



## Full and Productive Employment and Decent Work for All

Handbook on Employment Promotion in Development Cooperation

As a federally owned enterprise, GIZ supports the German Government in achieving its objectives in the field of international cooperation for sustainable development.

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On behalf of  
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On behalf of



# Full and Productive Employment and Decent Work for All

## Handbook on Employment Promotion in Development Cooperation<sup>1</sup>

Ending poverty and making it possible for people all over the world to live in dignity is a concern of “Agenda 2030 on Sustainable Development”, which the global community adopted in 2015. Goal 8 of the sustainable development goals of Agenda 2030 is “Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all”. It conveys the particular importance of employment for sustainable development.

Despite the international community’s stronger focus on increased employment promotion, worldwide labour market problems have intensified in the past few years (caused by economic crises). These problems have been exacerbated by political events such as the so-called “Arab Spring” and have now emerged as visibly urgent political issues.

Over 200 million people worldwide are unemployed. In 2015, 327 million people and their families lived on less than 1.90 US Dollar per day and another 967 million from 1.90 to 5 US Dollar (cf. ILO 2016). Many millions of people, especially women, have no access to the formal labour market – a situation that the World Bank forecasts will grow even further in the coming years, when an additional 600 million people (especially in Asia and Sub-Saharan Africa) will surge into the labour market (cf. World Bank 2012).

Both the low number of jobs available in the formal sector and the unsatisfactory, relatively degrading working conditions in many regions of the world cause hopelessness among many people, pressuring them to ponder migration – a growing phenomenon. Furthermore, violent conflicts in many of the world’s regions contribute to labour markets being affected by large numbers of internally displaced people and refugees. This situation renders the large number of underemployed and job-seekers in many developing countries a burden, a central problem, and actually a hindrance to their development, rather than a potential, an opportunity, to mobilise them as an instrument in the acceleration of development and a factor to be valued.

In view of the above, the World Bank entitled its 2013 World Development Report “Jobs”, and as a result of its analysis, came to the conclusion: “Jobs are the cornerstone of economic and social development. Indeed, development happens through jobs” (World Bank 2012, p. 2). The 2015 Human Development Report also addressed the issue under the title “Work for Human Development” (UNDP 2015). In the face of a rapidly changing world of work, the report examines how human development can be strengthened through work. In addition to their central importance for personal well-being, jobs are at the centre of many other, more comprehensive social goals, such as combatting poverty, aggregate productivity growth, and social cohesion.

It was long opined that economic growth would almost automatically result in more employment and the reduction of poverty (by means of trickle-down effects). The experience of the past few decades, however, has shown that this view does not go far enough: the persistent major problems of unemployment and underemployment demonstrate that more and better employment is not an automatic consequence of economic growth. Moreover, this view of employment’s major role and significance as an active driver and influencing factor for economic growth and social development has proven to be inadequate. Employment promotion thus requires specific attention and targeted actions.

This handbook, “Employment Promotion in Development Cooperation”<sup>2</sup>, places strong emphasis on the central role of employment for poverty reduction, as well as improved living standards, productivity, economic development, and social cohesion. Its goal is to provide support for policy makers and development cooperation practitioners in regard to these and other issues and interrelationships towards anchoring their long-term promotion in Germany’s development cooperation projects and strategic approaches.<sup>3</sup> The handbook encompasses numerous

<sup>1</sup> The information and views set out in this handbook are those of the authors and do not necessarily reflect the official positions of GIZ and BMZ

<sup>2</sup> The present publication is the fourth updated edition of the Handbook on Employment Promotion in Development Cooperation.

<sup>3</sup> In order to simplify readability, masculine forms of pronouns, etc., have generally been used in this document. This, however, is to be explicitly understood as gender-independent usage.

conceptual approaches developed in German and international development cooperation in the realm of employment and offers insight into experience gained from measures that have been implemented.

In particular, it includes summarised presentations of major efforts of the “Employment Promotion in Development Cooperation” sectoral project, commissioned by the Federal Ministry for Economic Cooperation and Development (BMZ). At the beginning of the respective list of references, further studies and works published by the sectoral project are listed that deal with the topics of the various modules more fully and in greater detail.<sup>4</sup>

The handbook does not claim to be exhaustive. Its modular format offers the possibility of continually supplementing and updating the contents. Depending on the reader’s interests and available time, the document can be read either in its entirety or on a subject-by-subject basis.

The publication is divided into three sections:

- The first, “**Employment promotion in development cooperation**” describes the fundamental theoretical and empirical context of “employment”: How widespread are unemployment and underemployment worldwide? What characterises labour markets in developing countries? What is the relationship among economic growth, employment and poverty reduction?
- The second section, “**Conceptual approaches and instruments for effective employment promotion**” is devoted to the concrete implementation of effective and sustainable employment promotion. It presents tools for the macroeconomic analysis of obstacles to employment, the planning and realisation of employment strategies, the integrated approach to employment promotion deployed by German development cooperation, as well as methods for measuring the employment impacts of projects and programmes. Specific approaches to private-sector development that foster employment are also discussed. Finally, the inspiration underlying GIZ’s own project practice is presented in a module on concrete development cooperation measures that use innovative approaches to employment promotion. Another module provides information on the potentials of and challenges to public works programmes.
- The third section, “**Special challenges**”, illustrates the complexity of employment promotion. This includes the importance and dimensions of decent work and the problems of informal employment as related to specific target groups such as women and young people. The numerous links between employment and migration flows, the potential of green jobs, and the challenges to employment promotion in the context of conflict, fragility, and violence, as well as possibilities for achieving short-term employment impacts are presented and options for action offered.

We would like to take this opportunity to thank all the people involved in the handbook’s preparation. Special thanks are due to the staff of the BMZ’s Division 321 (Tackling the root causes of displacement – return issues), the experts who designed the handbook, as well as the “Employment Promotion in Development Cooperation” sector project team. In addition, numerous BMZ, GIZ and KfW staff members have contributed, supported and enriched the handbook with their valuable references and comments, as well as examples from their areas of activity.

We hope your reading experience will be informative and stimulating!

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<sup>4</sup> Publications of the „Employment Promotion in Development Cooperation“ sectoral project can be found at the following link: [www.giz.de/expertise/html/4458.html](http://www.giz.de/expertise/html/4458.html).

# Full and Productive Employment and Decent Work for All

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- Module 1.2** Labour Markets in Developing Countries – Challenges and Trends
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### 2 Conceptual Approaches and Instruments for Effective Employment Promotion

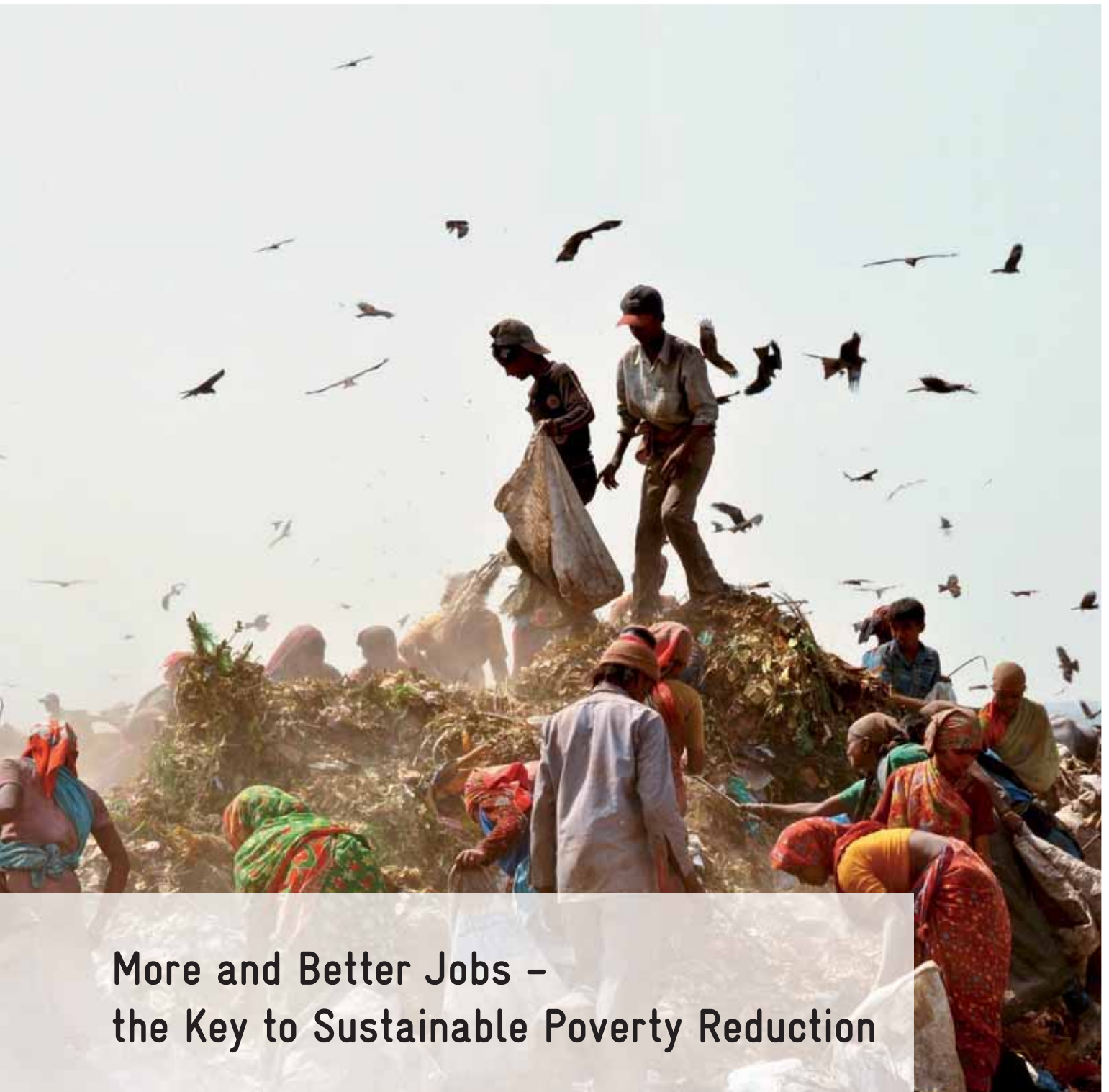
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Employment Promotion in  
Development Cooperation



# More and Better Jobs – the Key to Sustainable Poverty Reduction

■ □ □ Module 1.1

**Module 1.1 is part of the publication “Full and Productive Employment and Decent Work for All – Handbook on Employment Promotion in Development Cooperation” in Section 1: “Employment Promotion in Development Cooperation”.**

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## Abbreviations

G20	Group of twenty major industrialized and emerging countries
ILO	International Labour Organization
OECD	Organisation for Economic Co-operation and Development
SDG(s)	Sustainable Development Goals
UN	United Nations

# More and Better Jobs – the Key to Sustainable Poverty Reduction

- Productive employment and decent work are essential elements of sustainable development. This fact is reflected in Goal 8 of the Sustainable Development Goals (SDGs) of Agenda 2030: “Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.”
- Productive and decent work contributes to enabling people to permanently escape poverty on their own. It advances an array of benefits for the individual, the economy and society and fosters the achievement of other development goals in education, health and gender equality.
- Even more than in the past, German development policy will focus its activities on promoting productive and decent employment in order to support sustainable poverty reduction in our partner countries.

## The significance of employment as a development goal

On September 25, 2015, the UN Summit in New York adopted the “Agenda 2030 for Sustainable Development”. The agenda comprises 17 goals for sustainable development and aims to make a life for people all over the world in dignity possible. The particular role of employment in sustainable development is highlighted by Goal 8 “Promote sustained, inclusive and sustainable economic growth, **full and productive employment and decent work for all.**”

The Agenda 2030 replaces the Millennium Development Goals. The first goal of the latter – eradicating extreme poverty and hunger by 2015 – was expanded in 2008 to include the sub-goal “Achieving productive full employment and decent work for all, including women and young people”. The inclusion of work as a separate main objective in the current SDGs reflects employment’s special importance.

Jobs constitute a crucial transmission mechanism in enabling economic growth to have a broad impact and reduce poverty. They are an essential basis for **helping people liberate themselves from poverty** permanently (cf. Module 1.3).

In numerous international forums, development organisations discuss strategies and measures to promote employment.<sup>1</sup> There is a basic consensus that employment effects go beyond the reduction of economic poverty and radiate to other development-policy objectives such as universal primary education, improved health of children and mothers, and gender equality. The OECD’s Development Assistance Committee summarises the discussion as follows: **“Productive employment and decent work are the main routes out of poverty!”**<sup>2</sup>

1 The following milestones underpin the growing consensus regarding the pivotal role employment plays in the process of poverty reduction. (1) At the annual meeting of African finance, planning and economy ministers in Lilongwe in March 2010, the nexus among growth, employment and poverty reduction was emphasised and the promotion of employment highlighted as an essential mechanism in the issue of “jobless growth” and persistent poverty. (2) In November 2008, the UN General Assembly designated full employment and decent work as central issues of the Second United Nations Decade for the Eradication of Poverty (2008–2017). (3) In the framework of the June 2008 “Declaration on Social Justice for a Fair Globalization”, the International Labour Organization (ILO) required its member states to set full and productive employment at the centre of their economic and social policies and to implement the Decent Work Agenda. (4) The World Bank dedicated its World Development Report 2013, entitled “Jobs”, to the issue of employment and its relevance for development (cf. World Bank 2012). (5) In 2014, the Group of Twenty major industrialized and emerging countries (G20) designated the creation of jobs as its main priority. (6) The Agenda 2030, adopted in 2015, made the issue of employment a development goal in its own right (cf. United Nations, 2015). (7) The Human Development Report 2015, entitled “Work for Human Development”, highlighted the importance of employment for human development (cf. UNDP 2015).

2 At the high-level meeting of the OECD’s Development Assistance Committee in May 2009, the policy statement “Making economic growth more pro-poor: the role of employment and social protection” was adopted. It stresses productive and decent work as the most important route out of poverty and formulated recommendations for the promotion of employment (OECD 2009).



**Figure 1:**  
**The effects of employment on society and the individual**  
 Source: Author's own figure

## The effects of employment on society and the individual

### Labour as a central factor of economic development:

The work capacity and productivity of a country's labour force significantly affect its economic performance. Through their work, employed people – using capital and natural resources – contribute daily to economic development. The World Bank's 2013 World Development Report on the topic of "Jobs" sheds particular light on the interactions among employment, living standards, productivity, and social cohesion (cf. World Bank 2012). The degree to which employment affects economic growth depends on both the amount and the productivity of the work performed. Qualified specialists, physical capital, technical progress and efficient organisational structures contribute significantly to increasing productivity and economic growth. Nevertheless, this can also mean that economic resources and prior investments in education and training go to waste when people are unable to apply their productive capacity adequately due to unemployment or underemployment. The economic integration of the large number of unemployed and underemployed people, especially women, is accordingly an essential prerequisite for broad-based economic growth. This is urgently needed to reduce global poverty sustainably and hence decrease the differences in income levels between the various population



Micro-entrepreneurs in Cambodia: Coconuts serve as a source of livelihood



Saleswomen at a market in Ghana: An important contribution to the family income

groups within a country and the gap in development levels between the industrialised and the developing countries. Complementary programmes for basic social protection can contribute to raising the employment potential and personal initiative of people in extreme poverty and to capitalising on their value.

**Employment as a condition for personal income and economic independence:** For most people, especially the poor, the use of their labour power is the principal factor in the generation of income for their families and their own livelihood. The income from their employment is a prime determinant (albeit not the only one) of their level and quality of life and hence of the setting in which realisation of their life goals becomes possible. For women in particular, the income they produce is also an important basis for economic independence and self-determination. A prerequisite for achieving these positive and poverty-reducing effects of employment is earning an income through productive work under humane conditions (i. e. that conform to labour laws and occupational safety). This income must be sufficient to live on and to secure an adequate standard of living. At the same time it must offer the possibility to protect the family and the wage earner against risks, for example, in the context of a contribution-based social security system. Income is decisive in

influencing the individual purchasing power of a large part of the population; thus, by strengthening domestic demand, it contributes to economic growth.

**Employment as a basis of social protection:** In many countries, formal employment is a prerequisite to participation in public social security systems. However, even if participation is not possible, or this type of system does not exist, a regular job-derived income makes it possible to make provision for personal and family risks on an individual or communal basis. Decent work, as defined by the International Labour Organisation (ILO), foresees at least a minimum of social protection to mitigate risks, e.g. in case of income loss due to illness, disability, unemployment or retirement (cf. 3.1). A job-derived living wage also makes it easier for families to invest in their children's education – and to be able to deal without their offspring's labour to support the family. Higher levels of education open up significantly improved economic and social opportunities for the children. Increased income also permits investment in health and healthcare. This is especially true for women: When women contribute a high proportion of household resources and income and have greater authority in determining their use, it results in a visible improvement in their own health and their children's (cf. World Bank 2012). Thus employment helps indirectly to lower child mortality

and enhance maternal health. For adults, this means, in turn, higher productivity and positive income effects. For children, adequate food and medical care lay the foundation for good physical development and a productive working life when they become adults.

**Employment as a factor in personal fulfilment, social recognition and integration:** Besides financial security, employment also provides many people with the opportunity to develop their personal abilities, to prove their ability to perform, to realise their individuality, and to integrate into society. The Human Development Report 2015 on “Work for Human Development” (cf. UNDP 2015) describes the various ways in which work can contribute to individual and social development. For young people who have to make the transition from school to the first job in particular, being unemployed at the outset of their career is often associated with personal insecurity and social exclusion.<sup>3</sup> Employment is also an essential factor in achieving gender equality and the realisation of women’s rights. In many countries, women continue to be confronted with gender barriers such as social norms, discrimination and legal obstacles. These impediments are the main reason why the majority of women are employed in the informal sector, where they are not entitled to benefits from public social-security systems and do not enjoy legal safeguards. The elimination of inequality in regard to access to education and employment not only opens up opportunities for women themselves, but also has a positive effect on economic growth (cf. e.g. World Bank 2006).

