European Commission

Tools and Methods Series
Concept Paper Nº 6

Promoting employment and decent work in development cooperation

Volume 1:
Concepts and foundations

January 2018

International Cooperation and Development

Tools and Methods Series

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Directorate-General for International Cooperation and Development
European Commission

Brussels • Luxembourg, January 2018

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Print	ISBN 978-92-79-76461-5	doi:10.2841/153250	MN-06-17-354-EN-C
PDF	ISBN 978-92-79-76460-8	doi:10.2841/335227	MN-06-17-354-EN-N

Luxembourg: Publications Office of the European Union, 2017

ACKNOWLEDGEMENTS

This document has been prepared by Kevin Hempel, Independent Consultant, under general guidance from Francoise Millecam, Alessandro Batazzi and Alba Riobo-Souto. The document benefited from contributions by Kristin Hausotter, Tilman Nagel, Sarah Blanck (all from the Deutsche Gesellschaft für Internationale Zusammenarbeit — GIZ), Juergen Schwettman (Independent Consultant) and Janine Berg (International Labour Organization). It was developed with the support of the Directorate-General for International Cooperation and Development (DG DEVCO) Unit 05 and the Methodological and Knowledge Sharing Support Programme (MKS), specifically, Lukas Hähnel and Enrico Turci.

Review meetings were held in February and August 2017 to gather inputs from a number of participants from the European Commission services and external partners.

This document is the sixth concept paper in the EuropeAid Tools and Methods Series. The collection includes three sub-collections: guidelines, reference documents and concept papers. Concept papers present current thinking, promote understanding on a given topic and do not include operational guidance.

Abbreviations and acronyms

ALMP	Active Labour Market Policy
EC	European Commission
EU	European Union
GDP	Gross Domestic Product
ILO	International Labour Organization
KILM	Key Indicators of the Labour Market
MDG	Millennium Development Goal
NEET	Not in Education, Employment or Training
OECD	Organisation for Economic Co-operation and Development
PLMP	Passive Labour Market Policy
SDG	Sustainable Development Goal
TVET	Technical and Vocational Education and Training
UN	United Nations

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CHAPTER 1

Background and introduction

1.1 Rationale

One of the biggest challenges for developing countries is the creation of sufficient and quality employment. Public opinion surveys globally suggest that issues related to employment and jobs (or the lack thereof) are among the top concerns of the population[1]. Indeed, decent work and income are central to individual and societal well-being, contributing to improved living conditions, poverty reduction and social cohesion. The question is what governments and development partners can do to facilitate the creation of productive employment and decent work.

Promoting employment and decent work (see Box 1.1 for a definition) has been an important part of the European Union's (EU's) development cooperation for a long time, and increasingly so since the mid-2000s. The 2006 'European Consensus on Development' declares that 'the EU will contribute to strengthening the social dimension of globalisation, promoting employment and decent work for all' (EC, 2006a, p. 24). In the same year, a communication by the European Commission (EC) on 'Promoting Decent Work for All', called on 'the other EU institutions, the Member States, the social partners and all those involved to work together to promote decent work for all in the world' (EC, 2006b, p. 10). The document highlighted that the concept of 'decent work' very much aligns with the EU's values and model of economic and social development. In 2011, the EU's emphasis on employment promotion was further strengthened in the 'Agenda for Change' (EC, 2011).

BOX 1.1 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, and to organise and to participate in decisions that affect their lives; and guarantees equal opportunities and equal treatment for all.

Decent work consists of four inseparable, interrelated and mutually supportive strategic objectives: **employment**, **fundamental principles and rights at work**, **social protection** (social security and labour protection) and **social dialogue**. Gender equality and non-discrimination are cross-cutting issues.

Source: ILO, 2008a.

Finally, 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 such as women and youth (EC, 2017a). 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 Section 2.4.3 for more details).

In practice, the EU agenda on employment and decent work focuses on four broad priority areas (EC, 2007):

[1] See e.g. the Latinobarómetro public opinion survey database, http://www.latinobarometro.org/; and the United Nations' MYWorld global survey, https://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/8580.pdf.

- maximise decent job creation, supporting job-rich growth;
- improve the quality of existing jobs in terms of earnings and working conditions (both in the formal and informal economy);
- ensure increased access to these decent jobs, particularly of the most vulnerable in the labour market, through improved employability (education and training) and efficient labour market policies;
- mainstream the employment perspective in economic policies/programmes and other sectors such as agriculture, energy or private sector development.

Supporting decent job creation and employment promotion efforts cannot be based on a one-size-fits-all approach and needs policy coherence. Indeed, it is highly complex and typically contingent on the interplay of multiple policy domains, such as economic policies, trade and investment policies, education policies, and labour and social protection policies. It is no surprise that policy debates and political discourses are dominated by questions around job creation all over the world, in both developed and developing countries.

The multidimensional nature of employment interventions is also reflected in the fact that there is no single or natural entry point for employment promotion efforts in partner countries. Similarly, international development partners such as the EU work in multiple policy areas to support different aspects of the employment agenda (e.g. private sector development, trade and industrial development, education, skills and vocational training, development of economic sectors, labour and decent work). Employment and decent work are also increasingly included in EU trade and investment arrangements such as the trade and sustainable development chapters of free trade agreements, the Generalised Scheme of Preferences and association and partnership agreements.

This complexity calls for tools to support practitioners in designing and overseeing employment promotion efforts.

1.2 Audience

The primary audience for this manual is EC staff designing and overseeing employment promotion efforts in the EU's partner countries, i.e. low- and middle-income countries. In addition, the manual should prove useful to a wide variety of stakeholders involved in strengthening and mainstreaming employment and decent work, such as government representatives, international development partners, employer and worker organisations, non-governmental organisation (NGO) staff and private sector representatives. Recognising that many stakeholders do not necessarily have a professional background in this field, the manual is written as an introduction to the topic, and readers do not require prior subject matter expertise.

1.3 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 promote employment and decent work as part of the EU's international development efforts. Specifically:

- **Volume 1** of the manual (this document) seeks to sensitise the reader about the importance of employment and decent work for development and facilitate understanding of key concepts, potential barriers to employment and the range of relevant policy instruments.
- **Volume 2** seeks to support policy dialogue and facilitate the design of employment promotion interventions as well as the mainstreaming and integration of employment and decent work in other sectors. It does so by providing practical guidance on the instruments and policy options 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 interventions.

1.4 Methodology

This manual is largely based on a synthesis of existing literature. It is intended as an accessible introduction to the topic that can serve as an entry point to a more in-depth reflection supported by other references. To this end, the manual summarises key concepts and issues relevant to each topic, while providing references

for further reading to key documents developed by a range of partners, such as the World Bank, the International Labour Organization (ILO), the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), the Organisation for Economic Co-operation and Development (OECD), and others. In addition, the manual offers practical examples to illustrate relevant issues and past experiences.

1.5 Scope

Importantly, this manual adopts a comprehensive approach to employment and decent work. It reflects the recognition that many employment and wider labour and social protection challenges and potential solutions are found outside the labour market itself (e.g. macroeconomic stability, business environment, education systems, taxation, etc.). Analysing employment problems and supporting adequate reforms in partner countries require an integrated lens that goes beyond the narrow focus on single policy domains based on one's own background and professional affiliation. This manual tries to recognise this complexity through a two-pronged approach.

1. In terms of **analysis**, it provides a framework for the holistic assessment of the barriers that hold back employment and decent work. The manual supports the belief that a comprehensive diagnostic that considers all potential constraints is an essential prerequisite to successful policy formulation.

2. In terms of **practical guidance** (Volume 2), it focuses primarily on policies and instruments that are directly related to the functioning of the labour market (e.g. labour market regulation, active labour market policies (ALMPs), etc.). This focus does not imply any 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.

Finally, this manual tries to provide a neutral and objective discussion of employment challenges and policy priorities. While there is a common agreement on the importance of employment and decent work for individuals and society, development partners (and partner country governments) can differ in terms of their interpretation of employment challenges, underlying causes and what to do about them. These differences can be due to different value systems, the donor country's historical experiences and political priorities, and institutional mandates, thus influencing different ideologies and conceptual approaches. Some examples of these differences are listed in Box 1.2.

1.6 Overview of the manual and how to use it

This document is the first of two volumes that constitute the publication on 'Promoting Employment and Decent Work in Development Cooperation':

- **Volume 1:** Concepts and Foundations
- **Volume 2:** Practical Guidance for the Design and Implementation of Employment-Focused and Employment-Sensitive Interventions.

While complementary, both volumes can be used independently from each other. Indeed, this manual is not intended to be read from beginning to end. Instead, we expect readers to refer to the different volumes and chapters based on their need and level of experience.

1.6.1 ORGANISATION

Volume 1 (this publication) 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. Following this introduction (Chapter 1), it is organised as follows:

- Chapter 2 presents a general overview of employment promotion in developing countries. This includes an analysis of the role of employment in development and key milestones in the development agenda, including in the EU.
- Chapter 3 introduces key employment challenges in developing countries, including a brief overview of different employment challenges in different world regions.
- Chapter 4 supports the diagnosis of the key underlying factors that might be responsible for undesirable employment outcomes in a given country, providing a general overview of potential barriers

BOX 1.2 Examples of how different perspectives can affect employment promotion efforts

Human rights and economic arguments. While some countries (as in Scandinavia) and institutions (e.g. the United Nations) have traditionally argued for certain policies based on the principle of human rights, others (e.g. the World Bank) typically put more emphasis on underscoring the economic benefits. This discussion is sometimes reflected in different approaches to targeting policies. While the human rights focus tends to lead more to claims for universal coverage, the economic/efficiency-driven lens may often focus on more narrow targeting to those in need in order to prioritise the use of limited budgets.

The role of the free market and government intervention. Traditional economics proclaims the importance of the free market, with limited government intervention to provide an enabling environment for the private sector to flourish. On the other hand, more 'interventionist' stakeholders would argue for more stringent labour regulation, social protection and income redistribution as a means of protecting the more vulnerable. In practice, the ILO is typically a strong proponent of a balanced regulation, an active role of labour market actors and institutions, and broad social protection schemes; while others may be more concerned about the potential negative effects of 'overregulation' on the business environment and on growth.

Macro- versus microeconomic focus. There are different beliefs about what needs to be done to promote employment. Often, these are driven by people's professional backgrounds and country experiences. For instance, macroeconomists (dominant in institutions such as the International Monetary Fund, and in certain parts of government such as the central bank and the ministry of economy and finance) tend to focus on macroeconomic stability to support growth and employment (e.g. exchange rates, interest rates, debt levels). Microeconomists, conversely, focus on the behaviour of individuals, households, firms or specific sectors and therefore have different natural entry points (e.g. education, health, etc.). Similarly, a more traditional macroeconomic view might focus on 'trickle-down' economic growth (the idea that if you create growth, it will more or less naturally translate into broad employment effects), while others would caution that economic growth alone is not enough. These latter would argue that the right institutional environment is needed to provide equal access to opportunities as well as protection (which in turn may again translate into a stronger focus on education, labour regulation, etc.). The EU's development agenda follows an integrated approach that combines interventions to support broad economic development (e.g. through trade and investment) as well as targeted sectoral policies to foster opportunities and the protection of those who may otherwise be left behind.

Country systems and experiences. EU development cooperation is driven by fundamental values of social justice, gender equality and protection of the environment, as anchored in the Treaty of Lisbon. It is also influenced by the EU's own economic system based on a social market economy, seeking to balance free market economics with the necessary levels of regulation and social policies to protect against risks in life (e.g. health, ageing, loss of income), limit inequalities and foster resilience, including for the most vulnerable. Developing countries often also seek to learn from and replicate specific policies and systems found to be successful in donor countries. For instance, Germany is well known for its Technical and Vocational Education and Training (TVET) System, which therefore represents a natural area of assistance to partner governments.

to employment and decent work. This aims to instil a sound understanding of the diversity of factors potentially limiting the creation of more and better jobs.

- Chapter 5 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 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. This includes guidance on:

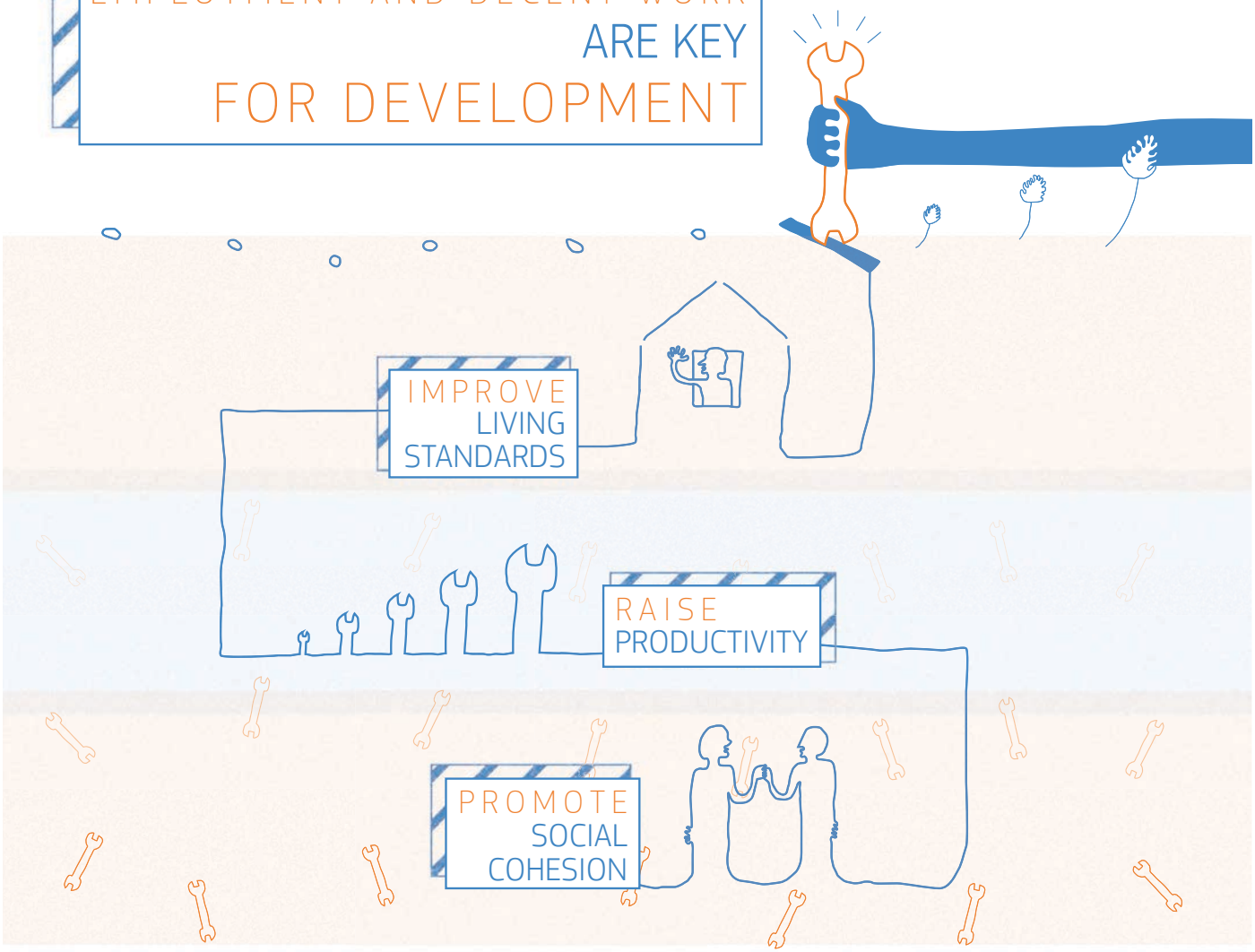
- employment diagnostics and labour market monitoring
- policy planning and coordination, namely with regard to national employment policies and social dialogue

- instruments of labour market policies and programmes, in particular different types of active labour market programmes such as skills development and entrepreneurship promotion
- how to promote employment for specific target groups (e.g. youth, women) and in specific contexts (e.g. high informality, fragile contexts)
- mainstreaming employment and decent work, especially in the context of trade, investment and economic policies.

1.6.2 TERMINOLOGY

Throughout this manual, the terms **employment**, **work**, and **jobs** are used interchangeably, including with regard to informal work (i.e. without legal and social protection). While people typically think of employment or a job as a stable, salaried position with an employer, this broader concept 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.

EMPLOYMENT AND DECENT WORK ARE KEY FOR DEVELOPMENT



The critical role of Employment and Decent Work has been increasingly recognised in the development debate.

1999

The ILO formulates the Decent Work Agenda.

2005

At the UN World Summit, Governments resolve to make employment and decent work for all a central objective of development strategies to support fair globalisation.

2008

The UN General Assembly defines full employment and decent work as a central topic for the Second UN Decade for the Eradication of Poverty (2008–2017).

2015

The SDGs replace the MDGs and include a specific goal on employment promotion and decent work (Goal 8).

CHAPTER 2

The role of employment and decent work in development

2.1 The importance of employment to development

2.1.1 THE IMPACT OF JOBS ON LIVING STANDARDS, PRODUCTIVITY AND SOCIAL COHESION

Employment is a key driver of development, with a significant impact on individual and societal well-being. At the **individual level**, among other things, having a decent job provides the means to make a living (as a source of income and consumption), shapes our identity, and even influences our health (physical and mental). Collectively, at the **societal level**, employment constitutes the main bridge between economic growth and poverty reduction, while contributing to social cohesion. Indeed, moving out of poverty typically requires improvements in people's labour market situation, through moving into better jobs or through productivity and earnings increases in existing jobs.

The World Bank's *World Development Report on Jobs* provides a conceptual framework on the impact of employment on development (World Bank, 2012). It suggests that employment promotes development primarily through three channels: (i) Increases in living standards, (ii) higher productivity and (iii) social cohesion (see Figure 2.1).

Living standards

Jobs influence people's standards of living by providing a key source of income and enhancing life satisfaction.

Jobs improve material well-being and reduce poverty. Work is the main source of income for the majority of people in developing countries and therefore the most important determinant of living standards[1]. While on its own, having work may not be enough (especially in cases of insufficient remuneration), what matters for economic well-being is generating an adequate income from work. Quantitative and qualitative studies confirm that increasing the earnings from work is the largest contributor to poverty reduction, either by changes to better-paid type

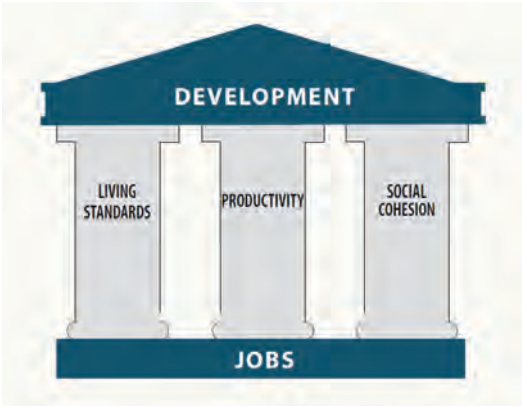
OBJECTIVE AND KEY MESSAGES

This chapter seeks to familiarise the reader with the relevance of employment promotion in the context of international development and provide an overview of key milestones in the development agenda.

- **Employment is a key driver of development, improving living standards, raising productivity and contributing to social cohesion. As such, employment is *the* key ingredient for inclusive growth.**
- **The role of employment promotion and decent work has continuously increased in the international dialogue (both in developed and developing countries), as reflected in high-level commitments.**
- **Productive employment and decent work is a key objective in the post-2015 global development architecture (the Sustainable Development Goals 2030).**
- **In parallel to the global development architecture, employment and decent work has gained increasing attention as part of the EU's development agenda.**

[1] In more developed countries, a relatively larger share of income is derived from social assistance, savings, and capital.

FIGURE 2.1 The role of jobs for development



Source: World Bank, 2012.

of work (e.g. from farm to non-farm) or through higher earnings in the same sector of activity (see e.g. Azevedo et al., 2013; Narayan, Pritchett and Kapoor, 2009). Higher incomes, in turn, translate into an improved ability to increase consumption, such as for food, housing, health care and other items. Conversely, economic crises and bad economic conditions negatively affect both employment levels (i.e. less people having work) and the income people generate from their work (due to decreasing wage levels). When employment and income-generating opportunities are scarce, people may look elsewhere for better opportunities (see Box 2.1).

Jobs enhance happiness and life satisfaction. Besides providing an income to make a living, work contributes other important dimensions of personal well-being. Having a job can provide a sense of dignity (e.g. the ability to feed oneself and one's family), professional identity, social status and even a meaning or purpose in one's life. For many, it is also an important source of social interaction. As a result, employed people tend to show higher levels of life satisfaction than the unemployed (Blanchflower and Oswald, 2011; Winkelmann and Winkelmann, 1998). On the other hand, lack of employment can lower self-esteem and undermine a person's place in society. Joblessness can severely affect people's mental health, for instance through social stigma and the loss of social status[2].

[2] Medical research has documented the effect of unemployment on stress, depression, heart disease, alcoholism, marital problems and suicide, among others.

BOX 2.1 Living standards and migration

Since income-generating opportunities are a key determinant of people's living standards, it is no surprise that people often look to move to places where they can make a better living. As a consequence, national and international labour migration have become a key feature of our times. While labour mobility plays an important role in leveraging economic potential, it also raises many challenges, such as the vulnerability of migrants and social and political tensions in receiving countries. When sufficient quality employment opportunities exist and income levels rise in developing countries, this can decrease the need for economically motivated migration in the long term. In fact, in the short-term, a rise in living standards has empirically been found to first increase emigration until a country reaches approximately upper-middle-income status — a phenomenon called 'migration hump' or 'mobility transition' (Clemens, 2014; de Haas, 2010).

For a detailed discussion of employment promotion in the context of migration, see Volume 2, Guidance Note 17.

Not only can a lack of work diminish personal well-being, but so too can a mismatch between career aspirations and reality (OECD, 2017).

The impact of jobs on living standards depends on working conditions. Not all jobs contribute equally to improving living standards. The extent to which a job contributes to individual and societal well-being depends on working conditions (regardless of pay) such as workplace health and safety, stability, benefits and advancement opportunities. Work-related accidents and diseases (e.g. through exposure to hazardous substances) can severely affect workers' health and collectively result in large economic costs for society. Similarly, people highly value job security, and the lack thereof can affect a person's sense of well-being. For an overview of different perspectives on quality jobs, see Box 2.2.

Productivity (efficiency of production)

Jobs allow for the production of goods and services in an economy, and the process of the creation, destruction and reallocation of jobs to more productive use is therefore at the root of economic growth.

BOX 2.2 When is a job a quality job?

While everyone would agree that working conditions matter to well-being, defining objective and generally applicable minimum standards about the quality of a job is challenging. The below concepts provide complementary perspectives on the quality and value of jobs.

'Decent work'. According to the ILO definition, decent work refers to 'Productive work in conditions of freedom, equity, security and human dignity' (ILO, 2012a, p. 163). It involves opportunities for productive work that delivers a fair income, security in the workplace and social protection for families; better prospects for personal development and social integration; freedom for people to express their concerns, and to organise and participate in the decisions that affect their lives; and equality of opportunity and treatment for all women and men.

'Good jobs' for individuals versus society. The World Bank's *World Development Report 2013: Jobs* (World Bank, 2012) differentiates between the perspective of individuals and society. For individuals, good jobs are those that provide greater well-being to the people who hold them. Good jobs for the country's development are those with the highest value for society, and therefore may depend on country context. Thus, two jobs that may appear identical from an individual perspective could be different from a social perspective. For instance, jobs (even if informal and not meeting the standards of decent work) which foster poverty reduction, provide opportunities for youth or support social cohesion in contexts of fragility may have a larger social value than others.

While the ILO definition seeks to highlight specific conditions that should be fulfilled to ensure quality working conditions, the World Bank's interpretation acknowledges more subjectivity and context-specific elements. In sum, people's preferences for employment differ widely, and are therefore not easily captured in a standard definition of what is 'decent' or 'good'.

BOX 2.3 What drives economic growth?

So-called 'growth accounting' seeks to quantify the contribution of different factors to economic growth — a methodology introduced by economist Robert Solow in 1957. The four key factors that contribute to an increase in an economy's output are:

- **more capital** per unit of labour, i.e. durable goods used for production
- **more labour**, i.e. an increase in the number of people working relative to the total population (e.g. when the share of working-age adults increases or when women engage more in the labour force)
- **increased productivity of labour**, through the acquisition of skills (human capital accumulation), allowing workers to do more with the same amount of capital
- **technological progress**, referring to a more efficient combination of capital, labour, and skills.

Source: Adapted from World Bank, 2012, p. 99.

Transition from low to high productivity leads to economic growth. Economic growth occurs as people's work becomes more productive — i.e. workers and firms can produce more with the same resources (see Box 2.3 for determinants of economic growth). Higher productivity jobs are thus good for workers (leading to increases in salaries), firms (higher sales and profits) and countries as a whole (economic growth). While gains in productivity can occur among existing jobs and firms, a large share of these gains materialise as more productive jobs are created while less productive jobs disappear. This in turn means that people move from less to more productive jobs to gain larger incomes. Differences in productivity across and within sectors can be wide, especially in developing countries. Typically, larger firms tend to be more productive, as they are more capable of investing in new technologies and productivity factors, introducing new products or services, engaging in trade, etc. On the other hand, productivity in subsistence farming and microenterprises, where the majority of people in developing countries work, tends to be very low. Thus, a reallocation from low- to high-productivity jobs is crucial for people's income-generating potential and economic growth.

Yet, the pace of structural transformation is very mixed across the globe. Historically, development has often entailed a structural transformation of the economy whereby people move from rural, agricultural and mostly subsistence activities to more urban,

non-agricultural and mostly market-oriented activities (World Bank, 2012). A relatively recent example is Asia, where a process of industrialisation in the second half of the 20th century has substantially driven development (ranging from traditional industries such as textiles across the region to high-tech industries in e.g. South Korea and Taiwan). Unfortunately, in many developing countries today, larger and older firms tend to be stagnant while smaller and younger enterprises stay small and are prone to enter and exit the market at high rates (so-called 'churning').

In summary, while there appear to be large potential gains from entrepreneurial dynamism and reallocation of labour into more productive jobs, providing the foundation for such reallocations and materialising these gains is a key policy challenge with many open questions and debates (see Box 2.4).

Social cohesion[3]

While the relationship between employment and social cohesion is not direct or linear, jobs can contribute to social and political stability by shaping people's values, behaviours, trust and civic engagement.

Jobs influence trust and civic engagement. An analysis of values surveys finds that job loss or lack of access to jobs is associated with lower levels of trust and civic engagement (Arias et al., 2012; Wietzke and McLeod, 2012). Conversely, people who hold motivating jobs tend to exhibit higher levels of trust and engagement. A lack of jobs can damage people's sense of community and hope for the future, while eroding their trust in government and their confidence in institutions. An empirical study using the World Values Survey in 69 countries finds that joblessness can be linked with negative views about the effectiveness of democracy and preferences for a rogue leader (Altindag and Mocan, 2010).

Jobs (or the lack thereof) shape social interactions. Both having a job and what kind it is influence how people view themselves and relate with others (World Bank, 2012). A job can provide social identity and status in society. Work also increases social interactions as it connects people with each other. Such

[3] 'Social cohesion refers to the capacity of societies to peacefully manage collective decision making' (World Bank, 2012, p. 127).

BOX 2.4 Selected questions and debates on structural transformation

What if structural transformation is happening too slowly? What should be done in regions/countries where the formal private sector in manufacturing or service industries only creates a fraction of the jobs needed to accommodate the (growing) labour force, as is the case in much of Sub-Saharan Africa? Does this mean we need to focus on enhancing productivity within agriculture and household-based enterprise?

Are some countries stuck in low-productivity sectors? While some countries have been able to move from agriculture to manufacturing (e.g. textiles and garments in Bangladesh and Cambodia), they seem to be caught in low-wage activities rather than moving up to higher-value-added production, with negative implications for income and working conditions. Does this mean structural change and industrialisation alone are not enough to promote better employment outcomes?

