ILO-DWA Pillar 2: Full and Productive Employment

José M. Salazar-Xirinachs
Executive Director,
Employment Sector, ILO
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I. The Employment Problem Today

1. Despite recent high economic growth the absolute number of unemployed people are at an all time high.

2. There has been only a slight reduction in the numbers of working poor.

3. The gap between women and men persists.

4. Unemployment and underemployment hit young people hardest.
World:
Total Employment and Employment-to-population ratios 1996-2006
World:
Total unemployment and unemployment rates 1996-2006
World:
Working poverty total and shares, US$ 1 and 2 a day, 91-06

[Graph showing the number of working poor and their share in total employment from 1991 to 2006.]
World: Employment Shares by Sector, 1991-06

- **AGRICULTURE**
- **INDUSTRY**
- **SERVICES**
Developing countries continue to have dual economies – Informal Economy -

- In Sub-Saharan Africa over 90 percent of work is in the IE;
- In Asia, in spite of rapid growth, the working poor represent between 47 and 84 percent of workers;
- In Latin America, IE represents some 75 percent of workers and 40 percent of GDP; it is estimated that out of every 10 jobs created in the last 15 years, on average 7 were created in the IE
- In industrialized transition countries, IE represents 6 to 30 percent of GNP
The gender employment gap persists…

- In 2006 only 49% of women aged 15+ were working compared to 49.6% in 1996.
- The comparable male employment to population ratios were 75.7 in 1996 and 74% in 2006.
Unemployment and underemployment hit young people hardest…

- 86.3 million young people (44 percent of the world’s total) are unemployed

- Youth unemployment rates are normally 2 to 3 times higher than average rates
Policy conclusions from growth, employment and poverty trends:

- High economic growth is important for poverty reduction and employment creation but not enough.

- Given observed trends, there is no reason to think that continued robust growth by itself will translate into significant reductions in poverty, unless something is done significantly different in terms of innovative employment and DW policies.

- The transformation of growth into poverty alleviation is via the labour market. « Getting growth right » in terms of employment creation requires policies to strengthen the link between growth and jobs.
Policy Conclusions

- In developing countries characterized by dual economies, policies that focus only on the formal segment will not work. Policy interventions in the informal economy are also crucial.
- Employment strategies should target women to combat discrimination and empower women to join the work force, either as wage labourers or as entrepreneurs.
- Employment policies should target young people.
II. The GEA as the employment pillar of DWCPs: An integrated approach

- The OECD has the OECD Jobs Strategy,
- The EU has the Growth and Jobs Strategy,
- The ILO has the Global Employment Agenda (GEA) as the basic policy framework for employment policies
Background on the GEA

- **2000**: the UN General Assembly recognised the “need to elaborate a coherent and coordinated international strategy on employment and ... support(ed) the convening of a world employment forum by ILO in 2001.”

- **2003**: Governing Body adopted the GEA.

- **2003–2005**: ESP Committee discusses the ten core elements of the GEA and reviews its implementation.

- **2006-07 biennium**: DWCPs are the main delivery vehicle for the Programme and Budget and the main instrument for ILO cooperation with member States.

- **March 2006**: Employment Sector ED presented a "vision" on the Office's work on employment for the 2006-2007 biennium and beyond.
The employment policy framework in one page, Basic concepts, approaches and tools

**BASIC CONCEPTS**
- **Determinants & Prerequisites**

  - **Growth:**
    - Capital-Investment
    - Human Capital
    - Productivity
    - Trade
    - Governance
  
  - **Distribution-equity, & social inclusion:**
    - Taxes & transfers
    - Access to:
      - Assets - credit
      - Education and training
      - Infrastructure
      - Health
    - Social Protection
  
  - **Empowerment, Governance & Institutions:**
    - Representation
    - Participation-Power
    - Social Dialogue