**Employment creates perspectives in situations of conflict, fragility and violence:** Rebuilding a society shattered and rendered fragile by conflict or violence demands more than rebuilding or replacing what has been physically damaged. A far greater challenge is restoring the people’s sense of dignity, community, trust and hope. Jobs help advance the reconstruction process, generate income, and create prospects for peaceful coexistence. They can also contribute to social (re-)integration of the population groups affected by the conflict. Conflict, fragility and violence compel people to flee their homes and lands, resulting in forced migration. Employment promotion can assist in the process of mitigating the structural causes of violence such as inequality and poverty. Employment promotion also plays an important role in the integration of refugees



Colombian women, among them the seamstress Dona Rosalva, have organised a cooperative

and migrants in the countries that accept them. If the legal framework permits them to work, employment can quickly help these people resume a life in which they determine their own future and develop new perspectives.

**Employment as an alternative to economically motivated migration:** Labour market factors constitute a main aspect of many people’s decision to emigrate, driving them abroad when they find themselves unable to earn a living wage for themselves and their families in their countries of origin (cf. Module 3.5.). In addition to job shortages, poor working conditions are also an element in people’s inability to find a professional perspective in their home countries. Conversely, migration holds repercussions for the homeland’s labour market. When people from developing countries leave their lands in search of work, the labour market and employment situation in these countries are affected in various ways: economic adjustment processes, loss of human capital (brain drain), remittances, non-profit and private-sector activities of the diaspora, as well as return and circular migration (cf. Module 3.5). Actively promoting employment, improving working conditions, and developing demand-driven training programmes can create important opportunities and disincentives for emigration for highly qualified individuals and others and hence limit the loss of knowledge and skills in the countries of origin.

<sup>3</sup> Furlong and Cartmel (2003) show that young people in Finland, Scotland, Sweden and Spain express significantly lower satisfaction with their lives when they suffer from long periods of unemployment. This effect is especially pronounced among in young men.

## Further challenges to development policy

Poverty can only be sustainably reduced if conditions are established that result in the creation of productive and decent jobs and the possibility to earn a living wage. Due to their continually high population growth, many developing countries face the formidable task of creating jobs for the ever-growing number of young people who enter the labour market annually. Concomitantly, they have to find a way to use the momentum of this effort toward the realisation of a **demographic dividend**. This is complicated by the simultaneous requirement to reduce the existing high rate of unemployment.

The unemployment rate alone, though, does not adequately reflect the real employment problems in developing countries (cf. Module 1.2). According to ILO estimates, in 2015, 28 percent of all employees worldwide were affected by **income poverty**, i. e. they were not able to generate an income of more than 3.10 US Dollar per day per family member (cf. ILO 2016, p. 18). The primary reasons for the phenomenon of income poverty are low labour productivity and widespread underemployment. In countries where there is a high percentage of informal employment – characterised by an absence of social protection, ineffective labour laws, and often dangerous or harmful working conditions – this contributes to people being unable to obtain sufficient and secure livelihoods despite the fact that they have jobs (cf. Module 1.2 and Module 3.2).

Substantial success has been achieved in terms of reducing poverty among the working poor. This is manifested in the reduction of their number from 57 percent of the world's population in the year 2000 to 28 percent in 2015 (cf. ILO 2016, p. 18). **Regional differences**, however, are significant (cf. Module 1.2). The greatest achievements in poverty reduction have been in East Asia, where the proportion of the working poor sank from 43 percent in 2000 to 11 percent in 2015 (cf. ILO 2016, p. 50). Development in the realm of employment, however, continues to be constrained by hazardous working conditions, precarious employment, unemployment, child labour, and forced labour. Moreover, the economic growth experienced by many countries in recent decades has not given rise to correspondingly rapid job growth (cf. UN Development Group 2010, p. 13).



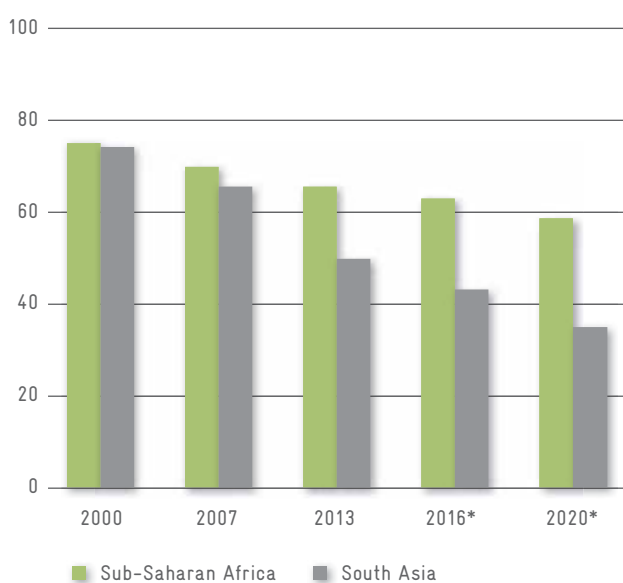
**Figure 2:**  
Changes in the percentage of the working poor who live on less than 3.10 US Dollar per day per family member  
(\* based on ILO estimates; figures in percent)

In 2015, the global economy registered one of its lowest growth rates since 2009. The **weak and uneven economic recovery** after the worldwide economic and financial crisis stifled the labour markets and impeded the reduction of precarious employment. In the same year, 46 percent of the employees in all countries were engaged in precarious jobs; in Sub-Saharan Africa and South Asia the rates were 70 percent and 73 percent, respectively (cf. ILO 2016, pp. 3, 16).<sup>4</sup> As a consequence of the global economic and financial crisis, among other reasons, the global percentage of precarious employment has remained virtually unchanged since 2008. These figures suggest that **informal employment is indeed a widespread phenomenon**. The precarious nature of these jobs frequently manifests itself in the form of low pay, lack of social protection and poor working conditions (cf. UN 2014, p. 10).

<sup>4</sup> The ILO defines “precarious employment” as the percentage of total jobs held by people who are self-employed or unpaid family workers. Although this definition has some methodological weaknesses – and does not include the number of people in precarious jobs in formal enterprises – the figures give an overview of the fundamental characteristics of employment in German development cooperation’s partner countries.



Back to reality: Former combatants in the Congo on the way to work



**Figure 3:** Changes in the percentage of precarious jobs in Sub-Saharan Africa and South Asia  
 (\* based on ILO estimates; figures in percent)

The number of people living in poverty can only be sustainably reduced if governments in partner countries declare **employment promotion as a pivotal point in their development efforts**. So far, the majority of these countries have not been able to cope by themselves with the enormous labour market challenges described above. Thus there are growing demands on the international community, including German development cooperation, to support partner countries’ efforts toward more productive and decent work more effectively and to strive toward raising the impact of its employment activities.

**German development cooperation** will need to attach more significance to this issue in the political dialogue and to focus awareness on the necessity to promote employment as a central concern of its work. Also, the existing funding approaches need to be implemented more consistently and tools and methods need to be developed in order to visibly increase the employment impacts of all supported measures for the reduction of poverty.

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Federal Ministry  
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# Labour Markets in Developing Countries – Challenges and Trends

■ □ □ Module 1.2

**Module 1.2 is part of the publication “Full and Productive Employment and Decent Work for All – Handbook on Employment Promotion in Development Cooperation” in Section 1: “Employment Promotion in Development Cooperation”.**

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On behalf of  
German Federal Ministry for Economic Cooperation and Development (BMZ)  
Division “Tackling the root causes of displacement; return issues”

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Eschborn, December 2016

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Abbreviations	
<b>EU</b>	European Union
<b>ILO</b>	International Labour Organization
<b>MENA</b>	Middle East and North Africa
<b>NEET</b>	Not in Education, Employment or Training
<b>OECD</b>	Organisation for Economic Co-operation and Development

# Labour Markets in Developing Countries – Challenges and Trends

- Labour markets in developing countries are characterised by distinctive structural features that manifest themselves in a “labour market duality” (formal and informal employment sectors), in terms of a large labour surplus and a fundamental absence of social security systems.
- Prerequisite for effective employment promotion is precise knowledge of the local context with regard to economic and demographic growth structures, employment patterns, and the size of the informal economy, disadvantaged population groups, as well as inequality and poverty characteristics.

## Structural characteristics of labour markets in developing countries

Labour markets in developing countries display particular structural characteristics that differ substantially from those in industrialised countries (cf. Ghose et al. 2008, p. 57 f.). For example, labour markets in these countries manifest formal and informal components, a phenomenon referred to as a “**dual**” or “**segmented**” labour market (cf. Altenburg 2000, p. 1). Generally, only a small portion of the labour force is employed in formal, contractually governed jobs which are covered by labour legislation and provide access to social security systems. The majority of the labour force is, however, employed in the informal segment, often under precarious working conditions (cf. Module 3.2). Informal employment is very heterogeneous and often segmented according to gender. Thus, women often perform unpaid work at home and as helpers within the family (cf. Huitfeldt/Jütting 2009, p. 99). Barriers to mobility such as discrimination, e.g. when employment in the formal economy is reserved to certain ethnic groups; risks and high costs of geographic mobility; and a lack of (formal) initial vocational training and further education often result in certain population groups being dependent on employment in the informal economy (cf. Gutierrez et al., p. 6).

### BOX 1 INFORMAL EMPLOYMENT

Jobs in the informal sector are neither registered nor protected via labour laws. Informal workers are usually not entitled to benefits provided by the public social security system and do not enjoy the rights provided by a formal employment contract. They serve in positions that are not (formally) regulated such as unpaid work at home or day labour, or they earn their living through self-employment in the informal economy (one-person enterprises, as unpaid family workers, or as employers in micro-enterprises). The generated incomes and poverty risks vary greatly, but, in general, informal jobs are characterised by low wages and are held by a high proportion of working poor (cf. Module 3.2).

Another structural feature of labour markets in developing countries is that their inhabitants are not protected against risks such as unemployment or disability because **there are no social security systems – or those in place are inadequate**. Only a quarter of the world’s population has access to some type of social safety net (cf. ILO 2014c, p. xxi), which usually exist for only a few employees in the formal segment in advanced developing countries. Without social protection, people who are temporarily unable to work due to, e.g. illness, disability, or being between jobs, face an increased risk of falling (back) into poverty (cf. Module 3.1).



Waste collectors in India: enough to survive?

## BOX 2 UNEMPLOYMENT

Unemployment is often involuntary, has many causes and is classified as follows:

- **Structural unemployment** is an expression of fundamental labour market imbalances, especially when job seekers' qualifications do not meet the demands of employers.
- In contrast, **cyclical or seasonal unemployment** arises due to temporary fluctuations in labour demand, in the context of an economic downturn or due to seasonal factors (e.g. as in agriculture or tourism).
- **Frictional unemployment** occurs during the transition from one job to another, is usually of short duration, and is inevitable, even in periods of full employment.

There are also diverging definitions of unemployment: According to the ILO definition, an economically active person is someone of working age who has worked for payment, as a family worker, or was self-employed for at least an hour during a one-week reference period.

Furthermore, people engaged in formal employment but who, temporarily, did not perform their jobs during the reporting period are also considered employed.

According to the EU's concretised version of the ILO's classification, an unemployed person is someone aged 15 to 74 years who is not employed during the reporting period, but who actively sought a job in the four weeks preceding the enquiry.

The definition of unemployment according to ILO criteria, which is used for **international comparisons**, differs from the definition of the number of registered unemployed according to Book III of the German Social Code, upon which the Federal Employment Agency's reporting is based. German law requires an individual to notify a branch of the Employment Agency and also to be engaged in a job search at least 15 hours per week in order to be recognized as unemployed. On the other hand, individuals registered as unemployed may earn a supplementary income by working up to 15 hours per week (cf. Federal Statistical Office).

Labour markets in developing countries are also characterised by **large labour supply surpluses**. In most countries, there are not enough jobs for the rapidly growing working-age population, and formal positions in the private sector are particularly scarce. However, since poor people cannot “afford” to remain unemployed due to the lack of support services, the shortage of jobs is often manifested in underemployment, especially in the informal sector, rather than in official unemployment.

### The employment situation in developing countries – a global challenge

From the early 1990s until the beginning of the global financial and economic crisis in 2008, almost all regions of the world enjoyed **robust employment growth**. In the Middle East, North Africa, Sub-Saharan Africa, and Latin America, the growth rates were about 2.8 percent, which led to an overall increase in jobs of almost 50 percent in these regions. During the same period, the developed industrial nations recorded more moderate employment growth, averaging one percent annually. In contrast, until 1999 Eastern and central Europe suffered job losses due to structural change (cf. ILO 2008, p. 4).

The impact of the financial and economic crisis on the world’s economies and labour markets varied. In 2009 and 2010, almost all regions of the world underwent a sharp decline in employment growth, with the developed economies and Central and Eastern Europe being the most sorely affected by the negative evolution of the job market (cf. ILO 2014b, p. 93). The absolute number of unemployed rose most steeply in East and South Asia (cf. ILO 2014b, p. 10), and **global employment declined significantly during the crisis**. Since employment growth rates have been slow to recover, job creation still lags significantly behind the pre-crisis trend, a situation that the ILO estimates can barely be remedied in the medium term. The ILO assumes that, due to the crisis alone, there is currently a global shortfall of some 62 million jobs (cf. ILO 2014b, p. 17).

#### BOX 3 UNDEREMPLOYMENT

The ILO’s statistical guidelines distinguish between two types of underemployment:

- **Time-related underemployment** encompasses all workers who, during the short reference period (usually a week), (a) were willing to work additional hours, (b) were available to do so, and (c) had worked less hours than a predefined (threshold) number (e.g. 40 hours per week).
- **Inadequate employment situations** encompass all workers who (according to their own subjective assessment) are in inadequate employment situations. This is particularly the case when the current employment situation does not match the employee’s capabilities, generates too little income, or demands excessive working hours. Similar to time-related underemployment, employees are considered underemployed when they actively seek to change their employment situation and are available to do so.

The impact of the financial and economic crisis on employment in individual countries, the continuing growth of the labour force, and the weak recovery of job growth in many parts of the world indicate that the employment situation continues to represent a significant **global challenge**:

- According to ILO estimates, some 200 million people worldwide were unemployed in 2013. This is over 30 million more than at the outset of the crisis (cf. ILO 2014c, p. 2). In addition to **unemployment, underemployment** is an important problem, particularly in developing countries (cf. Box 3). The trend towards a decrease in the number of working poor was halted as a result of the crisis. The ILO estimates that in 2013 around 840 million people – nearly 30 percent of the world’s working population – earned less than two US Dollar per day, and thus fall into this group (cf. Figure 1). Most of them live in Sub-Saharan Africa and South Asia, where the percentage of working poor measured against total employment is 62.8 and 61.5, respectively (cf. Figure 1).<sup>1</sup> Twelve percent of the world’s

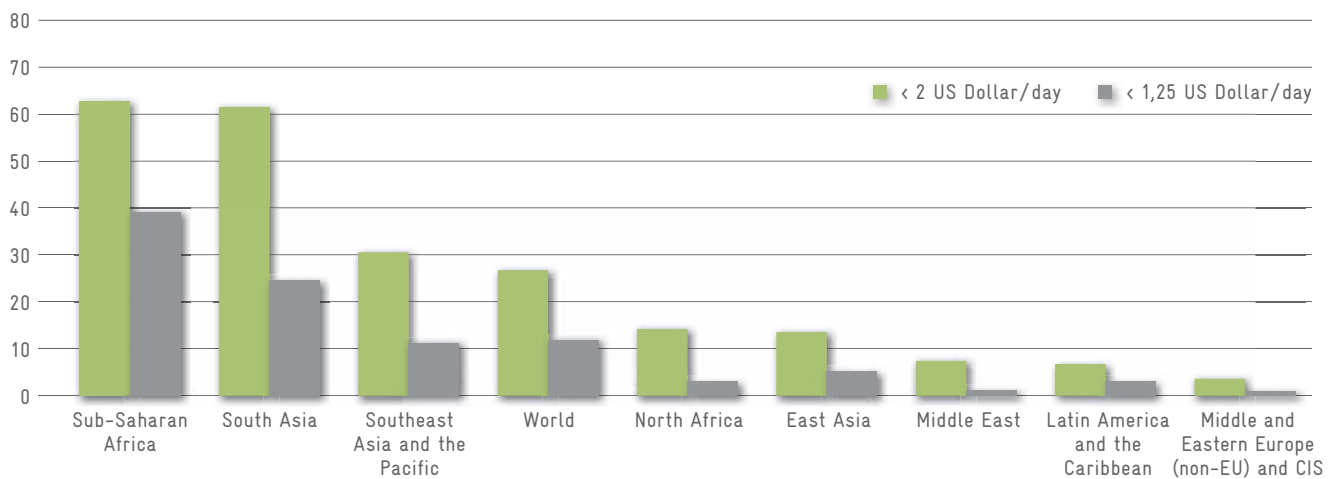
1 Cf. Module 3.1 “Decent work – Making it a reality”.



Day labourers in India: poor in spite of having a job

workers are forced to live on less than 1.25 US Dollar a day and are thus considered to be extremely poor. In 2013 their number decreased by only 2.7 percent (cf. ILO 2014b, p. 12).