To what extent is globalisation a zero-sum game for attracting jobs? As globalisation and international trade and competition increase, can countries simultaneously progress to more modern economies? For instance, given technological progress, the global number of light manufacturing jobs is expected to be roughly stable, meaning that countries with low wages and production costs compete for these jobs. Similarly, countries compete in attracting high-tech or service industries (e.g. call centres).

How can industrial policies be reconciled to support structural transformation with the large size of the informal economy prevalent in many developing countries? Industrial policies, as well as other reforms to support private sector development (e.g. innovation, small and medium-sized enterprise (SME), and labour market policies) are by definition targeted at formal firms, yet the share of these firms in the overall economy is often very limited in developing countries. Thus, finding ways to stimulate transformation and increase productivity in agriculture and the informal sector becomes key (see Volume 2, Guidance Note 15, on informal employment).

interaction may include stronger connections with people of different political, social or ethnic backgrounds — thus strengthening awareness and understanding of others and potentially contributing to enhanced social cohesion between different groups in society. On the flip side, groups which lack access to relevant networks (e.g. the poor, home-based workers, migrants, refugees, etc.) may often be excluded from job opportunities. Such exclusion can contribute to a sense of injustice that may also contribute to the erosion of trust in others and institutions. Hence, the lack of social integration, combined with the lack of sufficient income, can foster social exclusion. It has been found that limited access to employment is one of the key drivers hindering the inclusion of young people in society, restricting empowerment and social mobility[4].

By negatively affecting trust as well as social interactions and dynamics, lack of employment may provide a breeding ground for frustration with the political environment and hence contribute to social and political tensions. Indeed, political unrest in many countries, both developed and developing, has been linked to high youth unemployment and a sense of social injustice, as in the context of the Arab uprisings following 2010 (see Box 2.5 for the case of Tunisia). Moreover, if people, — particularly youth — lack jobs and hope for the future, they may turn to urban gangs or other violent and terrorist groups to compensate for the absence of self-esteem and sense of belonging they are not obtaining from family or a job (World Bank, 2012).

2.1.2 EMPLOYMENT AS A CORNERSTONE OF INCLUSIVE GROWTH

The above-illustrated linkages between employment and living standards, productivity and social cohesion can be summed up in a vision that has come to be the overarching principle for much of what development cooperation is meant to support: the objective of **inclusive growth**. The EU defines inclusive growth as 'people's ability to participate in, and benefit from, wealth and job creation' (EC, 2011, p. 7). Similarly, the OECD describes it as 'economic growth that creates opportunity for all segments of the population and distributes the dividends of increased prosperity, both in monetary and non-monetary terms, fairly across society'[5]. Thus, the concept recognises that while economic growth is necessary for improved living conditions and poverty reduction, it also needs to be broad-based and inclusive of the large part of a country's labour force (Ianchovichina and Lundstrom, 2009).

BOX 2.5 Country examples on the link between the lack of jobs and instability

In Tunisia, over five years after the revolution that inspired others across the Arab world, thousands of the country's youth still regularly take to the streets to protest the lack of jobs. In 2016, demonstrations and violent protests took place across the country, especially in the impoverished town of Kasserine, culminating in an occupation of the governor's office and a hunger strike, and leading the government to order a curfew across the country for several weeks (see e.g. Gall, 2016).

Similarly, while radicalisation and turning to violent crime typically cannot be solely explained by a lack of jobs, this can be a facilitating factor. Indeed, it has often be found that, in addition to providing a sense of purpose, identity and belonging, these activities are attractive to youth for economic reasons. Research in Somalia has shown that economics and deprivation were at least as important as religious factors in explaining young people's decision to join al-Shabaab (Botha and Abdile, 2014).

For more details on employment promotion in contexts of conflict and fragility, see Volume 2, Guidance Note 16.

Inclusive growth refers to 'people's ability to participate in, and benefit from, wealth and job creation' — EC, Agenda for Change

Based on the above definitions, inclusive growth is intrinsically linked to employment. Employment acts as the main transmission mechanism between economic growth and improvements in living standards for society (rather than focusing primarily on income

[4] See EU-OECD project on Youth Inclusion, http://www.oecd.org/dev/inclusivesocietiesanddevelopment/youth-inclusion-project-policy-focus.htm, and related country studies.

[5] OECD website, http://www.oecd.org/inclusive-growth/.

redistribution, e.g.). This transmission mechanism, of course, can only be effective if large parts of society have access to it; i.e. if there is widespread participation in the labour market and, ideally, no one is excluded against their will.

The concept of inclusive growth is thus intrinsically linked to two other key objectives: equality (or reduced inequality) and social justice. It is important to distinguish between two related but different concepts of inequality: (i) inequality of opportunity and (ii) inequality of outcomes (e.g. income levels). The relationship between both is a close one: if a person lacks access to opportunities (such as obtaining an education), this will likely translate into a variety of diminished life outcomes, such as lower earnings — thus contributing to inequality in outcomes. In turn, when growth is not inclusive, and systematic inequality of both opportunities and income emerge and persist, a significant threat is posed to social cohesion (see discussion above), while undermining economic development[6].

Broad access to opportunities and jobs alone, however, is usually not sufficient to promote income equality and social justice. Different levels of skills within the workforce, for instance, imply different levels of earnings; over time, these differences materialise into wealth differences — especially as higher earnings also open up avenues for saving and investing, thus generating additional income outside work. To some extent, this process is a natural one, and may even be an asset by providing incentives. Yet there are always some more vulnerable than others, and the idea of inclusiveness — a concept that encompasses equity, equality of opportunity, and protection in market and employment transitions (Ianchovichina and Lundstrom, 2009) — calls for not letting marginalised groups pass unnoticed and neglected. In addition to promoting the existence of jobs, inclusiveness and 'healthy' levels of inequality require systems that protect people from shocks and unethical working conditions, and assist them in their transition or reintegration to work, as well as adopting redistributive policies (e.g. social assistance transfers) (Berg, 2015). This is the role of labour regulation and policies as well as of social protection systems.

[6] High levels of economic inequality have been linked to lower economic development in the medium to long term. See e.g. Cingano (2014) and Ostry, Berg and Tsangarides (2014).

Once these linkages and the central role of employment for a variety of key societal objectives are acknowledged, it becomes a strategic priority for national governments and their partners to design economic and social policies which promote employment-rich growth and equity-promoting labour market institutions.

FURTHER READING

Organisation for Economic Co-operation and Development (OECD), 2015. *All on Board: Making Inclusive Growth Happen*. Paris: OECD Publishing.

United Nations Development Programme (UNDP), 2015. *Human Development Report 2015: Work for Human Development*. New York: UNDP.

World Bank, 2012. *World Development Report 2013: Jobs*. Washington, DC: World Bank.

2.2 Employment promotion and decent work in the development debate

The critical role of employment and jobs in development has been increasingly recognised by the United Nations (UN), international financial institutions such as the World Bank, the European Union (see Section 2.4 for more details), bilateral donors, regional organisations and partner countries in recent years. More productive and decent employment is commonly considered essential to achieving fair globalisation, reducing poverty and inequality, and realising global development goals. Key international milestones include the following.

- **1999:** The ILO formulates its Decent Work Agenda, which consists of four pillars: (i) employment creation, (ii) social protection, (iii) social dialogue and (iv) rights at work (ILO, 2013c). See Box 2.6 for additional detail.

- **2000:** Following the UN Millennium Summit, the Millennium Development Goals (MDGs) are established, consisting of eight international development goals for the year 2015. Initially, no specific goals or targets on employment were included.

- **2004:** The World Commission on the Social Dimension of Globalization (2004) publishes its landmark report *A Fair Globalization*, which

BOX 2.6 The ILO's Decent Work Agenda

Decent work is a concept that goes beyond traditional employment/unemployment figures, and that can be largely irrelevant in developing countries where the informal economy and rural employment are prevalent. People's welfare does not only depend on whether people are employed, but also on whether they receive adequate earnings and fair income, enjoy rights, and have good working conditions and access to social security.

The decent work concept is a comprehensive one with important implications for understanding the situation of workers. The word 'decent' connotes a need for minimum acceptable working conditions and therefore the need for indicators to measure the situation of the disadvantaged and poorest workers — including indicators that measure the extremes of distribution (such as underemployment rate, working poor rate, employed in excessive working time, employees with low pay rate). 'Work' thus implies a concern for all types of jobs and types of workers, including those in the informal sector.

The Decent Work Agenda is structured around four strategic objectives.

- **Creating jobs:** an economy that generates opportunities for investment, entrepreneurship, skills development, job creation and sustainable livelihoods.
- **Guaranteeing rights at work:** to obtain recognition and respect for the rights of workers. All workers — particularly disadvantaged or poor workers — need representation, participation and laws that work for their interests.
- **Extending social protection:** to promote both inclusion and productivity by ensuring that men and women enjoy working conditions that are safe, allow adequate free time and rest, take family and social values into account, provide for adequate compensation in case of lost or reduced income and permit access to adequate health care.
- **Promoting social dialogue:** involving strong and independent workers' and employers' organisations is central to increasing productivity, avoiding disputes at work and building cohesive societies.

The EU has committed itself to supporting 'the Decent Work Agenda (DWA) and rights-based approach to employment and labour, including through approaches that take global supply chains into account, to address issues of living wage, rights at work including freedom of association and rights to organise, health and safety at work and the right to social and legal protection, especially for the most disadvantaged workers' (EC, 2014a).

Source: ILO, 2013c.

emphasises the link between growth, decent work, equality and poverty alleviation. In addition, the 2004 African Union Extraordinary Summit on Employment and Poverty Alleviation held in Ouagadougou places 'employment creation as an explicit and central objective of our economic and social policies at national, regional and continental levels, for sustainable poverty alleviation and with a view to improving the living conditions of our people' (African Union, 2004).

- **2005:** At the UN World Summit, heads of state and government declare to '[...] support fair globalisation and resolve to make the goals of full and productive employment and decent work for all, including for women and young people, a central objective of our relevant national and international policies as well as our development strategies' (UNGA, 2005).
- **2008:** The UN General Assembly defines full employment and decent work as a central topic for the Second UN Decade for the Eradication of Poverty (2008–2017) (UNGA, 2008). As a result, the MDGs are revised to include a target on 'Achieve full and productive employment and decent work for all, including women and young people' under Goal 1. In the same year, the International Labour Conference adopts the ILO Declaration on Social Justice for a Fair Globalisation, committing the ILO's 187 member states to place full productive employment and decent work at the centre of their economic and social policies and to implement the four pillars of the Decent Work Agenda (ILO, 2008a).
- **2009:** The high-level meeting of the OECD's Development Assistance Committee in May 2009 publishes a policy statement on 'Making Economic

Growth More Pro-Poor: The Role of Employment and Social Protection' (OECD, 2009). The document highlights productive employment and decent work as the main routes out of poverty. In the same year, the UN Chief Executive Board for Coordination adopts a portfolio of nine joint crisis initiatives, two of which — the Global Jobs Pact and the Social Protection Floor — are offshoots of the Decent Work Agenda and are led by the ILO[7].

- **2012:** The World Bank's annual flagship publication, the *World Development Report*, is dedicated to jobs (World Bank, 2012).
- **2014:** The group of the 20 largest developed and emerging economies (G20) declares employment creation as its priority objective (G20, 2014).
- **2015:** Replacing the MDGs, the UN Sustainable Development Goals 2030 (SDGs) include a specific goal on employment promotion and decent work (Goal 8; see Section 2.3 for more detail) (UN, 2015a). Moreover, the outcome document of the Third Financing for Development Conference, adopted in Addis Ababa, recognises 'generating full and productive employment and decent work for all and promoting micro, small and medium-sized enterprises' as one out of seven cross-cutting areas (UN, 2015b).

In addition to these global milestones, many bilateral development partners have made employment and decent work an important component of their development policies[8].

Increased attention on employment promotion is reflected in increased cross-institutional partnerships at the global and regional levels, especially in the area of youth employment. In general, these initiatives work on a combination of knowledge-generating activities, advocacy and supporting promising initiatives while seeking to leverage synergies and complementarities across the different partner organisations. Table 2.1 provides an overview of the main global initiatives in this regard.

[7] See UN System, Joint Crisis Initiatives web resources, http://www.unsceb.org/content/joint-crisis-initiatives-jcis-un-system-wide-response.

[8] Examples include Belgium, Denmark, France, Germany, Italy, Japan, the Netherlands and Spain.

2.3 Employment in the 2030 Agenda for Sustainable Development

Productive and decent work is a cornerstone of sustainable development. Agenda 2030 for Sustainable Development, approved by more than 150 world leaders in September 2015, attests to this idea in its vision:

> We resolve, between now and 2030, to end poverty and hunger everywhere; to combat inequalities within and among countries; to build peaceful, just and inclusive societies; to protect human rights and promote gender equality and the empowerment of women and girls; and to ensure the lasting protection of the planet and its natural resources. We resolve also to create conditions for sustainable, inclusive and sustained economic growth, shared prosperity and decent work for all, taking into account different levels of national development and capacities. (UN, 2015, p. 6)

The employment dimension of the Decent Work Agenda is most prominently addressed through SDG 8, which reads: 'Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all'.

The prominent inclusion of employment in Agenda 2030 — the guiding document for international development in the years to come — puts the issue of employment centre stage in national and international policy debates. Unlike the preceding MDGs, which ultimately included an employment-related sub-goal on the objective of reducing poverty (and originally no sub-goal at all), SDG 8 mentions employment in combination with growth. This joint mention of growth and employment both acknowledges their interlinkage, as well as the fact that growth does not automatically translate into sufficient employment. In SDG 8, a sufficient level of employment is characterised by quantitative and qualitative aspects. Employment has to be:

- **'full',** meaning everyone in the workforce willing to work can access work;
- **'productive',** meaning the returns to labour raise the worker and its dependants above the poverty line;
- **'decent',** as derived from the ILO concept of decent work, meaning working conditions which respect the

TABLE 2.1 Global interagency partnerships on (youth) employment

PARTNERSHIP	MEMBERS	DESCRIPTION
Youth Employment Network (2001–2014)	World Bank, ILO, UN	Created to engage, educate and motivate actors to provide improved employment opportunities for youth. Platform and service provider focusing on policy advice, innovative pilot projects, knowledge sharing and brokering partnerships.
Global Partnership for Youth Employment (GPYE) (2008–2014)	World Bank, International Youth Foundation, Understanding Children's Work, Arab Urban Development Institute, Youth Employment Network	With a special focus on Africa and the Middle East, sought to address the youth employment challenge through improved knowledge sharing, policy dialogue and local engagement.
Let's Work Partnership (2013)	Led by the International Finance Corporation; over 30 partners, including the African Development Bank, the Asian Development Bank, the Inter-American Development Bank, the European Investment Bank, the Department for International Development, the Overseas Development Institute and KfW	Seeks to deepen and strengthen understanding of how job creation happens and how the private sector can create more and better jobs. Partnership seeks to develop practical approaches addressing the needs of different companies, sectors and countries.
Solutions for Youth Employment Coalition (S4YE) (2015)	World Bank, ILO, International Youth Foundation, Youth Business International, Plan International, Accenture, RAND Corporation	Successor initiative of GPYE, seeks to advance and accelerate development of solutions with the greatest potential to deliver high-quality productive work for young people. Focuses on (i) linking public, private and other actors to integrate lessons learned and identify effective solutions; (ii) knowledge development and compilation of lessons learned; and (iii) leverage its knowledge and partners to catalyse the promotion of private, public and civil sector innovations.
Global Initiative on Decent Jobs for Youth (2016)	ILO and 18 UN agencies	Endorsed by the UN Chief Executives Board for Coordination, aims to facilitate increased impact and expanded country-level action on decent jobs for youth through multistakeholder partnerships, dissemination of evidence-based policies, and scaling-up of effective and innovative interventions.

Note: More on these initiatives is available online: GPYE, http://www.iyfnet.org/initiatives/global-partnership-youth-employment-gpye; Let's Work Partnership, https://letswork.org/; S4YE, https://www.s4ye.org; Global Initiative on Decent Jobs for Youth, http://www.ilo.org/global/topics/youth-employment/databases-platforms/global-initiative-decent-jobs/lang--en/index.htm.

dignity of every person and that are based on the four pillars of employment creation, social protection, rights at work and social dialogue.

These terms are outlined in more detail in the SDG 8 corresponding targets, means of implementation and respective indicators (see Table 2.2).

In addition to the SDG 8 employment-related targets, employment aspects are reflected in many other SDGs as well (see Box 2.7). Moreover, several overarching principles of SDG implementation will have an impact on employment promotion interventions.

- **Leave no one behind.** The agenda focuses explicitly on poor and vulnerable groups, with strong implications for employment and decent work. This is reflected in the SDGs and targets with a particular focus on youth, women, migrants, people with disabilities and those in precarious employment, all of whom face specific barriers in the labour market.
- **Universality.** The 2030 Agenda applies to all countries worldwide. Developing, emerging and industrial countries are all asked to contribute to its implementation. The universal applicability and integrative character of the agenda underlines a

TABLE 2.2 Overview of selected SDG 8 targets with explicit quantitative or qualitative employment dimensions

#	TARGET	COMMENTS
8.2	Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors	Aims for job-rich growth strategies, and productivity is key to sustainable job creation. The particular approach of promoting labour-intensive sectors, however, is not a successful strategy for job creation in each and every context. Depending on the economic context, labour-intensive sectors might be diminishing due to automation or moving to places where the cost of labour is lower.
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	Combines central factors for achieving quantitative and qualitative employment objectives. It is worth mentioning that the corresponding indicator to target 8.3 (share of informal employment in non-agriculture employment) focuses only on a specific aspect of the target — formalisation of employment.
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	Stresses particular importance of full and productive employment and decent work for target groups which face particular challenges when entering the labour market, such as young people and persons with disabilities. Also mentions inequalities in remuneration for equal work (e.g. discrimination of women, among others).
8.6	By 2020, substantially reduce the proportion of youth not in employment, education or training	Reflects the urgency of improving the school-to-work transition for young people. Tacitly acknowledges that the challenge is not only to reduce unemployment, but also to bring many of those currently inactive back into the labour market, including those who have become discouraged to work; as well as young women, many of whom have withdrawn from education and work often influenced by a society and culture that does not recognise a professional career as an appropriate choice for women.
8.7	Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers, and by 2025 end child labour in all its forms	Depicts the urgency of addressing the worst forms of abuse in work. Covers the qualitative dimension of employment and the protection and rights dimension of the Decent Work Agenda.
8.8	Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment	Recognises the vulnerability as well as the importance of migrants in the workforce in many economies and the relevance of labour rights for those who are not in regular employment — in many labour markets, a majority of the population.
8.9	By 2030, devise and implement policies to promote sustainable tourism that creates jobs and promotes local culture and products	While sustainable tourism is a sector with substantial job creation potential in some countries, it is of minor importance in others. Target is an example of the need to prioritise and contextualise suggested approaches to employment promotion according to the needs of different labour markets.
8.b	By 2020, develop and operationalize a global strategy for youth employment and implement the Global Jobs Pact of the International Labour Organization	The Global Jobs Pact was endorsed by the ILO in 2009. Initially designed in reaction to rising unemployment after the global economic crises, its recommendations are still valid.

BOX 2.7 Selected employment aspects in the other SDGs

SDG 1 on eliminating poverty is indirectly a central outcome and also the ultimate goal of all efforts on employment. While productive and decent employment should guarantee an income which raises the worker and dependants above the poverty line, millions of people still belong to the so-called working poor.

SDG 2 on eliminating hunger through improved agricultural production includes a target to increase the incomes of small-scale producers. Effort in this field is crucial since in many regions, particularly in Sub Saharan-Africa, the largest fraction of the workforce still earns its living as small-scale farmers, often in or on the edge of poverty.

SDG 4 on quality education addresses the relevance of (technical and vocational) skills for employment and entrepreneurship. In many regions, people lack basic skills or receive technical and vocational education and training which is insufficiently linked to labour-market needs — posing risks to both economic development and labour market development.

SDG 5 on gender equality underlines, amongst others, the recognition and valuation of unpaid care and domestic work, which are predominantly the responsibility of women. The acceptance of those hours of work is crucial not only for gender equality but also for women`s empowerment in general.

SDG 9 on industry, innovation and infrastructure calls for a higher share of employment in the industrial sector and more workers in research and development. It is controversial if this development path is an appropriate strategy for developing countries nowadays. In times of automation and digitalisation, the industrial sector can be less labour-intensive.

SDG 10 on addressing inequality seeks to sustain income growth of the bottom 40 per cent of the population and calls for ensuring equal opportunities. Besides inclusive growth, this requires the adoption of appropriate labour market, social protection and other relevant policies.

systemic perspective on international development with a strong implication for a global labour market perspective. For instance, actions taken in the EU e.g. concerning sustainability standards in supply chains can affect labour markets in South East Asia.

- **Shared responsibility of all actors.** The success of the 2030 Agenda largely depends on the participation of all relevant actors: governments, companies, civil society groups, citizens, science, etc. Multistakeholder partnerships are an important tool for implementing the agenda. For employment promotion, a common understanding of employment-related challenges and potentials as well as joint action is crucial — not only on an international level such as the Global Jobs Pact, but also on the national and local levels.

Comprehensive target system and an integrated approach. The goals and targets are not achievable without affecting other policy fields within the agenda. The recognition of interconnectedness of policy fields and actors does not only create enormous potential for synergies in employment promotion, but also not insignificant trade-offs.

Finally, other pillars of the Decent Work Agenda are also reflected in the SDGs.

- The **protection dimension** is strongly reflected in SDG Target 1.3, calling for the establishment of nationally defined social protection floors. Decent working conditions are covered in selected targets of SDGs 3, 5 and 8.

- The **rights dimension** finds its expression not only in the rights-based approach of the entire 2030 Agenda, but more concretely in Targets 8.5, 8.7 and 8.b, as well as in SDG 16 (justice)[9].

- The **dialogue dimension** is not mentioned explicitly in the 2030 Agenda, but the various targets under SDG 16 cannot be achieved without a sound process of social dialogue and the full engagement of social partners. Moreover, social dialogue and tripartism can contribute significantly to the achievement of SDG 17 (partnerships).

Overall, analysis by the ILO suggests that 10 of the 17 SDGs, and 41 of the 169 SDG targets are of

[9] For more details on the linkages between the SDGs and human rights, labour standards and environmental treaties and instruments, see the Danish Institute for Human Rights' 'Human Rights Guide to the Sustainable Development Goals', http://sdg.humanrights.dk/.

relevance for the Decent Work Agenda[10]. From a more conceptual angle, one may consider decent work as a mechanism which translates economic growth (SDG 8) into reduced poverty (SDG 1) and increased equality (SDG 10). The very formulation of SDG 8 'Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all' recognises that economic growth will be inclusive only if it creates jobs and decent work.

2.4 Employment promotion in the European development agenda

EU efforts on employment promotion are closely connected with wider social, economic and environmental objectives. Following the 2004 report, *A Fair Globalization* by the World Commission on the Social Dimension of Globalization, the EC issued a communication entitled 'The Social Dimension of Globalisation — the EU's Policy Contribution on Extending the Benefits to All' (EC, 2004). In this document, the EC describes the current range of actions undertaken in the framework of the Union regarding the social dimension of globalisation and makes proposals for certain changes. Subsequently, the European Consensus on Development (2006), the Agenda for Change (2011), and the New European Consensus for Development (2017) represented key milestones in the EU development agenda.

2.4.1 EUROPEAN CONSENSUS ON DEVELOPMENT (2006)

The 2006 European Consensus on Development recognises employment as a crucial factor to achieve a high level of social cohesion and states that 'the Community will promote investments that generate employment and that support human resources development' (EC, 2006a, p. 44). Based on this recognition, the consensus declares that 'the EU will contribute to strengthening the social dimension of globalisation, promoting employment and decent work for all' in order to meet the needs of partner countries (EC, 2006a, p. 24).

The EC communication 'Decent Work for All: The EU Contribution to the Implementation of the Decent Work Agenda in the World' further reiterates the EU's objectives in terms of promoting employment and decent work. It recognises the combined goals of economic competitiveness and social justice as a cornerstone of the European model of development, and calls on 'the other EU institutions, the Member States, the social partners and all those involved to work together to promote decent work for all in the world' (EC, 2006b, p. 10). It suggests that the EC will 'harness its external policies, its development aid and its trade policy for this purpose' (EC, 2006b, p. 10).

2.4.2 AGENDA FOR CHANGE (2011)

In 2011, the EC published its Agenda for Change, with the primary objective of significantly increasing the impact and effectiveness of EU development policy. Against this background, the Agenda calls for stronger emphasis on inclusive growth through the promotion of decent work (EC, 2011).

> **'The EU should encourage more inclusive growth, characterised by people's ability to participate in, and benefit from, wealth and job creation. The promotion of decent work covering job creation, guarantee of rights at work, social protection and social dialogue is vital'. — EC, Agenda for Change**

Indeed, the Agenda for Change states that 'the EU should support the decent work agenda, social protection schemes and floors and encourage policies to facilitate regional labour mobility' and that 'the EU will support targeted efforts to fully exploit the interrelationship between migration, mobility and employment' (EC, 2011, p. 8).

The Agenda for Change was followed by a series of communications on related issues (Box 2.8).

2.4.3 NEW EUROPEAN CONSENSUS ON DEVELOPMENT (2017)

In 2017, the EC, the European Parliament and the EU Council adopted the New European Consensus on Development (EC, 2017a). The Consensus is intended

[10] See '2030 Development Agenda: ILO Focus Targets', www.ilo.org/global/topics/sdg-2030/targets/lang--en/index.htm.

BOX 2.8 EC communications on employment-related issues

'Social Protection in European Union Development Cooperation'. The communication includes proposals such as supporting nationally owned policies, including social protection floors, introducing measures to support job creation and employment, and tackling the underlying causes of vulnerability (EC, 2012).

'A Stronger Role of the Private Sector in Achieving Inclusive and Sustainable Growth in Developing Countries'. The communication calls for better regulatory environments in partner countries, business development and access to finance, especially for job-creating micro-, small- and medium-sized businesses. It also highlights the need for private sector engagement in responsible management of global value chains and corporate social responsibility (EC, 2014b).

'A Decent Life for All: Ending Poverty and Giving the World a Sustainable Future'. The communication makes recommendations for a post-2015 international development framework, highlighting the areas of basic human development, drivers for inclusive and sustainable growth, and the sustainable management of natural resources (EC, 2015).

as a response to global challenges and opportunities in light of the 2030 Agenda and seeks to provide a framework for a common approach to development policy across the EU institutions and the Member States. Specifically, the consensus stresses four key themes of intervention — people, planet, prosperity, and peace and partnership, two of which are directly linked to employment promotion efforts.

People

Eradicating poverty, tackling discrimination and inequality and leaving no one behind are at the heart of EU development cooperation policy. Under this theme, among other topics, the EU commits itself to the following.

- Ensure access to **quality education for all** as a prerequisite for youth employability and long-lasting development. Specifically, the EU and its Member States will support inclusive life-long learning and equitable quality education at all levels, including technical and vocational training, with special attention to education and training opportunities for girls and women.
- 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.
- Support **targeted investments to promote young people's rights**, facilitate their engagement in social, civic and economic life; and ensure their full contribution to inclusive growth and sustainable development.
- **Reduce inequality** of outcomes and promote equal opportunities for all; the creation of wealth and decent jobs; and improved access to factors of production such as land, finance and human capital.
- Address the **root causes of migration** by promoting investment, trade and innovation in partner countries to boost growth and employment opportunities.

Prosperity

Under this theme, the EU emphasises the creation of decent jobs, particularly for women and youth, as an essential element for inclusive and sustainable growth. To achieve this, the EU and its Member States seek to support a range of measures, including the following.

- Promote **economic transformations** that enhance productivity and create decent jobs.
- Unlock the **potential of micro-, small- and medium-sized enterprises** by facilitating access to information; fostering integration into value chains; and addressing financing gaps.
- Facilitate **trade and investment**.
- Work with the **private sector**, including employers' and workers' organisations, to promote responsible and sustainable approaches, including through social dialogue.

