

The World Bank's 2013 World Development Report on Jobs

Comments by Jose M. Salazar-Xirinachs At Launching Event of the Report organized by the State Secretariat for Economic Affairs and the World Bank

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Good Morning,

My thanks to the State Secretariat for Economic Affairs and the World Bank for your invitation to this launching event.

I. On the process of consultation

As Martin mentioned, the ILO had a very close process of consultation and discussion with Martin and his team during more than one year. This has been one of the strongest instances of World Bank-ILO collaboration at the analytical level in years.

This close collaboration around the report, and the broader partnership between our two institutions, is key for three fundamental reasons.

1. First, the challenge of Jobs is central to the mandate and work of the ILO since its foundation in 1919, so it was appropriate for the Bank to consult closely with the ILO and include references to the body of ILO normative instruments, databases and research results.
2. Second, our two institutions are deeply engaged in providing policy advice to member states on growth, jobs and social protection issues, therefore, the more knowledge sharing, policy coherence and common understanding the better.
3. Third, in many countries labour markets are in a dire situation as a result of the economic and financial crisis, others suffer from what in the ILO we call "the crisis before the crisis", the high levels of poverty, informality, low productivity and serious governance and social cohesion issues existing before the crisis.

The mission of the ILO is to improve the world of work and we firmly believe that jobs drive development, are the best road out of poverty, and should be at the center of economic and social policy making. So we very

much welcome the World Bank's putting its intellectual, policy advice and lending firepower around employment creation.

And we welcome this in particular when we find so many positive aspects in the report and its approach. Having said this we also find some weaknesses. So let me start with the positive elements.

II. Positive aspects and main contributions of the report

1. On the positive side, we welcome the stated main objective of the report "to move jobs center stage" in development policy. This is what the ILO has been promoting and advocating, with significant success, around the concept of decent work. The ideas that *development happens through jobs*, that *working out of poverty* is the most effective route for poverty reduction and related ones, are ideas fully in line with ILO thinking, indeed ideas that the ILO has been advocating for years. The fact that the WDR contains these policy messages, and elaborates on their analytical and practical rationale, is an important contribution to a more people centred development, and to a much needed rebalancing of policies.
2. A second contribution is that the report makes a very impressive use of the literature across the many related disciplines that come together when one takes a jobs lens or decent work lens seriously. It contains a very good stocktaking with the state of knowledge and it is therefore an excellent basis to discuss a jobs related research agenda.
3. Third, although we regret the Bank did not embrace the concept of Decent Work, we, however, welcome the fact that the definition of jobs adopted by the report ("activities that generate income, monetary or in kind, without violating human rights") is explicitly based on rights, and specifically on the Fundamental Principles and Rights at Work. This definition categorically defines a "job" as complying with FPRW, an activity which does not comply does not qualify as a job. This is powerful, this has concrete consequences, and we welcome this. This means that some jobs are unacceptable: jobs that involve child labour, forced labour, discrimination, and jobs that suppress freedom of association and collective bargaining.

4. Fourth, as regards labour market legislation and policies, based on a careful review of the evidence, the report moves well beyond the conventional views in the Bank on labour market flexibility (Chapter 8). The notion that there is a desirable range or “*plateau*” between the two extremes or “cliffs” of too much or too little labour market regulations, where the impacts of EPL and minimum wages are modest and most of the impact is redistributive, is very helpful. This is a good way of describing the range that International Labour Standards normally allow to define the reasonable limits of regulation under each country’s conditions based on social dialogue.

It is a good service to international policy coherence that we finally have a compelling recognition by the Bank of what the ILO has been emphasizing: that most studies find the economic impacts of labour market regulations quite modest on efficiency but positive on redistribution, that investment surveys find that Labour market regulations are not among the top constraints the private sector faces, and that the most important binding constraints for jobs growth lie elsewhere.

