Employment Diagnostic Analysis
Concept and methods

Per Ronnas

ILO, Geneva

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Objective:

- Employment diagnostic analysis aims at a stronger focus on productive employment and decent work in development policies...

- ...with the ultimate aim to achieve **job-rich inclusive growth.**

To this end:

- *it aims* to understand context-specific constraints, challenges and opportunities for increasing productive employment through inclusive and job-rich economic growth
- *as a basis for* social dialogue and policy design and prioritisation

Conceptual basis

➤ Productive employment provides the main link between economic growth and improved welfare / reduced poverty

➤ A view of human resources as creator of growth through productive employment, rather than productive employment as an outcome of growth

➤ Country-specific situation serves as a starting point: there can be no 'one-size-fits-all' solution to specific problems

➤ Those responsible for designing and implementing policies must be involved at all stages of the analysis

Phase One

A Focus on *what* has happened

Focuses on a mapping and analysis of:

➢ Demographic context and other given factors

➢ Economic growth rates and patterns (including sectoral break-up)

➢ Patterns and dynamics of employment, income, inequality and poverty

Phase One

Resulting in:

➢ a good understanding of the country specific development context and the characteristics of recent economic and labour market development.

➢ a first broad identification of hypotheses on the main economic and labour market challenges.

➢ a basis for setting of employment targets

Phase One

Information is organised and analysed according to the following formula:

- That is:

$$\frac{GDP_t}{Population_t} = \frac{WorkingAgePopulation_t}{Population} * \frac{LabourForce_t}{WorkingAgePopulation_t} * \frac{Employment_t}{LabourForce_t} * \frac{GDP_t}{Employment_t}$$

➢ Growth in **GDP** per capita is the sum of growth in:

- The age structure
- The labour force participation rate
- The employment rate among those in labour force
- Labour productivity

Phase Two
A focus on *WHY*

➢ Consists of in-depth employment diagnostic analysis

➢ It is aimed at exploring causal chains, separating the important from the less important factors and identifying key constraints and challenges to increasing productive employment.