- Promote **labour standards** that ensure decent employment conditions and decent wages for workers, both in the formal and informal sectors.
- Invest in **sustainable agriculture** and in the agri-food sector to diversify production systems, generate increases in productivity and foster job creation.

In summary, the New Consensus reiterates the EU's commitment to poverty reduction and inclusive and sustainable growth with regard to Agenda 2030, with a strong emphasis on human development and employment policies to achieve this objective.

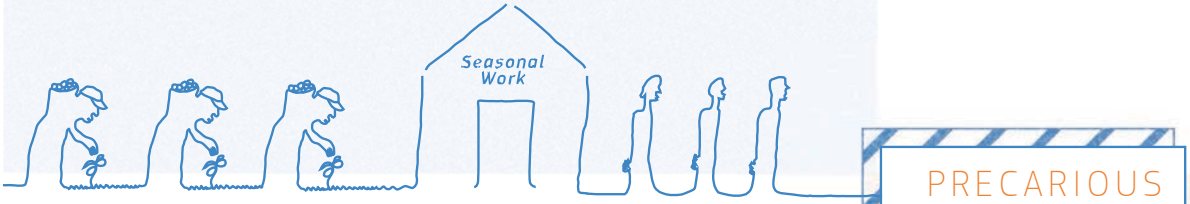
WHAT ARE THE EMPLOYMENT CHALLENGES FOR DEVELOPING COUNTRIES?

UNEMPLOYMENT RATES ARE NOT A GOOD INDICATOR

People cannot afford to be unemployed!

1.4 billion people in vulnerable jobs

200 million people are unemployed



PRECARIOUS EMPLOYMENT IS THE PROBLEM

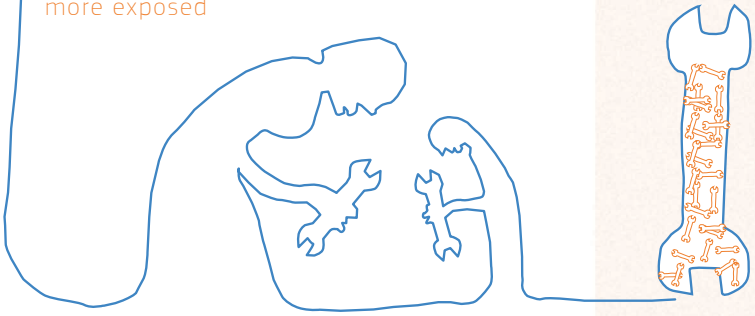
Bad working conditions

Low productivity

Low incomes

INFORMAL IS NORMAL

and women and childern are more exposed



Informality is between 50 and 90%

CHAPTER 3

Employment challenges in developing countries

3.1 The structure of the labour market

In order to understand and accurately interpret employment outcomes, it is essential to first understand the concepts of **labour market integration**, **exclusion** and **vulnerability**. The main reference group for labour market statistics is the working-age population, i.e. the total population excluding children below the legal working age and the elderly. While national definitions of 'working age' diverge, the range of 15–64 is typically used as a comparable measure globally[1]. Within the working-age population, there are two different categories of economic activity:

- **inside the labour force:** people who engage actively in the labour market, either by working or by looking for work (the unemployed)
- **outside the labour force:** people who are not able or willing to work, i.e. all persons neither employed nor unemployed.

See Table 3.1 for a more detailed overview of labour market concepts and how they relate to each other.

The following subsections describe key dimensions of unsatisfactory employment outcomes based on the above (for a more detailed discussion of the various concepts discussed here, see ILO, 2016a).

[1] See e.g. OECD, https://data.oecd.org/pop/working-age-population.htm; and the World Bank's World Development Indicators, http://wdi.worldbank.org/table/2.1. The legal minimum age to work is defined by the ILO's Minimum Age Convention, 1973 (No. 138), http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_ILO_CODE:C138.

OBJECTIVE AND KEY MESSAGES

This chapter provides an introduction to the structure of the labour market and key indicators to measure employment outcomes, as well as a general overview of employment problems in developing countries.

- **There are a number of common terms and definitions which apply globally to describe and measure labour market performance.**
- **Contrary to advanced economies, unemployment should not be the main indicator to interpret the employment situation in developing countries. Instead, issues of low employment quality (low productivity, high informality, precariousness) are important features in understanding the reality of developing countries' labour markets.**
- **Employment outcomes across (and within) the world's major regions are highly diverse, and require country-specific analysis to identify the major constraints to more and better employment. Policy intervention needs to be informed by the specific barriers in a region/country.**

3.1.1 NOT WORKING

Unemployment. People are considered unemployed when they are not working but available to work and actively looking for it, i.e. job seekers. This makes them part of the labour force. Various reasons can account for high unemployment rates, such as the lack of available jobs or high job turnover, where people transition frequently between employment and unemployment — a common phenomenon in developing countries. The

TABLE 3.1 Typology of labour market structure

WORKING-AGE STATUS	LABOUR FORCE STATUS	EMPLOYMENT STATUS	WORKING?			
Working-age population	In the labour force (economically active)	Wage employed	Employed/working	Non-vulnerable employment	Formal	Full time/ voluntary part time
		Self-employed				
		• Employers				
		• Members of producers' cooperatives				
		• Own-account workers		Vulnerable employment	Informal	Under-employed
		Contributing family worker				
	Outside the labour force (economically inactive)	Unemployed	Jobless	NEET[a]		
		Discouraged				
		Housework, sick, disabled, etc.				
		In education		Student		

Source: Adapted from AfDB et al., 2012, Figure 6.2.

[a]NEET = neither in education, employment or training.

economics literature typically differentiates between three types of unemployment[2].

- **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 (e.g. a coal miner after the coal industry has disappeared).
- **Cyclical unemployment:** refers to a situation where a weak economy reduces the demand for workers. This is the case during economic downturns or crises, which lead to a sudden reduction in demand for goods and services and thus reduce demand for workers (e.g. workers lose their jobs in an economic downturn).
- **Frictional unemployment:** refers to the time period between jobs when a worker is searching for or transitioning from one job to another (e.g. a university graduate looking for a job, or a worker who looks for a new job after his previous contract has expired).

Discouragement. Some people, while available to work, have stopped (or never started) searching for employment because of past failure in finding a suitable job, a lack of experience or qualifications, a perceived lack of available jobs, perceived discrimination, etc. This group is considered 'discouraged'. When levels of discouragement are high, unemployment figures alone understate the problem. Capturing discouragement in labour market statistics requires for it to be included among the possible answers when asking people why they are not actively looking for work.

Joblessness. Joblessness includes both the unemployed and the inactive. Joblessness may often be a better indication of employment challenges than unemployment, since many are not actively looking for work (e.g. due to discouragement or other barriers) and therefore are not captured among the unemployed.

Not in education, employment, or training (NEET). This concept is specific to the youth population, referring to the share of youth not in education, employment and training among the entire youth population (i.e. neither working nor studying). Said differently, it is the sum of the unemployed and the inactive, but excluding those in education or training. While a relatively recent concept, the appeal of the NEET indicator is that it addresses a broad array of vulnerabilities among youth, touching

[2] See e.g. EconPort, the economics digital library, http://www.econport.org/content/.handbook/Unemployment/Types.html.

on issues of unemployment, early school leaving and labour market discouragement (Elder, 2015). Thus, high rates of NEETs are a sign of a problematic school-to-work transition.

3.1.2 WORKING, BUT...

Vulnerable employment. In a narrow (statistical) sense, vulnerable employment is measured as the proportion of own-account workers (self-employed workers with no employees) and contributing family members in total employment. Given that the institutional arrangements for the work of own-account workers and contributing family workers are likely to be weak, such workers are more likely to (i) lack contractual arrangements which can lead to a lack of job security, and (ii) lack the degree of social protection and social safety nets which govern wage and salaried workers and are therefore not likely to benefit from social security, work accident insurance, health or unemployment coverage. In developing countries, almost four in five workers are in vulnerable employment (ILO, 2017d). More broadly speaking, other forms of employment can also be considered vulnerable (e.g. being underemployed, informally employed, working poor, etc.; these are discussed below).

Underemployment. Many workers around the world tend to work less hours than wanted, earn less income or use their occupational skills incompletely. In other words, they tend to carry out an activity which is less productive than they could and would like to carry out (ILO, 2016a). While some aspects of underemployment in terms of income earned, low productivity or the extent to which education or skills are underutilised are difficult to quantify (called 'invisible' underemployment), what can be measured is 'visible' underemployment in terms of hours worked — i.e. people who work involuntarily part time (officially called 'time-related underemployment').

Informal employment. Informal employment refers to people being employed without legal and social protection — both in the formal sector and in the informal sector (i.e. in unincorporated or unregistered enterprises). From a statistical perspective, informal employment includes (i) own-account workers, (ii) employers in their own informal sector enterprises, (iii) contributing family workers, (iv) members of informal producers' cooperatives and (v) employees holding informal jobs (see Box 3.1 for more detail). Informal employment is typically considered a form of vulnerable employment due to the lack of protection; however, despite some overlap, it is not identical to the statistical definition of vulnerable employment provided above.

Working poverty. The working poor are defined as the proportion of employed persons living below the poverty line (see Box 3.2 for more information on the poverty line). Thus, these are people who, despite having work, are unable to earn enough to lift themselves and their families out of poverty, either because of low earnings, insufficient work or both.

Undesirable working conditions. Many forms of work can be considered undesirable, including as a result of excessive working time (defined as more than 48 hours a week) and an unsafe work environment (exposure to hazardous substances, high risk of work accidents, etc.). When working conditions are extremely poor, they can be considered 'unacceptable' (see below).

Forced labour and child labour. International conventions and the ILO Declaration on Fundamental Principles and Rights at Work require that certain types of work, such as forced labour and child labour, be abolished. Forced labour refers to 'work that is performed involuntarily and under coercion' (ILO, 2014a, p. 1), and it manifests mainly as exploitative working conditions in the labour market[3]. Child labour is often defined as 'work that deprives children of their childhood, their potential and their dignity, and that is harmful to physical and mental development'[4]. Child labour can also have negative long-term consequences in the labour market, as it may deprive children of educational opportunities and therefore keep them trapped in unskilled and low-productivity work as adults. The minimum age for children to start work is regulated by the ILO Conventions No. 138 and No. 182, and depends on

[3] This includes below-subsistence earnings (if any), restricted mobility (e.g. passport taken away), coercion to work to cancel a debt, etc.

[4] See ILO website, 'What is child labour?', http://ilo.org/ipec/facts/lang--en/index.htm. The full definition of child labour consists of (i) all children working under the age of 12; (ii) children aged 12–14 years old who work more than 14 hours a week and/or who carry out hazardous activities (even if less than 14 hours a week); (iii) children 15–17 years old working more than 42 hours a week and/or are engaged in hazardous work.

BOX 3.1 Key concepts of informality and informal employment

There are three important concepts related to informality:

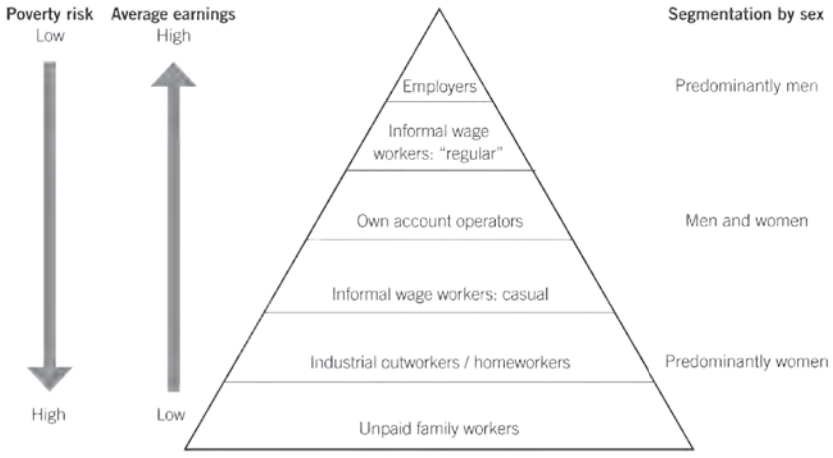
- the **informal sector** refers to the production and employment that takes place in unincorporated small or unregistered enterprises;
- **informal employment** refers to employment without legal and social protection — both inside and outside the informal sector;
- the **informal economy** refers to all units, activities and workers and the output from them.

Over time, a more nuanced understanding has evolved to extend the focus from enterprises which are not legally regulated to include employment relationships which are not legally regulated or socially protected. Today, informal employment is widely recognised to include 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 the following table shows.

	SELF-EMPLOYMENT	WAGE EMPLOYMENT
Informal firms and households	• Employers in informal enterprises • Own-account workers in informal enterprises • Contributing family workers • Members of informal producers' 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 legislation 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 (also called homeworkers).

Different types of informal employment are more common among women than men, and can be associated with different earnings and risk of poverty. Specifically, casual labourers, industrial outworkers and unpaid family workers are the most vulnerable forms of informal employment, as the following figure illustrates.

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, 2013d.

BOX 3.2 Understanding the poverty line

The **national poverty line** reflects the amount of money below which a person's minimum nutritional, clothing and shelter needs cannot be met in that country. Richer countries tend to have higher national poverty lines; poorer countries have lower poverty lines.

In order to measure how many people live in extreme poverty globally, a **global poverty line** is needed that measures poverty in all countries by the same standard. The global poverty line is set by the World Bank, based on the national poverty lines of the poorest countries converted to a common currency using purchasing power parity (PPP) exchange rates. As differences in the cost of living across the world evolve, the global poverty line is periodically updated to reflect these changes. In 2008, the line was set at USD 1.25 per day (using prices from 2005); it was updated to USD 1.90 in 2015 (using prices from 2011). The real value of the global poverty line has remained unchanged.

Measuring extreme poverty only in monetary terms does not reflect the many dimensions of poverty people experience, including in terms of education, health, sanitation and others. The global poverty line does not currently take these multiple dimensions of poverty into account. To inform future directions to measure and monitor global poverty, the World Bank convened a Commission on Global Poverty whose recommendations were published in 2017 (World Bank, 2017a). Emerging analysis also points to the relevance of several poverty lines by countries' income levels. Accordingly, while USD 1.90/day is said to be a relevant average assessment of minimum needs for the world's poorest countries, two higher-value poverty lines of USD 3.20 and USD 5.50 might better reflect typical minimum needs in lower- and upper-middle-income countries (Jolliffe and Prydz, 2016).

Source: World Bank FAQs, 'Global Poverty Line', http://www.worldbank.org/en/topic/poverty/brief/global-poverty-line-faq.

the type and amount of work, though some countries continue to have national laws and practices in conflict with the international standards[5].

Unacceptable forms of work. This is a relatively new concept defined by the ILO as 'conditions that deny fundamental principles and rights at work, put at risk the lives, health, freedom, human dignity and security of workers or keep households in conditions of poverty' (ILO, 2015, p. 1). This concept comprises many of the dimensions described above (e.g. income, safety and health, child labour, etc.) and seeks to establish thresholds that make certain types of work unacceptable (forced labour, excessive work time, violence and harassment, etc.) (Fudge and McCann, 2015).

3.2 Key labour market indicators

Closely related to the above concepts of labour market outcomes at the country level are the key indicators to measure the employment situation across the world. Such labour market indicators are used for employment analysis at an aggregate level (e.g. country-level or cross-country comparison) and are therefore not to be confused with programme- or project-level indicators (such as the percentage of beneficiaries who found employment after participating in a programme).

3.2.1 INDICATORS

Compiling information from international data repositories as well as regional and national statistical sources, the ILO's Key Indicators of the Labour Market (KILM) database provides a useful foundation to analyse productive employment and decent work in partner countries on 17 indicators from 1980 to the latest available year (see Box 3.3 and Annex 1). The advantage of the KILM database lies in its comprehensive nature, covering virtually the entire world, allowing labour market data to be comparable across countries and over time[6].

[5] For instance, Bolivia passed a law in 2014 allowing children from age 10 to work legally. For more on this, see ILO website, 'ILO Conventions and Recommendations on child labour', http://ilo.org/ipec/facts/ILOconventionsonchildlabour/lang--en/index.htm.

[6] For a broader set of development indicators, including some additional indicators on employment and the labour market (under the 'People' category), see the World Bank's World Development Indicators, http://wdi.worldbank.org/tables.

BOX 3.3 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, 2016a.

Note: See Annex 1 for a detailed description of each indicator.

For a more **comprehensive assessment of decent work at the country level**, the ILO adopted a Framework on the Measurement of Decent Work in 2008 (ILO, 2008b, 2013b). The Framework covers 10 elements corresponding to the four strategic pillars of the Decent Work Agenda — full and productive employment, rights at work, social protection and the promotion of social dialogue — as well as an 11th element related to country context:

1. employment opportunities
2. adequate earnings and productive work
3. decent working time
4. combining work, family and personal life
5. work that should be abolished
6. stability and security of work
7. equal opportunity and treatment in employment
8. safe work environment
9. social security
10. social dialogue, employers' and workers' representation
11. 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. The complete list of indicators related to each element can be found in Annex 2. Efforts to improve the measurement of decent work has received significant support by the EU (see Box 3.4), thereby facilitating the development of goals, targets and indicators related to employment and decent work in the context of the SDGs.

Finally, the KILM database's indicators are also used for measuring progress on global development goals, namely the SDGs and, previously, the MDGs. For instance, selected targets and indicators associated with SDG 8 (promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all) follow.

BOX 3.4 The EC-ILO Monitoring and Assessing Progress on Decent Work project

Monitoring and Assessing Progress on Decent Work (2009–2013), a joint EC-ILO project funded by the EU, sought to strengthen national capacity to self-monitor and self-assess progress towards decent work. Building on the ILO Framework on the Measurement of Decent Work adopted in 2008, the project facilitated 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.

Under the project, three toolkits were produced:

- Decent Work Indicators (ILO, 2012a, updated as ILO, 2013b)
- Assessing Progress towards Decent Work at the National Level (ILO, 2013a)
- Mainstreaming Decent Work in European Commission Development Cooperation (ILO, 2013c).

- 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
  - Average hourly earnings of female and male employees, by occupation, age group and persons with disabilities
  - 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 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
  - Share of informal employment in non-agriculture employment, by sex

For a complete list of the SDG indicators related to employment (Goal 8), see Annex 3.

In general, when analysing labour market data, it is important to **disaggregate indicators and data** to the greatest extent possible, as aggregate averages may hide large differences across different segments of the population (see Box 3.5). Different groups having such vastly divergent employment outcomes are often referred to as 'segmented labour markets'. Typically, disaggregation and analysis should at least include the following:

- age (youth versus adults; and possibly by age bracket, e.g. 15–17, 18–24, etc.)
- sex (male versus female)
- level of education
- socioeconomic status/income level (e.g. by income quintile, poor versus non-poor)

BOX 3.5 Example of disaggregation and how it matters

NEET youth are a key policy concern in many countries. In Egypt, around 40 per cent of youth are in that category. Disaggregated analysis of Egypt's NEETs allows better understanding of this population.

- **By gender.** The NEET phenomenon disproportionally affects young women. In urban areas, over 60 per cent of young women are NEET compared to 13 per cent of young men; in rural areas, 70 per cent of young women are affected compared to 10 per cent of young men. To a large extent, this disparity can be explained by societal norms and expectations, as parents or husbands often do not allow young women to work, which confines them to domestic work and family care.
- **By geography.** While the share of male NEETs is roughly stable across the country, young women are much more likely to be inactive in rural areas, especially in Upper Egypt and frontier governorates (with rates of over 70 per cent and 83 per cent respectively), reflecting a combination of lack of employment opportunities and particularly conservative social norms in these areas.
- **By education.** While over 70 per cent of NEETs have completed secondary education or less, in urban areas 20 per cent of NEETs have a university degree. This phenomenon is even more pronounced among older cohorts (25–29 years), with almost half of the men possessing a university degree.

These numbers suggest that while youth joblessness is a country-wide concern, it is particularly acute for young women and in rural areas. Addressing the barriers to labour market insertion for these groups thus must include gender-sensitive measures, taking into account conservative societal norms and expectations. The disaggregation by level of education shows that encouraging educational achievement alone is not enough to escape unemployment and inactivity. Therefore, interventions must be targeted to meet the needs of youth of all levels of education.

Source: Dietrich, Elshawarby and Lechtenfeld, 2016.

- geographical coverage (rural versus urban or by other national classifications, e.g. region/governorate)[7].

3.2.2 NATIONAL DATA SOURCES

Table 3.2 provides an overview of the main sources for quantitative information on a country's labour market[8]. To a large extent, the basis for measuring the

[7] Depending on context and data availability, other dimensions may of course also be relevant, e.g. disability, ethnicity, migration status, sector of activity, etc.

[8] Other sources may include administrative data such as data from public employment services, social insurance records, labour inspection records, etc.

TABLE 3.2 Overview of key data sources for quantitative labour market indicators

SURVEY INSTRUMENT	DESCRIPTION	PROS	CONS
Population census	An official count of the entire population providing a detailed picture of population's geographical distribution and living conditions	Comprehensive	• Rare (e.g. every 10 years) • Many countries do not have a recent one
Economic/business census	Collects data from all formal businesses in a country, across economic sectors, related to a range of operational and performance data	Comprehensive	• Rare (e.g. every 5 years) • Many countries do not have a recent one • Does not capture informal economy and employment by households
Labour force survey	Nationally representative household survey to study the employment circumstances of a country's population; it typically provides the official measures of employment and unemployment statistics	• Primary source for labour market statistics • Relatively frequent (e.g. 1–3 years) • Allows for most detailed probing of respondents' employment activities • Can capture all types of work done by individuals across the entire economy, including informal work	Some information (e.g. earnings data) not perfectly reliable/accurate as it is subject to bias (recall error, honesty of respondent, etc.)
Demographic and health survey	Nationally representative household survey which provides data for a wide range of indicators in the areas of population, health and nutrition	Provides rich contextual information on people's lives	No detailed information on employment status
Establishment survey	Representative survey of formal sector companies providing information such as number of employees, wages paid, etc.	• Ability to capture demand-side information • More precise than household surveys on certain aspects (e.g. wages paid) due to better documentation	• Excludes the informal economy, small establishments and some sectors including agriculture • Vulnerable to some misreporting (e.g. of informally hired labour in formal firms)

above-mentioned labour market indicators is provided through a variety of national surveys.

Labour force surveys are typically the primary source for most labour statistics.

In practice, labour market indicators may be collected through different sources, though the different types of surveys tend to provide more or less precise estimates depending on the specific indicator in question. Aside from the typical surveys noted above, countries may also conduct other types of surveys on an ad hoc or regular basis; these can be a valuable source of information if they include relevant modules on employment. Examples include household surveys to measure poverty, skills surveys, etc. In general, regardless of data source, attention should be paid to how the underlying survey was actually constructed (i.e. sampling and questionnaire) to assess the extent to which the information collected is representative, reliable and comparable.

Quantitative data sources can be complemented with information on the legal and institutional environment of a country, thereby providing contextual insights on the regulatory framework influencing labour market outcomes in a given country (see Box 3.6).

3.3 Typical employment challenges in developing countries

While the above-mentioned concepts are globally applicable, the structural differences of labour markets in developing countries compared to more advanced economies have some important implications in analysing and interpreting labour market data. These include the following.

- **Unemployment rates are often not a good indicator of a country's employment challenges.** In countries without a national system of social assistance, unemployment insurance and welfare benefits, people simply cannot afford to be unemployed. Instead, they must make a living as best as they can, often in the informal economy (the case of most poor countries). In countries with well-developed social protection schemes or when savings or other means of support are available, on the contrary, workers can better afford to take the time to find more desirable jobs (OECD countries, or middle-class families in developing countries). Thus, low unemployment rates may actually mask substantial poverty in a country, whereas high unemployment rates can occur in countries with significant economic development and low incidence

BOX 3.6 Selected information repositories on labour market information

Labour statistics

- ILOSTAT (global): www.ilo.org/ilostat
- OECD Employment and Labour Market Statistics (OECD countries): http://www.oecd.org/employment/labour-stats/; http://www.oecd-ilibrary.org/employment/data/oecd-employment-and-labour-market-statistics_lfs-data-en
- Eurostat Labour Market (EU): http://ec.europa.eu/eurostat/web/labour-market/overview

Legal framework on employment and decent work

- World Bank Doing Business project (measures of business and labour market regulation in 190 economies and selected cities): http://www.doingbusiness.org/data/exploretopics/labor-market-regulation
- ILO NATLEX database (national labour, social security and related human rights legislation): http://www.ilo.org/dyn/natlex/natlex4.home?p_lang=en
- ILO Working Conditions Laws database (regulatory environment of working time, minimum wages and maternity protection in more than 100 countries): http://www.ilo.org/dyn/travail/travmain.home
- ILO EPLex Employment Protection Legislation database (information on topics related to employment termination legislation): http://www.ilo.org/dyn/eplex/termmain.home?p_lang=en
- World Bank's Women, Business and the Law (data on laws and regulations constraining women's entrepreneurship and employment): http://wbl.worldbank.org/

of poverty (ILO, 2016a). Therefore, the problem in many developing economies is not so much unemployment, but rather underemployment and the lack of decent and productive work opportunities for those employed. For instance, the extent of vulnerable employment — those working as own-account workers and contributing family members, who are typically in low-productivity jobs lacking access to adequate earnings and social security — is globally far greater than that of unemployment: 1.4 billion people in vulnerable employment compared to 200 million people unemployed (ILO, 2017d)[9]. Similarly, working poverty still affects almost 30 per cent of workers in emerging and developing countries (ILO, 2017d).

- **Wage employment is the exception, not the norm, and most employment suffers from bad working conditions.** In many developing countries, 'the line between employment and unemployment is often thin' (ILO, 2016a, p. 11). Wage employment (especially in the formal sector) is the exception, while informal self-employment is the norm. Indeed, a large share of the labour force works in household enterprises and subsistence farming. According to the international definition, these people are employed, but it most likely is not good-quality employment. Thus, while a large share of the population may technically be working, their employment is often characterised by precariousness and instability, bad working conditions, low productivity and low income. For instance, the vast majority of the globally estimated 2 million work-related fatalities and over 300 million non-fatal occupation accidents every year occur in emerging and developing countries, making issues related to occupational safety and health extremely widespread, including in wage employment (ILO, 2014b).

- **Informal is normal.** Related to the above, informal employment comprises more than one-half of non-agricultural employment in most regions of the developing world — 82 per cent in South Asia, 66 per cent in Sub-Saharan Africa, 65 per cent in East and Southeast Asia, and 51 per cent in Latin America (Vanek et al., 2014). If agricultural employment were considered, these rates would be even higher. Disadvantaged groups such as women and young people are overrepresented in the informal economy. Most people hold jobs that tend to be of low quality, insecure, with low earnings and a lack of access to social protection and unprotected by basic labour standards or worker representation. This reality reinforces the point noted above that it is not just the lack of employment, but rather the nature and quality of employment, which is an issue in developing countries.

- **People's employment is often characterised by portfolios of work.** In developing countries, people often engage in a range of income-generating activities simultaneously, including agriculture, casual labour, petty trade and possibly formal work. These portfolios are a natural consequence of the situation in which people live; it is often not possible to sustain sufficient income from a single occupation and there is a need to mitigate the risk and seasonality inherent in any one source (Blattman and Ralston, 2015). This strategy has implications on development policy, underscoring the relevance of improving portfolios of work as opposed to the more simplistic notion of just getting people into a job.

- **There is a high turnover of jobs.** Due to the lack of stable work arrangements, people transition more frequently between employment and unemployment and between different employment opportunities. For instance, data from Latin America suggest that one in three workers will change their jobs within a year (Alaimo et al., 2015). Given that their work is often characterised by low incomes and precarious working conditions, the incentives for job retention are often low, and people quit work more easily, either because an alternative employment option arises (even at minimally higher income), or for other reasons.