■ An increase in the number jobs does not automatically translate into more **decent employment**. Global precarious employment increased by one percent in 2013, significantly more than in previous years. As a result



**Figure 1:**  
**Working poor as a proportion of total employment (2013)**  
 (Preliminary estimates for 2013; figures in percent)  
 Source: ILO (2014b)

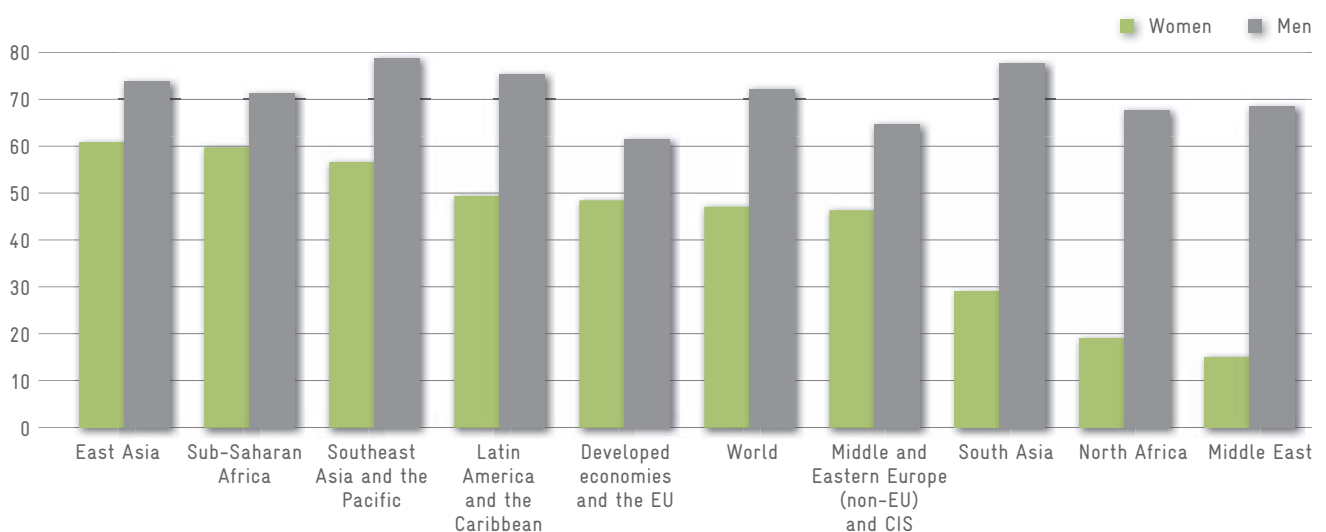




Micro-entrepreneurs in Nepal: selling on the street to earn a livelihood

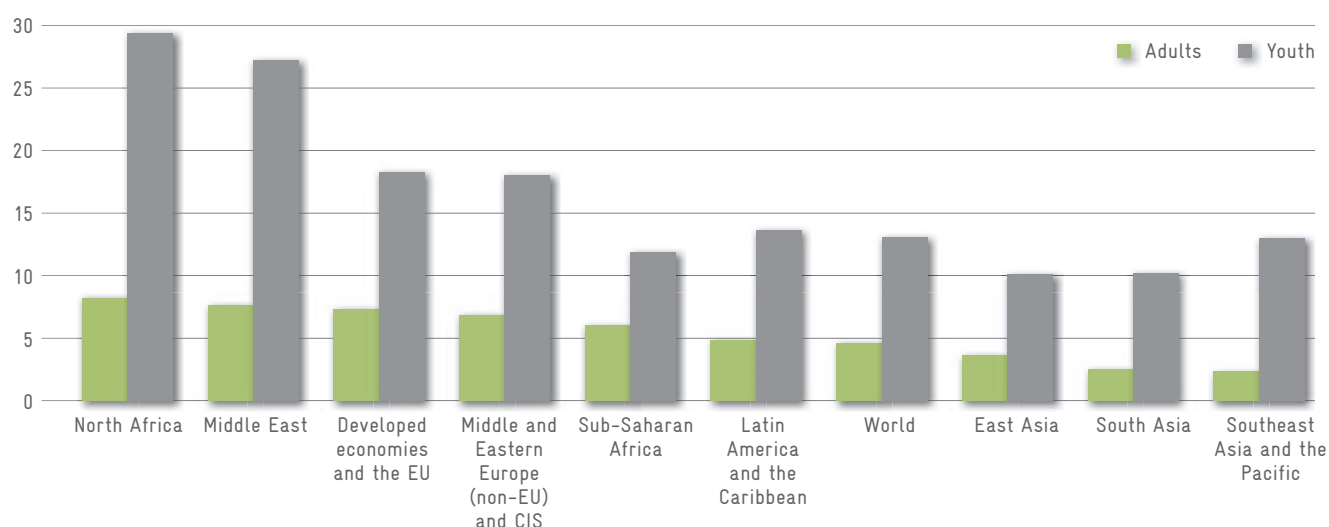
of the crisis, developing countries have also witnessed increasing **informalization** of employment.

- The employment gender gap still exists: In 2013, the employment to population ratio for women constituted only 47 percent, almost a third lower than the male employment rate of 72 percent (cf. ILO 2014b, p. 92; and Figure 2). The **employment situation of women** varies greatly across regions (see Figure 2). For example the employment rate of women in the Middle East and North Africa (MENA) is about 20 percent and thus the world's lowest. Approximately twenty percent of the region's women are out of work, but only nine percent of the men. The global employment rate of women has stagnated for many years and since the financial and economic crisis has actually declined, particularly in East and South Asia, (cf. ILO 2014b, p. 94). Due to the lack of job prospects during the crisis many women have left the labour market and joined the ranks of discouraged workers (cf. ILO 2014B, p. 12).<sup>2</sup>
- Seventy-five million young people were unemployed in 2013, which underlines that **youth unemployment** is a severe problem (ILO 2014b, p. 91). One in three unemployed individuals is between 15 and 24 years old, although this age group constitutes almost a fifth of the total population. Young people work more often in precarious working conditions than adults and have



**Figure 2:**  
**Female and male employment rates by region (2013)**  
 (Preliminary estimates for 2013; figures in percent)  
 Source: ILO (2014b)

<sup>2</sup> Module 3.4 "Gender equality in the labour market – Promoting women's employment" goes into detail on the employment situation of women in developing countries.



**Figure 3:**  
**Unemployment of youth and adults by region (2013)**  
 (Preliminary estimates for 2013; figures in percent)  
 Source: ILO (2014b)

#### BOX 4 WORKING POOR

Working poor are people who work and yet have an income available which falls short of the poverty line. Accordingly, one distinguishes between “extreme working poor” who have an available income of less than 1.90 US Dollar in purchasing power parity (PPP) per day and “extreme and moderate working poor” who have an available income of less than 3.10 US Dollar PPP per day. Those levels are supposed to be necessary to satisfy absolutely indispensable basic needs.

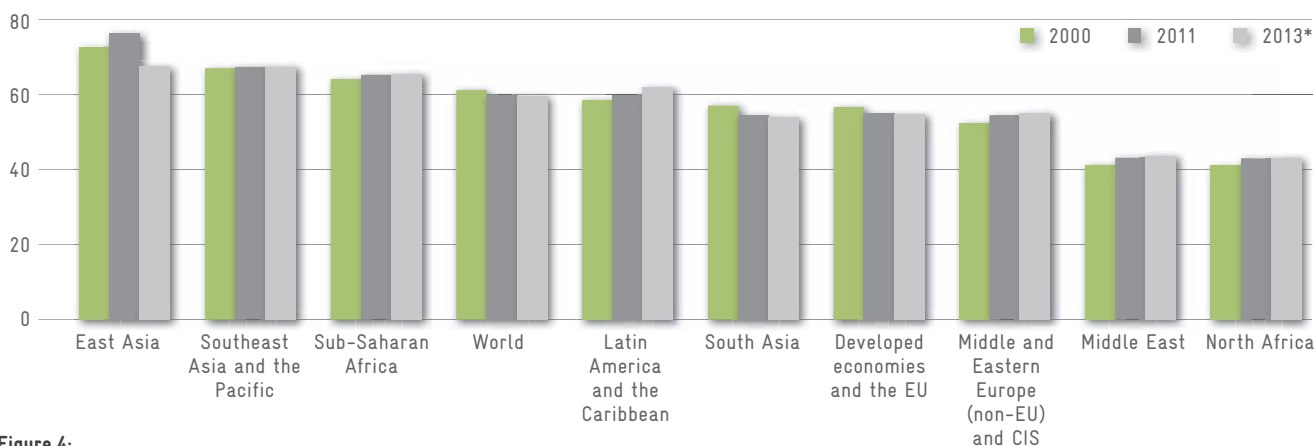
Working poverty has been declining strongly during the last decades (ILO 2016b). Globally, extreme working poor as a share of total employment fell from 48.6 percent in 1991 to an estimated 12 percent in 2015. However, the decline is distributed unequally. In middle income and Asian countries it fell from more than 50 to less than 10 percent, while in low income and African countries the share still remains at levels of 30 percent or more.

The main reason for people being unable to earn a decent income to lift themselves and their dependents out of poverty despite being in employment is mostly an insufficient employment quality (ILO 2016a). Therefore, the Sustainable Development Goals combines its first goal on ending global poverty with Goal 8 to promote inclusiveness of growth and decent work for all.

#### BOX 5 PRECARIOUS EMPLOYMENT

The term “precarious employment” denotes low paid jobs (with wages too low to cover very basic needs) which are not permanent and offer little protection in terms of labour law. Having said this, however, there is no generally accepted definition of the term. What primarily distinguishes precarious employment from classical (“normal”) jobs is the workers’ insecurity in the face of classic entrepreneurial risks such as fluctuations in the company’s capacity utilisation and short-term drops in demand for its manufactured goods and services. Precarious (or “vulnerable”) employment, therefore, refers to a situation in which the enterprise passes its risks on to its workers.

The spectrum of precarious employment is wide and complex: It includes part-time work, marginal employment, informal employment, day labour, seasonal work, and other forms of temporary or fixed-term jobs. Precarious employment is a labour-market phenomenon that appears in both industrialised and developing countries in varying degrees and frequency. The frequency of people in precarious employment being poor or at risk of poverty is above average.



**Figure 4:**  
**Regional comparison of development of employment**  
 (\* Preliminary estimates for 2013; figures in percent)  
 Source: ILO (2014b)

smaller chances to overcome poverty on their own (cf. Figure 3). In addition, since the financial and economic crisis, an increasing number of young people are neither participating in education and training nor employed. This is reflected by the NEET rate (Not in Education, Employment or Training). In some countries, a quarter of all people between 15 and 29 years fall into this category (cf. ILO 2014B, p. 11).<sup>3</sup>

## Regional developments and trends

The employment situation in developing countries is characterized by **marked regional differences**:

**Sub-Saharan Africa: Workers face continued high underemployment and extreme poverty despite stable economic growth:** At a level of about 65 percent in 2013, Sub-Saharan Africa has one of the world's highest employment rates.<sup>4</sup> This figure was already 64 percent in 2000 (cf. ILO 2014b, p. 92 and Figure 4 above) but has increased only slightly since. Moreover, more than three-quarters of these workers are in informal, precarious, low-productivity

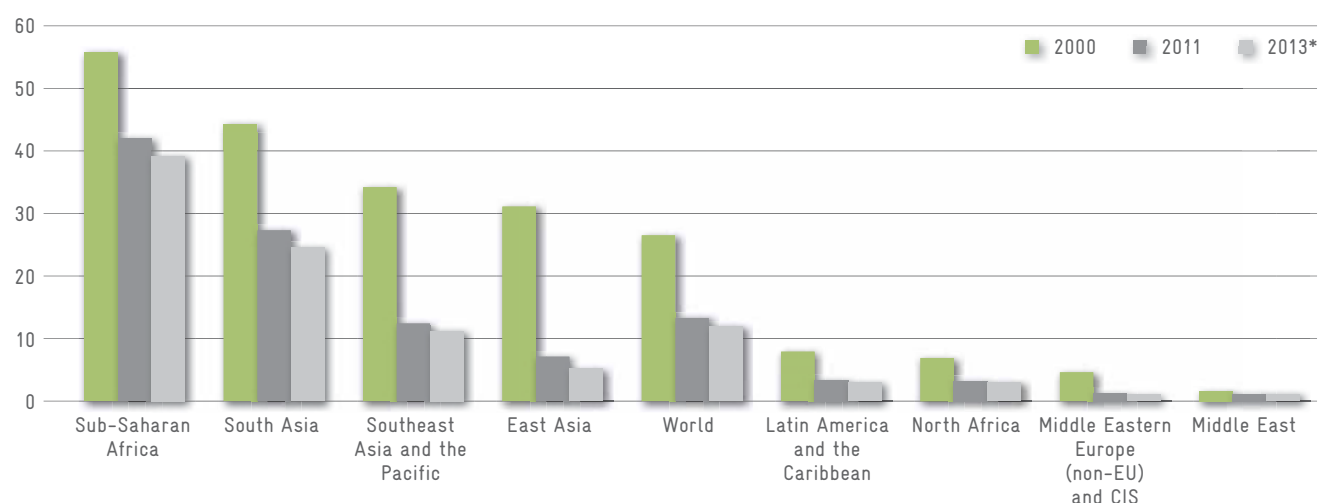
jobs with degrading conditions (cf. ILO 2014b, p. 68). Although they had jobs, more than a third of all workers in Sub-Saharan Africa – 39 percent in 2013 – were extremely poor and lived on less than 1.25 US Dollar per day. In 2000, the proportion was still 56 percent (cf. Figure 5), and while this represents a reduction of 17 percent points, Sub-Saharan Africa is still far away from reaching the Millennium Development Goal target of halving the proportion of extremely poor people. Furthermore, high underemployment and large deficits in the humanisation of working conditions still characterize the Continent's countries. The sustained high population growth rate of 2.7 percent per year will continue to present enormous challenges to the region in the future.

**Middle East and North Africa: Unstable political conditions and the growing number of young people constitute major challenges for the labour market:** Since the beginning of the Arab upheavals in 2010, the ongoing political unrest in many countries of the Middle East and North Africa (MENA) has given rise to a significant slowdown in the region's economic growth. Unstable political institutions and a high degree of uncertainty with regard to the further political development of many countries discourage investment and the creation of jobs. The MENA region faces a number of labour-market challenges: a rapidly growing labour force<sup>5</sup> combined with longer life

<sup>3</sup> Cf. Module 3.3 "Creating employment perspectives for youth".

<sup>4</sup> The employment rate refers to the percentage of gainfully employed people between the ages of 15 and 65 compared to the same cohort in the overall population.

<sup>5</sup> The MENA region's labour force grew an average of 2.5 percent annually between 2002 and 2012 (cf. World Bank 2014).



**Figure 5:**  
Development of the proportion of working poor with a daily income of less than 1.25 US Dollar by region  
(\* Preliminary estimates for 2013; figures in percent)  
Source: ILO (2014b)

expectancy, high and rising unemployment rates, especially among young people (including those with higher education), low productivity growth, and deficits in the realm of decent working conditions. The high rate of youth unemployment in the region, estimated by the ILO at 29 percent in North Africa and 27 percent in the Middle East in 2013 (cf. ILO 2014b, p. 107 and Figure 3 in this document), is due to a large extent to a persistent imbalance between labour supply and demand and the lack of demand-driven (vocational) education.

Another challenge for the region's labour markets is the fact that although labour market participation is widespread, both men and women have only limited access to decent and productive employment opportunities. The ILO estimates that in the countries of the Middle East, a quarter of all workers are engaged in precarious employment (cf. ILO 2014b, p. 98). Furthermore, although women's labour-force participation has risen over the years, the female employment rate (Figure cf. 2) is a quarter of that of men, lower than in any other region. A large number of migrant workers are employed in the Gulf States, often working under precarious working conditions and inadequate labour standards and their economic and social integration is inadequate. The ILO estimates that seven percent of employed people in the Middle East earn less than 2 US Dollar per day, placing this group among the working poor (cf. ILO 2014b, p. 100).

**Latin America and the Caribbean: Despite growth, continued low productivity and often precarious employment:** In recent years, the countries of Latin

America and the Caribbean have experienced high employment growth that was only temporarily dampened by the global financial and economic crisis. The positive development in the labour markets has been accompanied by a sharp increase in labour supply due to the fact that the working-age population continues to grow and females increasingly pursue a profession. As a result, the employment rate has remained virtually unchanged despite the many jobs created. Furthermore, productivity and the quality of employment, usually the main driver of economic growth, have remained relatively low – frequently referred to in the literature as “growth-less jobs”. A large part of the region's labour force is still engaged in informal employment; however, the proportion of workers with an income of less than 1.25 US Dollar per day was more than halved, from eight percent in 2000 to three percent in 2013 (cf. ILO 2014b, p. 100, and Figure 1). The adult unemployment rate, despite the crisis in recent years, has decreased to about five percent (cf. Figure 3). The low productivity growth and high proportion of informal employment continue to confront the region with major challenges.

**Asia: The world's highest employment rate, but varying degrees of progress in poverty reduction:** With rates of up to 68 percent, Asia has one of the highest employment levels in the world (cf. Figure 4). In recent years, however, a steady downward trend has been observed that is attributable to the region's rapid economic development and two other phenomena. An ever longer period of basic education and initial vocational training is delaying young people's entry into work life. At the same time, some older workers have accumulated savings and can

now afford to retire. Concomitant with the rapid increase in production and rising living standards in recent years, the proportion of workers in dependent employment has increased in East Asia, and is now almost 50 percent. However, approximately 46 percent of the region's workers are estimated to be employed in precarious jobs – mostly in self-employment or unpaid family work. The proportion of poor people in East Asia dropped sharply in recent years: The number of working poor now stands at around 16 percent and 5 percent of the population live in extreme poverty – well below the figures at the beginning of the millennium. At that time, the proportion of working poor stood at 55 percent and those living in extreme poverty at 31 percent. China's great success in poverty reduction is a great contributor to this positive development. In the countries of Southeast Asia and the Pacific, however, a third of the labour force continues to live on less than 2 US Dollar per day, and in South Asia as many as three out of five female and male workers and their families have to survive on less. 25 percent of those who are gainfully employed live with less than 1.25 US Dollar per day and are thus extremely poor. In 2000, this proportion was even 44 percent (cf. ILO 2014b, p. 100 and Figure 5 in the present document).

**Eastern Europe, the Caucasus and Central Asia: Transformation processes have resulted in persistent challenges:** In the course of the transformation processes in the early 1990s, the region that includes Eastern Europe, the Caucasus, and Central Asia region experienced a huge decline in employment, and the fall in female employment was particularly sharp. The 2008/2009 global financial and economic crisis brought about negative economic growth rates, a reversal of the positive trends in wages, and an increase in precarious employment in all of the countries of South and South-Eastern Europe and the Commonwealth of Independent States (CIS). The ILO estimates the 2013 regional unemployment rate at eight percent (cf. ILO 2014b, p. 90). In the Eastern European countries, long-term unemployment is now the most common form. In almost all countries in the region, the youth are particularly badly affected by unemployment: In 2013 one of six economically active young people was unemployed (ILO 2014b, p. 91). Countries in Central Asia with high emigration rates were hit particularly hard by the global financial and economic crisis. Remittances – financial transfers which migrants make to their home countries – declined, illegal migration increased, and re-migration exacerbated the situation in their home labour markets. Despite the ongoing challenges, however, the proportion of working poor in Eastern Europe, the Caucasus, and Central Asia is still comparatively low (cf. Figures 1 and 5).

## Further challenges to development policy

Unemployment, underemployment and the non-existence of a social safety net – or one that is inadequate – are the main causes of global poverty. Therefore, if employment promotion is to be an important instrument of poverty reduction, it must become an increasingly major concern of the international community. This is also true for the following reasons:

- The current **global labour force** – 3.3 billion people – **continues to grow**. Worldwide, 43 million young job seekers enter the labour market annually (cf. ILO 2014b, p. 11).
- In view of the large population increase over the last two decades, with a few notable exceptions, **employment growth** has not been high enough to create **sufficient productive and decent jobs**. The average for all developing countries was 3.0 percent in the 1980s and 2.8 in the 1990s and was thus slightly higher than labour force growth (cf. Altenburg 2000, p. 1). In the early 2000s, global employment growth was down to an average of 1.7 percent. After a collapse of employment growth during the financial and economic crisis, the 2013 rate is estimated at 1.4 percent, which is significantly lower than global labour force growth (cf. ILO 2014b, p. 93; World Bank, 2014).
- National reforms and budget deficits have also forced many countries to **reduce public-sector employment**.