➢ The results of the analysis will provide input into policy discussion

The Employment Diagnostics Tree
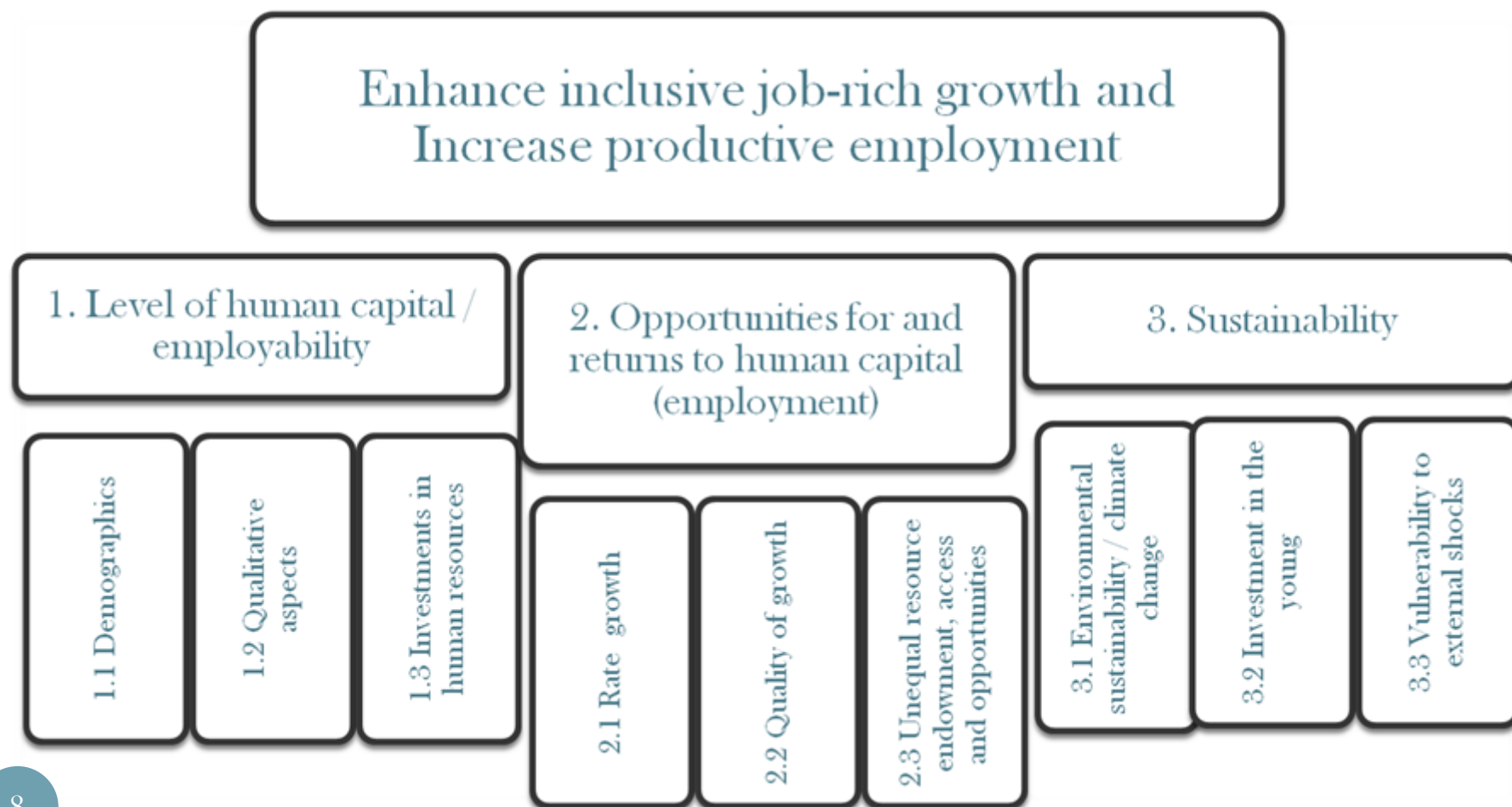
2. Opportunities for and returns to human capital (employment)

2.1 Factors mainly affecting the rate of growth

- 2.1.1 Integration in global economy
- 2.1.2 Cost of finance
- 2.1.3 Social returns to investments
- 2.1.4 Macroeconomic policies
- 2.1.5 Institutional factors
- 2.1.6 Market failures

2.2 Factors mainly affecting the quality of growth

- 2.2.1 Sector composition / technology
- 2.2.2 Quality of business environment
- 2.2.3 Domestic terms of trade
- 2.2.4 Rent Extraction
- 2.2.5 Labour market institutions
- 2.2.6 Regional concentration of growth
- Terms of trade/cyclical factors