- **Unacceptable forms of work are widespread.** In 2016, an estimated 25 million people were in forced labour and over 150 million children subject to child labour around the world (ILO, 2017a).

- **There is very limited access to social protection.** Social protection systems in many developing countries are either missing or weak, leaving people

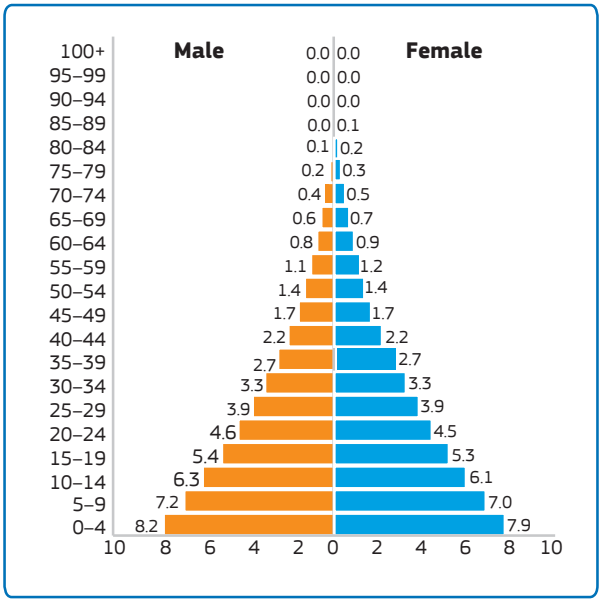
[9] Globally, around half of all workers are in vulnerable employment (42.8 per cent if developed economies are included; around 80 per cent in developing countries). The problem is most acute in South Asia and Sub-Saharan Africa.

unprotected from risks such as unemployment and illness, and thus vulnerable to falling (back) into poverty. Where social insurance exists, it is typically limited to the small share of people working in formal wage employment, with the majority working in the informal sector not covered. Indeed, only about one-fourth of the global population has access to social protection[10].

These employment challenges typical in developing countries are reinforced by a rapidly growing working-age population. In many countries, the working-age population grows faster than employment opportunities, especially in the formal private sector. For example, in Sub-Saharan Africa, the number of young people entering the labour force will increase every year for the foreseeable future, as the population pyramid in Figure 3.1 indicates. Since poor people cannot afford to be unemployed, and because social protection systems are weak, the lack of employment manifests itself in informal work arrangements and underemployment. That said, a growing working-age population could be beneficial for a country, if enough employment opportunities can be generated and fertility rates simultaneously reduced. In this scenario, a country could benefit from a so-called 'demographic dividend' — i.e. a low dependency ratio spurring economic growth[11].

In summary, it is often not the lack of employment per se that constitutes a problem in developing countries, but rather poor-quality employment. The above labour market conditions have important implications for the relevance and scope of employment and labour market policies. Indeed, traditional labour policies targeted at the formal wage sector have much less relevance where employment is characterised by high levels of self-employment and informality. Thus, development cooperation must adopt a wider approach that extends to domains such as microenterprise development to increase productivity in the informal sector and strengthen bargaining power and the extension of social rights beyond formal wage employees; this is further detailed in Volume 2.

FIGURE 3.1 Sub-Saharan Africa population pyramid



Source: PopulationPyramid.net, based on UN Department of Economic and Social Affairs, Population Division, World Population Prospects: The 2015 Revision.

3.4 Regional trends and specificities

While it is impossible to do justice to the heterogeneity and particularities of labour markets and employment conditions in different countries, this sub-section seeks to provide a general overview of the challenges, underlying barriers and priority areas for policy intervention in the main regions relevant for development cooperation[12].

When comparing employment outcomes across regions, the region with the highest levels of labour market exclusion for certain groups of the population is the Middle East and North Africa. This region has by far the lowest labour force participation rates (49.8 per cent in 2016), driven primarily

[10] See ILO website, 'Social Protection', http://www.ilo.org/global/topics/social-security/lang--en/index.htm.

[11] The dependency ratio describes the proportion of a country's population which is of working age compared to the proportion of its population which does not work (e.g. children and the elderly). A population structure with a low dependency ratio frees up household and state resources which would otherwise be used to support dependent groups. For instance, smaller numbers of children per household often lead to larger investments per child (e.g. in terms of education), more freedom for women to work, higher household savings, etc.

[12] For a more detailed conceptual discussion on barriers to employment, see Chapter 4. For a more detailed discussion on approaches and instruments for employment promotion, see Volume 2.

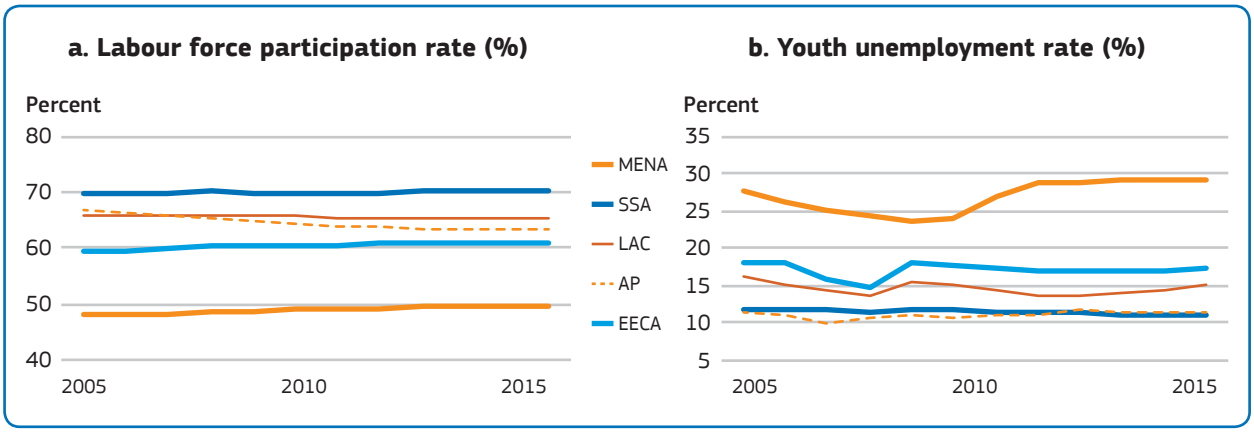
by extremely low levels of women participating in the labour market (22 per cent). The region also features by far the highest level of youth unemployment in the world: 29 per cent (see Figure 3.2).

However, the fact that other regions show higher employment levels overall does not mean that employment outcomes are good. Indeed, agricultural employment and informal employment as a share of non-agricultural employment is substantial in Sub-Saharan Africa and Asia, reflecting high levels of vulnerable employment in these regions (see Figure 3.3).

Following is a regional overview of employment outcomes, the main barriers behind employment challenges and general areas for reform.

Disclaimer: Note that the information presented here are generalisations and do not necessarily reflect the reality in all countries of the respective region. Within each region, each country's situation is different, and agendas for promoting employment and decent work need to be contextualised. This overview is generic in nature and does not replace country-specific analysis of the employment situation and barriers to employment (see Chapter 4), or in identifying an adequate policy

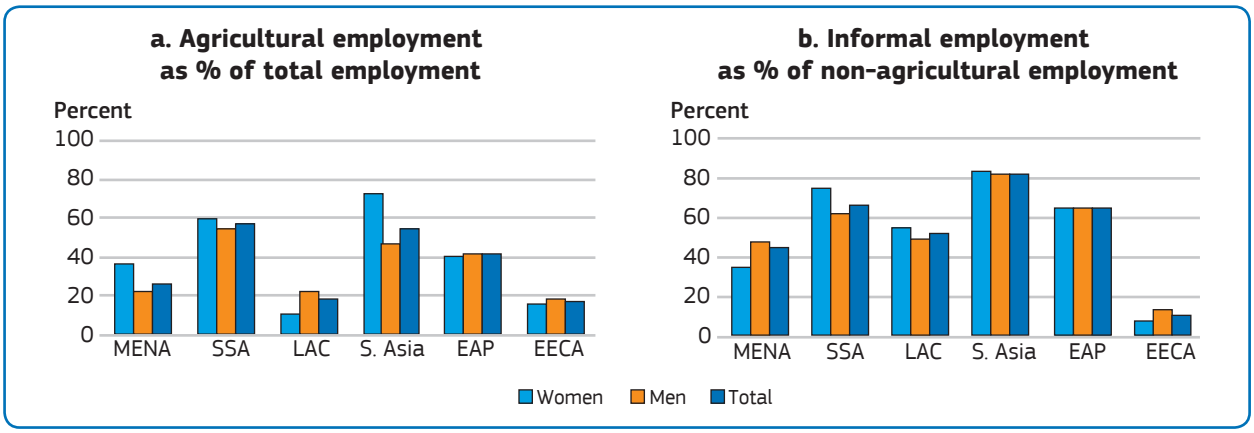
FIGURE 3.2 Labour force participation and youth unemployment rates 2005–2016, by region



Source: KILM database, http://www.ilo.org/global/statistics-and-databases/research-and-databases/kilm/lang--en/index.htm.

Note: MENA = Middle East and North Africa; SSA = Sub-Saharan Africa; LAC = Latin America and the Caribbean; AP = Asia and the Pacific; EECA = Eastern Europe and Central Asia.

FIGURE 3.3 Overview of the structure of employment 2004/2010, by region



Source: Vanek et al., 2014.

Note: MENA = Middle East and North Africa; SSA = Sub-Saharan Africa; LAC = Latin America and the Caribbean; EAP = East Asia and Pacific; EECA = Eastern Europe and Central Asia.

mix (Chapter 5) based on country-specific constraints. Moreover, development partners' assistance to different reform agendas will depend on their own priority areas as well as country ownership.

3.4.1 MIDDLE EAST AND NORTH AFRICA (SOUTHERN NEIGHBOURHOOD)[13]

Employment outcomes

- **Large share of untapped human resources** due to (i) the lowest labour force participation of women in the world, and (ii) the highest youth unemployment rate in the world.
- Due to a small formal private sector, the majority of those who are employed find themselves in **low-quality and low-productivity jobs** with no access to social security.
- The jobs which are being created tend to be in relatively **low-value-added activities**, while the workforce is becoming increasingly educated. This contributes to an expectation-reality mismatch.
- Pressures on the labour market are particularly severe in **areas affected by conflict and subsequent migration** (e.g. as a result of the war in Syria), both for the displaced and host communities.
- **Labour migration is common**. In addition to conflict-related displacement of refugees, the region is characterised by high levels of labour migration (coming mainly from Asia and Egypt towards the Gulf States), including many victims of forced labour. Migrant workers make up the majority of the population in the Gulf countries.
- **Poor working conditions are widespread**, often leading to high employee turnover. Besides issues related to compensation, common challenges involve work hours, occupational safety and health, limited freedom of association, discrimination and harassment. The issue of poor working conditions is particularly severe for foreign migrant workers (Harroff-Tavel and Nasri, 2013).

Main barriers

- **There is a legacy of government-led growth model and paternalistic state.** Traditionally, public sector employment was part of a social contract used by authoritarian regimes to appease politically relevant groups of society (e.g. the educated middle class) (Assad, 2013).
- **The formal private sector is small and lacks dynamism.** As the role of public sector employment has decreased due to fiscal pressures (though it remains dominant), the number of jobs created in the private sector has not been sufficient to absorb the increasing number of new entrants into the labour market. While old firms persist, new firms stay small and do not grow. The lack of dynamism is primarily driven by (i) challenges in the business environment that privilege large firms and stifle competition, in particular inconsistent enforcement of regulations, leading to legal and regulatory ambiguity, as well as lack of access to credit (second lowest in the world), especially for smaller companies; (ii) high energy subsidies which increase the cost of labour relative to the cost of energy and thereby limit labour demand; and (iii) rigid employment protection (e.g. dismissal procedures).
- **Low-quality education systems exist across all levels.** While enrolment levels are generally high, much of the investment in human capital has been in pursuit of credentials useful to access public sector jobs rather than the skills demanded by the private sector, leading to a strong skills mismatch. Similarly, vocational education and training often faces stigma as not being a 'respectable' path, driving young people to pursue university degrees in fields that may already be saturated[14].
- **Systems of formal labour intermediation (public employment services) have traditionally been weak,** with low capacity and efficiency.
- **Conservative social values restrict women's participation in the labour market.** It is common, for instance, for young women to drop out of the labour force after marriage or to refrain from

[13] This section draws primarily on World Bank (2013).

[14] For a detailed analysis of education systems in the Middle East and North Africa, see World Bank (2008b).

entering it at all, instead taking on primary care burdens and family-related responsibilities in the household.

- **Connections, rather than a candidate's merits, influence hiring decisions**, putting those with fewer networks and connections at a disadvantage and fuelling frustration, discouragement and a sense of injustice among many young job seekers.

- **Distorted expectations prevail.** As a result of the public sector–led model, many young people prefer being unemployed to accepting jobs they do not consider 'good enough' (e.g. with low pay, low status, etc.), such as jobs requiring manual labour.

Key areas for reform

- **Align incentives to invest, innovate and generate employment in the formal economy** by addressing burdensome business regulation, improving access to credit and reforming energy subsidies.

- **Provide the foundation for firms to compete and invest,** e.g. by (i) enhancing the transparency and accountability of public administration and establishing effective competition authorities to reduce the scope of discretionary application of regulations and thus encourage more long-term investments; (ii) facilitating growth entrepreneurship; and (iii) encouraging innovation, e.g. through public-private partnerships between universities and private firms.

- **Support national efforts to rebalance the social contract to promote more dynamic labour markets.** This could include reforming overly restrictive employment protection legislation in some countries, aligning national labour legislation and enforcement to international labour standards, adjusting employment terms in the public sector with those in the private sector, and introducing or enhancing unemployment and social insurance systems.

- **Realign incentives for skills needed by the private sector,** e.g. through better governance of the education system, allowing it to better respond to the needs of the labour market.

- **Promote inclusiveness of the labour market by strengthening access for particularly disadvantaged groups,** in particular youth and women. Boosting women's labour force participation requires policies and interventions outside the labour market, including addressing social norms and the availability of child care services.

- **Increase the capacity of labour market actors,** such as public employment services, social partners and civil society organisations to diagnose employment issues, design relevant interventions and deliver quality services.

- **Promote efforts to improve working conditions and enhance employee retention.** Recent examples include initiatives in the garment sector in Egypt and Jordan[15].

- **Strengthen social dialogue** and increase the involvement of social partners in the design and implementation of economic, employment and social policies (see e.g. the ministerial declaration by the Union for the Mediterranean, 2016).

- **Adopt suitable legal frameworks and policies to facilitate labour migration and the integration of refugees.** This includes promoting orderly labour migration (e.g. to protect labour rights and promote safe and secure working environments for migrant workers) as well as the integration of displaced populations into the labour market together with support for host communities.

3.4.2 SUB-SAHARAN AFRICA[16]

Employment outcomes

- **While official unemployment rates in Sub-Saharan Africa are low compared to other regions,** this is mainly due to the absence of social protection systems, which in turn forces people to work to make a living. Unemployment is highest among university graduates, who are constrained by the lack of sufficient employment opportunities

[15] See the ILO–International Finance Corporation initiative, Better Work, https://betterwork.org/.

[16] This section draws primarily on Filmer and Fox (2014) and the World Bank's *Africa's Pulse* series.

in the formal sector and/or do not have the skills employers need.

- **Despite high employment rates,** one in three workers lives in extreme poverty, the highest rate of working poverty in the world. An additional 30 per cent of workers live in moderate poverty.

- **The region has the highest incidence of child labour,** especially in agriculture, accounting for around 30 per cent of all 5- to 17-year-olds in child labour globally[17].

- **The vast majority of employment in Sub-Saharan Africa (over 80 per cent) is concentrated in family agriculture and non-agricultural self-employment (household enterprises).** Overwhelmingly, these are low-productivity and informal occupations, and hence, vulnerable employment. Sub-Saharan Africa has the second highest rate of informal employment in the world, after South Asia (see Figure 3.3). Only about 16 per cent of those in the labour force have wage jobs; of these, only 20 per cent are in the industrial sector (mining, manufacturing, and construction), accounting for about 3 per cent of total employment.

- **The concentration of employment in family farms and household enterprises will persist for the foreseeable future.** Even if economic growth remained strong and wage employment in services and industries grew dramatically in the near future, it is estimated that at best one in four youth will find a wage job by 2025, and only a fraction of those in the formal sector. The vast majority of youth will continue to work on family farms and in household enterprises.

- **Issues related to employment and income-generation opportunities for refugees are a common concern,** since some of the world's main source and destination countries of refugees are in Sub-Saharan Africa (World Bank, 2016b).

Main barriers

- **High population growth** puts pressure on labour markets to create an increasing number of jobs and on institutions to prepare the growing number of youth for the labour market. Half of the population of Sub-Saharan Africa is under 18 years of age, and until 2035, it is estimated that there will be around a half-million more 15-year-olds every year. As Africa's population is expected to continue to increase, Sub-Saharan Africa needs to generate 18 million new jobs per year by 2035 to absorb the new entrants to the labour market, compared to around 3 million formal jobs created today (IMF, 2015).

- Despite significant improvements in macroeconomic indicators in many African countries, African businesses still consider the **macroeconomic situation and worries about political stability** as the main barriers to growth and employment (MGI, 2012). Moreover, conflict and natural disasters (e.g. droughts) drive displacement of people within and across countries.

- **The formal sector is very small and slow-growing,** thus limiting opportunities for wage employment, and leaving few other options beyond working in agriculture and household enterprises.

- **Structural transformation of the region's economies has been slow and largely bypassed industrialisation,** thus not allowing for the productivity gains and reallocations of workers from agriculture to manufacturing.

- **While economic growth has been steady since the 2000s, the source of growth was not in labour-intensive sectors** such as agriculture or manufacturing, but primarily in capital-intensive industries such as oil, gas and mineral extraction, thereby limiting pro-poor growth.

- **Despite improvements over the last decade, Africa continues to lag other regions in terms of quality of and access to infrastructure** such as transportation, electricity and communication, thereby constraining competitiveness, private investment and productivity.

- **Sub-Saharan Africa has the world's lowest school enrolment and educational achievement levels** (i.e. a low base of human capital), leaving many young people unprepared to take advantage of existing opportunities and increasing

[17] Source: ILO website, 'Child Labour in Africa', http://www.ilo.org/ipec/Regionsandcountries/Africa/lang--en/index.htm.

their risk to be trapped in low-productivity and informal work. Neither university education nor technical and vocational education and training (TVET) systems are typically meeting the needs of the labour market in terms of relevance and quality of skills provided, fuelling skills mismatch. Deficits in education are compounded by challenges related to health and nutrition (including HIV/AIDS and malnutrition) which indirectly affect people's ability to engage in productive work.

- **There is a lack of financial inclusion.** While household enterprises are a source of employment for a large part of the population, limited access to finance restricts people's ability to start and grow their own businesses. The lack of capital is often reported as a major obstacle to start up and sustain a business (Fox and Sohnesen, 2012).

Key areas for reform

- **Invest in infrastructure and human capital** to improve Africa's competitiveness, boosting wage jobs in the formal economy and growing the region's manufacturing base. Specifically, this includes investments that improve the enabling environment for job creation, such as by fostering cheaper and more reliable power, better telecommunication, lower transport costs and a more educated labour force.

- **Increase productivity in agriculture and the rural economy.** This requires further public investments in rural public goods such as developing markets, disseminating technology improvements, promoting the use of better agricultural inputs and improving information.

- **Improve access to finance,** especially for labour-intensive sectors identified as (potential) engines for growth and job creation. Examples include credit guarantee schemes for loans to businesses in the targeted sector, such as Nigeria's agricultural lending facility, or easing access for foreign investors (MGI, 2012).

- **Increase earnings and productivity of the informal sector** (including household enterprises), where over 80 per cent of the workforce is concentrated. This must include increasing support measures (e.g. access to finance, skills and markets as well as improved legal identity and rights) while reducing risks and institutional biases against informal enterprises and workers (e.g. exclusion, harassment, etc.). In combination with these support measures, ways to encourage progressive transitions to the formal economy could be explored.

- **Strengthen the links between social protection and employment interventions for the poor** (productive inclusion programmes), e.g. by accompanying safety net programmes such as public works with measures to facilitate savings and productive investments.

- **Enhance income-generating opportunities for displaced populations** within the host country and in the context of return.

3.4.3 LATIN AMERICA AND THE CARIBBEAN[18]

Employment outcomes

- **Generally positive developments since the early 2000s** (in line with a period of strong economic growth), reflected in solid growth of employment opportunities, a rise in wages, a significant reduction in working poverty, lower vulnerable employment and lower unemployment rates. However, this positive trend has largely come to an end with the economic slowdown after 2011.

- **The region is experiencing an increase in the labour force** due to a growing working-age population (youth entering the labour market) and increasing labour force participation by women.

- **The share of informal workers remains high** (around 50 per cent), disproportionately affecting women, youth and households at the bottom of the income distribution.

- **While in line with the global average (around 20 per cent), Latin America has the highest rates of NEETs among low-income groups in the world,** obstructing social mobility and poverty reduction (de Hoyos, Popova and Rogers, 2016).

[18] This section draws primarily on Alaimo et al. (2015); ILO (2017d); and Pagés, Pierre and Scarpetta (2009).

- **The job turnover rate in the region is high.** Jobs in the region are unstable and short lived (about 30 per cent of workers are not in the same job after one year), and job matches are of low quality (Alaimo et al., 2015). Given the lack of protections for many (e.g. unemployment insurance), these frequent transitions are costly for individuals.

- **Labour migration is a common phenomenon,** with significant South-North migration to the United States and Spain, as well as interregional South-South migration (ILO, 2016b).

Main barriers

- **Economic growth has been sluggish since 2011,** reflecting a decline in commodity prices for exports and structural factors including low productivity.

- **The region is characterised by traditionally low productivity gains** ('growth-less jobs'), reflected in a large number of microenterprises with low productivity, and a dearth of middle-level and high-productivity firms. In part, structural transformation has led to a shift towards the services sector, but many of the new tertiary jobs have been created in relatively low-productivity and low-wage services, such as retail and wholesale trade or personal services.

- **The business environment faces persistent challenges,** such as corruption, regulatory uncertainty, high crime rates, a complex tax system and a lack of access to credit.

- **Relatively rigid labour regulations** protect workers, with the downside of increasing costs for employers, which can discourage formal hiring.

- **Unintended effects result from social protection policies.** By raising labour costs, the strategy of taxing formal labour to finance social security is believed to have led companies and workers to pursue informality.

- **A combination of inadequate academic preparation and insufficient on-the-job training** for workers holds back productivity.

- **Personal contacts have become the principle method of finding jobs.** People who lack such contacts are at a significant disadvantage, especially in terms of finding formal jobs.

Key areas for reform

- **Further improve the business environment for firms, especially for small and medium-sized enterprises,** e.g. by simplifying, unifying and enforcing existing tax provisions and facilitating access to and reducing the cost of finance.

- **Balance social protection and labour regulation** to not discourage formal hiring and to encourage informality. This can include adapting minimum wage policies to countries' productivity levels and seeking to reduce non-wage costs for firms (e.g. through alternative financing mechanisms for employee benefits).

- **Strengthen active labour market programmes** to facilitate access to initial work experience and the reintegration of adults into the job market (see Volume 2, Guidance Notes 5–9 for more detail). In particular, this includes improving the effectiveness of public employment services, especially job placement services, to better serve disadvantaged populations which often lack good access to information about available jobs and support measures.

- **Enhance income protection during unemployment,** for instance by linking active employment policies with stipends for beneficiaries.

- **Reduce involuntary job turnover** by protecting, upgrading and improving the human capital of workers and the productivity of employment relationships. This should include (i) enhancing the effectiveness, quality and relevance of on-the-job training for active workers to increase productivity and reduce turnover; and (ii) promoting an effective regulatory environment for dismissals, providing more certainty and reducing litigation.

- **Improve management of labour migration,** including by strengthening links between migration and employment policies, promoting fair recruitment processes and formalising migrant workers (ILO, 2016b).

3.4.4 ASIA AND THE PACIFIC[19]

Employment outcomes

- **Low female labour force participation remains a major challenge in South Asia,** which has the second lowest rate in the world (around 28 per cent) after the Middle East and North Africa region — a rate that is significantly lower than in the rest of Asia. Overall, Asia experiences declining labour force participation, as more young people move into secondary and tertiary education.
- **While a significant amount of jobs are being created in the region, many are in informal and vulnerable arrangements.** While expected to fall as the countries grow, vulnerable and informal employment remain high. In fact, South Asia features the highest rates of informal employment in the world. Issues of low-quality working conditions in the region (e.g. in garment industries) are increasingly making international headlines.
- **Working poverty has been significantly reduced since 2000 across the region,** but rates in South Asia remain high at around 45 per cent.
- **While unemployment is modest, it is still significantly higher for youth** than for adults.
- **Income disparities are widening,** fuelling inequality and the risk of social polarisation.
- **The region is home to millions of migrant workers,** both at the national level (e.g. China) and internationally (e.g. from South and South-East Asia to the Gulf States).

Main barriers

- **Large demographic pressures persist,** in particular in South Asia where 12 million jobs need to be created every year to match the growing working-age population. The main employment challenge is to absorb these new entrants.
- **There are low levels of human capital and skills shortages in the labour force,** as health and education systems as well as skill levels in the existing labour force adjust too slowly to keep pace with fast-evolving demand. Moreover, South Asia has the weakest indicators on early childhood nutrition in the world, impairing cognitive development and reducing the pay-off from subsequent investments in education.
- **Relatively stringent labour and social protection policies are in place.** While Asian countries only have a recent history in labour and social protection policy, the introduction of strict employment protection legislation and relatively high minimum wages may have come at the expense of 'outsiders' in the labour market, such as women, youth and the self-employed, fuelling labour market segmentation and exclusion.
- **A conducive business environment is lacking,** especially in South Asia, where factors such as unreliable electricity supply, corruption, inadequate transport and inadequate access to land are key constraints to doing business.

Key areas for reform

Due to the vast diversity of countries in the Asia Pacific region, there is no common set of priorities that applies to all countries (even less than for the other regions). That said, a few general avenues for intervention include the following.

- Support structural transformation and productivity growth of agrarian economies**, while supporting the process of urbanisation** and rising up the value chain in others.
- **Promote balanced labour regulation and social protection** that does not come at the expense of lower business dynamics, informality and exclusion of certain groups (e.g. by focusing on protecting workers rather than jobs).
- **Support education reform,** including for children before they enter school (i.e. through early childhood development and nutrition), and by strengthening behavioural and socio-emotional (or 'soft') skills employers increasingly demand.
- **Strengthen the business environment** according to national priorities.

[19] This section draws primarily on World Bank (2011, 2014).

- **Support 'managed labour migration',** in order to protect labour rights and promote safe and secure working environments for migrant workers.

3.4.5 EASTERN EUROPE AND CENTRAL ASIA[20]

Employment outcomes

- **Relatively high unemployment rates and low labour force participation (around 60 per cent) make the region miss out on its human capital potential.** In particular, a large share of the unemployed are long-term unemployed (over one year).

- **Young and older workers, women, and ethnic minorities (e.g. Roma) are disproportionately affected** by joblessness, employment in informal jobs and/or lower earnings. For instance, in South-East Europe, youth unemployment rates have reached around 50 per cent in the past. It has also been found that youth in the region are disproportionately affected by economic cycles compared to adults.

Main barriers

- **Employment creation is low,** despite economic and productivity growth, reflecting the legacy of centralised planned economies. This is particularly the case for late reformer countries whose reforms in labour markets, business climate, the public sector, etc., have not yet fully translated into net employment generation.

- **Rapid demographic changes are in play,** reflected in rapidly aging societies in some countries such as Russia and the former Soviet Union countries, and large numbers of youth in others such as in Central Asia.

