



ILO (Office) comments on the World Bank's "World Development Report 2013: Jobs"

2 November, 2012

I. On collaboration between the ILO and World Bank

The ILO welcomes the publication of the World Bank's WDR 2013 on Jobs. We appreciate the close consultation that the WDR team maintained with ILO experts during its preparation. This has been a positive experience of World Bank-ILO collaboration at the analytical level.

Building on the collaboration around the report, we hope to deepen the broader partnership between our two institutions, which we believe would contribute to development and poverty alleviation in important ways.

Our two institutions are deeply engaged in providing policy advice to member states on growth, jobs and social protection issues. The sharing of knowledge between our institutions can increase our common understanding and therefore the effectiveness and coherence of the policy advice we provide to constituents. Because employment is central to the mandate and work of the ILO, we have developed an unparalleled body of normative instruments, databases, analysis and research to contribute to this common understanding.

There is urgency for our organizations to deepen our collaboration because job creation is an urgent challenge in most parts of the world. In some parts of the world this is due to the lingering effects of the economic and financial crisis. In other parts of the world it is due to what we in the ILO call "the crisis before the crisis", that is the high levels of poverty, informality, low productivity and serious governance and social cohesion issues that existed in many countries long before the crisis.

The report paves the way for the Bank to align itself with the ILO's Decent Work Agenda, which has been endorsed by the United Nations and many other international organizations, and thus promote enhanced policy coherence. The ILO looks forward to developing practical means for our two organizations to collaborate closely in following up the report's findings through support to governments, business and labour around the world.

II. Overall assessment

The World Development Report 2013 is an important contribution to a better understanding of the role of jobs and livelihoods in the development process. The report contains important innovations that will contribute to global thinking and debate on the best policies to

encourage employment creation. While there are a number of areas that require deeper analysis, the ILO finds much common ground with the report.

III. Main contributions of the report

1. The principal objective of this WDR, as stated in the report, is to “move jobs centre stage” in the macroeconomic, productive transformation and development debates. We welcome the concepts that *development happens through jobs* and that *working out of poverty* is the most effective route for poverty reduction. These are ideas that the ILO has been advocating for years. The fact that the WDR contains these policy messages, and that it elaborates on their analytical and practical rationale, is an important contribution to a development approach that seeks equity and inclusion. It can position the Bank to help with the much needed rebalancing of policies.
2. 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. Connecting these different strands of empirical evidence is a major achievement that we applaud.
3. The report contains a very good stocktaking of the state of knowledge and provides an excellent basis for a research agenda for the future. Defining the jobs research agenda is a shared challenge for both of our institutions.
4. As regards labour market legislation and policies, based on a balanced and careful review of the evidence, the report moves well beyond earlier views in the Bank on labour market flexibility (Chapter 8). The notion of a “*plateau effect*” in which there is ample space for governments and societies to decide on the desired level of labour protection and regulations is helpful. The international labour standards of the ILO normally allow a range of choices of how to achieve the standards in each country based on social dialogue.

It is a service to international policy making and coherence that the WDR recognizes what the ILO has emphasized: that most studies find any negative economic or efficiency impacts of labour market regulations to be quite modest, while the regulations can have important positive impacts on distribution and equity. The WDR notes that investment surveys find that labour market regulations are not among the main constraints faced by the private sector.

The report should lead to change in the conventional views and policies on the supposed employment and other benefits of labour market flexibility.

5. The Report is innovative in the analysis of *the developmental value of different jobs*. It puts on the agenda the important question of how different jobs affect the wellbeing of others and of society, for instance, jobs for women, jobs in cities, jobs in global value chains, jobs supported by transfers, jobs generated for at-risk young people. The policy challenge when this question is raised is how to accelerate in a differentiated way the creation of jobs that are good for development. This is a useful way of going beyond the traditional narrow pursuit of economic growth by linking jobs and decent work to the reality that development challenges are multifaceted. This approach has important policy implications.

6. The report is also innovative in identifying a specific list of *nine difficult questions* that demand our continued attention: What is a job? Growth Strategies or Jobs Strategies? Can entrepreneurship be fostered? Can policies contribute to social cohesion? What is the meaning of a targeted investment climate? Skills or Jobs: which comes first? Protecting workers or protecting jobs? These are indeed critical and difficult questions.
7. 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 work the ILO has done on employment policy guidelines for countries at different levels of development.
8. 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. The Report makes a strong call for more data on jobs. The ILO agrees this is imperative and will seek to collaborate with the Bank to help countries generate the needed information to inform analysis and policy.

IV. Policy implications

Does the report succeed in deriving a different set of strategies and policies after examining development through the “jobs lens”?

The report is more a research product than a policy one, and beyond making the case for putting jobs centre stage it does not seek to provide a clear policy agenda on how to tackle the urgent employment policy challenges many countries are facing today.

The main policy contribution is what the report calls the *Jobs Policy Pyramid*, a three-stage approach to developing policies for jobs: fundamentals, labour policies and policy interventions for specific employment challenges.

There are some important ways in which this framework constitutes an evolution from the traditional policy approaches of the Bank:

1. With respect to *fundamentals*, the message that the policy environment conducive to growth and jobs includes an adequate macroeconomic framework, an enabling environment for business, quality infrastructure, smart business regulation and rule of law are well established policy guidelines. But here the report innovates in ways that the ILO particularly welcomes: it includes among the fundamentals an institutional environment that ensures respect for ILO core labour standards: the elimination of child labour and forced labor, non-discrimination and the rights to freedom of

association and collective bargaining. And as stated above, it challenges the traditional views on labour market flexibility.

