the context in which it is implemented to define indicators that adequately reflect the programme's intermediate and final objectives.

For more information on indicators related to budget support, see Guidance Note 19.

















































































TABLE 21.4 Sample outcomes and indicators for institutional development efforts

OUTCOME	INDICATOR EXAMPLE	
Improved employment policy framework	 Level of priority of employment promotion in the national development plan Status of national employment policy/strategy with holistic cross-sector approach Status of inter-agency youth employment action plan with clear responsibilities and budget allocations 	
Increased government invest- ments in employment services and active labour market measures	 Level of government budget allocated to national employment services (EUR) Level of government budget allocated to active labour market measures (EUR) 	
Improved labour market regulation	 Status of labour law in line with ILO conventions and recommendations (or with EU directives) Legal minimum wage as a proportion of median wage 	
Improved capacity of public employment services (e.g. national employment agency)	 Number of participants in active labour market programmes [increased coverage] Percentage of participants in active labour market programmes who are disadvantaged (poor, low education, disability, etc.) [better targeting] Ratio of counsellors to job seekers (i.e. number of job seekers divided by front-line staff in public employment services) Status of a monitoring system allowing systematic tracking of beneficiaries' employment status 6 and 12 months after programme completion Frequency of independent evaluations for each active labour market programme 	
Improved labour market infor- mation system / Improved capacity of national labour market observatory	 Frequency of labour force survey / availability of labour force survey results Status of specific survey(s) on informal employment Status of Employment and labour market assessments to inform employment policy as well as their use (e.g. evidenced by citation in key policy documents) Status of skills needs assessments in sectors X and Y Status of Labour market information from different sources (e.g. economic data, education statistics, public employment services, etc.) Status of Labour market monitoring at sub-national level 	
Social dialogue strengthened ⁽¹⁾	 Number of members in trade unions Proportion of wage workers who are union members (trade union density) Number of wage workers whose pay and/or conditions of employment are determined by one or more collective agreements as a proportion of all those who are eligible to conclude a collective agreement (collective bargaining coverage) Number of members in employers' organisations Evidence of improved collaboration among social partners (existence of a joint strategy document, joint initiatives, frequency of dialogue, etc.) Trade unions / employer organisations have produced new position papers on relevant employment policy topics 	

⁽¹⁾ This can also be broken down into more specific outcomes, such as increased capacity of trade unions or employer organisations to do [desired behaviour].

TABLE 21.5 Key programme indicators across labour market interventions

RESULTS CHAIN LEVEL	RESULTS CHAIN ELEMENT	INDICATOR EXAMPLE
Input	Programme budget	 Percentage of total funds disbursed (disbursement ratio) Percentage of expenditures by category (e.g. goods, consultants, transfers, etc.) Percentage of operational expenditures (versus programme administration)
	Cost per beneficiary (cost-effectiveness) ⁽¹⁾	 Cost per beneficiary who completed the programme Cost per beneficiary placed in a job Cost per employed day over the first 6 months after programme
	Beneficiaries partic- ipated in the pro- gramme (scale)	 Number of beneficiaries enrolled in the programme (by age, sex, education) Number of beneficiaries who completed the programme⁽²⁾ Percentage of beneficiaries who did not complete the programme (dropout rate)⁽²⁾
Output	Target group reached (targeting accuracy)	 Percentage of vulnerable (or disadvantaged or marginalised) beneficiaries among total number of beneficiaries enrolled in the programme (or completed)⁽³⁾
	Beneficiary satis- faction with the programme	 Percentage of beneficiaries satisfied with the programme Percentage of beneficiaries who would recommend the programme to a friend or family member Percentage of participating firms satisfied with the programme⁽⁴⁾
Outcome	Increased (access to) employment	 Number of individuals who have come into employment Percentage of beneficiaries employed within three months of programme completion (placement rate) Number of full-time equivalent jobs created (direct/indirect)
	Additional employ- ment (reduction of underemployment)	 Number of individuals who have gained additional employment (increase in work hours) Average (increase in) number of full-time equivalent days worked (i.e. conducting an income-generating activity) per month⁽⁵⁾ Average (increase in) hours worked per week of project beneficiaries
	Increased quality of employment (including income)	 Number of individuals whose working conditions have improved Number of individuals with increased income Average (increase in) monthly income of project beneficiaries (EUR) Percentage of beneficiaries who earn above the official minimum wage (alternative: above poverty line) Percentage of beneficiaries in formal employment (e.g. with written contract, social security, health insurance)
	Improved sustainabil- ity of employment	 Percentage of beneficiaries employed 6, 12 and 24 months after programme completion Percentage of beneficiaries employed with the same firm 6, 12 and 24 months after programme completion

Note: The table does not include activities, since these are entirely dependent on the specific intervention.