The World Bank has always been mostly concerned with the high parts of the plateau –too rigid labour regulation-. In contrast, the ILO has always been more concerned about countries falling off the under-regulation cliff, and also concerned that the Bank was often pushing some countries off that cliff, as was indeed the case with the linear measurement of the Employing Workers Index (EWI) in the Doing Business Report. So, a major positive contribution on this point by the WDR on labour market policies.

5. Fifth, the Report is innovative in the analysis of *the developmental value of different jobs*, in asking the question of how different jobs affect the wellbeing of others and society, for instance, jobs for women, jobs in cities, in global value chains, jobs supported by transfers, jobs generated for at-risk young people. This is an approach that has important policy implications.
6. Sixth, the report is also innovative in identifying a specific list of *nine difficult questions* when one tries to do this differentiated jobs analysis: Should countries have Growth Strategies or Jobs Strategies? Can entrepreneurship be fostered? Can policies contribute to social cohesion? What is the meaning of a targeted investment climate?

Which comes first: skills or Jobs? Should policies protect workers or protect jobs? Etc. These are indeed key critical and difficult questions.

7. Seventh, an important contribution is the elaboration of *a taxonomy of jobs challenges or agendas* according to level of development, institutional strength, endowments and demography. The report distinguishes agrarian, urbanizing and formalizing countries; countries with high youth unemployment and ageing societies; resource rich countries, small island nations and conflict afflicted countries. This is a clear conceptual departure from “one-size-fits-all” approaches, towards a differentiated analysis, and to shape differentiated policy agendas for employment promotion. This is close to some work the ILO has done on employment policy guidelines for countries at different levels of development.
8. Eight, the discussion of entrepreneurship and of the job creation dynamics according to firm size is cutting edge, and an area where there is a large knowledge agenda to be developed.
9. Ninth, the Report makes a strong call for more and better data collection on jobs and labour issues. The ILO fully agrees with this.

III. Policy implications

Does the report succeed in deriving a different set of strategies and policies out of the “jobs lens”?

Employment or Jobs policies are discussed around what the report calls the *Jobs Policy Pyramid*, a three-stage approach to policies for jobs: fundamentals, labour policies and policy interventions for specific employment challenges.

1. With respect to *fundamentals*, the report innovates in ways that the ILO particularly welcomes: it includes among the fundamentals the respect for ILO core labour standards: child labour, forced labor, non-discrimination and freedom of association and collective bargaining. And as I just discussed, it also challenges the traditional views on labour market flexibility by introducing the notion of an “efficiency plateau”.

2. Secondly, the report's strong message that ***growth is important but not enough*** to create good jobs for development is another welcome change in policy stance. The Report puts a clear choice to countries: to simply pursue growth, or to recognize that growth does not mechanically deliver the jobs that do most for development. A growth agenda is not the same as a jobs agenda. Again, this is powerful, this has concrete consequences for policy.
3. In arguing that a jobs agenda is different from simply a growth agenda, the report opens up a ***wide range of questions about the role of the state and of policy***. Unfortunately, in adopting the position that jobs agendas are fully country specific the report does not explore sufficiently some of these questions.

For instance, the report argues that not only policies to “remove constraints” or “market imperfections” are important, but also more proactive policies to accelerate productive transformation, a targeted investment climate, policies to improve education and skills mismatches and others. However, it does not explore in detail what these policies could be.

4. Beyond this the WDR report is ambiguous about how to translate this Jobs Policy Pyramid into specific policy measures, and it seems to have explicitly avoided being more specific by emphasizing that “jobs agendas are... inherently country specific.”

So we would like to learn more about how the Bank will translate this new jobs lens into its country operations, and whether there is going to be a clear focal point within the Bank to lead and coordinate the implementation of the “jobs lens.”

IV. Weaknesses

Let me finish with some weaknesses we find in the report:

1. First, given so many commonalities between the ***concept of good jobs for development*** and the ***Decent Work Agenda***, and for full international policy coherence, the ILO regrets the Bank did not

embrace the decent work concept, particularly in light of its wide acceptance by the international development community.¹

But we are reassured that the Bank is presenting the concepts as complementary, not competing ones, and is searching for ways to avoid or reduce policy incoherence or misunderstandings in this respect.