2. The report's strong message that ***growth is important, but growth alone is not enough*** is one the ILO has been emphasizing and is a welcome change from traditional Bank views. In the past the Bank has been too narrowly focused on the pursuit of economic growth without enough attention to the quality, employment intensity and inclusiveness of that growth. The report is a clear departure from that stance. It states the choice to countries: they can simply pursue growth, or they can recognize that growth does not mechanically deliver the jobs that do most for development.
3. In arguing that a jobs agenda is different from a narrow growth agenda, the report opens up a ***wide range of questions about the role of the state and of policy***. The report stresses the importance not only of policies to "remove constraints" or "market imperfections" but also more proactive policies to accelerate productive transformation, a targeted investment climate, improve education and skills mismatches and other key areas. The Bank should now work with the ILO to develop answers to these policy challenges in its country operations.
4. Beyond this the WDR report seems to have explicitly avoided being more specific about how to translate the Jobs Policy Pyramid into policy measures by emphasizing that "jobs agendas are... inherently country specific". Nonetheless the ILO would expect the report's analysis to lead the Bank to work more closely with the ILO to translate this new jobs lens into its country operations and policy advice.

V. Areas for further elaboration

The ILO finds several areas where the report should go further:

1. The ***concept of good jobs for development*** is close to the ***concept of decent work*** and there is much in common in what the "jobs lens" and the "Decent Work Agenda" imply for development policy. As noted above therefore, the WDR paves the way for the Bank to align itself with the endorsement of the ILO Decent Work Agenda by the United Nations and many other international organizations and thus promote enhanced policy coherence.

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.

The concept of Decent Work is more explicitly anchored in the principle of respect for rights at work as human rights, which is consistent with the Universal Declaration of Human Rights and the rights-based approach to development. In defining jobs as "activities that generate income...without violating human rights" (p4) the World

Bank's definition recognizes the floor that Fundamental Principles and Rights at Work put to the definition of a job. And the report recognizes that some jobs are unacceptable: child labour, forced labour, discrimination, jobs that expose workers to dangerous environments or hazardous conditions, those that suppress voice among workers.

Therefore, as an analytical framework, the "jobs lens" is very similar to the "decent work lens". It is essential to ensure that these two concepts are perceived as complementary concepts rather than competing ones, to ensure full policy convergence. The ILO will offer to work closely with the Bank to ensure that its policy advice at the country level takes into account the ILO's identification of decent work deficits in respect to fundamental conventions.

2. ***The treatment of macroeconomic policy and the importance of demand need to be strengthened.*** This is an area where the ILO's work on pro-employment macroeconomic frameworks can make an important contribution.
 - i) Macroeconomic stability is listed as a key fundamental, but apart from passing mention of stimulus packages, the importance of aggregate demand management as a tool for countercyclical policy is not discussed. 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 in the developing world ... because of lower multiplier effects (p.23). This evidence is cited on the basis of one study (footnote 76). The report predates recent IMF analysis that finds that multiplier effects have been underestimated in many countries, often by large orders of magnitude. Given the fact that in many countries the employment crisis is closely associated with a deficiency of aggregate demand and that many developing countries have put in place investment, stimulus and social policy packages to help mitigate the employment impacts of the crisis, this is an important gap in the report.
 - ii) The report emphasizes some aspects of macroeconomic policy but not others. For example, it 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 (standard IMF advice in Article IV missions) and the exchange rate as a tool for influencing structural transformation. More importantly, it does not highlight the fact that prudent capital account management goes hand in hand with an appropriate exchange rate regime.
 - iii) The report rightly points out, on the basis of firm-level surveys, that access to finance and lack of an adequate infrastructure are among the most severe constraints facing private sector firms in the developing world (pp.23-24). Hence, governments can play an important role by alleviating these constraints. This will foster an enabling business environment and thus foster private sector growth. However the report does not fully explore the macroeconomic policy implications of such government interventions.

- iv) These issues have been addressed by the ILO in a stream of work undertaken since 2010 in response to the International Labour Conference Resolution of 2010 on ‘pro-employment macroeconomic frameworks. These analyses are not included in WDR 2013 and should be incorporated in further development of its follow-up.
3. ***Role of public sector jobs.*** 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, enforcement and evaluation. So the question of what public sector jobs are good for development is key. This is not analysed in the report.
 4. ***The treatment of the informal economy also requires further development.*** The topic is raised in several chapters, from the statement that “informal is normal” to acknowledging that it is an issue in both developing and advanced economies. However the analysis and policy implications are not fully developed.
 5. The report does not adequately emphasize the ***youth employment crisis*** and its long-term impacts on development through scarring and reduced labour force participation.
 6. ***The treatment of freedom of association and the role of workers and employers in national social dialogue is underdeveloped.*** The last chapter (p. 305 and following) enumerates the positive impact that ILO Conventions, programmes and policies can have for improving workers' rights and conditions. The tendency in this sub-section, however, is to raise freedom of association as a right focussed at workplace level, with very little reference to the important role that workers' and employers' organizations can play in national social dialogue around policy choices for job creation and development. While the section on the Voice beyond the Firm (p.265) highlights the role of unions and employers' organizations in promoting democracy and political change, the second paragraph disparages "the political involvement of unions that can overshadow their activities at the workplace". It speaks of unions as opponents to reform involving fiscal consolidation, privatization or liberalization and makes a link to decline in economic activity and slower recovery without any evidentiary base. There is no mention of the need for their participation and voice, especially in times of crisis, to ensure inclusion, social cohesion and stability when tough economic and social choices need to be made.