2.3 Unequal resource endowment access and/or opportunities

- 2.3.1 Unequal employability
- 2.3.2 Access to labour markets & opportunities
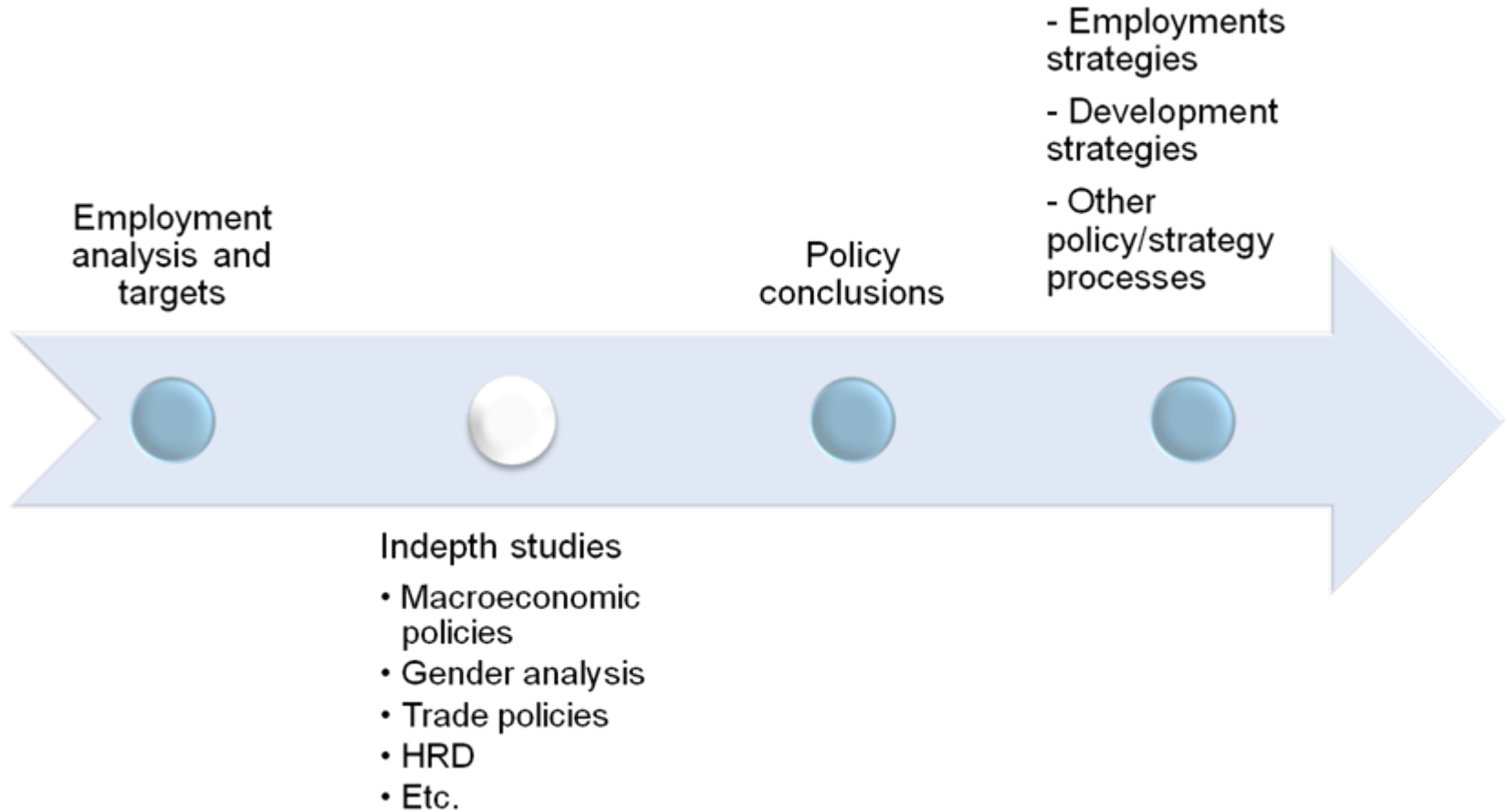- 2.3.3 Social security
- 2.3.4 Availability

An example:

Consider the employment situation in Mongolia. Despite high growth the country continues to suffer from high levels of poverty and unemployment.

Why is this?

➢ The Mongolian population has quite high levels of education, although there are large rural-urban differences.

➢ There has been high economic growth, but growth has not created much employment

➢ Growth has had a narrow base (mining), manufacturing remains insignificant, large regional imbalances

➢ Poor international competitiveness is a main constraint →

    a.   Inappropriate macroeconomic policies

    b.   Poor business environment

    c.   Poor quality and relevance of education and skills training

The steps

Employment analysis and targets

Indepth studies
- Macroeconomic policies
- Gender analysis
- Trade policies
- HRD
- Etc.

Policy conclusions

- Employments strategies
- Development strategies
- Other policy/strategy processes

Where?

Ongoing

➢ Bosnia-Herzegovina
➢ Malawi
➢ Mongolia
➢ Nepal
➢ Indonesia (Nusa Tenggara Timor, East Jawa)

Pipeline

➢ El Salvador
➢ Liberia
➢ Mali
➢ South Africa
➢ ???

Thank you!