The pressing problems in developing countries require **target-oriented and effective employment policies** that go far beyond labour-market efforts in the strict sense and encompass a wide-ranging economic programme. This should comprise monetary, fiscal, and wage measures; commercial, educational, social, industrial, SME, and agricultural components; as well as regional structural policies (cf. Figure 6). Since a country's economic strategy stipulates the framework conditions for all fields of employment and is decisive in regard to job creation, the orientation toward quantitative and qualitative employment effects assumes a central role in its economic approach. The resulting policy mix (for example in the context of a national employment strategy, cf. Module 2.5) can vary greatly depending on the types of issues facing the country's labour market. The particular economic policy priorities, the willingness to reform, and the importance the government ascribes to employment will have



**Figure 6:**  
**Employment and labour market policy**  
 Source: Based on Kausch/Trommershäuser (2002, p.10)

a definitive influence on it (cf. Kausch/Trommershäuser 2002, p. 10 ff.).

In this process, economic, employment, and labour-market instruments and policies need to consider the above-mentioned **characteristics of labour markets in developing countries**. Effective measures and instruments must also be explicitly derived from the analysis of the concrete

barriers in the labour market (cf. Module 2.1). This, however, has so far proven to be a challenge for policy makers because the quality and availability of labour-market data in many countries – especially in the states of Sub-Saharan Africa – is incomplete. In particular, information on the informal economy and analyses of the employment situation of specific target groups are usually missing to a large extent from official statistics.

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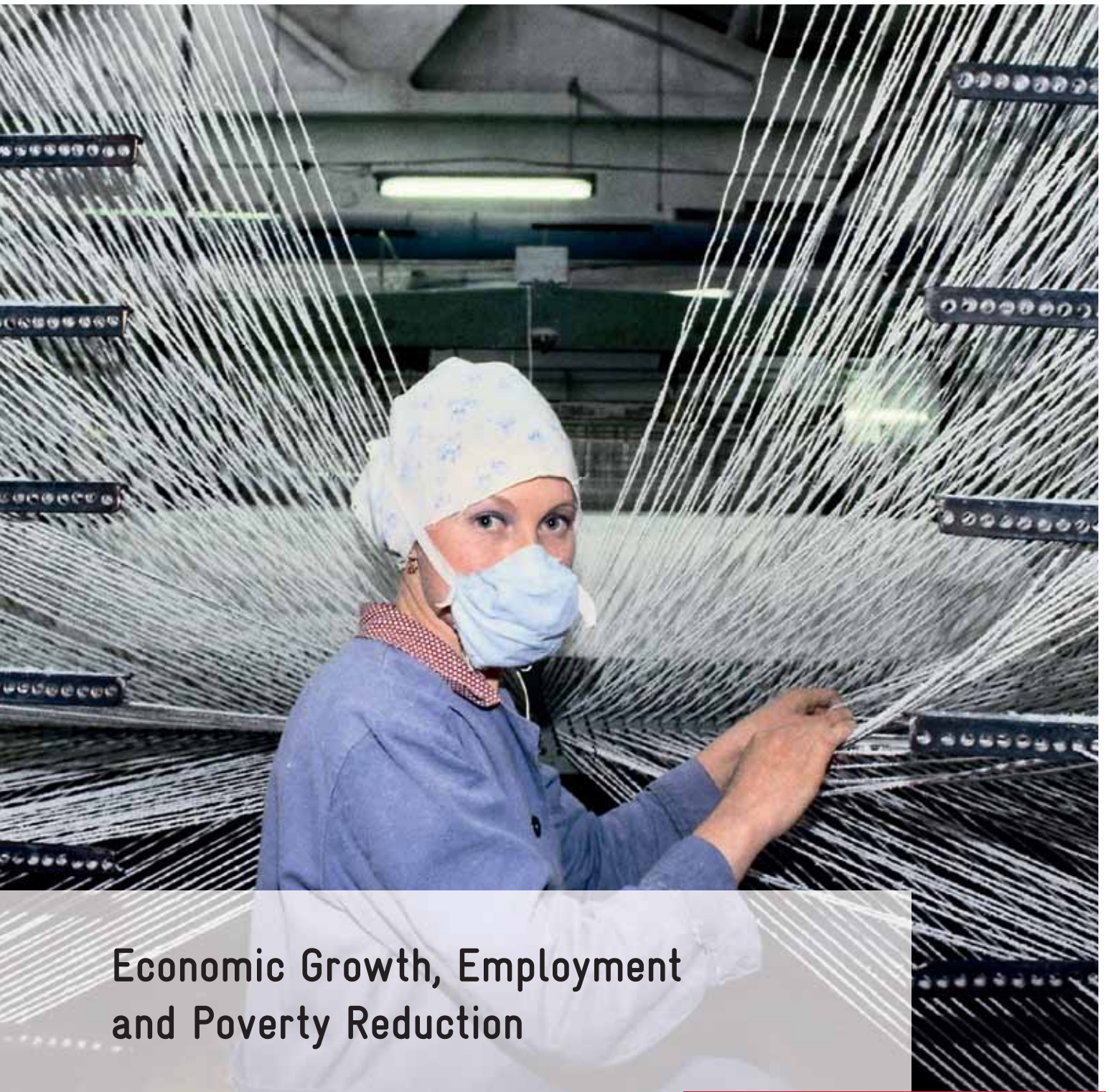
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## Economic Growth, Employment and Poverty Reduction

■ □ □ Module 1.3

**Module 1.3 is part of the publication “Full and Productive Employment and Decent Work for All – Handbook on Employment Promotion in Development Cooperation” in Section 1: “Employment Promotion in Development Cooperation”.**

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## Abbreviations

GDP	Gross Domestic Product
DC	Development Cooperation
ELMA	Employment and Labour Market Analysis
ILO	International Labour Organization
KILM	Key Indicators of the Labour Market
OECD	Organisation for Economic Co-operation and Development

# Economic Growth, Employment and Poverty Reduction

- Productive and decent employment is the decisive factor in reducing poverty in the course of economic development in ways that have a wide effect and are sustainable.
- More and better jobs are not an automatic result of economic growth processes. Labour alone leads to increases in productivity, and productive employment, in turn, leads to economic growth. In this sense, growth is the result of increased employment.
- Poverty reduction requires – besides targeted promotion of employment in the formal economy and the support of increasing formalisation – effective instruments and measures to increase productivity in the informal economy in order to reduce underemployment, make incomes that provide a living wage possible, and improve working conditions.

## Strategic approaches to poverty reduction in developing countries

How can the international community's goal of reducing poverty worldwide be achieved? For a long period, the opinion was disseminated that economic growth quasi-automatically reduced poverty through **trickle-down effects**. However, the experiences of the last few decades have shown that poverty did not decline in all emerging and developing countries that enjoyed strong growth (cf. Box 2).

As far back as 1990, the World Bank's Development Report on Poverty indicated that a two-part strategy is necessary for rapid and sustainable political progress in poverty reduction: "The first element is to promote the **productive use of the poor's most abundant asset – labor**. It calls for policies that harness market incentives, social and political institutions, infrastructure, and technology to that end. The second is to provide basic social services to the poor. Primary health care, family planning, nutrition and primary education are especially important [...] Even if this basic two-part strategy is adopted, many of the world's poor – the sick, the old, those who live in resource-poor regions, and others – will continue to experience severe deprivation [...]. A comprehensive approach to poverty reduction, therefore, calls for a program of **well-targeted transfers and safety nets** as an essential complement of the basic strategy." (World Bank 1990, p. 3).

Further work on how economic growth can contribute to poverty reduction picks these thoughts up and points to two fundamental ways. On the one hand, economic growth opens up **opportunities for social redistribution**: The additional social resources (such as tax revenue that results from growth) can be redistributed by the state in favour of the poor, and the provision of education, health and other social services can be improved (cf. Heintz 2006, p. 3). On the other hand, **poverty can be reduced through higher incomes**. Since poor people often have no resource other than their labour to gain their livelihood, productive and decent employment is a key prerequisite for income growth and improved living conditions. In many developing countries, unemployment alone is not the central problem. Rather, it is usually underemployment, especially in the sense of insufficiently productive employment.

In the literature, this relationship between economic growth and poverty reduction through productive and decent employment is called the "growth-employment-poverty nexus" or "employment nexus between growth and poverty" (Osmani 2005, p. 17). **Whether economic growth is connected to poverty reduction depends largely on whether the growth is based upon higher levels of employment that are more productive** (cf. Box 1). Many countries that in recent years have experienced broadly effective economic growth (pro-poor growth) – i.e. with positive effects on employment and poverty reduction – prove the relevance of these relationships.



Significant achievements in poverty reduction (Vietnam)

## Economic growth and employment

What is the relationship between economic growth and employment? There is no question that economic growth is often associated with an improvement of the labour market situation. This, however, is not always the case, and the extent of the positive effect can vary.

Economic growth designates the (percentage) change of real gross domestic product.<sup>1</sup> The essential factors (inputs) with which this product (output) is engendered are labour and capital. Higher labour input or more employment thus leads to more output, i.e. economic growth. In this respect, **growth is the result of increased employment**. However, depending on the nature of the production process, more capital might have to be invested alongside the higher labour input to achieve growth. If this is not done – despite the higher labour input – the output may not rise to the same extent. The output per unit of labour input, i.e. the labour productivity, would then even decline (cf. Box 1).

In purely macroeconomic terms, therefore, it might appear that increases in labour productivity might not necessarily

lead to increases in employment. It should be noted here, though, that in most developing countries, underemployment – especially in the sense of unproductive employment – is the main problem. The principal objective is thus to employ more people more productively, which means promoting **structural change towards more employment in technically advanced sectors** (i.e. with higher total factor productivity) in particular. By migrating away from less technologically advanced sectors (with low total factor productivity), ceteris paribus, the production per unit of labour – labour productivity – would rise. Technical progress (or an increase in total factor productivity) would result in higher pay in this sector, and if there were no obstacles, also lead to higher employment.

The World Development Report 2013 places employment's particular significance in the development process at the heart of its analysis, and in this context, underlines the important role of work and employment for gains in productivity. **“Development happens through jobs”** is the report's central message (cf. World Bank 2012, p. 2). The report referred to jobs that have a particularly positive influence on development as “good jobs for development” (World Bank 2012, p. 152). The outstanding role that “good jobs” play in development lies in the fact that they help reduce poverty sustainably, lead to economic growth through productive employment, and promote social cohesion.

<sup>1</sup> “Real”, in this case, means that inflation has been factored out.

## BOX 1 COMPONENTS OF GROWTH

The growth of (real) gross domestic product (Y) per capita can be broken down into three components (cf. Shorrocks 2012, Gutierrez et al 2007):

$$\left(\frac{\hat{Y}}{\hat{N}}\right) = \left(\frac{\hat{Y}}{\hat{E}}\right) + \left(\frac{\hat{E}}{\hat{L}}\right) + \left(\frac{\hat{L}}{\hat{N}}\right)$$

Where:

Y/N = (real) per capita gross domestic product;

Y/E = labour productivity, i.e. gross domestic product per employed person (E);

E/L = employment rate, i.e. the ratio of people employed to the working-age population (L);

L/N = working-age population ratio, i.e. the ratio of the working-age population to the total population (N);

“^” indicates a growth rate, i.e. a percentage change.

If the growth of Y/N, per capita GDP, is specifically due to the growth of Y/E, labour productivity, Gutierrez et al. (2007) speak of productivity-intensive growth. If the growth of Y/N is due to the growth of E/L, the employment rate, this is called employment-intensive growth.

Employment-intensive growth is usually (but not necessarily) associated with a decline in unemployment. Productivity-intensive growth can be associated with a rise in the income of the employed, including the working poor.

Assuming (somewhat simplified) that gross domestic product is solely the result of the input of the factors labour (E) and capital (K)<sup>2</sup>, the growth rate of GDP can be represented:

$$\hat{Y} = \hat{A} + \phi \hat{K} + (1 - \phi) \hat{E}$$

Here the total factor productivity A is determined as a residual, indicating which part of production cannot be explained by the quantitative input of capital or labour. An increase in A is also referred to as technical progress.  $\phi$  is the capital elasticity of production;  $1 - \phi$  is the employment elasticity of production. These elasticities specify the percentage of GDP increase when the factor input increases by one percent.<sup>3</sup> Thus, the growth of labour productivity Y/E can again be divided into the growth of total factor productivity A and the growth of capital intensity K/E:<sup>4</sup>

$$\left(\frac{\hat{Y}}{\hat{E}}\right) = \hat{A} + \phi \left(\frac{\hat{K}}{\hat{E}}\right)$$

Capital intensity K/E is the ratio of capital to the number of people employed; its reciprocal, E/K, is labour intensity.

Under the above assumptions and *ceteris paribus* (in regard to total population, working-age population, capital, and total factor productivity), a one-percent employment increase would have the following effects: (1) The employment rate would rise by one percent since the ratio of the labour force to the working-age population has risen; (2) Labour productivity would decrease by  $\phi$  percent because capital intensity has decreased (or labour intensity has increased). Overall, GDP per capita would thus rise by  $(1 - \phi)$  percent. Through more capital input or an increase in total factor productivity (and other things being equal), both labour productivity and gross domestic product per capita would rise. The extent to which greater input of a production factor or an increase in total factor productivity contributes to increased income for capital owners, employees, or even poor workers can only be calculated based on more detailed analysis.

2 Empirically, these elasticities are not necessarily constant.

3 Here, a production function is assumed with the production factors capital and labour and with constant returns to scale.

4 Here, a production function with constant returns to scale is assumed.

## BOX 2 GROWTH, EMPLOYMENT AND POVERTY REDUCTION IN VIETNAM AND ETHIOPIA

In the 1990s, Vietnam achieved considerable success in reducing poverty, with the number of poor people falling by four percent annually. This was due to sustained high growth rates, averaging eight percent, and a simultaneous improvement in the labour market. In rural areas, additional employment opportunities were created through improved agricultural productivity, and income growth had positive effects on employment outside agriculture. Due to strengthened property rights and framing conditions conducive to the establishment of new businesses, the rapidly growing private sector created a multitude of jobs.

Over the same period, Ethiopia also recorded consistently high economic growth that averaged 4.6 percent, but the number of poor people stagnated at an invariably high level and actually rose slightly in urban areas. The high growth was achieved via higher productivity in predominantly capital-intensive industries and had little effect on the labour market. In the 1990s, the employment rate fell by about 0.6 percent annually. Real wages only rose in the processing industry, but due to the sector's small size, it had almost no effect on the country's poverty situation: 80 percent of the labour force is employed in the comparatively unproductive agricultural sector (cf. Islam 2006, p. 51).



Work in the agricultural sector is frequently not very productive (Bolivia)

## Employment and poverty reduction

To what extent and under what conditions do employment effects and productivity growth reduce poverty?

Although they work, almost half the world's population have less than two US Dollar per day available for their livelihood, placing them among the working poor (cf. Module 1.2). Labour markets in developing countries are characterised by unemployment and a significant proportion of underemployed, especially in the informal sector. The **working poor** in these economies are engaged in dependent, informal employment (in unpaid work at home or as day labourers) or earn a living through self-employment in the informal economy (as unpaid family members or micro-entrepreneurs). These jobs are extremely

unproductive and provide no access to social safety net programmes.

Poverty reduction, therefore, primarily requires **lowering the amount of underemployment through higher productivity** of employment in the informal economy (cf. Ghose/Majid/Ernst 2008, pp. 134 et seq.) or **reducing the amount of informal work through growth of formal employment**. The segmentation of labour markets in developing countries requires that consideration of the poverty-reducing effect of employment be highly differentiated. The decisive factors are thus the productivity and/or the quality of employment and access to productive and decent work for the poor. The magnitude and sectoral structure of employment effects, as well as those of the rises in productivity achieved are, therefore, crucial to the possible poverty-reducing effects of growth (cf. Box 3).



Cotton producers contribute significantly to Benin's gross domestic product.

## Further challenges to development policy

In order to fight poverty effectively, employment issues have to be afforded greater attention in development cooperation. This means that the promotion of productive and decent work is not a supplement to DC's primary sectoral objectives but is actually a vital mechanism for supporting development paths that are sustainable and have broad impact. Important starting points for continuing donor support comprise the following:

- **Supporting employment-oriented development strategies:** In order to contribute to poverty reduction, macroeconomic instruments and national, regional, and local development strategies have to be more closely aligned with employment-policy objectives than heretofore and be coordinated and implemented coherently with employment-related areas such as economic, social, industrial, fiscal, and education policy (cf. Module 2.5). In particular, the relationship between work and employment and increased productivity and economic growth should be made clearer, anchored at the core of the country's political and strategic orientation, and implemented consistently in economic-policy

areas. Donors can support partner countries in formulating and implementing such broadly effective policies and integrated approaches to employment promotion (cf. Modules 2.1 and 2.2).

- **Taking employment in the informal economy into account:** The basic characteristics of highly segmented labour markets (cf. Module 3.2 in regard to informal employment) in developing countries – high underemployment and unemployment – require an integrated policy framework that addresses three key objectives. First, targeted employment promotion is required in the formal economy for more and better jobs. Second, incentives for growing formalisation of informal employment must be created (e.g. through appropriately structured business-environment reforms). And third, effective instruments and measures to increase enterprises' productivity and employment in the informal economy must be put in place in order to reduce underemployment, make incomes that assure a living wage possible, and improve working conditions. Only through integration of the informal economy can employment promotion in developing countries have a poverty-reducing effect (cf. OECD 2009).



### BOX 3 SECTORAL GROWTH AND POVERTY REDUCTION

In an analysis of 140 cases of growth in developing countries between 1980 and 2001, Gutierrez et al. (2007) came to the conclusion that the sectoral composition of employment and productivity growth is decisive for any resulting poverty reduction. Employment-intensive growth in the secondary and tertiary sectors and productivity-intensive growth in agriculture are therefore associated with positive results in poverty reduction, whereas growth in agricultural employment exacerbates the poverty situation. There is little consensus so far as to which particular sectors are crucial for poverty reduction and whether employment or productivity gains have a greater poverty-reducing effect (cf. Hull 2009).