- **Most education and training systems in the region have failed to keep up with the fast-changing labour market,** leading to an increasing share of employers citing skills as a major constraint to firms' growth. Challenges in the education system are also reflected in high functional illiteracy rates (often 20 per cent or above) among 15-year-olds.

- **Taxation and social protection systems often provide disincentives to work.** For instance, income taxes and social contributions are relatively high, pension systems have encouraged early retirement, and social assistance and unemployment benefits often ban or discourage work.

- **Disadvantaged groups (e.g. women, youth and ethnic minorities) are affected by barriers outside the labour market,** such as the lack of child and elderly care options; limited flexible work arrangements; imperfect access to productive inputs, networks and information; and adverse attitudes and social norms.

- **Labour market institutions are weak.** In addition to weak employment services, some countries face serious deficiencies with regard to labour inspection, labour administration and social dialogue in conflict with ILO conventions. For instance, some countries have introduced restrictions to labour inspectors' authorities and limit the freedom of association (ILO, 2017c).

Key areas for reform

- **Foster private sector–led job creation,** including through the continued restructuring of state-owned enterprises, reforms to improve the business environment and promotion of entrepreneurship.

- **Support skills acquisition for the modern economy.** This should include teaching children and youth strong generic (both cognitive and socio-emotional) skills by improving early childhood and basic education and preventing early tracking into vocational education, ensuring quality of tertiary education and the provision of labour market prospects for different fields, providing incentives for more on-the-job firm training, making trainings more age-sensitive and targeting programmes more to disadvantaged groups.

- **Reform tax and social protection systems to address disincentives to work by reducing labour taxation,** especially among low-wage, part-time and second earners; and improving the targeting and design of social protection measures, including pension reforms.

- **Eliminate barriers to employment of minorities, women, youth and older workers** by

[20] This section draws primarily on Arias et al. (2014).

improving work regulations to ease entry and exit into the labour market, facilitating flexible work arrangements, and strengthening active labour market programmes that address the specific obstacles faced by these groups.

- **Remove obstacles to internal migration to allow workers to go to places with greater job creation potential.** This can include measures such as supporting the development of housing/credit markets, making social benefits portable, removing administrative hurdles and facilitating access to information about job opportunities across regions.

- **Strengthen employment services, labour inspection and administration as well as social dialogue institutions,** taking into account current ILO conventions and recommendations.

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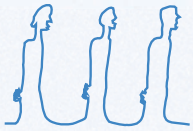
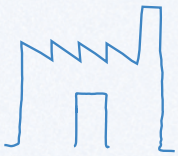
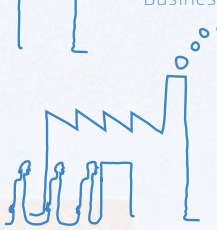
QUANTITY AND QUALITY ARE INTERLINKED



Supply
e.g. skilled labour force, lifelong mearning, specific actions to integrate the most vulnerable



Demand
Private Sector Development, Business Environment, Macroeconomic Policy



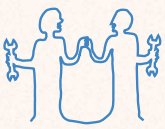
Matching
Employment Services, Labour Market Policy, Mobility

QUANTITY of jobs

Adopt and enforce labour regulations

Implement Social Protection

Improve awareness of labour rights



Promote Social Dialogue

QUALITY of jobs

CHAPTER 4

Categories of employment constraints

Why is unemployment so high? Why are firms not investing and hiring? Why do so many women remain outside the labour force? Why is the informal sector so large? In order to answer these and other questions, we need to understand the root causes leading to undesirable employment situations: i.e. the key barriers, or binding constraints, to better employment outcomes. Because employment problems vary depending on the country observed (as discussed in Chapter 3), barriers need to be carefully analysed and understood so adequate solutions can be suggested.

In practice, while there are common patterns across countries and regions in explaining employment issues, it is necessary to have a solid understanding of the specific underlying determinants in each context. Indeed, there can also be strong geographical within-country variations of employment issues and in the underlying constraints driving these outcomes. Similarly, while there are shared barriers applying to the entire working-age population in a country, many barriers affect different groups in society to a different extent — e.g. some apply more to youth, some more to women, migrants, etc.).

In the economics literature, these underlying constraints are typically categorised into three clusters and commonly applied as a conceptual framework for understanding labour markets and employment promotion efforts (see Figure 4.1).

- **Labour supply:** factors affecting the quantity and quality of job seekers and workers already active in the market, such as demographics and skills
- **Labour demand:** factors affecting the demand for workers in the economy and entrepreneurial activities, such as the investment climate and business environment
- **Labour matching:** factors affecting the mediation between labour supply and demand, such as limited information on both the supply and demand sides.

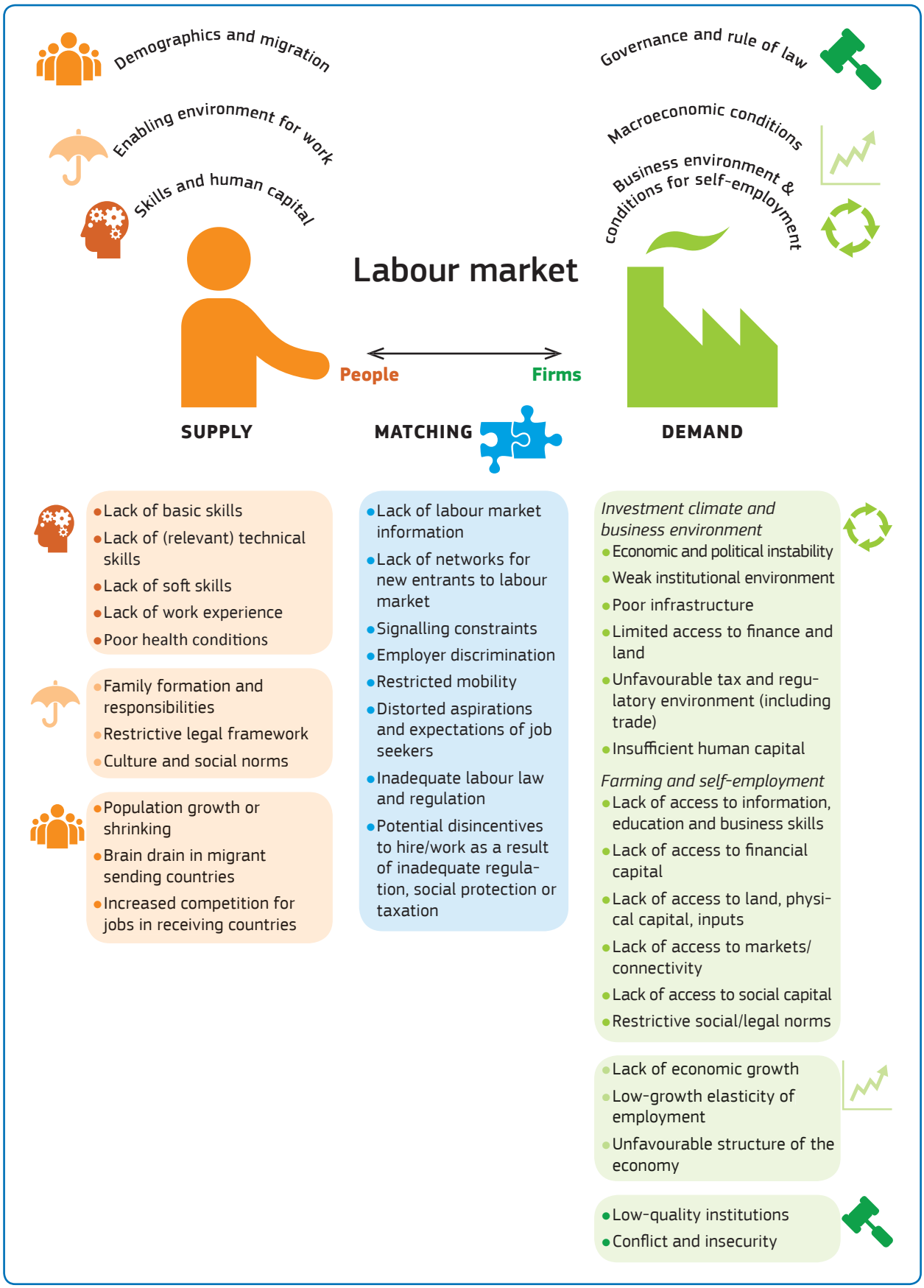
While the above constraints mainly influence the **quantity** of employment opportunities created and filled, there are additional factors that influence the **quality** of work. Indeed, labour markets in developing countries

OBJECTIVE AND KEY MESSAGES

This chapter fosters an understanding of the potential barriers that hamper the creation of productive and quality employment opportunities.

- **Governments and development partners need a solid understanding of the key constraints limiting the quantity and quality of jobs to implement policies which efficiently foster inclusive employment growth.**
- **Potential barriers to employment can be found on the demand side (insufficient demand for workers, e.g. due to lack of economic growth), on the supply side (e.g. demographic pressures or inadequately skilled workers), or can relate to inefficient matching mechanisms in the labour market (e.g. lack of information).**
- **It is also crucial to understand the factors undermining working conditions, ranging from socioeconomic conditions (e.g. poverty) to inadequate labour market regulation.**
- **In practice, most countries face a variety of constraints related to demand, supply, matching and working conditions. The challenge is therefore to identify the barriers which are the most important ones or which have to be tackled jointly.**

FIGURE 4.1 Categorisation of employment constraints



are typically characterised by a poor quality of employment. The main factors leading to decent work deficits are primarily related to the following; see Section 4.4 for more detail:

- socioeconomic context (e.g. poverty, migration)
- ineffective and inadequate government services (e.g. in terms of education and social protection)
- structure of the labour market (e.g. high degree of informality)
- firm dynamics (e.g. cost-cutting pressures)
- social norms and limited awareness of rights (e.g. gender inequality)
- legal framework and labour market regulation (e.g. weak trade unions, inadequate employment protection).

It is also important to recognize that a country's labour market conditions and barriers are dynamic and subject to influences from outside its borders. Indeed, the underlying barriers to employment may change over time and therefore need to be revisited at regular intervals. Moreover, a country's labour market functions in isolation. For instance, globalisation may affect the relative competitiveness of countries in certain sectors. Also, global trends, such as technological change (e.g. digitalisation and automation), can influence the interplay between the supply and demand for workers.

Correctly identifying and analysing this broad range of potential barriers is the pivotal and fundamental task of development practitioners working on the promotion of employment and decent work. Without this analysis, all other efforts in terms of policy formulation are likely to be ineffective. The following sub-sections discuss each category of potential constraints to employment and decent work in more detail.

4.1 Labour supply

Labour supply — the quantity and quality of a country's workforce today and in the near future — can significantly affect employment outcomes. From an economic perspective, labour is one of the key ingredients for productivity and growth, and therefore of paramount importance to a country's economic and social development.

4.1.1 QUANTITY OF LABOUR: DEMOGRAPHICS AND MIGRATION

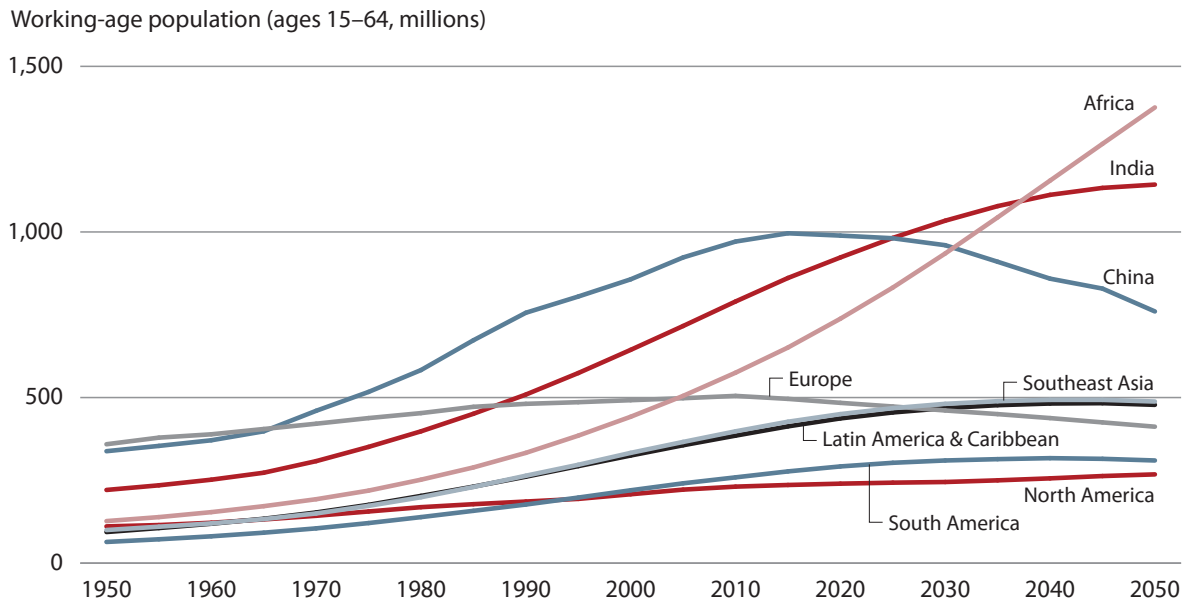
Rapid population growth can put pressure on labour markets. The size of a country's population, and in turn its workforce, is primarily determined by population growth. Some regions, in particular Sub-Saharan Africa and South Asia (see Figure 4.2), experience rapid population growth and a 'youth bulge' (a large share of the population being young adults), which is often a result of high fertility rates combined with a reduction in infant mortality. While a large, young workforce can be a force for development if youth are able to productively engage in the economy (a 'demographic dividend' where the number of workers grows more rapidly than the number of dependants), a rapidly increasing working-age population puts severe pressure on a country to create a sufficient amount of jobs to absorb it. For instance, in South Asia, an estimated 1.0–1.2 million people join the labour market every month, a development that is expected to continue over the next few decades (World Bank, 2011).

The ageing of a society can also be problematic, and currently represents an area of concern for developed economies as well as for some emerging ones such as China. In this case, the working-age population shrinks in size, possibly leading to shortages in workers and skills and adding pressure on health and social services, since a smaller labour force has to cover the increasing costs of supporting a large number of retired people.

Migration flows can also affect the quantity of available workers as well as the structure of the labour force. This is true for both internal migration (e.g. from rural to urban areas) and international labour migration. While migration is primarily an individual or household strategy to take advantage of job opportunities and wage differentials within and across countries, it can have important aggregate effects on both sending and receiving areas/countries.

- **For sending areas/countries,** outward migration can reduce pressures on the economy to generate employment as the labour supply goes down, while

FIGURE 4.2 Working-age population on the rise in Africa and South Asia



Source: AfDB, 2014, based on UN Department of Economic and Social Affairs, Population Division, World Population Prospects: The 2010 Revision.

benefiting from remittances (money sent back to the home country) that can contribute to household income and poverty reduction (see Box 4.1 for an example). At the same time, depending on the profile of those leaving, sending areas/countries may suffer from the loss of human resources and skills ('brain drain') that can ultimately undermine their economic potential and the quality of public services. While the effects of brain drain may be mitigated or outweighed by the beneficial effects of remittances (including investments in education of the new generation), circular or return migration ('brain circulation'), and the contribution of diaspora networks of sending countries to increased trade opportunities and international know-how transfer, these benefits take time to materialise (Ngoma and Ismail, 2013).

- **For receiving areas/countries,** the increase in labour supply through incoming migrants can help satisfy the demand for workers and/or skills and thereby contribute to better production possibilities with subsequent impacts on the economy (e.g. in ageing societies). Migration also can increase a country's productivity and innovative capacity through the transfer of know-how and the entrepreneurial potential of migrants ('brain gain'). However, if not regulated (as is typically the case with internal migration[1] and large migration flows due to displacement), the increase in people may add to

BOX 4.1 Nepal: A labour-exporting country

Nepal continues to experience rapid growth in its working-age population, putting pressure on the country to absorb new entrants to the labour market. In this context, international labour migration has become a coping strategy for a large part of the population. Every year, more than half a million Nepalese, mainly young, low-skilled men, take up foreign employment, primarily in India, Malaysia and the Gulf countries. This has an equalising effect by reducing the pressure on the supply of workers and providing alternative employment opportunities. In addition, remittances sent by migrant workers represent a significant contribution to the Nepalese economy, standing at around 30 per cent of total gross domestic product (GDP).

Source: GIZ and ILO, 2015.

[1] China's Hukou system is an exception in this regard.

already existing employment problems, increase competition for jobs in certain sectors, and drive down wages for certain occupations and skill levels — as well as pose other challenges related to public service delivery, social cohesion, etc. While the overall economic effect of immigration on a receiving country economy is generally positive, it might spur redistributive conflicts (Dadush and Yi, 2014).

4.1.2 QUALITY OF LABOUR: SKILL ACQUISITION AND HUMAN CAPITAL

The quality of the labour supply plays a key role in influencing employment outcomes. When the workforce has inadequate levels of education, or its skills do not match those needed in the market, negative repercussions can occur with regard to employment levels, job creation and productivity. This context denotes a skills mismatch (see Box 4.2).

Skills mismatch can occur in relation to different types of skills. Hence, typical barriers to employment related to skills acquisition include the following.

- **Lack of basic skills.** General education can face barriers related to access, quality and relevance. When negatively affected by these, students can exit the education system with insufficient basic (literacy and numeracy) skills, which in turn hampers further skills development (e.g. the acquisition of technical skills) and employment. For instance, the lack of basic skills constrains many basic functions in both wage and self-employment, such as reading signs and instructions at work, basic accounting and bookkeeping for a household enterprise, etc.

- **Lack of (relevant) technical skills.** This relates to the inadequacy of technical and vocational skills among the labour force which do not match the needs of the market. For instance, a large share of vocational education students may be trained in traditional fields such as car mechanics or hairdressing, even though these occupations might be saturated, while at the same time there can be a lack of other qualified professionals in electrical maintenance or information technology. Similarly, many university students may be trained in fields with low market demand (e.g. philosophy, history), while expertise in other areas (e.g. engineering) might be missing.

BOX 4.2 Forms of skills mismatch

Skills mismatch refers to the gap between the skills required on the job and those possessed by individuals. Skills mismatch can take several forms.

Over- and under-qualification/education. The level of qualification/education is higher (lower) than required to perform the job adequately.

Qualification mismatch. The level of qualification and/or the field of qualification is different from that required to perform the job adequately.

Over- and underskilling. Overskilling refers to workers' belief that they possess more skills than their current job requires, whereas underskilling refers to workers' belief that their current skills do not meet the demands of the job.

Skill gap. The extent to which workers lack the skills necessary to perform their current job (similar to 'underskilling', but from the employer perspective).

Skill shortage. Demand for a particular type of skill exceeds the supply of people with that skill at equilibrium rates of pay (reflected in unfilled or hard-to-fill vacancies).

Occupational (horizontal) mismatch. The extent to which workers are employed in an occupation that is unrelated to their principal field of study.

Skills obsolescence. Skills obsolescence can occur because of ageing, because certain occupations are disappearing or because of changing skill needs within occupations, which may render worker's skills outdated over time. This can occur, for instance, in the context of industrial restructuring or as a result of technological change.

Source: Adapted from McGuinness, Pouliakas and Redmond, 2017; WEF, 2014.

- **Lack of soft skills.** 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 (ability to manage emotions and regulate behaviour), and (v) a positive self-concept (self-confidence, self-efficacy, self-awareness, etc.) (ChildTrends, 2015). Yet, employers around the world — who often value these skills more than

technical or functional skills — frequently report that job candidates lack them (Cunningham and Villasenor, 2014; IFC and ISDB, 2011). For instance, a young employee who lacks the ability to manage and regulate his or her emotions and behaviour may not be able to deal with a difficult customer or handle conflict with a supervisor, resulting in frustration and high job turnover. The lack of soft skills is often a result of limited attention to these skills in education and training systems, including inadequate pedagogy to develop these skills.

- **Lack of work experience.** Prior work experience is a crucial signal to employers about a candidate's skill level, especially in developing countries where education certificates may be less meaningful due to low quality. Thus, young people may be easily trapped: Finding a job without work experience is difficult, yet opportunities to gain first work experience are scarce. This is especially true in a context where education and training systems are supply-driven and do not sufficiently expose students to the real-world work environment (e.g. through internships or apprenticeships).

Typically, different types of skills mismatch are the consequence of more deep-rooted challenges or underlying constraints prevalent in developing countries, including:

- **early school drop-out** and non-appearance, including as a result of child labour
- **low quality of formal education** (early childhood[2], primary, secondary, tertiary)
- **low relevance and quality of technical and vocational education and training**
- **insufficient investment in education**
- **limited information** on existing and future skill needs and about opportunities and wages of different occupations in the labour market, negatively influencing education and work decisions (see Box 4.3)

BOX 4.3 How (the lack of) information on education and career contributes to skills mismatch in Moldova

Moldova's labour market is characterised by a large adult population outside the labour force, a slow transition of youth from school to work, and low productivity of existing jobs. These problems appear to be partly explained by skills mismatch, including as a result of insufficient career guidance practices that do not give Moldovan students adequate information for making schooling and occupational decisions. In order to better understand the extent of information deficits in Moldova's labour market, the World Bank conducted a mixed-methods survey of students throughout the education cycle and of working and non-working youth. The survey revealed gaps in the information students have about the labour market, implying scope for strengthening information services. Such information services should reach not only students but also their social networks, since parents — who are a main source of information and often share decision-making with the surveyed students — may feel unprepared to advise their children. While the Internet is a key guidance source for many students, it appears that accurate and relevant information does not reach all students. In particular, students with less–educated parents demonstrate the highest information deficits, suggesting that lack of information may fuel inequality of opportunity.

Source: World Bank, 2016a.

- **challenges in the transition between general education and TVET to employment**, including limited pathways to gain first work experience.

Each of the above factors can be disaggregated further to identify its root causes. For instance, early school drop-out may be linked to household poverty (lack of resources to send children to school due to school fees or because the child has to work or care for siblings), distance to schools, poor quality and relevance of education, early pregnancy and marriage, and social norms which put girls at a disadvantage, among others (Sabates et al., 2010). Similarly, the low relevance and quality of TVET is often due to, among others, underfunding; outdated curricula or inadequate infrastructure; insufficient teachers, especially in rural areas; insufficient linkages with labour market information

[2] Early childhood development and education have been shown to have significant impacts on socio-emotional skills and school readiness, as well as long-term life outcomes, including employment and earnings. See e.g. Heckman (2006) and Heckman and Masterov (2004).

and demand (including the informal sector); fragmented institutional framework; and poor governance structures (e.g. lack of involvement of the private sector) (EC, 2017d; UNESCO-UNEVOC, 2013).

The quality of a country's labour supply is significantly determined by the population's overall health. There is a widespread range of health problems which can affect the labour supply. Malnutrition among young children can have long-lasting negative consequences on cognitive development and subsequent labour market outcomes, while affecting productivity among adults. The worst forms of child labour can also have severe effects on adult health, including disability. Diseases such as malaria and HIV/AIDS can affect human capital accumulation, productivity and drop-out of the labour force. Disability or mental health issues (e.g. depression and anxiety) can dramatically influence a person's ability to work. Many of these issues are widespread in developing countries, and are compounded by a lack of adequate care and stigma associated with such conditions (see Box 4.4).

4.1.3 ENABLING ENVIRONMENT FOR WORK

Even when people are equipped with good skills and health, their environment may not be conducive to work. There can be other factors outside the labour market which affect people's ability and willingness to work — or even to look for a job. Following are the primary such factors.

- **Family formation and responsibilities.** Childbearing responsibilities and caretaking for the elderly significantly affect decisions to work, especially for women. This is particularly true where access to caretaking services is limited and costs are high. In socially conservative settings, such as in many countries in the Middle East and North Africa, the simple fact of getting married often leads women to quit the labour force and take on more traditional household responsibilities. According to global estimates, women carry out at least two and a half times more unpaid household and care work than men. Even when women are employed, they still carry out the larger share of unpaid household and care work, which limits their capacity to increase their hours in paid, formal and wage and salaried work (ILO, 2016d).

BOX 4.4 The negative impact of health issues on labour supply

While data from developing countries are scarce, evidence from OECD countries confirms the negative impact of health issues on people's employment outcomes. For instance, the OECD's thematic review *Sickness, Disability and Work: Breaking the Barriers* shows that the employment rate of people with disability is typically 40 per cent below the average rate in the population. Even worse, on average only one in four individuals reporting a mental health condition is employed; of those with a severe mental illness, up to 90 per cent are not economically active. Even though many individuals with a disability or physical or mental health issues want to work, the barriers to work are diverse, including stigma, discrimination, fear of losing benefits, poor access to services and a workplace that is intolerant of variations in employee productivity. Two major factors compound these challenges in developing. First, many global health issues are concentrated in developing countries, including infectious diseases and mental health issues. Second, given the lack of funding and limited access to services, treatment is often inadequate, hence reinforcing the negative effects of these health issues on the individual and society.

Source: Caddick et al., 2016; OECD, 2010.

- **Restrictive legal framework.** In some cases, restrictions on people's agency and access to opportunities, such as on women and minorities, may be anchored in a country's legal framework. For instance, in 18 countries around the world, husbands can legally prevent their wives from working (World Bank, 2015). Restrictions on working hours, sectors (e.g. in manufacturing) and occupations are also common. Foreign citizens (e.g. refugees) are often not officially allowed to work, pushing them towards work in the informal economy.

- **Cultural and social norms.** Even when no legal restrictions exist, cultural and social norms may have an impact on whether women are allowed to work (e.g. by their husbands or parents), their mobility, and/or which occupations and trades are socially acceptable. For instance, jobs involving manual labour or in traditional male-dominated trades such as mechanics are often considered unsuitable for women.

When analysing constraints related to skills deficits and other factors influencing labour supply, it is important to look beyond averages and instead understand how these different barriers affect different groups of society differently. Many of the above-mentioned barriers are likely to be more severe for vulnerable groups in society, such as women, young people, persons with disabilities, indigenous people and the poor. Only a nuanced understanding of how these constraints affect different groups will allow the design of effective policies and programmes that take the specific needs and barriers of each group into account. Volume 2 of this manual provides a more in-depth discussion of the specific barriers facing youth, women, migrants and persons with disabilities.

4.2 Labour demand

The lack of demand for workers, reflected in limited or non-existent generation of employment opportunities, is typically a key — if not the main — reason for weak employment outcomes in a country. This lack of demand can stem from external shocks such as changes in the global economy, natural disasters, or war and conflict in the region. Local geographical, political and economic framework conditions and policies may limit job creation and entrepreneurial activity by not enabling a favourable environment in which to do business. In practice, low labour demand might stem from a vast variety of local constraints, including those related to the structure of the economy (e.g. whether growing sectors are employment intensive), a country's investment climate, business environment and competitiveness, as well as a lack of incentives and support structures for firms to enter the economy and hire, grow and innovate[3].

4.2.1 GOVERNANCE AND THE RULE OF LAW

Countries need quality institutions as a foundation for economic development. The concept of governance encompasses elements such as government effectiveness, regulatory quality, accountability, political stability, control of corruption and the rule of law. Countries with strong institutions (or 'good governance') tend to experience higher levels of development by creating an environment which facilitates economic growth, reduces poverty and delivers valuable services to their citizens. In contrast, when institutions are weak, the core foundations for economic development are not met and any other policies (e.g. macroeconomic, labour market) will likely not produce the desired results. Hence, the quality of institutions and governance not only influence a country's investment climate (see Section 4.2.3), but represent a necessary enabling environment for economic activity and employment creation in their own right. Indeed, although direct constraints to employment creation (e.g. economic and business environment) are highly relevant, successful pro-development policies crucially depend on deeper underlying determinants, such as the process by which state and non-state actors interact to design and implement policies (World Bank, 2017b).