(1) This element is included under inputs for simplicity. In practice, it represents the relation of outputs or outcomes to inputs.











































⁽²⁾ Programme completion needs to be concretely defined in the context of the specific intervention. For instance, the beneficiary attended at least 80 per cent of the sessions.

⁽³⁾ The definition of vulnerability, disadvantaged or marginalisation may differ by context and intervention, and therefore needs to be clearly defined (e.g. specific age group, level of education, income level, ethnic groups, migrant status, etc.).

⁽⁴⁾ Depending on the type of programme, employer satisfaction may refer to different dimensions. For instance, employers rating programme participants hired as meeting company needs, employers satisfied with the candidates referred by employment services, etc.

⁽⁵⁾ This indicator is often more suitable than hours worked per week in measuring the amount of time worked in environments where wage employment is the exception (e.g. high levels of self-employment and casual employment).







































TABLE 21.6 Additional indicators for key labour market interventions

OUTCOME	INDICATOR EXAMPLE		
Employment services			
Improved information about the labour market	 Percentage of beneficiaries who report having a better understanding of growing sectors and typical wages across sectors and occupations 		
Increased intensity and motiva- tion of job search	Average number of job applications submitted per beneficiary within X months of participation		
Improved job search skills	 Number and percentage of beneficiaries who report that they have an updated curriculum vitae 		
	 Average number of job interviews per beneficiary within X months of participation 		
	 Percentage of youth who have at least three job or internship offers within X months of participation⁽¹⁾ Percentage of beneficiaries who accept job offer 		
Doduced time to find a job	Average duration of unemployment (months)		
Reduced time to find a job	·		
Improved hiring for employers	Average number of candidates per vacancyAverage duration to fill vacancies (weeks/months)		
	Percentage of unfilled vacancies		
	Skills training		
Improved technical skills	Number of beneficiaries who pass certification exam in a specific trade		
improved technical skills	 Percentage of employers rating the technical skills of hired programme participants as satisfactory 		
Improved behavioural and life	Number of beneficiaries self-reporting increased confidence in their abilities		
skills	Number of beneficiaries self-reporting increased communication skills		
	 Percentage of employers rating the behavioural skills of hired programme participants as satisfactory 		
Increased probability of employment	 Percentage of beneficiaries who have at least three job or internship offers in their field of training within X months of training completion 		
Reduced time to find job	Percentage of beneficiaries who find a job within X months of training completion		
Increased ability to retain job	 Percentage of employed beneficiaries who remain with the same firm for at least 6 or 12 months 		
· ·	Entrepreneurship and firm-level interventions		
Increased business knowledge	 Percentage of beneficiaries self-reporting that they feel comfortable calculat- ing monthly profits 		
	 Percentage of beneficiaries demonstrating knowledge about the basic elements of loans (e.g. interest rates, terms, fees, etc.) 		
Improved business practices	 Percentage of (micro)enterprises supported that do at least basic bookkeeping (i.e. documenting sales and expenditures) 		
	 Percentage of (micro)enterprises supported that compare prices of raw materials 		
	 Percentage of beneficiary firms that have adopted better marketing practices (as defined by XYZ) 		
Increased worker productivity	Average output per worker among beneficiary firms		
Improved access to finance /	Number and percentage of beneficiaires who have a bank account		
financial services	 Number and percentage of self-employed beneficiaires who received a loan from a microfinance institution 		
	(continued)		

(continued)

TABLE 21.6 Additional indicators for key labour market interventions (continued)

оитсоме	INDICATOR EXAMPLE			
Increased access to markets	 Number and percentage of firms with new commercial relationships Number and percentage of beneficiaries reporting that they sell to customers outside their own town (or governorate) Number and percentage of firms linked to export markets 			
Increase in business creation	 Number of microenterprises / start-ups created Percentage of newly established businesses with more than one paid employee Percentage of supported businesses formally registered 			
Increased business performance	 Average percentage increase in sales Total additional (annual) sales revenue for beneficiary firms (EUR) Percentage of businesses that increased profits Total investment generated (EUR) Percentage of newly established businesses still operating after 12 and/or 24 months 			
Job creation	Number of (new) full-time-equivalent jobs in beneficiary firms			
	Subsidised employment			
Improved access to temporary employment	Average number of days worked by beneficiaryTotal number of employment days created (public works)			
Improved employability / prob- ability of employment beyond programme duration	 Percentage of beneficiaries employed within X months of completing public works Average number of days worked per month Average income by beneficiary 			
Improved access to quality community assets and social services (public works)	Percentage of households reporting satisfaction with community assets / services provided			

⁽¹⁾ As needed, the quality of a job offer may need to be specified in terms of whether the job is full time, formal wage employment, above minimum wage, in beneficiaries' field of training, etc.



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