Other studies confirm the need to differentiate: Satchi and Temple (2006) concluded that growth in agriculture can increase poverty, whereas it can contribute to poverty reduction in the manufacturing industry and in informal sectors in urban areas. In contrast, Loayza and Raddatz (2006) maintain that growth in sectors with a high demand for unskilled labour has a large poverty-reducing effect.

For successful poverty reduction, poor populations must also have the opportunity to benefit from economic opportunities in the form of employment and entrepreneurial activity (**integration factor**). However, factors such as inadequate education and training, the lack of access to credit, constrained access to the labour market, and gender-specific and mobility barriers systematically hinder their ability to take advantage of such opportunities. Therefore, appropriate policy instruments (for example, specific demand-driven training, microfinance programmes, and labour-market-policy measures) must be used purposefully to reduce these barriers to entry into economic life.

- **Improving statistics for evidence-based employment promotion:** Effective strategies for the promotion of more and better-quality employment have to take the heterogeneity, functioning, and dynamics of both the formal and the informal labour market of a country into account. A prerequisite for this is accurate knowledge of growth structures and employment relationships, as well as the size of the informal economy, disadvantaged groups in the labour market, and characteristics of inequality and poverty characteristics in the respective national context.<sup>5</sup> Such extensive data is rarely seen in cooperation countries. Development cooperation can support efforts of partner countries to improve the availability of reliable statistics and provide an important foundation for them to be able to make effective, evidence-based policy decisions. Instruments for policy impact assessment of economic and social measures and reforms such as Poverty and Social Impact Analysis, for example, link quantitative and qualitative data and analysis directly with policy recommendations and thus facilitate policy making.
- **Using targeted approaches:** Some sections of the population are systematically confronted with barriers to employment. Labour-market-policy interventions must therefore be addressed toward specific target groups and facilitate access to employment for women, youth, and other disadvantaged groups. For example, young people making the transition from school to working life require support with specific labour-market interventions such as demand-driven initial and further vocational training accompanied by career guidance (cf. Module 3.3). Employment is also an important prerequisite for the economic and social integration of women. It can be promoted by specific types of programmes, including better access to measures that support business start-ups and to financing mechanisms. These efforts, however, need to consider women's double burden as unpaid workers who help in family-run firms or in childcare at the same time as they hold jobs, which are usually precarious and informal. Measures also need to promote legal and social gender equality (cf. Module 3.4).

5 A variety of instruments and indicators are available for the analysis of these structures. The Key Indicators of the Labour Market (KILM) of the ILO offer a range of appropriate indicators as analytical tools for labour markets. Furthermore, by means of an Employment and Labour Market Analysis (ELMA), barriers to employment and growth structures can be recognized (cf. Module 2.1).



Contrasts in the emerging economic power China: Not all benefit from economic growth to the same degree

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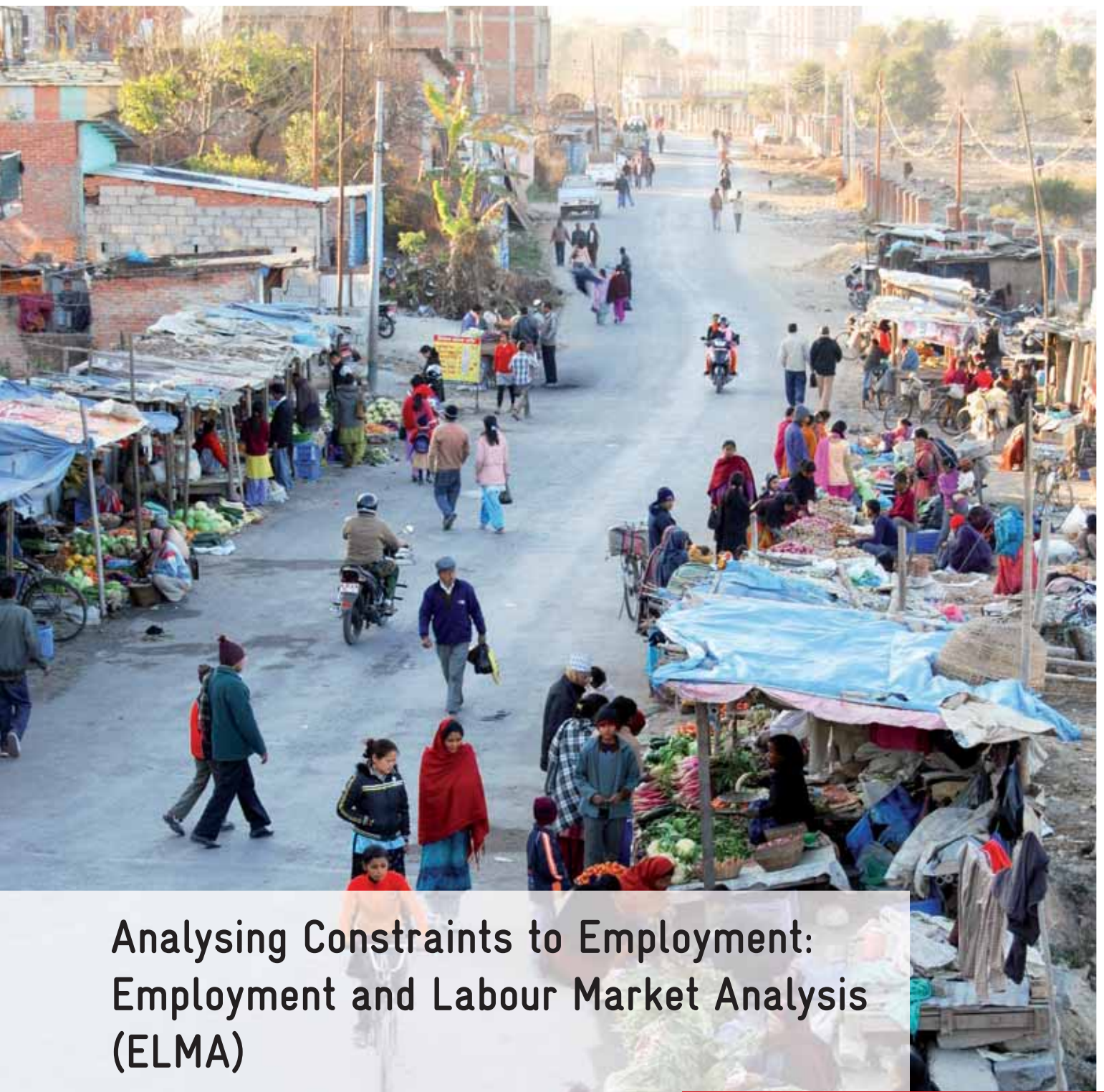
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Federal Ministry  
for Economic Cooperation  
and Development

# 2

Conceptual Approaches and Instruments  
for Effective Employment Promotion



# Analysing Constraints to Employment: Employment and Labour Market Analysis (ELMA)

□ ■ □ Module 2.1

**Module 2.1 is part of the publication “Full and Productive Employment and Decent Work for All – Handbook on Employment Promotion in Development Cooperation” in Section 2: “Conceptual Approaches and Instruments for Effective Employment Promotion”.**

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Abbreviations	
BMZ	Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung (German Federal Ministry for Economic Cooperation and Development)
DC	Development cooperation
ELMA	Acronym for Employment and Labour Market Analysis
EU	European Union
ILO	International Labour Organization
IOM	International Organization for Migration
MSME	Micro, small and medium-sized enterprises
MILES	Macroeconomic policies, Investment climate, institutions and infrastructure, Labour market regulations and institutions, Education and skills, and Social protection
NEET	Not in Education, Employment or Training
NGO	Non-governmental organisation
SIDA	Swedish International Development Cooperation Agency



# Analysing Constraints to Employment: Employment and Labour Market Analysis (ELMA)

- ELMA is a structured methodology that provides a comprehensive analysis of labour markets and employment situations. Using ELMA, critical constraints to employment can be identified and implications for approaches to employment promotion can be drawn.
- ELMA analyses constraints to employment in the field of labour demand, labour supply, economic and employment-policy framework conditions, as well as the matching process that prevails in the labour market. With a view toward these realms, ELMA delivers a basis for the integrated approach to employment promotion.
- ELMA is based upon a participatory approach and partnership-based dialogue to achieve reforms and more and better employment.

## Introducing ELMA

Employment is increasingly perceived as an essential factor in societies' development and welfare. In its publication "World Development Report 2013: Jobs", the World Bank underlines not only the importance of jobs for sustainable development, but also the need to identify – and if possible eliminate – constraints to employment using a **systematic and integrated approach** (World Bank 2012). German development cooperation (DC) also considers employment as an important lever in the reduction of worldwide poverty and increasingly strives to improve the employment effects of its projects (cf. Module 2.2).

However, the **causes of unemployment and underemployment** need to be evaluated in the specific national context before policy priorities can be set and concrete measures for employment promotion and inclusive growth can be decided on. In the following, ELMA, an acronym for "Employment and Labour Market Analysis", is presented. **ELMA** provides a specific method that bears similarities to – but also differences from – approaches of other institutions. ELMA was developed as a reaction to the increasing demand by German DC and its cooperation partners for **sound knowledge of the underlying causes of employment problems** within countries. ELMA offers a methodological set of tools for comprehensive analysis of the labour market and employment situation of

an economy, as well as the causes of unemployment and underemployment.

ELMA **builds upon existing analytic tools**, for example the World Bank's *MILES* framework; the Swedish International Development Cooperation Agency's *Integrated Economic Analysis for Pro-Poor Growth*; the ILO's *Employment Diagnostic Analysis*; and Hausmann, Rodrik and Velasco's *Growth Diagnostics* (s. Box 1).<sup>1</sup>

The findings gained through ELMA can be used by diverse actors in DC: for example, political decision makers in line ministries, experts in DC implementation agencies, as well as programme directors and their partner institutions. Particularly with regard to increasing demand for systematic integration of employment promotion into national reform plans and programmes (e.g. through national employment strategies, cf. Module 2.5), ELMA provides a starting point to promote the **strategic management of development policies**.

ELMA is mainly based upon **existing data and literature** (e.g. national statistics, studies, reports, research work). It is nonetheless recommended to validate and complement the analysis of these data and resources by **consulting experts**

<sup>1</sup> For further information cf. ILO (2012) and SIDA (2006).

BOX 1

GROWTH DIAGNOSTICS BASED ON HAUSMANN, RODRIK AND VELASCO (2005)

For the design and implementation of a successful reform policy, constraints to inclusive growth need to be identified. Because these binding constraints vary from country to country, reforms for their elimination need to be country specific. Limited political resources – particularly in developing countries – result in the need to concentrate the forces that lead to reform on areas in which they will have the greatest impact.

The “growth diagnostics” concept developed by Hausmann et al. (2005) is an analytical framework to identify these binding constraints. Using the “Hausmann-Rodrik-Velasco (HRV) tree” (cf. Figure 1), it becomes possible to depict the approach. Using this illustration, the authors visually structured the analysis process to identify the country-specific binding constraints along nodes: Are the distortions in the area of financing (capital supply), e.g. due to a high national-debt ratio? Or is the problem rather related to earnings (capital demand), e.g. because of unclear distribution of property rights or poor access to infrastructure?

Source: Hausmann / Rodrik / Velasco (2005)

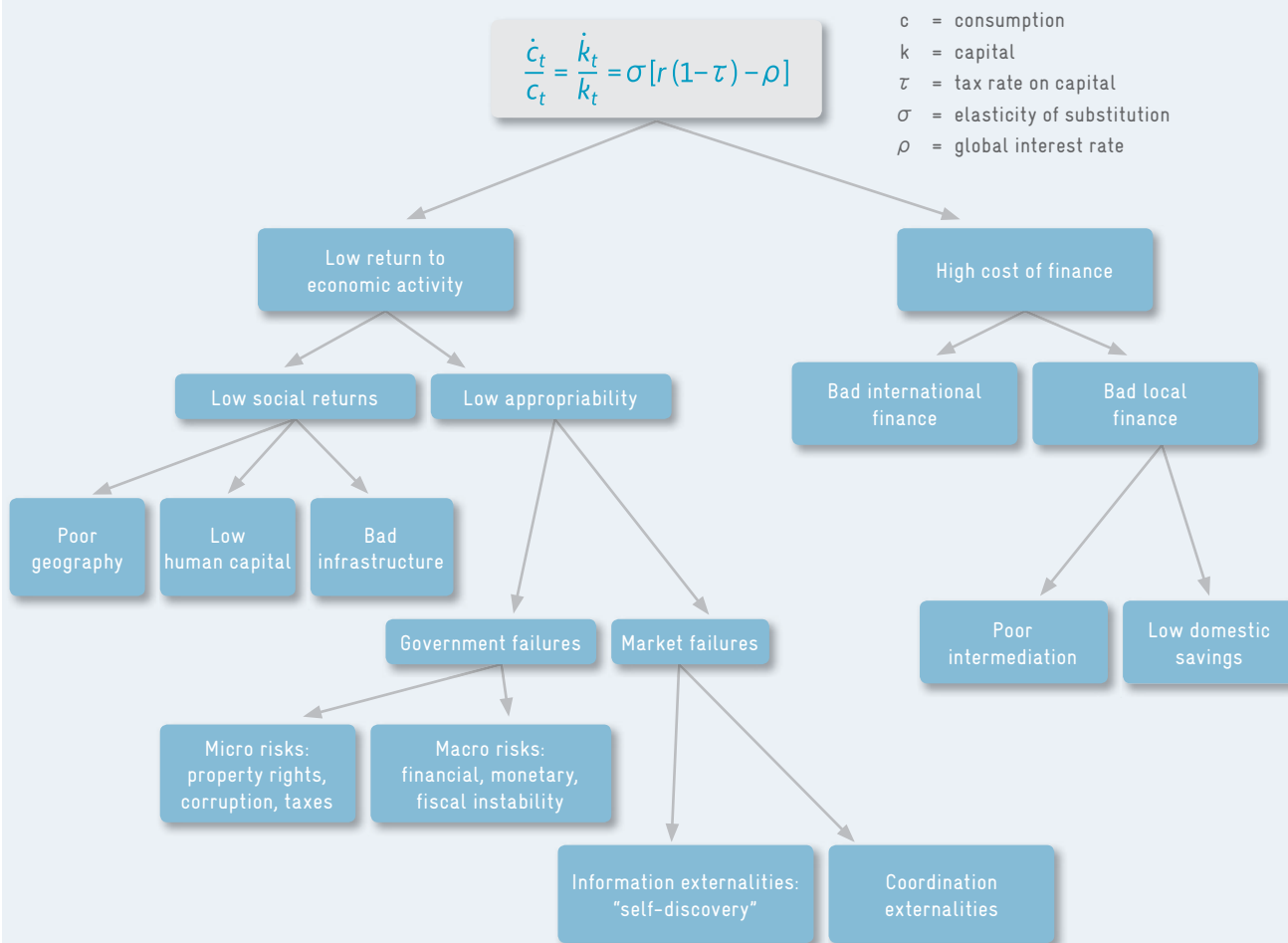


Figure 1: Hausmann-Rodrik-Velasco (HRV) growth diagnostic decision tree

## BOX 2

## FROM RESEARCH TO PRACTICE – A PARTICIPATORY PROCESS FOR THE IMPLEMENTATION OF A LABOUR MARKET AND EMPLOYMENT ANALYSIS IN THE KYRGYZ REPUBLIC

At the beginning of 2012, the Kyrgyz Ministry of Youth, Labour and Employment, the GIZ programme “Vocational Training and Employment Promotion”, and the GIZ Sector Project “Employment Promotion in Development Cooperation” jointly decided to conduct an ELMA. Its goal was to identify constraints to the labour market development and employment growth and to work out recommendations for future interventions of German-Kyrgyz DC.

The ELMA consisted of a detailed analysis of constraints to employment in Kyrgyzstan’s macroeconomic and private sector framework conditions, labour market institutions and policies, social policies, and technical and vocational training. Through missions to Bishkek and diverse meetings with relevant actors and experts in the field, the consultants were able to gain important insights into labour market trends and constraints to employment in the country.

To validate the field research results, a public dialogue forum to discuss the draft study “Labour Market and Employment Policy in the Kyrgyz Republic” was organised by the Kyrgyz Republic’s Ministry of Youth, Labour and Employment and the GIZ programme.

The one-day workshop brought together approximately 50 participants, including representatives from lead ministries, the National Statistic Committee, the Chamber of Commerce, NGOs, trade unions, entrepreneurs, academia, and representatives of international organizations such as the ILO, IOM, and EU.

Divided into three working groups, the participants discussed the key factors that had been identified in the study: macroeconomic framework conditions, business environment, sectoral growth paths, labour market trends, structures and employment opportunities, as well as technical and vocational training and qualification.

The working groups, which were moderated by Kyrgyz and international experts, intensively discussed the results presented, worked out contradictory facts and missing information, and elaborated recommendations regarding future areas of intervention for German-Kyrgyz DC. The final report presented the results of the public forum.

Source: Schwegler-Rohmeis et al. (2013)

**and important actors** in the specific countries, e.g. from politics, business and industry, labour unions, and academia. Basically, there is great flexibility in implementing ELMA to address specific needs.

### The ELMA process

Initially, physicians can only monitor the symptoms of a patient’s illness (e.g. fever). They then have to conduct analyses (e.g. blood tests) to find out more about the possible causes before being able to prescribe a therapy. The goal of an ELMA is similar: by identifying the underlying causes of **employment problems** in a country, suitable interventions or reforms can be targeted at the root causes. First of all, the country’s employment problems have to be classified. In high and middle-income countries, **unemployment** is usually the main employment problem. However,

in developing countries with no functional social-welfare systems, poor people often cannot afford not to work. They have to work, even in inhumane working conditions. Consequently, in these countries the predominant employment problems are **underemployment and vulnerable employment**. The spectrum of vulnerable employment is diverse and manifold: It includes, for example, unpaid family workers and self-employed individuals who have no access to social-protection systems and therefore are more affected by economic fluctuations, as well as informal workers, day labourers, and seasonal workers who do not earn a regular income (cf. Module 1.2).

Another employment problem affects people who no longer actively seek employment. In particular, young people between 15 and 24 years old and women have often given up hope of finding work. Therefore, in addition to the previously mentioned indicators for unemployment, underemployment and vulnerable employment, the **NEET**

**rate** (people not in employment, education or training) is important to correctly capture all dimensions of the challenges in the labour market. Further information can be obtained when population groups specifically affected by an employment problem are disaggregated by age and gender.