2. Second, we find *the treatment of macroeconomic policy and the demand-side weak, ambivalent, and selective*. And it does not refer to the ILOs work on pro-employment macroeconomic frameworks. Let me elaborate:
 - i. First, macroeconomic stability is listed as a key fundamental, but apart from some passing mention to stimulus packages, the importance of aggregate demand management as a tool for countercyclical policy is not discussed. In many countries the employment crisis is closely associated with a deficiency of aggregate demand. And many developing countries put in place investment, stimulus and social policy packages to help mitigate the employment impacts of the crisis.²
 - ii. Second, the Report rightly notes that ‘avoiding exchange rate misalignment is necessary to sustain a vibrant export sector – and thus to create jobs connected with international markets and global value chains’ (p.23). Yet, it does not emphasize the trade-off that exists between using the exchange rate as a nominal anchor to restrain imported inflation (a standard IMF advice in the Article IV

¹ We missed a remarkable opportunity to concentrate on the shared objective of decent work. Both concepts recognize that there are material (income) and non-material aspects to jobs for the individual such as dignity, and self-esteem and that a job contributes to individual wellbeing well beyond the income dimension. Both concepts also recognize the society-wide contribution of jobs: the connection with productivity, living standards, peace in the community, and social cohesion. Both are operational concepts for employment diagnostics. Therefore, as an analytical framework, the “jobs lens” is very similar to the “decent work lens”.

² The report notes that ‘short-term stimulus or adjustment packages are needed’ to cope with external shocks, but dilutes the importance of this statement by arguing that stimulus packages are ‘less effective the developing world ...because of lower multiplier effects (p.23). This evidence is cited on the basis of one study (footnote 76).

Consultations with countries) and the exchange rate as a tool for influencing structural transformation.

- iii. Third, the report rightly points out that access to finance and lack of an adequate infrastructure are among the most severe constraints facing the private sector in the developing world (pp.23-24). Yet, this account does not recognize that enhancing access to finance will require interventions by monetary and financial authorities, in changing the regulatory framework to improve competition within the banking industry.
3. ***Role of public sector jobs.*** The third general weakness is this: the ILO fully concurs with the key role of the private sector in job creation, but public sector jobs also have important developmental effects. Development depends on effective delivery of public services as well as good capacities for policy formulation, implementation and evaluation. So the question of what public sector jobs are good for development is key. This is not analysed in the report.
4. ***Fourth, we find the treatment of the informal economy is also relatively weak:*** the topic is raised in several chapters, and includes statements that “informal is normal” and is also found in advanced economies. But there is no clear or integrated message on how developing countries can tackle issues of informality.
5. ***Finally, freedom of association*** is raised in several sections but mostly as a right focussed at workplace level. There is little reference or analysis about the important role that workers' and employers' organizations can and should play in national level social dialogue around the choices of what makes good jobs for development.

The section on Voice beyond the Firm (p.265) touches on the role of employers and workers organizations as social and political agents, but the analysis is quite short and selective. It argues that because their membership is strong in the civil service and in protected sectors, unions often oppose reforms involving fiscal consolidation, privatization or liberalization. And it refers to a paper which finds that developing countries with higher union membership and higher employment in the public sector,

experienced deeper declines in economic activity and slower recoveries because, due to unions, reforms were adopted late and their implementation was watered down. And this is presented as a generalization. There is no mention of instances where the Unions have played quite positive roles in economic reform processes, and also in anti-crisis policy packages to ensure inclusion, social cohesion and stability.

But overall, the WDR is a major piece of knowledge work, that the ILO welcomes very strongly. It tells governments and the development community around the world that development policies can be done differently, and it opens huge opportunities for collaboration and to reset the relationship with the ILO.