**KEY POLICY AREAS**
- **Checklist**

  1. **Economic Policies for Employment Expansion (Demand Side)**
     - Macroeconomic Policies
     - Financial policies
     - Investment Climate/Policy
     - Trade, RI, sectorial policies
     - Labor Mobility/Migration
  
  2. **Skills, Technology & Employability**
     - Training policies and systems
     - Skills for technological change
     - Employment Services
     - Improved access to training
  
  3. **Enterprise Development:**
     - Policy & regulatory framework
     - Value-chain Upgrading
     - Local Economic Dev-LED
     - Workplace practices
  
  4. **Labor Market: Institutions and Policies**
     - LM adjustment policies
     - Passive and ALMPs
     - Employment Services
     - Industrial Relations
  
  5. **Governance, empowerment & organisational capital**
     - Representation and advocacy
     - Freedom of Assoc/Coll bargaining
     - Social dialogue
  
  6. **Social Protection (Sector III)**

**TOOLS**
- **Illustrative list of E-knowledge products:**

  - Employment-centred growth strategies
  - Growth-Employment-Poverty reduction links
  - LM adjustment to Trade/Regional integration
  - Access of working poor to finance
  - E-Intensive Investment Approaches
  - Recognition of skills across borders

- **Training, Lifelong learning, on the job-training.**
- **Worker Displacement, career guidance,**
- **Community-based rehabilitation**
- **Use of ICTs for productivity**

- **Business Development Services (BDS) for SMEs**
- **SME Finance**
- **Entrepreneurship and Productivity Tools**
- **Corporate Social Responsibility**
- **Strengthening cooperatives**
- **Capacity-building materials for LED**

- **Passive Policies:** Income Support for Jobless
- **ALMP:** training for jobless, job creation, wage subsidies, enterprise creation
- **E-Services**
- **Flexibility and Security**

**OBJECTIVES & OUTCOMES**
- **EMPLOYMENT**
- **Poverty reduction**
- **Gender**
- **Young people**
- **Target Groups:** Old, Disabled, others
- **Informal Economy.**
- **Crisis response**

**Achievement of Key Objectives:**

- **Country A**
- **Country B**
- **Country C**

**Roadmaps**

- for countries at different levels of dev.
In terms of general principles

Good practice is…

- To consider E&DW policies under an integrated approach that considers the D-side and the S-side, the macro policies and micro interventions, and the quantitative and qualitative dimensions. In practice this means that all key Ministries and agencies have to be involved.

- To place E&DW in the main frameworks driving policy in the country (eg PRSPs, UNDAF, etc).

- To recognize that the public sector can play an important role as employer, in a market economy the challenge is to create an enabling environment for the private sector to create wealth and jobs.

- To target particular groups: women, young people, informal economy workers, persons with disabilities, indigenous groups.

- To include quantitative goals and baselines measures so that progress can be assessed.

Using mechanisms that apply broad-based social dialogue and participation in the policy reform process.
In the area of Skills, technology and employability, good practice is...

- Promoting access to basic education as well as vocational skills because: Education makes a person trainable, training makes her employable, and attitude and continuous learning keeps the person employed.
- Working closely with the private sector to provide skills that are in demand in the marketplace
- Promoting apprenticeships in private companies
- Developing not only technical skills but also so-called life skills or core skills
In terms of job-rich growth
Good practice is…

- Employment friendly macroeconomic policy
- Promote upgrading and diversification of the production structure (exports, FDI, local sectors)
- Strengthen linkages locally and with global value chains
- Increase domestic technological capabilities
- Pay attention to sectorial sequencing of trade liberalization, facilitate trade adjustment and competitiveness promotion.
- Promote flexicurity in labour markets, appropriate to each national context
- More research is needed in this area.
In the area of Enterprise Development Good Practice is…

- To create an enabling national environment for investment and doing business
- To encourage entrepreneurship and self-employment as viable and worthy career aspiration
- To promote good workplace practices based on good labour-management relations and respect for workers’ rights as a means of raising productivity and competitiveness
- To establish policies and regulations that create conditions for informal enterprises to join the mainstream economy
III. Examples of ILO programmes for employment creation