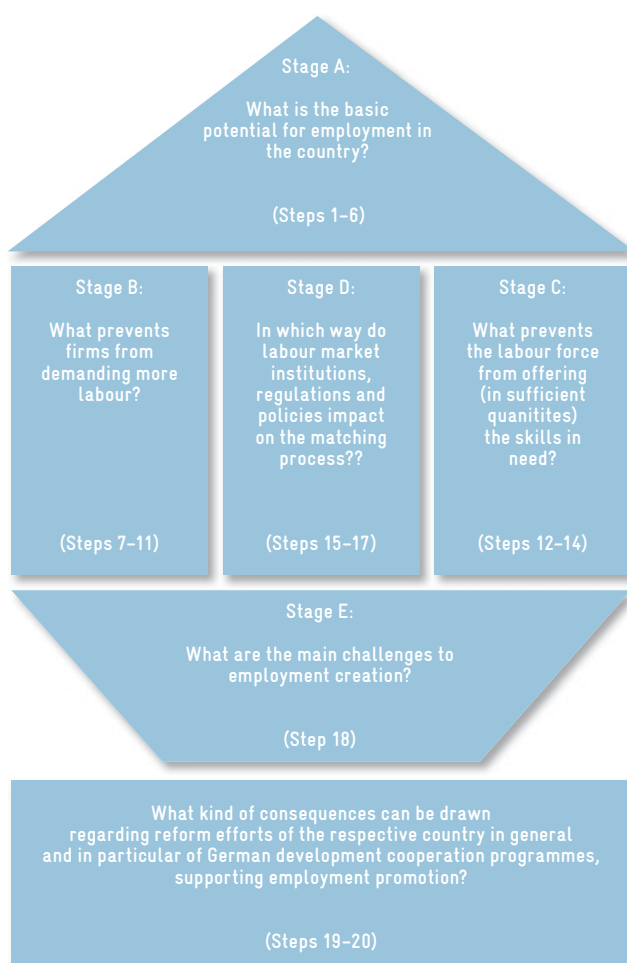
After an initial overview has been worked out, the analysis can go into more detail: The ELMA “**toolbox**” (cf. Figure 2) consists of **five stages** subdivided into various analytical steps.<sup>2</sup> It is not necessary to work through these steps chronologically. Cross-linkages may require switching between the steps during the analysis.

### Stage A: Problem definition and basic analysis

The analysis starts by taking a look at the fundamental framework conditions and the extent of employment problems in the labour market. Not only the **geographical situation** but also patterns of **economic development** in the past (e.g. structural transformation, degree of international integration, vulnerability to external shocks, macroeconomic framework conditions) are considered. The identified growth patterns can be used as a first rough indicator for quantitative aspects of labour demand. At the same time, basic factors influencing the **labour supply** (demographic structure, labour migration) have to be evaluated. Then, the general **functionality of the labour market** is looked at. Many developing countries face constraints to development (e.g. geographical, resource endowments, climate change) that for the analysis period of two to six years are to be seen as exogenous. The **public sector** bears a special responsibility in this regard. The quality of public action might compensate for unfavourable initial conditions for employment creation. Therefore, Stage A is complemented by an analysis of the role and performance of the public sector.



A one-stop shop: Business development services support the private sector development (Indonesia)



<sup>2</sup> In general, an ELMA’s identification of employment constraints does not indicate their relative significance. When constraints are found, all three of the following factors have to be addressed equally: labour demand, labour supply, and the labour market’s matching mechanisms. Accordingly, the ELMA analysis has been structured based on efficiency rather than relevance, in an attempt to avoid duplications in the analysis as much as possible.

Figure 2: Stages of the ELMA “toolbox”



Primary education creates the prerequisites for vocational perspectives later in life (Madagascar)

### Stage B: Analysis of labour demand

In Stage B, factors that influence labour demand are evaluated in detail. Similar to other analysis tools, the starting point is the **business and investment climate**. The business environment can vary depending on the sector in question. Therefore, challenges in **selected sectors** previously identified as highly relevant to job creation are examined.

Due to the great significance of **micro-, small- and medium-sized enterprises (MSME)** in developing countries (including informal enterprises) their business environment is given particular consideration.

### Stage C: Analysis of labour supply

The **qualitative dimension** of the labour supply is the focus of particular attention. The labour-demand analysis (Stage B) has already provided initial insights into the kinds of skills demanded by companies. Thus, the first step of this stage is to determine the extent to which **skills mismatch**, the disparity between existing and required skills, is indeed an issue in the specific national context. Finally, the efficiency of the technical and vocational education and training (TVET) system and its relevance to the labour market are analysed.

### Stage D: Analysis of the matching process in the labour market

The matching process in the labour market can constitute another constraint to employment. The design of contract agreements is one element that can influence labour market supply and demand. Consequently, as part of the ELMA analysis, the development of the **ratio of wages to productivity** is investigated, taking into account labour law and regulation and collective bargaining systems. In this process, both the de jure and de facto effects of framework conditions are of interest.

Further steps of the analysis are to assess the effectiveness and efficiency of given **labour market and social protection policies** and relevant institutions. This concerns, among other things, the efficiency of job placement and counselling services, as well as the extent to which the country's passive labour market policies (or social policy in general) are able to safeguard people from poverty and loss of income due to unemployment and/ or underemployment.

### Stage E: Summary and conclusion

Taking another medical analogy, after the doctor has done examinations and tests, although possible uncertainties still remain, **recommendations** for therapy can and have to be made. In view of the fact that countries vary more than patients, commensurately, **procedures are less subject to standardisation**. ELMA is part of a learning process with many different stakeholders involved (cf. Box 2). Consequently, divergent opinions can occur, which complicates the building of a universal consensus among all actors. Furthermore, the quality of the diagnosis depends on the availability of sound data and information.

The numerous constraints to employment in developing countries can lead to a long list of challenges in regard to the labour market situation. Thus, the central step of Stage E is to define the **relative importance of the diverse challenges** identified in stages A to D and to establish priorities to addressing these employment challenges.

The proposed intervention areas and employment-promotion approaches are subject to their **feasibility** and possibility of realisation within a short- or medium-term period of time (two to six years).

## Areas of application in development cooperation

ELMA provides policy makers and DC practitioners with a **structured procedure for a conceptual approach toward meeting labour market challenges**. In the context of German DC, ELMA can be implemented, for example,

- to support partner governments in the process of initiating national dialogues on employment and helping to establish a sound technical foundation for national employment strategies (cf. Module 2.5);
- in the employment-oriented design of national and priority strategies;
- in the development and implementation of new German DC employment-promotion projects.



Consultations at the Ministry of Finance (Madagascar)

### BOX 3 OVERVIEW OF ELMA

Steps	Labour supply, matching in the labour market, labour demand
A (1-6)	<b>What is the basic potential for employment in the country?</b> Objectives of steps 1 to 6: <ul style="list-style-type: none"> <li>■ Familiarising with basic factors influencing labour demand and labour supply</li> <li>■ Getting to know degree and intensity of employment problems</li> </ul>
1	Geographical situation
2	Patterns of economic development in the past
↓	<i><b>Orientation:</b> The identified growth patterns can be used as a first rough indicator for quantitative aspects of labour demand. We will focus on quantitative aspects of employment also in the following steps 3 and 4 by looking into demographic structure and labour migration. Both factors shape labour supply: demographic structure indicates an increase or decrease of the working age population in need of jobs; the extent of labour migration represents an indicator for excess labour supply generally reducing (or increasing) the labour force.</i>
3	Demographic structure
4	Labour migration
↓	<i><b>Orientation:</b> After having identified possible basic constraints to productive employment on the demand and supply side of the labour market we turn to the performance of the labour market in general, pinning down (among others) the dimensions of employment problems.</i>
5	Labour market trends
↓	<i><b>Orientation:</b> The quality of public actions might compensate for unfavourable initial conditions for employment creation. Therefore, we complement our first round of diagnostic with analysing the basic situation regarding this role of the public sector.</i>
6	Public Sector as a cross-cutting issue/ Political situation and economic policy orientation

Steps	Labour supply, matching in the labour market, labour demand
B (7-11)	<p><b>What prevents firms from demanding more labour?</b></p> <p>Objectives of steps 7 to 11:</p> <ul style="list-style-type: none"> <li>■ Getting to know the conditions of business environment in general as well as in more detail for specific sectors</li> <li>■ Identifying the most relevant constraints for business expansion, which subsequently impedes labour demand and employment generation</li> </ul>
7	Business environment in general/Infrastructure conditions and policy/Regulatory framework for businesses/Financial market conditions and policy
8	Explaining the choice of sectors, which need to be analysed in more detail regarding their relevance for employment generation
↓	<i><b>Orientation:</b> After checking for challenges in the business environment in the selected sectors, the conditions for Micro, Small and Medium Enterprises (including informal economy) and in the public sectors should be scrutinized. This step is advisable because labour demand in both sectors usually exerts influence on the formal and informal labour market.</i>
9	Sector specific analysis of labour demand conditions
10	Employment prospects in MSMEs (including informal economy)
11	Employment in the public sector
C (12-14)	<p><b>What prevents the labour force from offering (in sufficient quantities) the skills in need?</b></p> <p>Objectives of steps 12 to 14:</p> <ul style="list-style-type: none"> <li>■ Assessing the problem of skill mismatch</li> <li>■ Getting to know the extent and quality of the provision of educational services</li> <li>■ Identifying major challenges in the education system to provide adequately skilled labour supply</li> </ul>
↓	<i><b>Orientation:</b> Principally, a mismatch of skills can be the result of problems (a) in the education system, and/or (b) inefficiencies of the matching process in the labour market. The first step of stage C (supply-side analysis of labour) is to assess to what extent skill mismatch is indeed an issue in the actual country and we focus on the outcomes and conditions of the education system.</i>
12	Qualification of the labour force
13	Describing the education system
14	Challenges in education and training with special focus on TVET
D (15-17)	<p><b>To what extent do labour market institutions, regulations and policies impact positively on the matching process?</b></p> <p>Objectives of steps 15 to 17:</p> <ul style="list-style-type: none"> <li>■ Understanding wage formation as the central coordination mechanism in the labour market by connecting wage/productivity development with major factors influencing wage formation, e.g. labour law and regulations, wage policy, collective bargaining system</li> <li>■ Assessing the effectiveness and efficiency of labour market and social protection policies: To what extent can active labour market policy address inefficiencies in the matching process? To what extent can passive labour market and – more general – social protection policies safeguard people from poverty and loss of income due to unemployment?</li> </ul>
15	Wages, labour law and regulations, collective bargaining system
16	The role of active labour market policies and institutions
17	The role of passive labour market and social protection policies and institutions

Steps	Labour supply, matching in the labour market, labour demand
E (18–20)	<p><b>What are the main challenges to employment creation?</b></p> <p>What kind of consequences can be drawn regarding reform efforts of the respective country in general and in particular of German DC programmes, supporting employment promotion?</p> <p>Objectives of steps 18 to 20:</p> <ul style="list-style-type: none"> <li>■ Getting to know the relative importance of the main constraints to employment generation</li> <li>■ Based on a participative process defining possible areas and options for government action</li> <li>■ Proposing options for of German DC programmes of how to incorporate the findings of ELMA</li> </ul>
18	Summary of challenges and their relative importance to employment generation
19	Possible options and approaches for reforms to take up the challenges
20	Conclusions and consequences for German DC

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On behalf of



Federal Ministry  
for Economic Cooperation  
and Development



## Achieving More Effective Employment Promotion through the Integrated Approach

□ ■ □ Module 2.2

**Module 2.2 is part of the publication “Full and Productive Employment and Decent Work for All – Handbook on Employment Promotion in Development Cooperation” in Section 2: “Conceptual Approaches and Instruments for Effective Employment Promotion”.**

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Abbreviations	
BDS	Business Development Services
BMZ	Federal Ministry for Economic Cooperation and Development
CEFE	Competency based Economies through Formation of Entrepreneurs
EcoEmploi	Programme Promotion of Economy and Employment
ELMA	Employment and Labour Market Analysis
DC	Development Cooperation
FC	Financial Cooperation
GACIC	German–Arab Chamber of Industry and Commerce
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit
ILO	International Labour Organization
KfW	KfW Bankengruppe
(M)SMEs	(micro,) small and medium-sized enterprises
NEP	National Employment Pact
PROMYPE	Programa de Fomento de la Micro, Pequeña y Mediana Empresa
TC	Technical Cooperation
TVET	technical and vocational education and training
UTIL	Unidad Técnica de Intermediación Laboral

# Achieving More Effective Employment Promotion through the Integrated Approach

- German development cooperation pursues an integrated approach to employment promotion. The efforts seek to achieve improved employment effects by coordinating measures in the areas of labour demand (creating and improving jobs); matching in the labour market (information, orientation, and placement); and labour supply (improving employability). In addition, economic policy conditions in particular have to be oriented towards employment.
- The integrated consideration of employment promotion must be initiated from within the partner government and be embedded in an analysis of the employment situation. Employment measures must then be coordinated between the partners and individual donors. Finally, it is also important to boost the potential of synergies through the enhanced integration of individual German development cooperation projects. This applies to both the employment-oriented design of new programmes as well as the necessary coordination of ongoing development cooperation measures.

## The importance of an integrated approach toward employment promotion

**Unemployment and underemployment** are among the principal causes of poverty. The integration of the 202 million people who are currently unemployed and the 839 million working poor into economically productive and decent employment is therefore one of the most pressing challenges of development policy (cf. ILO 2014). In the coming years, approximately 42.6 million people will enter the labour market annually, and providing them with a career perspective is of great significance for the economy, the social structure, and the society at large (cf. ILO 2014).

**The reasons for unemployment and underemployment are numerous and diverse.** They include both constraints on the demand and supply sides of the labour market, as well as ineffective labour market institutions. Furthermore, they are affected by unfavourable conditions in the economic and employment-policy realms.

- On the **labour-demand side**, an inauspicious business and investment climate, limited access to capital, and deficient public-sector capacity may constrain the development potential of the private sector. When the formal economy is not productive enough to create jobs for a large part of the population, job seekers
- On the **labour-supply side**, too, shortcomings can exist that preclude a high level of employment: In many developing countries, the phenomenon of vacancies remaining unfilled despite high unemployment can be observed. A lack of access to education and poorly performing qualification systems that are misaligned with the demands of the economy often result in individuals not possessing adequate qualifications that apply to real-world practice and who, therefore, are unable to take advantage of employment opportunities. Furthermore, the productivity of potential workers can be diminished due to illness and health vulnerability in circumstances under which there is a prevalence of poor working conditions accompanied by inadequate medical care. Moreover, in many regions, cultural, ethnic, and gender norms prevent members of certain population groups from practicing specific occupations.
- **Matching must occur in the labour market** for labour demand and labour supply to come together. However, job-placement processes in the labour market – and thus its functioning – are frequently constrained because labour market information is not adequately collected, labour market institutions work

are usually compelled to pursue their fortunes in the informal sector.

ineffectively, and many job seekers face significant barriers to mobility.

Effective employment promotion, therefore, must be applied in all of the above-mentioned realms. This finding is reflected in the **integrated approach to employment promotion**, which comprises a coordinated approach in the following areas:

- creating and improving jobs, in particular by promoting the private sector and access to financial services;
- enhancing employability by (vocational) education and training and qualification;
- improving labour market coordination mechanisms through (active) labour market policy approaches.

Labour market supply and demand incentives are also fundamentally determined by **framework conditions of economic and employment policy**, which, therefore, demand special attention and must be developed with employment-oriented goals. In the following sections, concrete starting points for the specific areas of intervention are described in detail (cf. Figure 1).



Real-world vocational education and training in a Rio de Janeiro sheet-metal workshop

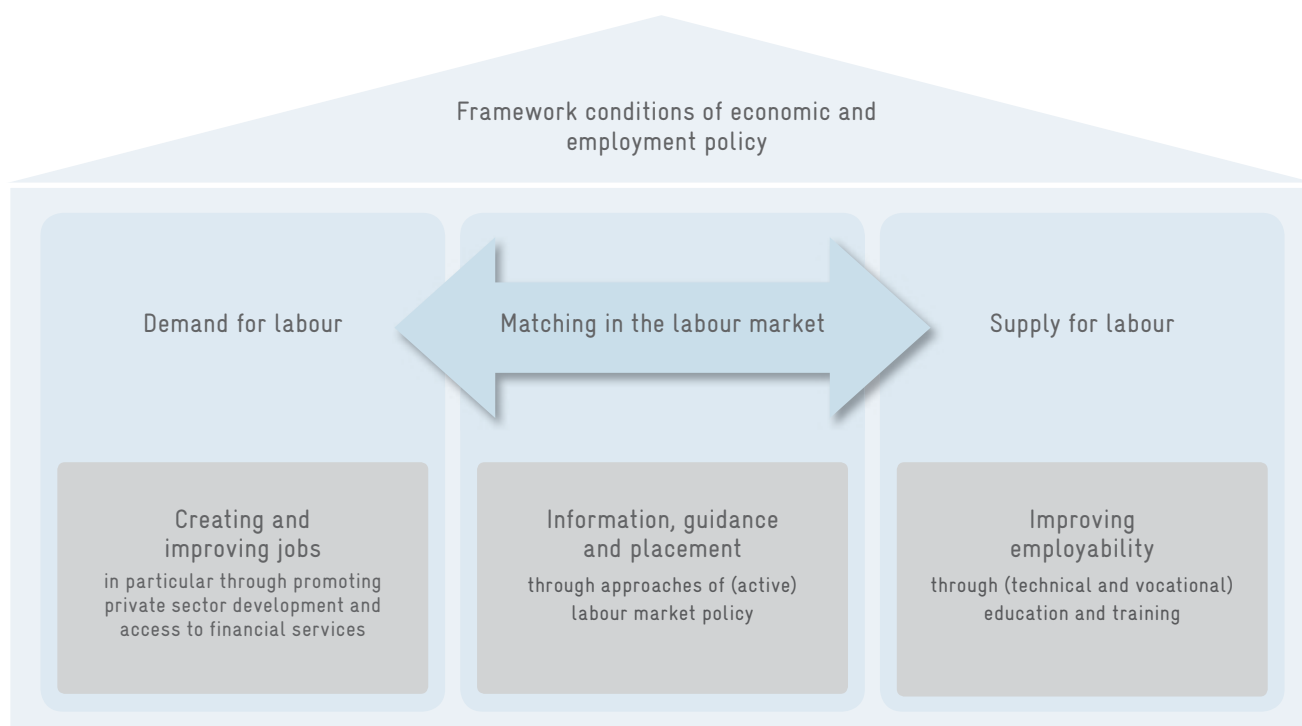


Figure 1: The integrated approach to employment promotion  
Source: GIZ



German support helps effectuate higher construction standards in Ethiopia

The integrated approach to employment promotion can be undertaken in the following ways:

- individual projects encompass all the approach's areas (e.g. through project components);
- technical cooperation (TC) projects or financial cooperation (FC) in a given partner country that are active in distinct fields pursue a coordinated approach and complement each other in terms of the integrated approach;
- joint TC and FC programmes operate in relevant areas of the integrated approach and their activities are closely interconnected;
- TC or FC projects are active in some fields that fall under the integrated approach and will be complemented by projects from other donors or through the partners' activities in complementary integrated-approach areas.

