

Employment-targeting economic policies: overview and issues

James Heintz

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Why talk of 'employment targeting'?

- Alternative to other frameworks for economic policy: inflation-targeting.
 - Stresses real outcomes, not nominal/ monetary variables
- Growth for poverty reduction ('pro-poor')
 - Primary channel through which benefits of growth are distributed.
- But employment targeting is not the only option

Other approaches to 'pro-poor growth'

- Maximize the growth rate → redistribute income to address poverty, human development.
 - Acknowledge: maximizing growth does not maximize employment.
 - Past (neoliberal) policies to promote growth do not automatically reduce poverty/ inequalities.
 - Compensate 'losers' in the game of global growth.
- Approach implicit in some PRSPs. Justification for cash-transfers. De-linking from employment.
- 'De-commodify' labour – normative principle

Employment matters

- Non-monetary costs of joblessness (not just about income)
- Social cohesion: external costs/benefits (e.g. unemployment and violence/crime)
- The 'leaky bucket' of redistribution. Employment – fewer leaks.
- Politically viable levels of redistribution through non-employment channels may be limited.
- Labour as a source of income and a factor of production (generates income, matching incentives)
- Solid justification for emphasizing employment – but employment-targeting does not address everything.

Structure of Employment

- What categories/patterns of employment predominate?
- Three dimensions (more are possible)
 - Sector/industry (e.g. agric, industry, services)
 - Status in employment (ICSE – plus)
 - Formality status (social/legal/regulatory protections)
- Dimensions overlap, but are not identical
- Gender is critical: disaggregate by sex (also: youth)
- Supplement with information on hours, earnings, poverty rates, etc.

Employment-targeting policies: key aspects

- Labour Demand – reduce unemployment, underemployment, job creation, etc. ('quantity'). Includes the self-employed.
- Labour Mobility/Supply – can individuals take advantage of new opportunities when available? Includes structural barriers: skills deficiencies, unpaid care work, transportation, infrastructure, discrimination.
- Labour's 'terms of trade' – under what conditions is labour exchanged?
 - Returns to labour relative to costs of living
 - Bargaining power & social dialogue
 - Social protection
- Need to move beyond the neoclassical model of labor markets. Structural/institutional factors are central.

Employment-targeting policies: approaches

- Describe the structure of employment and constraints to improving employment opportunities (labour demand, mobility, and terms of trade).
- Multiple diagnostic tools (quantitative: statistical, modeling; qualitative: focus groups, in-depth surveys)
- Objective: to develop policies that relax these constraints (macro, institutional, micro)
- How should we think about the structure of employment
 - Short-run: improve employment taking the structure of employment as given
 - Long-run: development policies to transform the structure of employment to improve outcomes

Concrete employment-targeting: monitoring and evaluation

- To actually set ‘employment targets’ – need appropriate indicators.
- DATA, DATA, DATA
 - Timely and representative?
 - Sufficient variables?
 - Existing data often under-analyzed
- No shortage of indicators – draw on what exists, but adapt to specific contexts.

Concrete employment-targeting: accountability

- Inflation-targeting central bank policy
 - Announce target (transparency)
 - Ostensibly held accountable for reaching target
- Parallel for employment-targeting?
 - Not clear that a strong parallel exists
 - Inter-ministerial, inter-governmental coordination essential
 - Who is ultimately accountable for employment policy?
Is there a clear coordinating mechanism?