Employment intensive investments in infrastructure
Enterprise development
Informal Economy
Employment-intensive investments in Infrastructure

- Public investments – a policy instrument still available to Governments to create employment

- Infrastructure investments:
  - Over 20% of total investment
  - 38% to 58% of public investment
  - Even higher for countries emerging from crisis

Conclusion from “Infrastructure at the Crossroads: Lessons from 20 years of World Bank experience”:

- “The events of the past decade have demonstrated that involving the private sector in infrastructure provision is not a universal cure. The World Bank learned that the role of government institutions has remained a central one, as no other actors can compensate for government weaknesses in sector strategy, investment and expenditure prioritization, regulation, and risk management.

- The World Bank also learned the importance of understanding the political economy of private participation, adapting regulatory approaches to country circumstances, and properly allocating risks between the public and private sectors. The public sector will remain a key source of infrastructure investments in developing countries, and the World Bank should be engaged along the entire spectrum of public-private solutions.”
Infrastructure and Employment: What is the potential impact?

- 3 to 5 times more direct employment creation
- 1.6 to 2.0 times more indirect employment creation through multiplier effects (upstream and downstream linkages)
- 50% savings in foreign exchange
- Financial costs typically 20% less
- Impact of infrastructure on output, productivity and employment
How to carry forward this work?

- Develop standardised methodologies and guides on evaluating employment impact of investment projects and of Public Investment Programmes,

- Support creation of employment-investment policy units within Ministries of Finance

- National and regional training centres for labour-based infrastructure development
Enterprise Development Programme

Key objectives:
1. Enhance job creation potential of enterprises
2. Improve the quality of the jobs

Four major levels:
- **National**: Policies and regulation for an enabling business environment
- **Sectoral**: Methodologies for upgrading value chains and clusters
- **Local, regional**: Methods and tools for local development
- **Enterprise**: Promoting productive and decent workplace practices

Target groups: MSMEs, MNEs, COOPs, IE units
ILO approach and tools

Business Environment (BE)

- Advice and training on why and how to reform the BE
  - Support for mapping and assessing the BE
  - Strengthen small business associations to identify, prioritize and influence areas for reform
  - Facilitate dialogue with government on these issues

- Some key concerns:
  - Ensure that reforms support formalization of enterprises
  - Create a level playing field for cooperative enterprises
  - Reduce regulatory barriers to women’s entrepreneurship
  - Balance the need to reduce regulatory burden on MSEs with protection of workers

- Promote enterprise culture and entrepreneurship in education and training systems
Relevant ILO tools….

- Assessing the influence of the business environment on SED: An Assessment Guide
- Turin training course for policy makers
- Electronic toolkit for employers’ organizations: Reaching out to SME
- The Small Business Associations Trainers’ Manual
- Women Entrepreneurs’ Association Capacity Building Guide
- Assessment framework for growth oriented women entrepreneurs
- Guidelines for Cooperative legislation
- Tools to promote Women’s Entrepreneurship, including:
  - Establishing or strengthening WE associations
  - Promoting market access for WEs
  - Media campaigns: Month of Women Entrepreneurs, role models etc.

FACT SHEETS ON THESE AND OTHER TOOLS AVAILABLE IN THE ROOM
Factory Improvement Programme
Integrated Approaches
Growth Oriented Women Entrepreneurs

- Policy Coordination and Leadership
- Project Development and Management
- Advocacy
- Gender Sensitivity
The evidence is well documented (in all types and sizes of enterprises)

- Company success rests on quality management. There is a solid link between how well managers adopt good practices and how well a company performs (McKinsey & LSE, 2005).
- A trusting relationships with employees improves productivity and profitability of an enterprise. A positive workplace raises productivity levels (Tzafrir, 2005).
- There is a clear and positive link between better working conditions and business success. Companies listed on Fortune’s 100 Best companies to work for annually outperform their competitors (Fortune, 2005).
- Companies investing in their workforce can expect higher productivity and profitability. Investing in training and development pays off for the company (Kochan, 2006).
Good workplace practices for high performance and labour standards