Although German TC projects have had various effects on employment, the explicit promotion of employment issues has so far mainly occurred in the context of the **priority area Sustainable Economic Development** of the German Federal Ministry for Economic Cooperation and Development (BMZ). In the context of the “economic policy”, “private-sector development”, “financial-sector development”, and “vocational training and labour market” core competence areas, projects are implemented that contribute in their respective ways to strengthening the supply and demand sides of the labour market and its coordina-

tion function (matching). Employment-related concerns are also increasingly being pursued at the target level in key aspects of other BMZ priority areas (e.g. in the field of employment through the extension of renewable energies).

In order for employment promotion to be organised effectively, the integrated approach has to be **adjusted to the context of the country and its labour market**. The first step is, therefore, identification of the main deficits and bottlenecks in the labour market (cf. Module 2.1). Qualitative and quantitative **labour market analyses** can provide detailed information on the extent and specific forms of unemployment and underemployment.<sup>1</sup> In countries where a large proportion of the workforce is employed informally, it is imperative that the relevant data be included in the analysis. Based on information regarding labour market bottlenecks, measures can be devised that specifically address these deficits.

To ensure a consistent long-range employment policy, it is recommended to integrate the planned measures systematically **in national strategies for poverty reduction and employment** (cf. Module 2.5). An open political dialogue between the government and all relevant stakeholders – in particular the private sector, trade unions, various ministries, regional and local governments, and civil society organisations – should be sought in order to discuss key issues and create a broad consensus on employment policies.

The integration into national development strategies also provides a good foundation for **coordination of the activities of various donors**. Due to the complexity of promoting employment and the magnitude of the challenge in many countries, it makes sense to plan and implement employment promotion in the form of coordinated government efforts and in cooperation with bilateral donors and multilateral organisations.

A truly integrated approach requires not only better coordination of development cooperation efforts in the relevant areas, but also increasingly closer **cooperation among the institutions on the partner side**, which is often difficult. Therefore, an important sphere of activity for development cooperation support is the promotion of goal-oriented information exchange, coordination, and institutional cooperation among these institutions in the context of capacity development.

<sup>1</sup> In the process, the method of Employment and Labour Market Analysis (ELMA) developed by GIZ can be applied (cf. Module 2.1).

## BOX 1

## SUSTAINABLE EMPLOYMENT THROUGH INTERLINKING THE ECONOMY, EDUCATION AND THE LABOUR MARKET IN RWANDA

With an average of almost seven percent, the Rwandan economy's growth rates have been remarkably high in recent years. However, the majority of employees still work in low-productivity and poorly paid jobs, especially in agriculture. Rwanda seeks to be a middle-income country by 2020 and to create 200,000 new jobs outside agriculture annually. Improvement of vocational training, strengthening of the private sector, and growing employment are the focus of the national development strategy, which is supported by the German technical cooperation programme entitled "**Promotion of the Economy and Employment (EcoEmploi)**". The programme corresponds paradigmatically to the integrated-approach concept of employment promotion since it applies the interventions in all four areas in an interlinked way and embeds them in an overarching political strategy.

The programme operates in the areas of private-sector development, promotion of vocational education, and strengthening the labour market, all of which are synergistically linked. Through the introduction of public-private dialogues at the district level, entrepreneurs and communal administrations are able to jointly solve identified problems. A first success has been the reduction of local taxes after coordination with the district administrations. In cooperation with the vocational school board, a quality-management system for vocational schools has been developed and an internship pro-

gramme initiated that has been implemented nationally in vocational-training institutes. Together with the association of private vocational schools, around 900 teachers for auto mechanics, information and communication technology, the construction industry, electronics and electro-technology, and pedagogy have been trained. More than 9,000 people have completed short courses to improve their technical and entrepreneurial skills. The programme works toward expanding companies' participation in vocational training. The first steps in this process have been taken, with the establishment of *sector skills councils* and apprenticeship programmes.

In conjunction with the Rwanda Development Board, a labour market information system has been set up that provides the government with information necessary to make employment policy decisions. In May 2013, a new employment service center that has a model character was opened in the city of Kigali; its offerings are actively used. Within one year, the center has placed 105 people in employment or training.

The creation of favourable conditions, the elimination of barriers to business growth, value creation at the sectoral and regional levels, and the introduction of new demand and practically oriented qualification programmes are regarded as the building blocks of Rwanda's foundation as a country without poverty in the future.

A 2013 analysis of current German development cooperation practice showed that only a few projects have been active in all areas of the integrated approach. Five projects from the GIZ portfolio address all four areas, and ten others work in three. A particularly successful example of the implementation of the integrated approach to employment promotion, a project in Rwanda entitled EcoEmploi, is presented in Box 1. So far, many projects have focused on only one area, but since there is empirical evidence of the integrated approach's particular effectiveness, it should be investigated whether the employment effects of German development cooperation could not be increased through further integration. The necessary cooperation and coordination of partner-side institutions is also a major challenge.

## Elements of the integrated approach

### Creating and improving jobs

Under open market conditions, sustainable economic growth and increased and enhanced employment opportunities – particularly for poorer population groups – can only be achieved when the **private sector is productive**. As in Germany, in many developing and emerging countries, the majority of jobs are found in micro, small, and medium-sized enterprises (MSMEs). Improved corporate capability to compete and innovate is often accompanied by productivity growth that can also lead to reduction of employment in the short term in individual firms. However, studies show that profitable companies expand, and



then – with appropriate incentives – create jobs in other areas or for new products. This, though, is not the only way in which an invigorated private sector contributes to an improved employment situation. Higher labour productivity is an important prerequisite for making wage increases possible, which leads to an improved income situation for workers and their families in correspondingly dynamic labour markets and, due to increased purchasing power, can contribute to strengthening the local economy (cf. Module 1.3).<sup>2</sup>

In addition, it should be noted that not any job, but only one that ensures humane working conditions, affords the opportunity for people to free themselves permanently from poverty. Therefore, in addition to the aim of contributing to more productive employment in partner countries, German development cooperation seeks to **improve working conditions**, orienting its efforts toward the ILO's *Decent Work Agenda* (cf. Module 3.1).

German development cooperation employs manifold **instruments and measures for the promotion of the private sector** that fundamentally strive to have positive long-term and structural effects on employment (cf. Module 2.3 and BMZ 2013). The main target group of private-sector promotion is MSMEs, which include both formal and informal businesses, as well as self-employed individuals (cf. BMZ 2013).

In many countries, **MSMEs are faced with bureaucratic hurdles and obstacles**. These include, e.g. direct and indirect costs for enterprise registration, excessive taxation also at the local level, numerous permits required to commence business, corruption, or just that they fall under unclear and overlapping responsibilities of several institutions. These costs of doing business are sometimes so high that companies cannot expand or even be established (in the formal sector) – which also hinders the creation of jobs.

By supporting partner organisations in conducting appropriate, targeted business and investment-climate surveys, barriers are identified and discussed in public-private dialogues; action plans for improving the legal, regulatory, and institutional framework are devised; and their implementation is accompanied. As representatives of SMEs, chambers and associations are supported in formulating and defending their interests in public-private dialogues,

hence promoting the creation of an accommodating **business and investment climate** for the establishment of enterprises and concomitant employment.

Another major obstacle to the development of MSMEs is frequently an underdeveloped financial sector. In the context of private-sector development, therefore, access to and the quality of **financial services** for enterprises must be improved in both the formal and the informal sectors (cf. Box 2). This stimulates their investment activities, which in turn can contribute to higher employment. For instance, banks in developing countries often do not possess adequate knowledge to offer loans tailored to the needs of small and medium-sized enterprises, which may be the case when a firm needs a loan that is larger than a microloan but less than a conventional loan for a large company. As a component of financial-system development, banks are supported to enable them to better assess the risks of MSMEs and offer appropriate financial products. This allows firms to obtain additional capital for expansion and the creation of new jobs.

Promoting a market for **business development services** (BDS) has also contributed to increasing the competitiveness of (M)SMEs. An effective BDS market improves companies' access to technical advice, information about financing opportunities, business-plan consultation, market analyses, and IT solutions. Promoting BDSs both fosters the foundation of providers who offer firms fee-based services and develops a market for their products. This not only directly creates service-sector jobs, but also reinforces the approach's sustainability due to the demand-oriented financing. Chambers and associations play an important role as business service providers in promotion of the private sector.

In the face of persistent unemployment and underemployment, many people choose the path of **entrepreneurial independence**. Particularly in post-conflict contexts or in regions with a large informal economy, going into business for oneself is increasingly viewed as an alternative to seeking a job. As a rule, these are the very smallest of operations, having a subsistence character with minimal growth potential. To launch a successful business, i.e., to make it profitable and generate long-term income, a tightly focussed preparation for the firm's foundation, a sound business and financial plan, and the skills to manage the company profitably are key prerequisites.

In addition to access to start-up credit and business services, starting one's own firm primarily requires **managerial and technical expertise** (cf. Box 3). The necessary

<sup>2</sup> A German-language publication entitled "*Privatwirtschaftsentwicklung beschäftigungswirksam gestalten – Eine Handreichung für Praktikerinnen und Praktiker*" (Rösler 2013) is available on this topic.

## BOX 2

## IMPROVED ACCESS TO FINANCIAL SERVICES FOR MSMES IN TAJIKISTAN

Conditions for the development of Tajikistan's SME sector remain unfavourable despite economic policy reforms and considerable increases in gross domestic product. As a result, the employment potential of SMEs is virtually untapped. The private sector is inadequately organised, and integration into international and regional markets is poor. Furthermore, numerous trade barriers complicate the development of the country's industry, and the availability and use of loans lie far below their potential. GIZ's **Framework and Finance for Private Sector Development** programme aims to transform these conditions toward broad-based, sustainable growth in the country. The effort is based on, among other things, the promotion of agricultural and non-agricultural value chains by creating advisory services for MSMEs, improving access to financial services and economic policy advice, and stimulating dialogue among policy makers, the private sector, and civil society.

In order to improve access to financial services for MSMEs, the programme has collaborated in the drafting of a new legal framework that now enables microfinance institutions to offer more products and hence better meet client needs. The programme supports the Association of Microfinance Institutions in the provision of fee-based services to its eighty members and the purposeful representation of their interests. A broad range of new savings and credit products has emerged, including seasonal and agricultural loans, investment credits for machinery rings, programmes for entrepreneurs, and products for loan-loss provision.

Impact studies of the programme bolster the hypothesis that access to financial resources leads to the creation of jobs in enterprises. Companies that are clients of the supported microfinance institutions have proven able to create 1.5 times as many new jobs as those that aren't. In a survey, almost eighty percent of the firms also confirmed that they would not have been able to create the new positions without loans, and nearly ninety percent reported positive effects on their family income.

entrepreneurial skills, for example, are provided in the curricula of education and training programs, imparted by specific educational materials, or learned via practical exercises such as business games. In German development cooperation, this often happens with the aid of "Competency-based Economies through Formation of Entrepreneurs" (CEFE), a training concept for improving commercial and entrepreneurial competence and key qualifications with the aim of creating competitive, independent economic activities, as well as jobs.

In the process of **promoting value chains**, sectors or individual products – from the end product on the market back to the raw material – are analysed and possible obstacles to enterprise development eliminated (cf. Box 4). The aim is to integrate (M)SMEs into economic channels as, e.g. suppliers for international concerns or large, competitive national enterprises and thus create profitable, long-term supply and sale relationships. With the help of BDS providers, shortages that exist in the upstream stages of the production process can be eliminated and the quality of final products improved. This enables (M)SMEs to expand their sales markets and create additional jobs.

**Innovation in regard to products and processes** is the foundation for enterprises to participate in markets, increase their productivity, and become – or remain – competitive. To strengthen innovation systems, governments are given access to consultation on the development and implementation of innovation-related strategies and promotion programmes. The goal is to strengthen the capacities of key institutions of the innovation system (e.g. research facilities and incubators) and to foster networking among relevant stakeholders from government, academia, and the private sector. With an effective institutional environment that encompasses suitable service providers in both the financial (e.g. start-up, risk, and seed capital) and non-financial (e.g. innovation and technology-management) realms, companies are in a better position to offer innovative products, processes, and services and to develop new business models.

## BOX 3

## PROMOTING INNOVATION AND BUSINESS INCUBATION IN TUNISIA – YOUNG ACADEMICS IN FOCUS

Sustainable economic growth and the reduction of unemployment, especially among young university graduates, are two of Tunisia's greatest challenges. Toward these ends, the country has adopted a strategy of aiding small and medium-sized enterprises through the promotion of start-ups and innovation. Therefore, on behalf of BMZ, GIZ advised the Tunisian Ministry of Industry and its regional sub-agencies from 2004 to 2014 in the demand-oriented improvement of start-up promotion.

Stimulated by the “**Entrepreneurship development and innovation**” project, public and private organisations involved in the promotion of start-ups have joined forces to form regional networks. Start-up coaches have been trained who offer services that are customised for people involved in the process of setting up their own business, and individuals considering going into business for themselves benefit from the improved advisory services. Over ninety percent of the private business consultants who have completed the training confirm that they have integrated innovation consulting as an integral part of their advisory services. After one of these consultations, a Tunisian dairy producer reviewed his production processes and product range using the inno-

vation management system that had been introduced. The company decided to pursue the areas of potential innovation that were identified and has been a market leader in the dairy sector ever since.

Information from the regions and projects is available through a monitoring system established by the Ministry of Industry for start-up promotion. The data helps the Tunisian government formulate a demand-driven innovation policy and effectively manage its implementation.

Universities and research institutes are pivotal in the promotion of innovative start-ups. While working on their final projects, students receive advice from professional government experts in the area of start-up promotion in regard to establishing their own business subsequent to graduation. Business idea competitions at universities are a suitable platform to gather innovative ideas. After selecting the ideas, consultation and coaching to draw up business plans worthy of financing can be the next step. At the same time, identification and a feasibility study of the start-up ideas that arise from the research can be used to activate financing from a Tunisian venture capital fund.

### Improving employability

**Employability** refers to an individual's capacity to acquire, assimilate, and apply technical, social, and methodological skills in a goal-oriented, responsible way toward gaining or keeping employment in an environment of change. Employability of the labour force is an essential prerequisite for full employment, strengthening a country's productivity, and improving its attractiveness as a place to do business.

This means, first of all, that people have to possess certain **skills and abilities** in order to perform productive activity. To be able to take advantage of opportunities in the labour market, they also have to undertake a targeted, active job search and continuously adapt their training to the changing requirements profiles. Of equal importance are the preservation of health and the protection against risks (e.g. illness, unemployment, old age, and accidents at work). Under favourable conditions, i.e. in the presence

of sufficient job opportunities, high employability makes finding a job or an opportunity for self-employment – with sustainable job security – possible. Effective qualification and education systems that pave a professional path coupled with dependable social security systems are, therefore, important for the performance and flexibility of a country's labour force.

The bases for future employability are already laid in school. Great variations in the **quality of a country's basic education**, e.g. differences in urban and rural areas, however, mean that the knowledge and skills students possess when they graduate diverge significantly. Therefore, development efforts increasingly pursue approaches that enable basic education to better dovetail with other segments of the education system. For example, this includes informing students early on about possible career paths (career guidance) and introducing them to entrepreneurial thinking. Furthermore, training measures seek to close knowledge gaps left by the elementary education system

and thus better prepare students to be accepted in vocational education programmes or entry into the workforce.

**Technical and vocational education and training** promotes the acquisition, maintenance, and further development of skills and abilities with which an occupation can be practiced (either as an employee or on a self-employed basis) and an income can be earned (cf. BMZ 2012). For graduates' qualifications to meet the demands of business and industry, TVET qualification systems must be geared toward the requirements of local or national enterprises. Hence, close, continuous coordination between public and private education-and-training and qualification institutions, as well as actors from the private sector at both the local and sectoral levels, is essential for the sustainable, labour market-aligned orientation of key skills that enhance employment opportunities for individuals with appropriate qualifications. The systematic integration of learning periods during a person's working life (**lifelong**



Private-sector jobs: the textile industry in Morocco

#### BOX 4

#### PROMOTING VALUE CHAINS FOR INCLUSIVE ECONOMIC DEVELOPMENT IN NEPAL

Nepal's economic development is shackled by political uncertainty, poorly developed infrastructure, and social and ethnic conflicts. Although poverty has declined slightly in recent years due to low but stable economic growth, not everyone has benefitted: at thirty percent, the poverty rate in the countryside is twice as high as among Nepal's urban dwellers.

The “**Inclusive Development of the Economy**” (**INCLUDE**) programme has set its sights on disadvantaged population clusters in the country's rural regions. They include, in particular, women, certain castes and ethnic / religious groups, people with disabilities, and those affected by the consequences of the civil war who have potential to be economically active. The programme is active in five pilot districts in western Nepal. It promotes the target groups' economic endeavours by supporting selected value chains such as honey, medical and aromatic plants, and dairy products.

Currently, Nepal's governmental and private institutions do not adequately fulfil their roles in promoting socially balanced economic development. There is a lack of established mechanisms for coordinating cooperative efforts, as well as a scarcity of innovative business-promotion approaches and training resources. INCLUDE, there-

fore, encourages dialogue between the government and the private sector and strengthens stakeholders from the public, private, and cooperative sectors. Furthermore, successful local undertakings are to be emulated at the national level, innovative approaches for improved cooperation among the partners are to be developed, and a socially responsible entrepreneurship is to be fostered.