In particular, economic development cannot flourish in the absence of security and the rule of law. The rule of law refers to the quality of contract enforcement, property rights and the efficient administration of justice, as well as the absence of crime and violence. Security is an especial precondition for development. When intact, security and stable, predictable laws encourage investment and growth. In contrast, when the state authority breaks down and violence becomes pervasive — as in the context of conflict, fragility and high levels of urban violence — the costs for individuals (in terms of productive capacities, loss of assets and livelihoods, displacement, etc.) and society (reduction in gross domestic product (GDP), etc.) are substantial. Hence, (re-)establishing security and the rule of law is a precondition for other efforts to succeed.

Security is a precondition for development.

4.2.2 MACROECONOMIC CONDITIONS

When economic growth is modest or in decline, labour demand typically suffers. The underlying reasons for low growth must then be analysed, as economic growth is generally considered a precondition for the growth of employment opportunities. As more goods and services are produced in an economy, jobs are created and more workers are needed; conversely, when an economy is in decline, production goes down

[3] While contextual factors such as a country's geography (e.g. land-locked) and resource endowments also influence economic development, these are not discussed here, since they cannot be influenced through policy.

and so does the need for workers as jobs are lost. In the literature, this relationship between growth and employment has been termed 'Okun's Law', and empirically confirmed in many cases (see e.g. Ball, Leigh and Loungani, 2013; Moazzami and Dadgostar, 2011).

Yet, even when economic growth is solid, labour demand can be low. The positive relationship between economic and employment growth is not mechanical and can result in a phenomenon of 'jobless growth'. Analytically, the relationship is typically studied in terms of the growth elasticity of employment, which calculates the ratio between the percentage change in employment observed when economic growth increases.

Growth elasticity of employment = Ratio between percentage change in employment and percentage change in growth, e.g. 1 % increase in employment ÷ 2 % increase in economic growth = 0.5

Thus, when economic growth occurs in **employment-intensive sectors** such as manufacturing and tourism, it can lead to substantial employment growth. On the other hand, in **capital-intensive industries** such as mining or oil and gas, growth has much smaller employment impacts (see Box 4.5). Moreover, due to technological change and productivity increases, some research suggests that the employment intensity of certain sectors could fall over time and that labour markets will become more polarised. This is because technology supports high-skilled workers while replacing routine low- and middle-skilled jobs, thereby fuelling inequalities (Ford, 2016; Frey and Osborne, 2013; World Bank, 2016c). Research by the ILO suggests that nearly 60 per cent of jobs in the Association of Southeast Asian Nations (ASEAN) countries face a high risk of automation and that women, low-skilled workers and lower-wage occupations are more likely to be affected (Chang and Huynh, 2016).

Low demand for workers in formal wage jobs — which are arguably more desirable and less precarious — can be related to the structure of an economy. Many developing countries, especially in Sub-Saharan Africa, have small formal wage sectors, while the vast majority of people work in informal employment or self-employment, agriculture and household enterprises. Thus, even if formal firms in the manufacturing and service industries — and in turn, the economy as a whole — grow rapidly, the impact on new wage employment opportunities in the formal private sector remains slim overall. This circumstance leaves no other option to the majority of people than to pursue more precarious informal employment and/or self-employment for the foreseeable future.

A country's potential for employment growth may be constrained by a lack of structural transformation in the economy. Structural transformation occurs when higher-productivity activities begin or expand, and there is a transfer of resources (including workers) from lower- to higher-productivity activities. This process is associated with aggregate productivity increases as well as economic growth and development[4].

BOX 4.5 Capital-intensive growth in Angola

In Angola, Africa's second-largest oil producer, oil production is the main sector of the economy, accounting for about 47 per cent of total GDP, 97 per cent of export earnings and 75 per cent of government revenues. Between 2005 and 2015, Angola's GDP grew on average 9.5 per cent — one of the highest rates of economic growth in the world. Yet, due to the capital-intensive nature of economic growth, rapid economic development has not translated into a similar increase in employment opportunities. Unemployment and youth unemployment rates remained largely unchanged at around 7 per cent and 12 per cent respectively, during the same period. Similarly, extreme poverty is estimated to still affect more than one-third of the population.

Source: World Bank, World Development Indicators 2016, https://data.worldbank.org/products/wdi.

[4] The relationship between economic structure and growth has been an important topic of inquiry since at least the Nobel Prize–winning work of Simon Kuznets which he received for 'his empirically founded interpretation of economic growth which has led to new and deepened insight into the economic and social structure and process of development' (Lindbeck, 1992).

4.2.3 INVESTMENT CLIMATE AND BUSINESS ENVIRONMENT

The investment climate and business environment is at the core of people's and firms' decisions to enter the market, invest and grow, as this environment fundamentally determines their returns and costs of doing business. High risks, costs and lack of access to essential resources all hamper private sector growth, and thus employment creation. When business uncertainty is high as a consequence of, e.g. macroeconomic/political instability or legal uncertainty, both domestic and foreign investments will stall. Factors such as corruption, high costs of inputs and tax rates can drive up costs and may therefore make certain investments unprofitable. In the simplest scenario, the basic resources for doing business may be unavailable, of poor quality or of excessive cost: examples include infrastructure, access to finance or access to land. Table 4.1 provides a list of typical barriers faced by firms related to the investment climate and business environment.

Some cross-country analysis suggests that in middle-income countries, and especially for small and medium-sized firms, access to finance is the major constraint; while in low-income countries, power shortages are the major barrier (see Table 4.2).

In practice, determining which barriers are the most severe in a given context must be done on a country-by-country basis. To this end, several types of assessments and indexes have been created, including:

- the World Bank's investment climate assessments (see Box 4.6 for an example)
- the World Economic Forum's Global Competitiveness Index
- the World Bank's Doing Business Report.

TABLE 4.1 Potential barriers faced by firms

FACTOR	BARRIER
Economic and political environment	• Macroeconomic instability (e.g. overvalued exchange rate, inflation, large budget deficits) • Political instability
Institutional environment	• Corruption • Poor functioning of the courts/legal system • Crime, theft and disorder • Anti-competitive or informal sector practices • Property rights
Infrastructure	• Transportation • Electricity • Telecommunications
Access to finance and land	• Access to finance • Cost of financing • Access to land
Tax and regulatory environment	• Tax rates • Tax administration • Business licensing and operating permits • Labour regulations (e.g. hiring and firing laws, minimum wages) • Customs and trade regulations • Investor protection, contract enforcement and insolvency rules
Human capital and labour supply	• Skills and education of available workforce • Availability of workers (see supply issues)

Source: Compiled based on World Bank investment climate assessments (Iarossi, 2009; World Bank and Asian Development Bank, 2015) and World Bank's Doing Business Project (see http://www.doingbusiness.org/methodology).

TABLE 4.2 Severity of business constraints, by firm size and country income level

CONSTRAINT	FIRM SIZE			INCOME LEVEL				
	SMALL	MEDIUM	LARGE	LOW	LOWER MIDDLE	UPPER MIDDLE	HIGH	ALL
Access to finance	! ! !	! ! !	!	! !	! ! !	! ! !	!	! ! !
Power shortage	! !	! !	! ! !	! ! !	! !			! !
Lack of skill			! !				! ! !	
Informal competition	!	!			! !	!		!
Tax rates				!				

Source: Adapted from IFC, 2013.

Note: !!! = most severe barrier; !! = second most severe barrier; ! = third most severe barrier.

BOX 4.6 Findings of an investment climate assessment in Cambodia

Since 2005, Cambodia has more than halved its rate of poverty thanks to economic growth averaging 8 per cent per annum, strong export performance (especially in garments, footwear and tourism) and positive changes to the investment climate. However, despite the government's effort to introduce reforms to improve the investment climate, the business environment continues to hamper the competitiveness of firms in Cambodia. According to the World Bank's Enterprise Surveys, the most severe constraints faced by firms include the cost of electricity, corruption and anti-competitive practices, and transport and logistics. The main constraints faced by firms in special economic zones include a lack of skills, followed by corruption and electricity. The main constraints faced by firms in the informal sector include transport, electricity and telecommunications.

Source: World Bank and ADB, 2015.

4.2.4 ENVIRONMENT FOR SMALL-SCALE FARMING, OFF-FARM SELF-EMPLOYMENT AND ENTREPRENEURSHIP

While the above-mentioned barriers relate primarily to the creation of productive wage jobs by existing firms in the formal sector, there can also be major obstacles to starting and expanding agricultural activities, household enterprises and other forms of self-employment[5]. Indeed, agriculture and household enterprises provide the vast majority of employment opportunities in many developing countries, though they are often low productivity (Fox and Sohnesen, 2012; Vanek et al., 2014). From a jobs point of view, the key question for this segment of the economy is how to foster the transition from subsistence to larger, more productive activities. Table 4.3 provides a list of potential barriers to small-scale agriculture and off-farm self-employment; Box 4.7 provides an illustration in the context of Sub-Saharan Africa.

4.3 Matching of labour supply and demand

Beyond those barriers directly influencing the supply of and demand for workers, there can also be barriers that emerge at the interplay of the two. That is, a country can have a relatively skilled workforce in line with market needs as well as high levels of labour demand, but its employment outcomes can still remain unsatisfactory. This section explores potential factors that can affect labour matching — the process by which workers and employers find each other in an efficient way. Barriers related to the matching of supply and demand

[5] Several of the barriers cited with regard to the investment climate and business environment — such as corruption, crime, complexity of labour regulations, and difficulty and cost of business licensing — may apply to farming and self-employment as well, influencing individual and household decisions to invest, expand, hire, etc.

TABLE 4.3 Potential barriers facing farming, off-farm self-employment and entrepreneurship

TYPE OF BARRIER	EXAMPLES
Access to information, education and business skills	• Lack of access to information on market prices; need to go through intermediaries • Low levels of general education • Limited knowledge of relevant farming techniques to protect crops/livestock and/or increase yields (e.g. varieties of crops) • Limited awareness and use of relevant business practices (e.g. marketing, managing stocks, bookkeeping)
Access to financial capital	• Low presence of financial institutions/services in some (e.g. rural) areas • Very limited lending to start-ups (even microfinance is largely targeted at existing enterprises) • Need for collateral or personal contribution often excludes youth from getting loans
Access to land, physical capital, inputs	• Inheritance laws may restrict access to land titles; no functioning land rental markets • Low availability and/or uptake of relevant agricultural inputs (e.g. seed and fertiliser)
Lack of access to markets/connectivity	• Long travel times to closest market or town • High costs for transportation of goods • Difficulties in storing goods
Social and legal norms	• Women may be prevented from trading or travelling to markets • Self-employment (e.g. of youth) may be discouraged by family members • Lack of land titles and other property rights issues prevent movement out of agriculture
Access to social capital	• Lack of contacts and information on prices • Lack of business networks (suppliers, customers) • Lack of organisation in producer associations or interest groups
Other	• Disincentives to register and grow (e.g. taxes, business regulation) • Risk-reducing mechanisms not accessible or not commonly taken up

Source: Adapted from Keller et al., 2014.

BOX 4.7 Constraints to smallholder farming in Sub-Saharan Africa

Agriculture occupies more than 70 per cent of the labour force in Africa's low-income countries and more than 50 per cent in its lower-middle-income countries. African farmers are predominantly smallholders who consume a large share of what they produce. When young rural Africans in focus groups were asked about the best and worst ways to earn a living in their community, agriculture was generally not considered a very desirable option. To attract young people, agriculture will need to be more dynamic and appealing than it has been in the past. Since the average plot of land households own is often limited to the amount it can farm manually — typically 1 hectare or less — the income that such small plots can generate is rarely sufficient to provide a decent living to an entire family. The predominance of small plots can largely be explained by the high cost of machinery and challenges related to acquire more land due to ambiguities in land ownership and limitations in land markets (e.g. related to inheritance, assignment under traditional rules, weak rental markets, etc.). The challenges in land markets are particularly problematic for youth. Indeed, the majority of land is held by farmers older than 50, who retain control over holdings that could be managed more efficiently by younger, more energetic farmers. Better functioning land markets, in particular through land rentals, is essential so a new generation of African farmers can take advantage of opportunities emerging in agriculture. This, combined with improved access to finance to pay for machinery to work larger plots, advisory services or training to assist with technical and managerial challenges, and public investment in infrastructure (e.g. to reduce costs of transportation) are critical in making agriculture more attractive and productive.

Source: Filmer and Fox, 2014.

are primarily relevant in countries with high levels of wage employment.

4.3.1 INDIVIDUAL AND FIRM-LEVEL BARRIERS

Lack of information and networks

Information matters for decision-making, and networks are often an important means to obtain information and support, including to access employment opportunities (Castilla, Lan and Rissing, 2013a, 2013b). However, labour market information systems and public employment services which can address information deficits are often of low quality in developing countries[6]. In turn, the lack of information and networks can be a burden both before and after leaving the education system.

- **While still in school,** limited information on opportunities and wages of different occupations in the labour market negatively influence decisions about further education (e.g. in TVET or university) and work (see also discussion under Section 4.1). Unless equipped with the right information on job opportunities and requirements, it is difficult to acquire the relevant skills, education level or internships before finishing the education path. The more people are affected by skills mismatch resulting from these information failures, the more it will be difficult to correct these mismatches through intermediation and reskilling services later on. This makes early intervention imperative in terms of career orientation and guidance, which is often deficient in developing countries.

- **After entering the labour market,** the challenge is that firms in developing countries mainly rely on informal networks of family, friends and current employees to find new workers (Cunningham et al., 2008; World Bank, 2013). More formal means of recruitment (through the Internet, local newspapers, employment services, etc.) are often either not available, considered irrelevant or too costly to use. Information on available job opportunities is consequently not equally distributed, putting those with fewer relevant networks and less access to information at a disadvantage. This constraint primarily affects young people who are new to the labour market and therefore typically lack useful networks, but may also extend to other groups such as migrants, women in conservative societies, etc. In general, families with lower socioeconomic status and lower levels of education are more constrained, in part because parents are less equipped to advise and support their children (e.g. through their own connections), but possibly also due to financial means. For instance, while the Internet has become an increasingly important source of information, including for job search, poorer families with less access to the necessary communications infrastructure may not equally benefit from it (Mocnik and Sirec, 2010; Ünver, 2014).

Signalling constraints

Job seekers may have the right skills, but it may be difficult to communicate these skills to potential employers. The most commonly used signals of a person's employability are whether he or she has prior work experience and certificates from education or training institutions (Cunningham, Sanchez-Puerta and Wuermli, 2010). The former is particular challenging for young people who are just entering the labour market, while the latter is a challenge particularly for poor people, who have higher school drop-out rates and may not have the resources to obtain a degree or certificate. Moreover, due to the low quality of education systems in many developing countries, a degree on its own may be of relatively little value, unless it comes from a reputable institution, which in turn may often be private and thus again effectively exclude poorer job seekers.

Restricted mobility

Home-based work aside, taking a job typically requires a certain level of geographic mobility and flexibility. However, in contexts where transportation costs are high or the security situation is bad (e.g. due to the risk of sexual harassment, crime and violence, or conflict) people's mobility may be severely constrained.

Distorted aspirations and expectations

Aspirations and expectations matter a great deal when choosing an education path and looking for work. Many times, however, these aspirations are not

[6] Labour market information systems consist of systems, mechanisms or processes for gathering, organising, providing and analysing information about the state of the labour market, occupations and jobs, including key changes taking place within employment, jobs and occupations. See Volume 2, Guidance Note 2, for more detail.

in line with labour market realities (OECD, 2017). For instance, technical and vocational education often carries a stigma, driving young people towards university education even if job prospects may be slim in their field of study. Moreover, many young people may not accept jobs available to them if they do not feel they confer the 'prestige' expected by family and society, or because the income is considered too low relative to their investment in education or otherwise (Groh et al., 2014). In the Middle East and North Africa, traditional expectations related to work in the public sector are a key contributor to unemployment, as many young people — especially university graduates — prefer to remain without work until they find public sector employment, rather than starting their working life in the private sector (World Bank, 2013).

Employer discrimination

There can be a lack of demand for workers who belong to specific groups of the population through discrimination by employers. Employers, for instance, may have prejudices against youth, considering them less reliable and trustworthy; against women, considering them more of a risk due to potential child-bearing; or against people with a religious, ethnic or racial background different from their own — which in turn results in different hiring preferences.

BOX 4.8 High hiring costs hurt formal employment in Latin America

In Latin America and the Caribbean, the tension between workers' productivity and labour costs poses a significant challenge to creating formal employment. The basic cost of hiring a formal worker includes the minimum wage, the social security cost to the employer, the cost of year-end bonuses and vacations, and the potential cost of dismissal. In the region, this package represents on average 38 per cent of the GDP per worker, and as high as 70 per cent in Nicaragua and 100 per cent in Honduras. Evidence from the region shows that countries with higher wage and non-wage costs (relative to their productivity) have a lower share of formal jobs. Some 39 per cent of the difference in formality rates can be explained by differences in wage and non-wage costs relative to a country's productivity. It has also been shown that the higher the costs associated with formality, the lower the rate of formal employment among young people versus adults. Moreover, higher hiring costs are associated with lower rates of salaried employment — hence, a high number of self-employed workers with less growth potential.

Source: Alaimo et al., 2015.

4.3.2 INSTITUTIONAL BARRIERS

Several institutional factors affect the matching process in the labour market.

- **Labour laws and regulations.** The relationship between workers and companies is not completely free in a labour market but bound by labour laws and regulations. Largely designed to protect workers, these regulations can impose a cost on employers if they are too rigid — thus potentially lowering the incentives for long-term private sector investment, labour-intensive production processes and formal hiring (see Box 4.8 for an illustration in Latin America). This, in turn, can have negative implications on labour demand, as described in Section 4.2.3, as labour regulation contributes to the investment climate and business environment. Regulations can also directly interfere with the matching process, in particular through mandated minimum wages. When set too high, the minimum wage can prevent alignment of firms and workers, often and especially hurting the most vulnerable in the labour market, such as youth (Kalenkoski, 2016). When the minimum wage is higher than the expected productivity of a potential employee (e.g. a young person with little work experience), a firm is likely not to make the hire — even though the hire might have been acceptable to both the firm and the job seeker at a lower wage[7].
- **Social protection system.** Access to unemployment insurance and social assistance, representing a means of income and wealth protection, can influence both people's decision to work as well as

[7] Minimum wages set too low are also problematic. For instance, they can erode the income and purchasing power of low-skilled workers, decrease incentives to join the formal workforce, and weaken fiscal and para-fiscal income for the state and social security systems.

their job-search behaviour. Social protection transfers can give people time to look for a job considered a good fit rather than having to accept 'any' job out of pressure to make a living, and will guard them against shocks such as health emergencies. In cases where social protection systems are relatively generous, some people may even decide to completely withdraw from the labour force, since income generated from work might be insignificantly higher than the social transfer. This scenario is more typical in developed countries with strong welfare states than developing countries, but common in Eastern Europe. In this manner, social protection systems influence the labour supply.

- **Tax system.** Disincentives to work can also arise from the tax system. If income taxes and other deductions are high, people may be less inclined to seek (formal) work, especially where a generous social protection system may provide a relatively attractive alternative. High taxes can be particularly detrimental when they apply to low-income jobs and flexible work arrangements (e.g. part-time work), creating disincentives to enter the labour market and putting more vulnerable segments of society at a disadvantage[8].

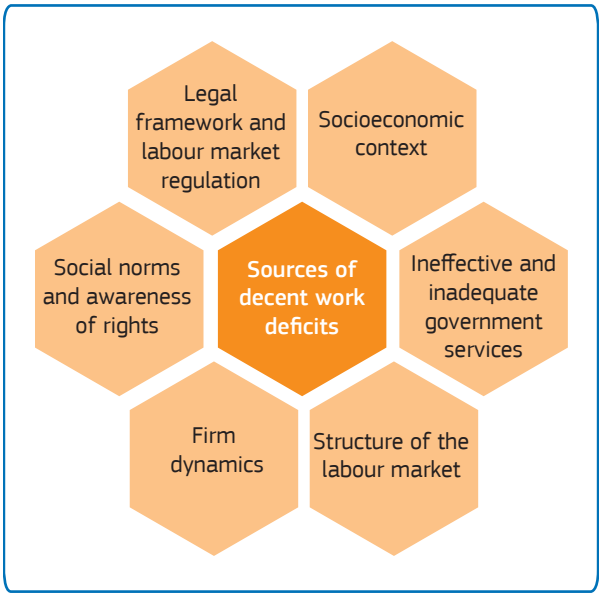
4.4 Sources of decent work deficits

As highlighted by the decent work concept, people's well-being depends not only on whether they are employed, but also on whether they receive an adequate income, enjoy rights, and have good working conditions and access to social security. In line with the framework for measuring decent work, factors relevant in assessing the quality of work include:

- adequate earnings and productive work
- decent working time
- combining work, family and personal life
- work that should be abolished (i.e. child and forced labour)
- stability and security of work
- equal opportunity and treatment in employment
- safe work environment
- social security
- social dialogue, employer and worker representation.

Hence, in addition to understanding the barriers to sufficient employment opportunities in terms of labour supply, labour demand and matching, it is crucial to understand the root causes that may constrain the quality of people's work. The sources of decent work deficits can be multi-faceted and depend on country context. Figure 4.3 shows the key contributors to decent work deficits; these are delineated below[9].

FIGURE 4.3 Sources of decent work deficits



- **Socioeconomic context**
  - **Poverty.** Families and individuals who are poor often lack the opportunity to freely choose their

[8] On the other hand, when taxes and other deductions are too low, the state, education and social security institutions will not be able to provide basic public and social services. This can also result in a two-tier system where the better-off fund quality private social and education services, and the poor have to rely on poorer quality education and social services.

[9] For more detail, see Berg (2015) and the U.S. Department of Labor's Bureau of International Labor Affairs, 'Comply Chain', https://www.dol.gov/ilab/complychain/.

work and are under pressure to generate an income however possible. They often have no other option than to take on more precarious work and are at higher risk to engage in exploitative employment relations, including child and forced labour.

- **Migration.** Poverty, conflict and natural disasters are push factors for migration, and workers are often forced to leave home to seek opportunities elsewhere. Migrant workers — in particular those with no formal migration status — and refugees often lack rights and protection, making them vulnerable to exploitation and highly precarious work conditions.

- **Bad macroeconomic situation.** In periods of economic crisis or stagnation, it is more likely that working conditions will deteriorate as companies look to cut costs, while workers have weaker bargaining power to negotiate better conditions.

Ineffective or inadequate government services

- **Lack of (access to) quality education.** When access to education is restricted or the quality is too low, incentives to continue schooling are reduced and the likelihood of entering the workforce prematurely rises. Children with limited educational opportunities are more likely to enter the workforce prematurely (possibly as child labour). Also, children who have been denied educational advancement are more likely to face more restricted employment opportunities as adults and are therefore more vulnerable to precarious working conditions and exploitation.

- **Weak social protection and social security systems.** Where social protection systems are weak or non-existent, individuals and families are more vulnerable to income shocks, and hence poverty; this in turn increases their vulnerability to engage in precarious work arrangements. Vulnerabilities to be covered include those related to old age, illness and disability. Social assistance programmes like Bolsa Familia in Brazil have been shown to mitigate poverty by raising family incomes and thus decreasing the likelihood of an individual falling victim to forced labour or other forms of exploitative work (Berg, 2015).

Structure of the labour market

- **Informality.** Labour markets in developing countries are characterised by small formal wage sectors and large levels of informal employment. A large share of people thus work in non-regulated forms of employment.

- **Non-standard forms of employment.** Non-standard employment mainly refers to temporary employment, part-time and on-call work, multiparty employment relationships (e.g. temporary agency work), and disguised employment. Due to globalisation and social change, the relative overall importance of these employment relationships has increased over the past few decades in both industrialised and developing countries (ILO, 2016c). In the majority of cases, these forms of employment are associated with higher levels of insecurity, including with regard to lower earnings, uncertain working hours and less social security coverage.

Firm dynamics

- **Competition and cost pressure.** Companies may often look to identify cost-cutting measures which can result in trying to evade social and/or environmental regulations, hence affecting working conditions. Even when this is not the case for a given company, ensuring compliance among suppliers can be a challenge, or is at least costly.

Social norms and awareness of rights

- **Gender inequality.** In many countries, social norms — and sometimes even laws — restrict women's and potentially other groups' agency and voice. As a result, they often do not benefit from equal opportunities and face various forms of discrimination in the workplace, including with regard to lower pay, even when laws related to equality and non-discrimination are in place.

- **Lack of awareness of human rights.** Workers may not have access to information enabling them to understand what constitutes exploitation and abuse. The lack of awareness may be

compounded by language barriers in the case of migrant workers, increasing individuals' vulnerability and hindering their capacity to organise and advocate for themselves.

- **Legal framework and labour market regulation**

  - **Weak or non-existent trade unions or other civil society groups.** In many countries, trade unions, as well as human rights and other civil society groups, are either non-existent or their work is inhibited. The freedom of association, the right to organise and collective bargaining may be legally restricted. The absence of effective, independent trade unions and other civil society groups hampers collective bargaining and thus workers' ability to effectively advocate for their rights, including those related to fair compensation and safe work conditions.

  - **Inadequate minimum wage laws.** Minimum wage regulation directly affects workers' earnings by ensuring a minimum level of income, and thus increasing wages at the bottom of the pay scale. While the majority of countries have minimum wage laws, their application and effectiveness vary substantially. When workers are not covered by adequate minimum wages, their vulnerability is increased and inequalities can be entrenched.

  - **Inadequate employment contracts and protection.** Regulation regarding hours of work, annual leave, maternity leave, different forms of contractual engagement (e.g. temporary contracts, or part-time work), employment termination and other aspects of work may not be adequate or simply not be in workers' favour.

  - **Insufficient health and safety regulation and compliance.** Health and safety regulation can encompass a wide range of issues, including cleanliness, washing and sanitation facilities, prevention of accidents, etc. When such regulation is missing or not enforced (as is very common), it can lead to serious health issues and injuries among workers. The question of compliance is typically closely linked to the existence and effectiveness of labour inspection — which is often limited in developing countries.

Note that many decent work deficits are interrelated and mutually reinforcing. For instance, while the lack of social dialogue and worker representation have their own root causes, these comprise a contributing factor to other deficits, such as inadequate earnings and limited occupational safety, due to the limitations on workers' collective bargaining and voice.

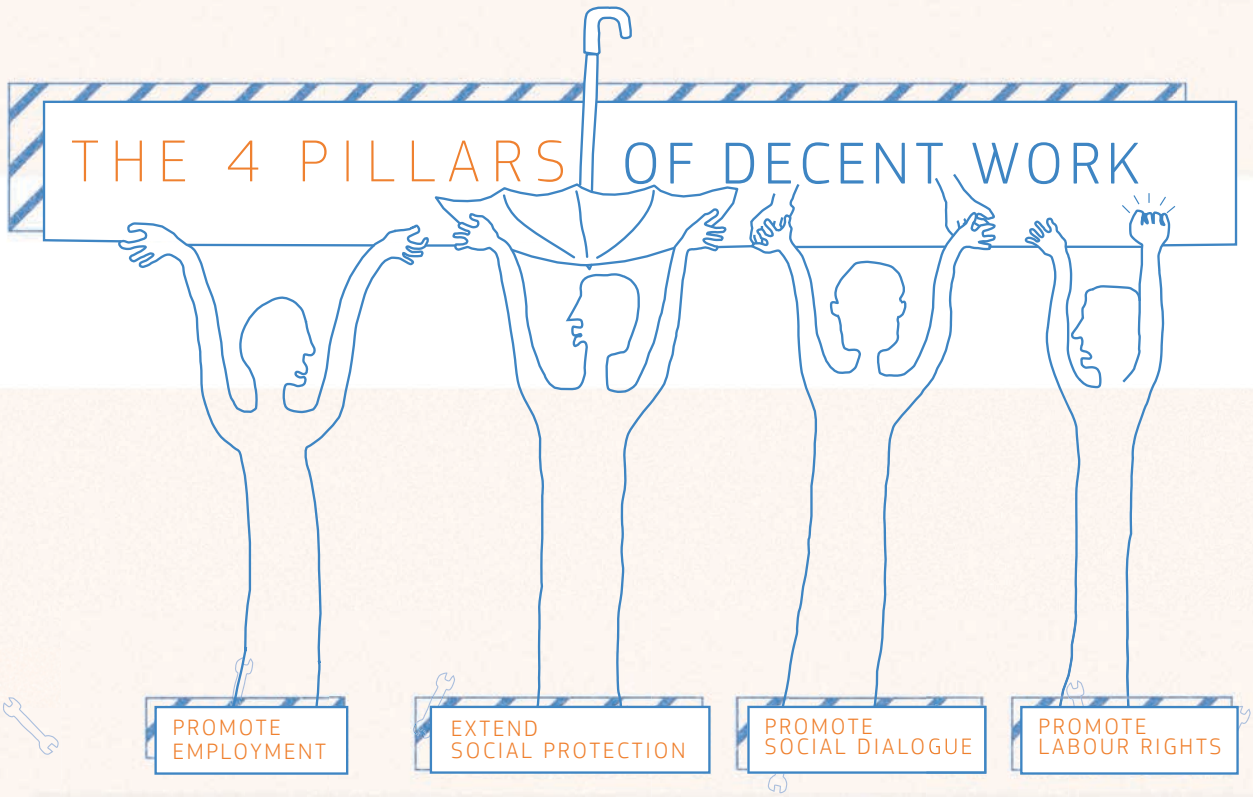
For practical guidance on conducting employment diagnostics, see Volume 2, Guidance Note 1.