- Enterprises that achieved positive results usually applied a mix of workplace practices in the fields of:
  - employee involvement
  - compensation
  - working time and work-family balance policies
  - training and development
  - employee well-being programmes
  - equity and non-discrimination
  - occupational safety and health
  - job security

- International Labour standards provide a foundation for developing these practices but they need to be embedded in the management practices within the enterprise. Thus we increasingly see reference to ILS in codes of practice and in company competitive strategies.
**ILO Services & Tools**

- **Factory Improvement programme** – The FIP programme combines workshop training with individual in-factory consultations. It is designed for medium-sized manufacturing facilities and can be implemented in a variety of sub-sectors.

- **Improve Your Work Environment and Business programme (I-WEB)**: designed to develop the skills of micro-entrepreneurs and provide practical ideas to improve working conditions;

- **Socially Sensitive Enterprise Restructuring (SSER)**: helps enterprises to go through the times of market uncertainty in the best possible ways from both economic and social points of view

- **Expand Your Business (EYB)**: designed to help growth-oriented small and medium-sized enterprises to build efficient and sustainable management systems.
Multinational Enterprises (MNEs)
ILO approach and tools, including CSR

- Main instrument: Tripartite Declaration of Principles on MNEs and Social Policy – 1977), framework for contribution of MNEs to:
  - General economic and social policies
  - Employment
  - Training
  - Conditions of work
  - Industrial relations

- Main areas of work:
  - Promote the Declaration
  - Inform of good practice: cases and surveys on Declaration follow-up
  - Research: Key sectors, monitoring and reporting systems
  - Good practices on CSR
Proposed broadening the definition of the “informal sector” to “informal economy” (IE):

- to include all economic activities that are in law or practice – not covered or insufficiently covered – by formal arrangements

- the IE covers diverse employment situations across all economic sectors, in the rural and urban areas including wage employment and self-employment, own account workers, contributing family members and economic units

- that have in common glaring decent work deficits and limited access to mainstream resources.
Consensus was reached that for "breaking out of informality" policies need to **simultaneously** address the twin objectives of:

1. preserving the livelihoods, job creation and income generation and entrepreneurial potential *and*

2. extending protection and promoting the incorporation of workers and economic units in the informal economy into the mainstream economy
ILO approach developed cuts across all Decent Work strategic objectives and tools

- Growth strategies and quality employment generation
- Regulatory environment including promotion of ILS & core rights
- Entrepreneurship, skills, microfinance, market access
- Extension of social security and protection
- Area-based local development (rural and urban)
- Organization, representation and social dialogue
Integrated ILO approach towards the IE cuts across all Decent Work strategic objectives and tools

Adapted to local conditions, comprehensive and coherent policies that address:

- Growth strategies and quality employment generation
- Regulatory environment, including ILS & core rights
- Entrepreneurship, skills, finance, management, access to markets
- Extending social protection including social security
- Organization, representation of IE workers and social dialogue
IV. New challenges

- Developing employment needs assessment and diagnostic tools
- Developing employment policy guidelines and evaluation tools
Employment needs assessment and diagnostic tools

- Tools to better understand and assess the “employment challenge” in a country specific context
  - Guide for Youth Employment
  - A new employment needs assessment tool for the national level

- Needs assessment tool:
  - Help identify country-specific “binding constraints” with regard to growth and employment potential, a tool in between Haussman, Rodrik and Velasco’s “growth diagnostic” and “social dialogue”
  - “sizing up” and “benchmarking” the employment challenge; aggregate and sectoral elasticities; sectoral dynamism; sources of growth and employment;
  - Help in prioritizing reforms and interventions: policies? institutions? governance?
Employment policy guidelines and evaluation

- Policy Guidelines for countries at different levels of development

- Better tools to measure impact