Further reading

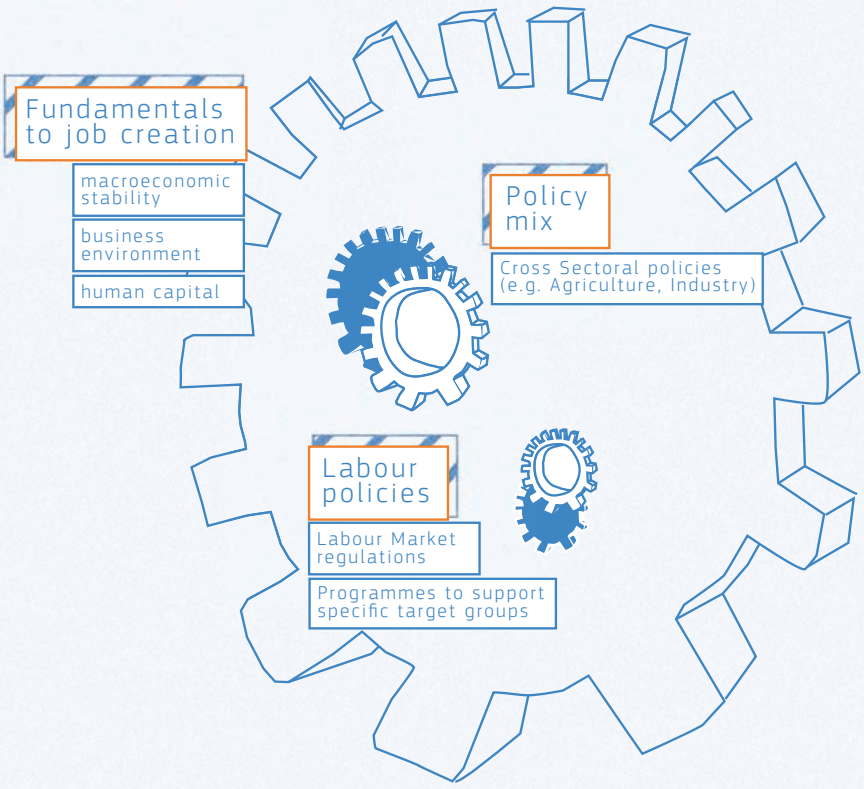
GIZ (Deutsche Gesellschaft für Internationale Zusammenarbeit), 2014. 'Guidelines for an Employment and Labour Market Analysis (ELMA)'.

Hallward-Driemeier M., 2015. 'Jobs Group. Jobs Diagnostics Guidance: Why, What, and How?' World Bank, Washington, DC.

World Bank, 2012. *World Development Report 2013: Jobs*. Washington, DC: World Bank.



Given a country's context, employment promotion requires a broad combination of different policies that adapt to its priorities.



CHAPTER 5

A comprehensive approach to promoting employment and decent work

Before diving into a detailed discussion on approaches and instruments to promote employment and decent work, it is useful to take note of the overarching societal objectives to which such efforts are supposed to contribute. As discussed in Section 2.1, the importance of employment to development is threefold:

- improvements in living standards, and thus poverty reduction
- improvements in productivity, fuelling economic growth
- fostering of social cohesion.

Concurrently working towards these goals has been summed up in the notion of 'inclusive growth', defined by the EU as 'people's ability to participate in, and benefit from, wealth and job creation' (EC, 2011, p. 7).

While economic growth is considered a prerequisite for development, it is now widely believed to be insufficient on its own. Instead, it must also be 'inclusive', a concept which encompasses equity, equality of opportunity, and protection in market and employment transitions to translate into positive development outcomes (Ianchovichina and Lundstrom, 2009). Promoting inclusive growth is a cornerstone of the EU's development cooperation efforts as well as of the international development agenda, as reflected in the SDGs[1].

The concept of inclusive growth is also intrinsically linked with two other key societal objectives: equality (or reduced inequality) and social justice. While broad access to employment opportunities is important in achieving these objectives, they are usually not sufficient to promote income equality and social justice. People are and always will be different, and their differing levels of skills, education, opportunities, etc., will lead to different labour market and life outcomes — with some people more vulnerable than others. Thus, moving beyond mere job promotion to ensure inclusiveness and reduce inequality means protecting people from shocks and unethical working conditions, assisting them in their transition to work, and adopting redistributive policies (e.g. social assistance transfers). This is the role of labour regulation

OBJECTIVE AND KEY MESSAGES

This chapter provides an overview to the range of instruments needed to promote employment and decent work.

- **A holistic approach to employment promotion calls for employment policies which include, but go well beyond, labour market policies. The right policy mix is essential.**
- **International labour standards define the basic principles and rights of work. They serve as a basis for national labour law and social policy.**
- **As part of the broader policy mix, labour market policies are needed to protect people from shocks and unethical working conditions, assist them in their transition to work and provide a basic safety net. These policies include labour market regulations, active labour market policies and passive labour market policies.**
- **Social dialogue is an important tool for building consensus on a wide range of employment issues.**

[1] See https://sustainabledevelopment.un.org/sdg8.

and policies as well as of social protection systems (see Berg, 2015, for a detailed discussion). The combination of these different elements is at the core of the ILO's Decent Work Agenda (see Box 5.1).

In summary, employment promotion efforts should be looked at in the broader context of contributing to these societal objectives in order to maximise their potential while managing any emerging trade-offs.

5.1 Employment promotion as a cross-sectoral effort

Employment promotion efforts need to address the range of barriers which may exist. As delineated in Chapter 4, there are many factors which can cause undesirable labour market outcomes, and often these lie outside the labour market. Yet, while employment promotion has increasingly become a policy priority for governments across the world, including in developing countries, a perception persists that confuses employment policies with a narrower set of labour market policies and regulations, often of a supply-side nature, under the auspices of ministries of labour.

Employment policies are broader than labour market policies.

To be successful, employment promotion requires a broad policy mix. To guide the discussion on what kind of policies may be needed to improve labour market outcomes, it is useful to draw on the conceptual framework of employment promotion proposed by the World Bank's *World Development Report 2013: Jobs* (World Bank, 2012). The framework, illustrated in Figure 5.1, differentiates among three levels of intervention[(2)].

- **Fundamentals of job creation.** Job creation is contingent on a policy environment conducive to strong private sector–led growth. This requires a set of key ingredients:

[(2)] This conceptual framework builds on a similar framework 'MILES', covering Macroeconomic policies; Investment climate, institutions and infrastructure; Labour market regulations and institutions; Education and skills; and Social protection. See World Bank (2008a).

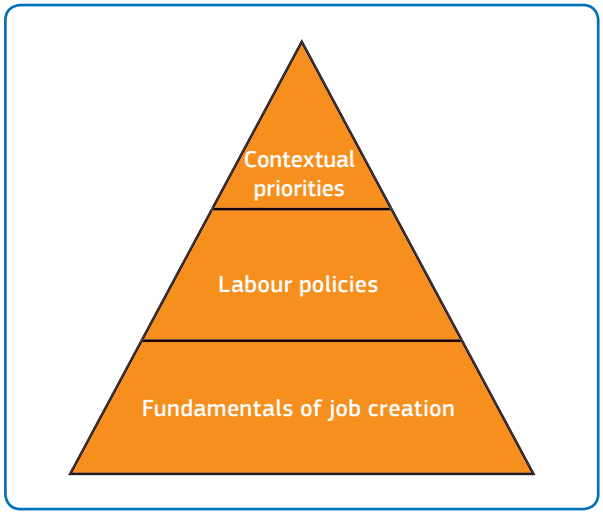
BOX 5.1 The four pillars of the Decent Work Agenda

The ILO Decent Work Agenda rests on four inseparable, interrelated and mutually supportive pillars.

1. **Promoting employment** by creating a sustainable institutional and economic environment in which:
   - individuals can develop the capacities and skills they need to be productively occupied;
   - all enterprises, public or private, are sustainable to spur growth and create employment and income opportunities;
   - societies can achieve their goals of economic development, social progress and environmental sustainability.
2. **Extending social protection** which is sustainable and adapted to national circumstances, including:
   - the extension of social security to all, including the provision of basic income;
   - healthy and safe working conditions;
   - policies and laws regarding fair wages and earnings and work conditions designed to ensure an equal sharing of productivity gains and a minimum living wage.
3. **Promoting social dialogue** and tripartism as the most appropriate methods for:
   - translating economic development into social progress, and social progress into economic development;
   - facilitating consensus building on national and international policies affecting employment and decent work;
   - making labour law and institutions effective.
4. **Respecting, promoting and realising the fundamental principles and rights at work**, noting that:
   - freedom of association and the right to collective bargaining are particularly important to enable attainment of decent work;
   - the violation of fundamental principles and rights at work cannot be used as a legitimate comparative advantage, and labour standards should not be used for protectionist trade purposes.

Source: ILO, 2008c.

FIGURE 5.1 The World Bank framework for employment interventions



- macroeconomic stability
- an enabling business environment (adequate infrastructure, access to finance, and sound business regulation)
- human capital
- rule of law.

- **Labour policies.** Since growth alone may not be enough, labour policies are needed to facilitate job creation, enhance the development impact of jobs and address market distortions (e.g. help those left behind). Such policies must include sound labour market regulation (e.g. labour laws, minimum wage, effective social dialogue), programmes to support specific target groups, and a balanced social protection system (for more detail, see Section 5.3).

- **Contextual priorities.** Given a country's context, the types of jobs with the greatest development payoffs have to be identified, while offsetting the most binding barriers to employment and decent work.

Figure 5.2 provides an overview of potentially relevant policy areas according to their influence on labour market supply, demand and matching.

The framework illustrates that the significance of employment promotion for development should not be interpreted as the centrality of labour market policies and institutions, as the most relevant obstacles to employment often lie outside of the labour market. The catalysts for job creation may therefore often lie in policies which support small and medium-sized enterprise growth, foster public investment in infrastructure or enhance the functioning of cities. Moreover, since a large share of people in developing countries are farmers or self-employed outside the formal sector, labour policies and institutions may only apply to a limited extent. In summary, policies to promote employment go far beyond the narrower area of labour market policies, which is just one component of employment policies.

See Volume 2, Guidance Note 3, for more information on supporting national employment policies.

While this manual (particularly Volume 2) focuses on policy instruments more directly related to the labour market, a range of other publications provide practical guidance on other policy domains (see Box 5.2).

5.2 Overview of labour standards[3]

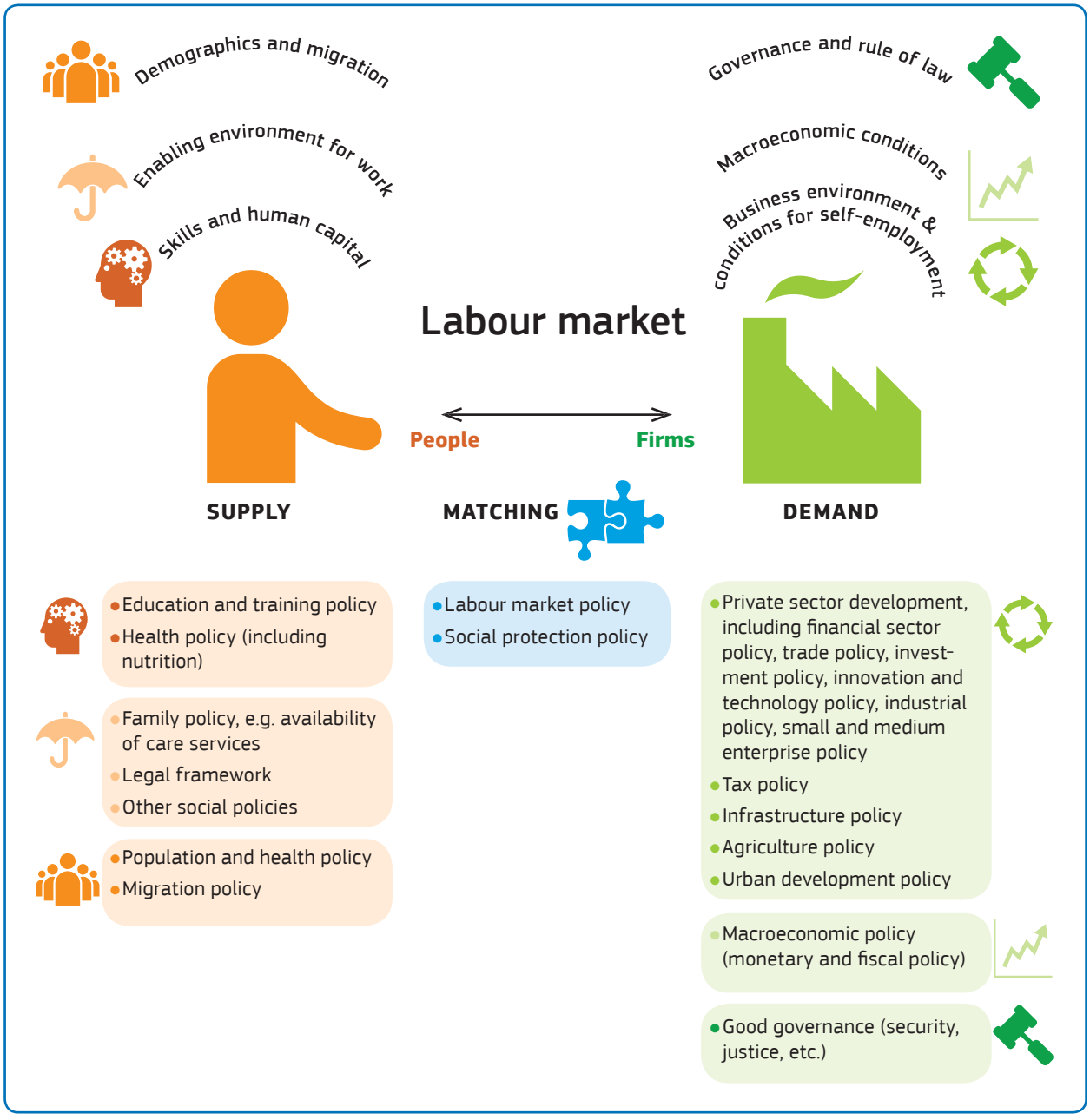
Since the early 20th century, international labour standards have provided an international legal framework aimed at promoting opportunities for people to obtain decent and productive work in conditions of freedom, equity, security and dignity. In today's globalised world, they are meant to ensure that the growth of the global economy provides benefits to all.

5.2.1 CONCEPT AND DEFINITION

International labour standards are legal instruments setting out basic principles and rights at work. They are either conventions, which are legally binding international treaties that may be ratified by Member States; or recommendations, which serve as non-binding guidelines. In many cases, a convention lays down the basic principles to be implemented by ratifying countries, while a related recommendation supplements the convention by providing more detailed guidelines on how it is to be applied. For example, the

[3] This section draws primarily on ILO (2014c).

FIGURE 5.2 Overview of relevant policy areas



ILO Employment Policy Convention, 1964 (C.122) is complemented by two associated recommendations (R.122 and R.169 issued in 1984). Recommendations can also be autonomous, i.e. not linked to any convention. One example is R.204 on the Transition from the Informal to the Formal Economy.

As of 2017, the ILO has adopted 189 conventions, 204 recommendations and 6 protocols, some dating back as far as 1919 and others as recent as 2016 (see Box 5.3 for an overview of subjects covered by international labour standards). The ILO's Governing Body has identified eight conventions as fundamental (or core), covering subjects considered to be the most central principles and rights at work; these have been ratified by the great majority of the ILO's 187 Member States (see Table 5.1).

5.2.2 RATIFICATION AND SUPERVISION

Conventions and recommendations are drawn up by representatives of governments, employers and workers and are adopted at the annual International Labour Conference. Once a standard

BOX 5.2 Selected resources on topics not treated in detail in this manual

Education and training

European Commission, 2017. *Vocational education and training for inclusive growth and development cooperation.* Tools and Methods Series Reference Document No. 24. EC, Brussels.

Social protection

European Commission, 2015. *Supporting social protection systems*. Tools and Methods Series Concept Paper No. 4. EC, Brussels.

World Bank, 2011. 'Safety Nets How to: A Toolkit for Practitioners'. Version 1. Online resource.

Private sector development

Altenburg T., 2011. 'Industrial Policy in Developing Countries: Overview and Lessons Learned from Seven Country Cases'. German Development Institute.

Donor Committee for Enterprise Development, https://www.enterprise-development.org/

European Commission, 2011. *Trade and private sector policy and development*. Tools and Methods Series Reference Document No. 10. EC, Brussels.

GIZ (Deutsche Gesellschaft für Internationale Zusammenarbeit), 2015. 'Enhancing the Quality of Industrial Policy (EQuIP)'.

International Labour Organization, 2016. *Value Chain Development for Decent Work: How to Create Employment and Improve Working Conditions in Targeted Sectors*. Geneva: ILO.

International Labour Organization, 2017. *Handbook on Assessment of Labour Provisions in Trade and Investment Arrangements*. Geneva: ILO.

Macroeconomic policy

ILO (International Labour Organization), 2011. 'Theme 1: Pro-employment Macroeconomic Frameworks in Developing Countries'. In: 'Employment Policy Department Knowledge Sharing Workshop Proceedings Report'. ILO, Geneva.

McKinley, 2010. 'Pro-Employment Macroeconomic Policies'.

Rule of law

United States Agency for International Development (USAID), 2005. 'Rebuilding the Rule of Law in Post-conflict Environments'.

BOX 5.3 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, 2014c.

is adopted, Member States are required under the ILO Constitution to submit them to their competent authority (normally the parliament) for consideration. In the case of conventions, this means consideration for ratification. Ratification is a formal procedure whereby a state accepts the convention as a legally binding instrument. If it is ratified, a convention generally comes into force for that country one year after the date of ratification. Once it has ratified a convention, a country is subject to the ILO's regular supervisory system responsible for ensuring that the convention is applied.

International labour standards are backed by a supervisory system that is unique at the international level and that helps to ensure that countries implement the conventions they ratify. The ILO regularly examines the application of standards in Member States and points out areas where they could be better applied. If there are any problems in

TABLE 5.1 Ratifications of ILO fundamental conventions (as of 2017)

NUMBER	ADOPTED	SHORT TITLE	RATIFICATIONS
C.29	1930/2014	Forced Labour and Forced Labour Protocol	178
C.87	1948	Freedom of Association	154
C.98	1949	Collective Bargaining	164
C.100	1951	Equal Remuneration	172
C.105	1957	Abolition of Forced Labour	175
C.111	1958	Discrimination	173
C.138	1973	Minimum Age	169
C.182	1999	Worst Forms of Child Labour	180

Source: ILO, 2014c.

the application of standards, the ILO seeks to assist countries through social dialogue and technical assistance. The ILO supervisory mechanism comprises the following:

- **Regular supervisory process.** Every three years, governments must report the steps they have taken to apply any of the ratified eight fundamental and four governance conventions; for all other up-to-date conventions, reports must be submitted every five years.
- **Special procedures.** These include (i) representations by workers' and employers' organisations, (ii) a complaints procedure and (iii) a freedom of association procedure.
- **General surveys.** General surveys seek to keep track of developments related to international labour standards in all countries, whether or not they have ratified them. The Committee of Experts publishes an in-depth annual General Survey on Member States' national law and practice, on a subject chosen by the Governing Body.

Although the ILO has no means to enforce the recommendations and conclusions of its various supervisory bodies, the majority of governments seek to comply with them to avoid bad publicity (see Box 5.4). Yet, the lack of binding enforcement power continues to raise concerns (Berg and Kucera, 2008).

More recently, the EU has included commitments on fundamental labour and other ratified conventions in its free trade agreements as part of the sustainable development chapters[4]. The ratification and application of the eight core labour standards conventions and other UN conventions is also a condition for benefiting from the EU Generalised Scheme of Preferences — the GSP, the GSP+ and the EBA (Everything But Arms). Indeed, serious and systematic violations of the core labour standards conventions

BOX 5.4 Application of the supervisory mechanism in Myanmar

In 2000, the Governing Body asked the International Labour Conference (ILC) to take measures to lead Myanmar to end the use of forced labour, after the country had failed to comply with the recommendations of a commission of inquiry. A complaint had been filed against Myanmar in 1996 for violations of the Forced Labour Convention (C.29), and the commission of inquiry had found 'widespread and systematic use' of forced labour in the country. After numerous debates at the ILO Governing Body and the ILC, the ILO and Myanmar agreed on a plan of action under which forced labour in Myanmar would be completely eliminated by the end of 2015.

Source: ILO website, 'Complaints Procedure', http://www.ilo.org/global/standards/applying-and-promoting-international-labour-standards/complaints/lang--en/index.htm.

[4] See ILO (2017b).

in these schemes can result in suspension of benefits. To further support these efforts, the EC has issued a reflection paper on 'Harnessing Globalisation' and initiated consultations on strengthening implementation and enforcement of the sustainable development chapters in free trade agreements[5].

5.2.3 USE OF INTERNATIONAL LABOUR STANDARDS

Once ratified, conventions (as well as recommendations) are used primarily in two ways.

- **Models and targets for national labour law.** International labour standards are primarily tools for governments seeking to draft and implement labour law in conformity with internationally accepted standards. International labour standards serve as targets for harmonising national law and practice in a particular field. Some countries may decide not to ratify a convention, but bring their legislation in line with it anyway. In numerous countries, ratified international treaties apply automatically at the national level. Their courts are thus able to use international labour standards to decide cases on which national law is inadequate or silent, or to draw on definitions set out in the standards, such as 'forced labour' or 'discrimination'.

- **Guidelines for social policy.** In addition to shaping law, international labour standards can provide guidance for developing national and local policies, such as employment, work and family policies. They can also be used to improve various administrative structures such as labour administration, labour inspection, social security administration, employment services, etc. Standards can serve as a source of good industrial relations applied by labour dispute resolution bodies, and as models for collective agreements.

International labour standards may be used by the private sector to define standards in its procedures and value chains, as well as by advocacy groups and non-governmental organisations to call for changes in policy, law or practice.

[5] See EC (2017b, 2017c).

Given their importance, international labour standards, in particular the core conventions, are referenced in the SDGs as well as in the objectives of various development partners, including the EU (see Box 5.5), and in trade agreements.

FURTHER READING

International Labour Organization (ILO), 2014. *Rules of the Game: A Brief Introduction to International Labour Standards*. Third revised edition. Geneva: ILO.

International Labour Organization Information System on International Labour Standards (ILO NORMLEX), http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:1:0::NO:::.

BOX 5.5 International labour standards in EU development cooperation

The adoption of the Charter of Fundamental Rights of the EU in December 2000 confirmed the Union's aim to promote and fully integrate fundamental rights, including the core labour standards, in its policies and actions. The Directorate-General for International Cooperation and Development (DG DEVCO) has adopted a strategic plan for the period 2016–2020 which pursues seven DEVCO-specific objectives, two of which target the creation of decent jobs (SO 2 and SO 3), while a third (SO 5) calls for the promotion of human rights (EC, 2016). The document further calls for 'enforcement of labour laws that promote decent work' and for 'Initiatives contributing to the respect of international labour standards'. Indicator 5 under SO 5 seeks to increase to 70 (by 2020) the number of States that have signed and ratified international and regional conventions. The indicator specifically refers to the 27 core international conventions, which include the 8 ILO core conventions. Moreover, the 'New European Consensus on Development' states that 'The EU and its Member States will [...] promote labour standards that ensure decent employment conditions for workers, in particular those defined by the International Labour Organisation, both in the formal and informal sector, including by supporting the transition from the informal to the formal economy' (EC, 2017a, p. 28).

5.3 Overview of labour market policies

While labour market policies are only a small piece of the employment policies typically needed, they are a key feature of labour markets and a core area for public policy intervention. The link between economic growth and improvement in living standards is not automatic. Moreover, different groups may benefit to a different extent from economic development (e.g. the skilled more than the unskilled), while the constant process of job reallocation (simultaneous creation and destruction) in an economy can have negative consequences for some groups of workers (e.g. those whose jobs disappear due to reduced competitiveness or technological change). Hence, labour market policies are needed to protect people from shocks and unethical working conditions, assist them in their transition to work and provide a basic safety net. For a discussion of terminology between 'labour policies' and 'labour market institutions', see Box 5.6.

Typically, labour policies can be distinguished as follows:

- **labour market regulations** to protect workers and improve labour market efficiency
- **active labour market policies (ALMPs)** to actively support job seekers in obtaining employment and enhancing income
- **passive labour market policies (PLMPs)** to provide/replace income during spells of unemployment.

In practice, labour market regulation, ALMPs and PLMPs can influence and support each other, thus requiring an integrated approach that ensures coordination between them.

5.3.1 LABOUR MARKET REGULATIONS

Labour market regulations provide the minimum legislative requirements employers and workers must comply with when starting, terminating and during employment. Other legislative acts, regulations, collective agreements and individual employment contracts may provide supplementary guarantees to workers. Primarily, labour market regulation refers to:

BOX 5.6 Labour market institutions

Broadly speaking, the term 'institutions' refers to the structures and mechanisms of social order which govern the behaviour of individuals within a given country, both formal (e.g. government entities, the legal system and the church) and informal (e.g. habits, customs and culture).

'Labour market institutions' thus refers to the set of laws, systems, policies, rules and practices (both formal and informal) which affect how the labour market works and how its constituents (workers, employers, government) interact with each other. Hence, all countries, regardless of their level of economic development, have labour market institutions. The distinction among countries lies in the degree to which 'these institutions are embedded in law, whether the law is applied in practice, and the extent that government policies are used to pursue certain objectives' (Berg and Kucera, 2008, p. 5).

In practice, this definition includes all forms of labour market interventions, ranging from those regulating the workplace to those providing labour market integration measures, insurance, and income support and redistribution (i.e. labour regulations, ALMPs, PLMPs and social protection measures).

Note, however, that 'labour market institutions' is often used more narrowly to refer primarily to the legal regulations governing working relations, such as minimum wages, employment protection legislation, and social dialogue and collective bargaining. This more narrow definition is typically conceptually separate from ALMPs that have a more short-term horizon; although PLMPs such as unemployment insurance and transfers may be subsumed under the term.

- **minimum wages:** to prevent exploitation and protect workers with limited bargaining power
- **employment protection legislation (including contract duration and dismissal procedures):** to enhance job security and protect workers from arbitrary dismissal
- **mandated benefits (such as paid sick and maternity leave):** to facilitate a good 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.

Some form of labour market regulations exists in virtually every country of the world. As indicated above, they play an important function in protecting workers. However, they need to be designed carefully as they also represent a cost for firms which, if too high, can undermine investments and the hiring of new workers. The challenge is to establish the right balance between workers' protection and firms' flexibility to manage human resources, avoiding both over- and underregulation (Kuddo, Robalino and Weber, 2015).

See Volume 2, Guidance Note 10, for a discussion of good practices on balanced labour market regulations.

5.3.2 ACTIVE LABOUR MARKET POLICIES

Active labour market policies and programmes are relatively short-duration interventions aimed at the improvement of the beneficiaries' prospect of finding gainful employment or to otherwise increase their earnings capacity. This includes spending on labour market training, employment services, self-employment assistance and subsidised employment (e.g. employment subsidies or public works). ALMPs are typically targeted at those who are unemployed (or threatened by it), youth (to transition from school to work) and other vulnerable groups (e.g. the disabled)[6].

ALMPs are widespread in developing countries, but their success is very mixed. Indeed, the effectiveness of ALMPs depends strongly on their relevance and responsiveness to specific barriers to employment, thoughtful design and quality implementation.

For evidence-based guidance on design features and implementation arrangements for different types of ALMPs, see Volume 2, Guidance Notes 5–9.

[6] Adapted from OECD (2007).

5.3.3 PASSIVE LABOUR MARKET POLICIES

By providing some form of income replacement, PLMPs are designed to provide a certain degree of financial security to workers and their households and to protect them from employment-related risks such as unemployment. The primary instrument is unemployment benefits, which provide a certain level of benefits for a determined period of time, and can be linked to other measures (i.e. ALMPs) to facilitate re-integration into the workforce[7]. PLMPs include a range of different schemes, such as unemployment insurance schemes, tax based schemes, severance pay or individual saving accounts.

Unlike ALMPs, PLMPs are mainly found in more developed nations and are relatively scarce in developing countries. ILO analysis found that unemployment insurance schemes existed in 72 of the 198 countries monitored by the ILO, most of these middle- and high-income countries. As a result, the proportion of unemployed receiving benefits varies from over 80 per cent in Western Europe and North America, to 40 per cent in Latin America and the Caribbean, 20 per cent in the Middle East and Asia, to less than 10 per cent in Africa (ILO, 2012b). This difference in coverage can be explained by the fact that unemployment is often less of a problem in developing countries than informal and vulnerable employment, but also because of limited administrative capacity in many developing countries with regard to information systems, monitoring and enforcing eligibility, record keeping, etc. (Robalino and Weber, 2013).

5.3.4 CROSS-CUTTING CONCEPTS

In addition to the types of policies mentioned above, there are several concepts that refer to the interplay of the different labour policies and regulations. In practice, these concepts manifest strong similarities, as they call for proactive measures to support people's integration into the labour market.

[7] In the many developing countries which lack unemployment insurance systems, higher levels of mandatory severance pay are typically adopted. Of 189 economies, only 86 had unemployment benefit schemes in 2015. Globally, countries without unemployment benefit schemes have, on average, 40 per cent higher severance pay than countries with such a scheme. See Kuddo, Robalino, and Weber (2015), p. 41.

Activation

The concept of activation is mostly used in middle- and high-income countries, where income support programmes and extensive social protection systems create the need for proactive policies to encourage people to work. Activation policies seek to 'effectively promote 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). The principle of activation is often directly related to the concepts of 'mutual obligations' and 'conditionality', stating that in return for receiving income support and being offered a range of employment services, individuals must comply with a set of requirements, such as active job seeking, participation in programmes, accepting job offers, etc.

Graduation

The concept of graduation is more commonly used in low-income countries. While there is no strict definition, graduation is commonly associated with 'a process of moving from the status of poverty or dependency on public support to an independent livelihood' (Almeida et al., 2012, p. 6). Graduation policies or programmes are typically concerned with enabling safety net beneficiaries and/or the poor to use complementary services and programmes which may enhance their opportunities and increase their incomes in order to tackle income poverty or 'dependency' (e.g. through a combination of social protection and employment assistance)[8].

'Flexicurity'

Flexicurity refers to an 'integrated strategy for enhancing, at the same time, flexibility and security in the labour market. It attempts to reconcile employers' need for a flexible workforce with workers' need for security'[9]. The EU has identified a set of flexicurity principles and is exploring how countries can implement them through four components:

- flexible and reliable contractual arrangements
- comprehensive lifelong learning strategies
- effective ALMPs
- modern social security systems.

FURTHER READING

Auer P., Efendiogly Ü., Leschke J., 2008. 'Active Labout Market Policies around the World: Coping with the Consequences of Globalization'. Geneva: International Labour Organization.

Berg J., 2015. 'Labour Market Institutions: The Building Blocks of Just Societies'. In: Berg J., ed., *Labour Markets, Institutions and Inequality*, pp. 1–36. Edward Elgar Publishing.

World Bank, 2012. *World Development Report 2013: Jobs*. Washington, DC: World Bank.

5.4 The role of social dialogue[10]

Strengthening social dialogue is one of four key strategic objectives in the ILO's Decent Work Agenda. The main premise of social dialogue is its partnership approach: it is a tool for building consensus on a wide range of employment issues. Indeed, fair terms of employment and decent working conditions cannot be achieved without the active involvement of workers, employers and governments through social dialogue.

5.4.1 CONCEPT AND DEFINITION

Social dialogue is defined by the ILO to include 'all types of negotiation, consultation or simply exchange of information between, or among, representatives of governments, employers and workers, on issues of common interest relating to economic and social policy' (ILO, 2013e). Social dialogue takes many different forms. It can exist as a tripartite process, with the government as an official party to the dialogue, or it may consist of bipartite relations between labour and management (or between trade unions and employers' organisations), with or without indirect government involvement. The concerted search for consensus can be informal or institutionalised; it is often a combination

[8] An example of a graduation concept is the BRAC/Consultative Group to Assist the Poor (CGAP) graduation model which seeks to deliver a comprehensive benefit package tailored to raise earnings among the extreme poor. See CGAP website, 'Graduation into Sustainable Livelihoods', http://www.cgap.org/topics/graduation-sustainable-livelihoods.

[9] See EC website, 'Employment, Social Affairs & Inclusion', http://ec.europa.eu/social/main.jsp?catId=102.

[10] This section draws on ILO (2013e).

of the two. It can take place at the national, regional or local level. It can be inter-sectoral, sectoral or at the enterprise level.

Social dialogue and tripartism covers:

- negotiation, consultation and information exchange between and among the different actors
- collective bargaining
- dispute prevention and resolution
- other instruments of social dialogue, including corporate social responsibility and international framework agreements.

5.4.2 IMPORTANCE OF SOCIAL DIALOGUE

Social dialogue can play a crucial role in promoting competitiveness and social justice, while enhancing economic prosperity and social well-being (Dereymaeker and Als, 2017). For instance, sound social dialogue can contribute to enhanced economic and social policies in the following ways:

- contribute to well-functioning industrial relations;
- improve transparency and accountability of the production process, including by providing checks and balances for regulation related to globalisation and international trade agreements and promoting corporate responsibility;
- ensure decent wages and improved working conditions, such as appropriate working hours and occupational safety and health, including through transnational social dialogue to address 'social dumping' (i.e. applying low wages and weak labour standards) in the context of global value chains;
- advance social security, social protection, and other social and labour policies to promote solidarity and resilience;
- promote gender equality, such as by combating discrimination (e.g. equal pay for equal work) and supporting family-friendly regulations (e.g. maternity leave; see Box 5.7);

BOX 5.7 Maternity pay in Zanzibar

After two years of advocacy and social dialogue between the government and the Zanzibar Trade Union Congress, a maternity law was passed in 2016 in Zanzibar, giving women the right to maternity pay. With a minimal contribution, women can become members of the Zanzibar Social Security Fund (ZSSF). As members, they can receive maternity pay for a period of three months every two years. Women in the formal sectors, as well as many of the most vulnerable and lowest-paid women, i.e. domestic workers in the informal economy, have become members of the ZSSF, thereby gaining the right to maternity pay.

Source: Dereymaeker and Als, 2017.

- promote social inclusion, such as by combating child labour, and supporting the integration of migrants and refugees;
- support progressive and redistributive fiscal and taxation policies;
- foster adequate vocational training and education;
- support pathways for formalising the informal economy.

In many countries, improvements across these dimensions have been made possible through collective bargaining and social dialogue. Moreover, the process of social dialogue allows for a strengthening of collective values such as trust, industrial peace and cohesion — not only for the respective actors, but for society as a whole.

5.4.3 CHALLENGES AND LIMITATIONS

In order for social dialogue to be effective, the following preconditions need to be fulfilled:

- democratic foundations and the rule of law, where different views and the fundamental rights of freedom of association and collective bargaining are respected;

- strong and independent workers' and employers' organisations (vis-à-vis government authorities) with the technical capacity and access to relevant information to participate in social dialogue;
- political will and commitment to engage in social dialogue on the part of all parties;
- an enabling legal and institutional framework;
- workers' associations representing their affiliates and members.

If these preconditions are not met, support activities must be developed related to them before social dialogue can be relied on as a tool for consensus building.

In practice, the objectives of the parties involved are often very different. For instance, workers typically seek higher wages, while employers try to limit costs. Hence, reaching a win-win situation or a compromise is not always easy.

Another key challenge is to ensure implementation of the agreements which have been reached, regardless of whether they are of a binding nature. Agreements are not always complied with, and enforcement can be a challenge.

The greatest challenge to — and limitation of — conventional social dialogue is the predominance of the informal economy in the majority of developing countries. Since trade unions and employers' organisations are, by nature, confined to the formal economy, the representation of informal workers, employers and operators in national social dialogue structures remains a challenge.

For practical guidance on leveraging social dialogue for promoting employment and decent work, see Volume 2, Guidance Note 4.

FURTHER READING

Dereymaeker J., and Als H., 2017. 'Using Social Dialogue as a Governance Tool and Driver for Inclusiveness and Sustainability in Economic and Social Development'. Unpublished study prepared for the European Commission's Directorate-General for International Cooperation and Development (DG DEVCO).

International Labour Organization (ILO), 2013. *National Tripartite Social Dialogue: An ILO Guide for Improved Governance*. Geneva: ILO.

International Labour Organization (ILO) website, 'Tripartism and Social Dialogue', http://www.ilo.org/global/topics/workers-and-employers-organizations-tripartism-and-social-dialogue/lang--en/index.htm

International Training Centre (ITC), 2012. *Social Dialogue — A Manual for Trade Union Education*. Turin: International Labour Organization, ITC.

CHAPTER 6
Conclusions

Creating more and better jobs has become a global priority. Indeed, jobs matter for poverty reduction, productivity growth and social cohesion. As a result, governments and development partners alike, including the EU, have included the promotion of employment and decent work in their strategic agendas.

However, employment promotion is no simple task. The employment situation in a given country is the result of a complex interplay of many factors and policies. Hence, it is crucial to first analyse the underlying barriers to more and better jobs. These can be related to the lack of labour demand (e.g. slow economic growth), inadequate supply of skilled workers (e.g. due to low-quality education and training systems), and inefficient matching between firms and job seekers (e.g. information deficits). Moreover, there can be a large set of factors negatively affecting working conditions, ranging from socioeconomic conditions to inadequate laws or enforcement of regulations.

In practice, most countries face a variety of simultaneous barriers. Therefore, an adequate policy mix is needed. Labour market policies, while important, are usually only a small piece of the puzzle, and need to be complemented with other reforms related to macroeconomic stability, private sector development, the education system, social protection, etc.

This first volume mainly seeks to provide a general overview of key concepts and challenges for labour markets in developing countries. For practical guidance on — among other topics — diagnosing employment challenges, formulating employment policies, and the design and implementation of various labour market policies and programmes, see Volume 2 of this manual.

ANNEX 1

ILO's Key Indicators of the Labour Market

KILM #	INDICATOR	DESCRIPTION
1	Labour force participation rate	The labour force participation rate is a measure of the proportion of a country's working-age population that engages actively in the labour market, either by working or by looking for work; it provides an indication of the relative size of the supply of labour available to engage in the production of goods and services. The breakdown of the labour force (formerly known as economically active population) by sex and age group gives a profile of the distribution of the labour force within a country.
2	Employment-to-population ratio	The employment-to-population ratio is defined as the proportion of a country's working-age population that is employed (the youth employment-to-population ratio is the proportion of the youth population — typically defined as persons aged 15–24 — that is employed). A high ratio means that a large proportion of a country's population is employed, while a low ratio means that a large share of the population is not involved directly in labour market related activities, either because they are unemployed or (more likely) because they are out of the labour force altogether. The employment-to-population ratio provides information on the ability of an economy to create employment.
3	Status in employment	Indicators of status in employment distinguish between the two main categories of the employed: (1) employees (also known as wage and salaried workers) and (2) the self-employed. The self-employed are further disaggregated into (a) employers, (b) own-account workers, (c) members of producers' cooperatives and (d) contributing family workers. Each of these categories is expressed as a proportion of the total number of employed persons. Categorisation by employment status can help in understanding both the dynamics of the labour market and the level of development in any particular country. Over the years, and with economic growth, one would typically expect to see a shift in employment from agriculture to the industrial and services sectors, with a corresponding increase in wage and salaried workers and concomitant decreases in self-employed and contributing family workers, many of whom will have previously been employed in the agricultural sector.
4	Employment by sector	This indicator disaggregates employment into three broad sectors — agriculture, industry and services — and expresses each as a percentage of total employment. The indicator shows employment growth and decline on a broad sectoral scale, while also highlighting differences in trends and levels between developed and developing economies. Sectoral employment flows are an important factor in the analysis of productivity trends, because within-sector productivity growth needs to be distinguished from growth resulting from shifts from lower to higher productivity sectors.

KILM #	INDICATOR	DESCRIPTION
5	Employment by occupation	This indicator classifies jobs according to major groups as defined in the International Standard Classification of Occupations (ISCO). The most recent version of the ISCO, ISCO-08, distinguishes 10 major groups: (i) managers; (ii) professionals; (iii) technicians and associate professionals; (iv) clerical support workers; (v) service and sales workers; (vi) skilled agricultural, forestry and fishery workers; (vii) craft and related trade workers; (viii) plant and machine operators and assemblers; (ix) elementary occupations; and (x) armed forces occupations. Occupational analyses inform economic and labour policies in areas such as educational planning, migration and employment services. Occupational information is particularly important for the identification of changes in skill levels in the labour force.
6	Part-time workers	The indicator on part-time workers focuses on individuals whose working hours total less than 'full time', as a proportion of total employment. Because there is no internationally accepted definition as to the minimum number of hours in a week that constitute full-time work, the dividing line is determined either on a country-by-country basis or through the use of special estimations. Two measures are calculated for this indicator: total part-time employment as a proportion of total employment, sometimes referred to as the 'part-time employment rate'; and the percentage of the part-time workforce comprised of women.
7	Hours of work	Two measurements related to working time are included. The first measure relates to the hours that employed persons work per week while the second measure is the average annual hours actually worked per person. The indicator is used to analyse broader economics and social developments (e.g. productivity, work-life balance, etc.), excessive work time, etc.
8	Employment in the informal economy	A measure of employment in the informal economy as a percentage of total non-agricultural employment. Where available, different values are reported for informal employment, employment in the informal sector and informal employment outside of the formal sector. In developing countries, the informal sector represents an important part of the economy and the labour market, and therefore the unemployment rate alone would be an insufficient measure to describe the labour market.
9	Total unemployment	The unemployment rate is calculated as the total number of unemployed (for a country or a specific group of workers) by the corresponding labour force, which itself is the sum of the total persons employed and unemployed in the group. The unemployed include all persons of 15 years of age or more who meet the following three conditions during the week of reference: • they did not work (according to the abovementioned definition) • they were actively searching for a job or took concrete action to start their own business • they were available to start work within the two weeks following the reference week. Overall unemployment is used as a measure of unutilized labour supply in a country. Unemployment rates by specific groups (e.g. by age, sex, industry) can be used to identify groups of workers and sectors most vulnerable to joblessness.
10	Youth unemployment	For the purpose of this indicator, the term 'youth' covers persons aged 15–24 years and 'adult' refers to persons aged 25 years and over. The indicator measures the (i) youth unemployment rate (youth unemployment as a percentage of the youth labour force); (ii) ratio of the youth unemployment rate to the adult unemployment rate; (iii) youth unemployment as a proportion of total unemployment; and (iv) youth unemployment as a proportion of the youth population. It also presents estimates of the proportion of young people not in employment, education or training, the NEET rate. Youth unemployment and NEET reflect the challenges in school-to-work transition with potentially damaging effects on individuals, economies and society at large (quality of life, productivity, social cohesion).

KILM #	INDICATOR	DESCRIPTION
11	Long-term unemployment	Long-term unemployment refers to people who have been unemployed for one year or longer. Prolonged periods of unemployment bring with them many undesirable effects, particularly loss of income and diminishing employability of the job seeker. An increasing proportion of long-term unemployed is likely to reflect structural problems in the labour market. In countries where well-developed social security systems provide alternative sources of income during unemployment spells, reducing long-term unemployment is of particular policy relevance for budgetary reasons.
12	Time-related underemployment	This indicator relates to the number of employed persons whose hours of work in the reference period are insufficient in relation to a more desirable employment situation in which the person is willing and available to engage. The indicator was previously known as 'visible underemployment'. Statistics on time-related underemployment can be used as a supplement to information on employment and unemployment, to enrich an analysis of the efficiency of the labour market in terms of the ability of the country to provide full employment to all those who want it.
13	Persons outside the labour force	The inactivity rate is the proportion of the working-age population that is not in the labour force. Summing up the inactivity rate and the labour force participation rate (see KILM 1) will yield 100 per cent. There is a variety of reasons why some individuals do not participate in the labour force; such persons may be occupied in caring for family members; they may be retired, sick or disabled; attending school; they may believe no jobs are available (discouraged); or they may simply not want to work. While inactivity is not bad per se (e.g. youth in education), undesired forms of inactivity represent a policy concern, e.g. youth discouragement, or the inability to combine work with household responsibilities (the latter being a key factor for female labour force participation).
14	Educational attainment and illiteracy	Reflects the levels and distribution of the knowledge and skills base of the labour force and the unemployed. Statistics on levels and trends in educational attainment of the labour force can: (i) provide an indication of the capacity of countries to achieve important social and economic goals; (ii) give insights into the broad skill structure of the labour force; (iii) highlight the need to promote investments in education for different population groups; (iv) support analysis of the influence of skill levels on economic outcomes and the success of different policies in raising the educational level of the workforce; and (v) give an indication of the degree of inequality in the distribution of education resources between groups of the population, particularly between men and women, and within and between countries.
15	Wages and compensation costs	Shows trends in average monthly wages in the total economy and presents the trends and structure of employers' average compensation costs for the employment of workers in the manufacturing sector. Real wages in an economic activity are a major indicator of employees' purchasing power and a proxy for their level of income. On the other hand, labour costs are a crucial factor in the abilities of enterprises and countries to compete.
16	Labour productivity	Presents information on labour productivity for the aggregate economy with labour productivity defined as output per unit of labour input (persons engaged or hours worked). Labour productivity measures the efficiency of a country with which inputs are used in an economy to produce goods and services; and it offers a measure of economic growth, competitiveness and living standards within a country.
17	Poverty, income distribution, employment by economic class and working poverty	Presents information on: • the proportion of the population living below the international poverty line of USD 1.25 • the proportion of employed persons living below the international poverty line of USD 1.25 (the 'working poor') • employed population living in different economic class groups (denoted by different per capita household consumption thresholds) • the population living below nationally defined poverty lines • the Gini index as a measure of the degree of inequality in income distribution.

Source: ILO, 2016a.

ANNEX 2

ILO Decent Work Agenda indicators

ELEMENT (ILO STRATEGIC OBJECTIVE)[a]	STATISTICAL INDICATOR[b]	LEGAL FRAMEWORK INDICATOR[b]
Economic and social context for decent work	C: Children not in school (% by age) C: Estimated % of working-age population who are HIV positive C: Labour productivity (GDP per employed person, level and growth rate) C: Income inequality (percentile ratio P90/P10, income or consumption) C: Inflation rate (Consumer Price Index) C: Employment by branch of economic activity C: Education of adult population (adult literacy rate, adult secondary-school graduation rate) C: Labour share in GDP C: Real GDP per capita in PPP$ (level and growth rate) C: Female share of employment by industry (ISIC tabulation category) C: Wage/earnings inequality (percentile ratio P90/P10) C: Poverty measures	L: Labour administration Developmental work to be done by the Office to reflect environment for sustainable enterprises, including indicators for (i) education, training and lifelong learning, (ii) entrepreneurial culture, (iii) enabling legal and regulatory framework, (iv) fair competition, and (v) rule of law and secure property rights. Developmental work to be done by the Office to reflect other institutional arrangements, such as scope of labour law and scope of labour ministry and other relevant ministries.
Employment opportunities (1, 2)	M: Employment-to-population ratio, 15–64 years M: Unemployment rate M: Youth not in education and not in employment, 15–24 years M: Informal employment A: Labour force participation rate, 15–64 years (1) [to be used especially where statistics on employment-to-population ratio and/or unemployment rate (total) are not available] A: Youth unemployment rate, 15–24 years A: Unemployment by level of education A: Employment by status in employment A: Proportion of own-account and contr. family workers in total employment [to be used especially where statistics on informal employment are not available] A: Share of wage employment in non-agricultural employment F: Labour underutilization	L: Government commitment to full employment L: Unemployment insurance

ELEMENT (ILO STRATEGIC OBJECTIVE)[a]	STATISTICAL INDICATOR[b]	LEGAL FRAMEWORK INDICATOR[b]
Adequate earnings and productive work (1, 3)	M: Working poor M: Low pay rate (below ⅔ of median hourly earnings) A: Average hourly earnings in selected occupations A: Average real wages A: Minimum wage as % of median wage A: Manufacturing wage index A: Employees with recent job training (past year/past 4 weeks)	L: Minimum wage
Decent working time (1, 3)	M: Excessive hours (more than 48 hours per week; 'usual' hours) A: Usual hours worked (standardised hour bands) A: Annual hours worked per employed person A: Time-related underemployment rate F: Paid annual leave (developmental work to be done by the Office; additional indicator)	L: Maximum hours of work L: Paid annual leave
Combining work, family and personal life (1, 3)	F: Asocial/unusual hours (developmental work to be done by the Office) F: Maternity protection (developmental work to be done by the Office; main indicator)	L: Maternity leave (including weeks of leave, and rate of benefits) L: Parental leave
Work that should be abolished (1, 3)	M: Child labour [as defined by ICLS resolution] A: Hazardous child labour A: Other worst forms of child labour A: Forced labour A: Forced labour rate among returned migrants	L: Child labour (including public policies to combat it) L: Forced labour (including public policies to combat it)
Stability and security of work (1, 2, 3)	M: Precarious employment rate A: Job tenure A: Subsistence worker rate A: Real earnings casual workers	L: Termination of employment (including notice of termination in weeks)
Equal opportunity and treatment in employment (1, 2, 3)	M: Occupational segregation by sex M: Female share of employment in senior and middle management (ISCO88 groups 11 and 12) A: Gender wage gap A: Share of women in wage employment in the non-agricultural sector A: Indicator for fundamental principles and rights at work (Elimination of discrimination in respect of employment and occupation) to be developed by the Office A: Measure for discrimination by race/ethnicity/of indigenous people/of (recent) migrant workers/of rural workers where relevant and available at the national level. F: Measure of dispersion for sectoral/occupational distribution of (recent) migrant workers F: Measure for employment of persons with disabilities	L: Equal opportunity and treatment L: Equal remuneration of men and women for work of equal value

ELEMENT (ILO STRATEGIC OBJECTIVE)[a]	STATISTICAL INDICATOR[b]	LEGAL FRAMEWORK INDICATOR[b]
Safe work environment (1, 3)	M: Occupational injury rate, fatal A: Occupational injury rate, non-fatal A: Time lost due to occupational injuries A: Labour inspection (inspectors per 10 000 employed persons)	L: Employment injury benefits L: Safety and health labour inspection
Social security (1, 3)	M: Share of population aged 65 and above benefiting from a pension M: Public social security expenditure (% of GDP) A: Health care expenditure not financed out of pocket by private households A: Share of population covered by (basic) health care provision F: Share of economic active population contributing to a pension scheme F: Public expenditure on needs-based cash income support (% of GDP) F: Beneficiaries of cash income support (% of the poor) F: Sick leave (developmental work to be done by the Office; additional indicator)	L: Pension L: Incapacity for work due to sickness/sick leave L: Incapacity for work due to invalidity
Social dialogue, workers' and employers' representation (1, 4)	M: Union density rate M: Enterprises belonging to employer organization [rate] M: Collective bargaining coverage rate M: Indicator for fundamental principles and rights at work (freedom of association and collective bargaining) to be developed by the Office A: Days not worked due to strikes and lockouts	L: Freedom of association and the right to organise L: Collective bargaining right L: Tripartite consultations

Source: Adapted from ILO, 2012a.

[a] Numbers in parentheses refer to ILO strategic objectives: 1 = standards and fundamental principles and rights at work; 2 = employment; 3 = social protection; 4 = social dialogue.

[b] Indicators which allow progress to be monitored with regard to the substantive elements. Indicators listed in blue should be reported on separately for men and women in addition to the total.

A = additional decent work indicator

C = economic and social context for decent work

F = candidate for future inclusion/developmental work to be done by the Office

L = descriptive indicator providing information on rights at work and the legal framework for decent work

M = main decent work indicator

ANNEX 3

SDG 8 Targets and Indicators

Goal 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

#	TARGET	INDICATOR
8.1	Sustain per capita economic growth in accordance with national circumstances and, in particular, at least 7 per cent gross domestic product [GDP] growth per annum in the least developed countries	8.1.1 Annual growth rate of real GDP per capita
8.2	Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors	8.2.1 Annual growth rate of real GDP per employed person
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	8.3.1 Proportion of informal employment in non-agriculture employment, by sex
8.4	Improve progressively, through 2030, global resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation, in accordance with the 10-year framework of programmes on sustainable consumption and production, with developed countries taking the lead	8.4.1 Material footprint, material footprint per capita, and material footprint per GDP 8.4.2 Domestic material consumption, domestic material consumption per capita, and domestic material consumption per GDP
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	8.5.1 Average hourly earnings of female and male employees, by occupation, age and persons with disabilities 8.5.2 Unemployment rate, by sex, age and persons with disabilities
8.6	By 2020, substantially reduce the proportion of youth not in employment, education or training	8.6.1 Proportion of youth (aged 15–24) not in education, employment or training
8.7	Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers, and by 2025 end child labour in all its forms	8.7.1 Proportion and number of children aged 5–17 years engaged in child labour, by sex and age group
8.8	Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment	8.8.1 Frequency rates of fatal and non-fatal occupational injuries, by sex and migrant status 8.8.2 Increase in national compliance of labour rights (freedom of association and collective bargaining) based on International Labour Organization (ILO) textual sources and national legislation, by sex and migrant status

#	TARGET	INDICATOR
8.9	By 2030, devise and implement policies to promote sustainable tourism that creates jobs and promotes local culture and products	8.9.1 Tourism direct GDP as a proportion of total GDP and in growth rate 8.9.2 Number of jobs in tourism industries as a proportion of total jobs and growth rate of jobs, by sex
8.10	Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all	8.10.1 Number of commercial bank branches and automated teller machines (ATMs) per 100,000 adults 8.10.2 Proportion of adults (15 years and older) with an account at a bank or other financial institution or with a mobile-money-service provider
8.a	Increase Aid for Trade support for developing countries, in particular least developed countries, including through the Enhanced Integrated Framework for Trade-Related Technical Assistance to Least Developed Countries	8.a.1 Aid for Trade commitments and disbursements
8.b	By 2020, develop and operationalize a global strategy for youth employment and implement the Global Jobs Pact of the International Labour Organization	8.b.1 Total government spending in social protection and employment programmes as a proportion of the national budgets and GDP

Source: ECOSOC, 2016.

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MN-06-17-354-EN-N

Publications Office

ISBN 978-92-79-76460-8