In promoting value chains, the project employs the *value links* approach in order to build lasting business relationships among producers, distributors, financial institutions, cooperatives and markets. The programme collaborates with cooperatives that unite producers in supply chains. This helps improve the quality of products, access to the market, the negotiation and pricing power of producers, as well as their consultation.

These efforts have already helped many families raise their income. One success story is that of Bishnu Pd. Dangaura, a former landless bondsman from the Kailali district. He has been in the beekeepers' cooperative from the outset, where he received training and logistical support. Now he earns about 200 US dollars a month, which enables him to provide for his family and send his three children to school.

## BOX 5

## VOCATIONAL EDUCATION REFORM IN VIETNAM

Approximately one third of all working people in Vietnam have training that is relevant to their job, and only fifteen percent have completed a formal vocational training programme. At the same time, over a million people enter the labour market annually, but they face a lack of practical technical vocational education and training (TVET) opportunities, resulting in a shortage of skilled workers and technicians in particular. Therefore, Vietnam seeks to increase the number of trained workers to 55 percent by 2020.

Through the programme entitled “**Reforming vocational education**”, GIZ and KfW support Vietnamese partners in carrying out a comprehensive reform of the country’s TVET infrastructure. The programme provides policy and system advisory services, and supports selected vocational training institutions in improving the quality of their programmes, as well as in building up a network of competence centres for vocational training. The TVET institutes that will receive funding are selected according to stipulated criteria, and business and industry will take part in developing and implementing concepts for modern vocational training. This includes companies participating in the development of occupational standards, providing on-the-job training in cooperative models, and their involvement in assessment. This encompasses capacity development of public and private-sector stakeholders at all levels toward

designing and carrying out their roles in TVET. Pilot TVET institutions receive machinery, equipment and teaching materials.

There is a demand for the TVET reforms. Tracer studies show that up to ninety percent of the graduates of the metals technology, electrical engineering, and mechatronics training programmes get jobs after their training, and three quarters of companies surveyed confirmed that the qualifications of graduates of reformed training programmes meet their requirements. The trainees benefit from the higher competence level of the teachers who have received further training. Furthermore, consultations in regard to instructors, collaboration with the private sector, professional standards, and the financing of TVET, among other things, have been visibly anchored in the amendment of the Vocational Training Act. Two hundred trained multipliers from the teaching and management staff of vocational training institutions, as well as specialists and managers from the partner agencies, have been able to provide sustainable support for the process of TVET reform.

The programme’s active public relations activities have strengthened the awareness and standing of vocational education and training in society. Photographic exhibitions and career information events have also helped reach thousands of young people and parents.

**learning**) can support workers in acquiring technical and social skills and other key qualifications (e.g. teamworking skills) and at the same time promote lifelong learning (cf. BMZ 2012).

**Non-formal training programmes** fulfil an important function alongside education-and-training programmes in the formal qualification system. For women and men who earn their livelihood in the informal sector, as well as for school dropouts and disadvantaged youth, non-formal training programmes provide an opportunity to complete their education or to acquire specific qualifications. The qualification process serves as preparation for work either as an employee or on a self-employed basis in the formal or informal economic sectors. An essential component of the success of non-formal training is that content and implementation are systematically tailored to the participants’

requirements because their education is often lacking and their flexibility constrained by limited mobility.

In addition to technical and manual skills, **life skills** constitute an essential basis for successfully undertaking productive employment. Life skills are fundamental individual and social skills such as communication and decision-making ability, leadership qualities, critical and creative thinking, and dealing with emotions, stress, and conflict. In the framework of life-skills training programmes, young people are trained in positive and constructive behaviour. These courses should include knowledge already acquired formally or informally and make it easier for graduates to gain access to further (formal) training or entry into the labour market. In post-conflict situations, the teaching of life skills can contribute to social stabilisation (cf. GTZ 2009).

Another important factor for maintaining employability is a **public system of social protection** (cf. Module 3.1) that makes it possible for people to tide themselves over during periods of difficult or unusual circumstances such as illness, following an accident, or during maternity leave. If individual risks are not cushioned by public social

protection systems or private financial safeguards, poor people are often forced to bridge periods of financial hardship with short-term strategies such as working excessive overtime or living by means of subsistence. This can have irreversible consequences: when families do not have access to critical health services or children have to leave school

## BOX 6

### DEVELOPMENT AND ESTABLISHMENT OF THE VOCATIONAL TRAINING SYSTEM IN THE PALESTINIAN TERRITORIES

The incessantly intensifying economic and social upheavals resulting from the ongoing Israeli-Palestinian conflict, now more than sixty years old, have led to widespread poverty and unemployment among the latter. The Palestinian vocational education-and-training system can neither supply the territories' labour market with skilled workers nor educate professionals who could find work in neighbouring countries. To enhance the competitiveness of the Palestinian economy, the **Promoting Vocational Training and the Labour Market** programme pursues a variety of objectives including human capital formation, strengthening the knowledge society, and developing education and training that is relevant to the labour market.

The focus, therefore, is supporting the partner government in the integrated implementation of approaches to vocational training and the labour market as part of its reform and development strategy. The target group are young people between the ages of fifteen and thirty. The vocational training strategy that has been adopted supports the development, establishment, and implementation of all essential structures and standards that are prerequisites for vocational training to be directly relevant to the labour market. New teaching and training curricula and modern didactic teaching methods will lead to higher-level professional, social, and personal skills. The new qualifications are transparent, labour market oriented, and comparable in both the national and international context. The labour market strategy that has been implemented promotes youth employment in particular and links the supply and demand for labour. Institutions are promoted that offer vocational training and labour market services.

With the programme's support, the following milestones have been achieved:

- A national qualifications framework that applies to the entire education sector has been put into practice. It makes comparison of qualifications earned through academic, vocational, and informal learning possible.
- Promoting the involvement of the private sector in curriculum development is a component of a new standard that also supports modern didactic teaching methods.
- A model for personnel development has improved the qualifications of vocational teachers and trainers, whose professional preparation generally did not address didactics or instructional methodology.
- Service centres affiliated with the Ministry of Labour advise companies in their search for skilled workers and job seekers in regard to career opportunities.
- More than 500 guidance counsellors from all sectors of education have been trained and advise students who are about to graduate.
- A new labour market information system has been developed that serves the Palestinian government as an important source of information on labour market developments.
- In eleven local community-level employment and vocational training councils, all relevant actors and institutions work together on an improvement of VET and the labour market. They advise the government from a local perspective and support it in implementing vital decisions of relevance to the labour market at a decentralised level.



Success in the labour market due to vocational training: a qualified Nepalese mechanic welding

in order to contribute to the family income, employment opportunities also dwindle in better times. A lack of financial and social security can thus cause people to fall into a downward spiral and into poverty. The instrument of conditional cash transfers to poor households that, e.g. makes the payment of financial social assistance dependent on children's attendance of school, can help raise the education rate and encourage investment in human capital, which, in turn, fosters employability, even in disadvantaged households.

### Improving coordination mechanisms in the labour market

As in other markets, **efficient coordination between supply and demand** is crucial for the labour market to function well. A lack of transparent information combined with barriers to mobility can lead a situation in which job vacancies cannot be filled despite the fact that workers are available who possess the exact knowledge and skills that are desired. The labour market's coordinating role can be improved by appropriate policy measures, including steps for development and improvement of labour market information systems, vocational guidance and counselling, job placement, and qualification programmes that accompany the job-search process.

The **availability of labour market information** is an essential prerequisite for analyses of this market and thus for the formulation and implementation of suitable policy measures. Standardised, comprehensive statistics permit concrete statements in regard to demand trends and employment potential. When analysed according to regions and sectors, regional trends for specific occupational groups can be derived from the data, making it possible for vocational education and training to be more closely aligned with labour market requirements and career guidance and counselling to be more precise. Improved transparency of labour market information accelerates job placement and results in a better matching of existing skills and knowledge and those being sought.

Furthermore, findings from the **monitoring of project interventions** and the effects of reforms, especially with regard to the sought-after employment effects (cf. Module 2.4) can be fed into the labour market information systems, creating important prerequisites that make it possible for policies to be evaluated and adapted in a timely manner. The extreme segmentation of labour markets in developing countries makes it necessary to collect and evaluate data related to informal labour markets.

In the context of **career guidance**, students, school leavers, as well as school drop-outs are supported in the processes of self-discovery and career choice. Through counselling in the choice of a career that matches both the individual's personal inclinations and aspirations while providing long-term employment prospects, wrong decisions – which can be personally frustrating and economically costly – can be avoided (cf. BMZ 2005). Hence, career guidance can help reach decisions about qualifications that have a stronger orientation toward economic demands. Given that the requirements of the labour market change rapidly and constantly, vocational guidance also plays an important role for adult job seekers as well as for people who already have a job. Of principal importance are (gender-specific) advice and information in regard to re-education or continuing education courses, as well as application training, so that it may prove advantageous for consultation about career or training advice to be directly coupled to job placement. The use of modern technology can also increase the effectiveness of the counselling.

In addition to career guidance and counselling, **job placement** of job seekers also supports better coordination between labour market supply and demand. The effectiveness of job placement depends significantly on the competence of the placement institution and the availability

of the necessary labour market information (cf. Kausch / Trommershäuser 2002, p. 82). Job placement has traditionally been one of the core functions of public employment agencies, but it can also be done by semi-public or private organisations (cf. BMZ 2005). Depending on the local or national labour market situation (e.g. urban vs. rural regions) there are various forms of job placement: these include conventional or internet-based job exchanges, direct contact between enterprises and job seekers, or institutionalised governmental or private placement agencies.

### Framework conditions of economic and employment policy

The framework conditions for all areas of the integrated approach's intervention in employment promotion are decisively influenced by economic policy. The goals of economic policy measures usually focus on reducing



Job placement as an instrument to help match the supply of and demand for labour

#### BOX 7

#### IMPROVING EMPLOYMENT OPPORTUNITIES FOR YOUNG EGYPTIANS THROUGH CAREER GUIDANCE AND JOB PLACEMENT

One of Egypt's greatest employment-related challenges is the lack of career counselling and job-placement structures for job seekers. Companies seeking to fill vacant jobs don't have either a platform or a contact person. The Federation of Egyptian Industries estimates that up to 1.5 million jobs remain unfilled in the non-academic job market. Therefore, the establishment of a functioning job-placement system was at the heart of the **"Private Sector and Employment Promotion"** programme that ran from 2012 to 2014.

The programme operated as part of the country's National Employment Pact (NEP), a joint initiative of GIZ and the German-Arab Chamber of Industry and Commerce (GACIC Egypt). The NEP's private sector partners include Siemens, BASF, Bavarian Auto Group, Mercedes and ThyssenKrupp. Like the GACIC and GIZ, the managing directors of these companies are represented on the NEP steering committee and participate in the Pact with technical and financial input.

In close cooperation with the NEP's partners, job centres were set up that offered career guidance and job placement services. Career advisers and employment facilitators were trained for the centres to canvass for jobs that satisfy the criteria for fair and reasonable employment and thus represent career opportunities enabling the employees to earn a living. The centres support young adults in their search for work at no cost and advise companies on recruiting and filling vacancies. In addition, job fairs for young Egyptian job seekers were held on a regular basis in order to increase the programme's impact. Moreover, the first job centre served as a prototype for two others that have been established, and others are in the planning stage. So far, the newly established employment centres have helped more than 2,500 job seekers find employment. The average cost of a placement is 45 euros, and each facilitator has been able to place about fifty people annually.

The experience gathered during this programme is the basis for a new project entitled "Participation through employment – facilitating access to the labour market in Egypt", a component of the BMZ's special initiative *Stabilisierung und Entwicklung in Nordafrika und Nahost, 2015–2017* (Stabilisation and development in North Africa and the Middle East).



## BOX 8

## HONDURAS – COMBATTING YOUTH UNEMPLOYMENT WITH JOB PLACEMENT AND QUALIFICATION

The *Unidad Técnica de Intermediación Laboral* (UTIL) is an innovative instrument for the promotion of youth employment in Honduras that has its origins in an alliance of companies, the municipal government, and the Chamber of Industry and Commerce in the city of Choloma. It thus has access to up-to-date information on the supply and demand situation in the local labour market and the skills and training job-seeking adolescents require.

The young people get career guidance, participate in a brief period of training, and are placed in enterprises. The project partners see to it that they are only placed in positions that afford decent working conditions. The courses offered are based on the “action learning method” (CEFE) developed by GTZ and taught by young lecturers. The establishment of the UTIL was supported technically and financially by a programme for **income and employment promotion** called *PROMYPE* (*Programa de fomento a la micro, pequeña y mediana empresa – Programme for the promotion of MSMEs*).

Between 2005 and August 2010, in the UTIL in the cities of Choloma, Santa Rosa, La Esperanza, Comayagua and Juticalpa, more than 3,100 young people were placed in jobs covered under the national social insurance scheme, and about the same number took part in career guidance. Approximately 430 companies took advantage of the UTIL’s job-placement services, which enjoyed a placement rate of over twenty percent.

The confidence of both the private sector and public institutions in the UTIL is high, and a public-private support group covers a large part of the costs. Other sources of income include corporate donations, fees, and stand rental at the employment fairs organised by the UTIL, so that sustainability is secured.

As of August 2010, 138 young people had been trained in courses on developing business plans, among whom were sixteen who went on to found small enterprises. Complementary to the support provided to founders of start-ups, PROMYPE oversaw the training of the staff of credit institutions in the evaluation of business plans and established guarantee funds for young entrepreneurs at several microfinance institutions throughout the country.

The UTIL model has established itself nationwide and offers its customised services in accordance with the local labour market situation. For example, in Santa Rosa, where few jobs are offered by local employers, the city’s UTIL particularly supports training for aspiring entrepreneurs and provides them with monitoring once their company has successfully been founded. In order to ensure this local effort remains sustainable, the method was transferred to a not-for-profit foundation that has taken over the establishment of new UTILs and, since the end of the PROMYPE programme, undertakes the coordination among them.

unemployment toward the ideal of full employment. A comprehensive economic policy approach to employment promotion, therefore, is not confined to labour market policy measures, but includes **all aspects of economic and social policies** that have a direct and indirect impact on a country’s employment level. Hence, they have to be developed in a way that effectively supports the employment targets. For example, a country’s financial and tax systems affect the employment situation, but so do fiscal, industrial, and trade policies.

Political decisions and regulations concerning minimum wage and other issues of **wage and collective bargaining policy** have, e.g. a direct impact on the number of jobs

available in which fields and with which conditions. Likewise, fiscal policy provisions and amendments in taxes and deductions (e.g. ancillary labour costs) have a major effect on the development of labour demand. In the realm of fiscal policy, the state can also target investments (e.g. in economic and social infrastructure) and develop programmes for creating jobs through the public procurement process – or even assume the role of employer – in an attempt to promote employment directly.

In order for **broad strata of the population to benefit from economic growth and a rise in employment**, a targeted structural policy and the promotion of rural and underdeveloped regions, which are often gravely afflicted

by poverty, are necessary. By strengthening labour-intensive sectors and improving access to capital in rural areas, the creation of opportunities for work on either an employee or self-employed basis can be supported, including for disadvantaged groups, hence enhancing their participation in economic life. Furthermore, governmental investment programmes that are labour intensive can have a significant impact on employment in the short run and provide impetus for long-term improvements in the labour market.

For employment promotion to be effective, the **manifold interdependencies that exist between labour markets and macroeconomic processes** need to be taken into consideration. Orienting various policy areas toward job creation can have positive effects, but it can also result in conflicts of objectives. For example, if monetary policy has the prevention of inflation as its primary goal, raising interest rates in this context can produce results that range from reduced corporate investment to losses of jobs. When the government of a country consciously decides in favour of an economic policy that promotes employment, this means assigning the target of employment a predominant role alongside other legitimate objectives.

### Further challenges to development policy

Promoting employment effectively requires close consideration of the supply and demand sides of the labour market, as well as its facilitator function. Target-oriented measures can be tailored to the specific context based upon an **analysis of the main shortfalls and bottlenecks** in the labour market.

Contingent on the wishes of the partner, German development cooperation should **gear programmes and projects** (particularly in the context of the priority area sustainable economic development) **more specifically toward the goal of employment promotion** and improve coordination among them. This is the only way to achieve employment effects that are significantly improved and sustainable and to intensify the poverty impact of development cooperation.

The overall results of Germany's development efforts would benefit from changes in two areas. One is **stronger consideration of the integrated approach to employment promotion** in the further development of its programme design portfolio. This involves the consolidation and coordination of individual measures in areas relevant to



The UTIL graduating class at the end of a successful training programme

this approach. The other is **improved coordination with other donors and institutions**. This means implementing aid measures that apply the integrated approach by means of a joint effort among the donors in which support in the individual areas comes from different donors in each case.

Of especially particular importance, too, is better coordination and integration of measures on the partner side. Employment promotion on the basis of the integrated approach requires a **high degree of coordination and agreed-upon activity**. In the real world, the partner side is frequently represented by a variety of institutions with divergent self-interests, resulting in coordination that is inadequate or non-existent. Therefore, if international development cooperation seeks to support the integrated approach, efforts must be oriented toward promoting the exchange of information and cooperation between the partner institutions through consultation and capacity development.

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## Shaping Private Sector Promotion to Enhance Employment

□ ■ □ Module 2.3

**Module 2.3 is part of the publication “Full and Productive Employment and Decent Work for All – Handbook on Employment Promotion in Development Cooperation” in Section 2: “Conceptual Approaches and Instruments for Effective Employment Promotion”.**

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Abbreviations	
BDS	Business development services
BMZ	Federal Ministry for Economic Cooperation and Development
DIE	German Institute for Development Policy
ILO	International Labour Organisation
MSMEs	(Micro) Small and Medium-sized Enterprises
LRED	Local and regional economic development
MITSMET	Ministry of Industrialisation, Trade and SME Development
PSP	Private sector promotion
TC	Technical Cooperation
VC	Value chains

# Shaping Private Sector Promotion to Enhance Employment

- Private sector promotion (PSP) measures are the principal area of activity for the creation of more and better jobs. In this process, particular focus is placed on micro, small, and medium-sized enterprises (MSMEs), which provide the bulk of employment in GIZ's partner countries.
- Any private sector promotion instrument can contribute to job creation. However, in order to optimally exploit this potential, the analysis and conceptual phases of projects should be orientated towards employment promotion, and it should be anchored clearly among the objectives.
- Above all, effective employment promotion requires the improvement of market access and a productivity increase. The combination of several PSP instruments, an orientation towards future and growth-oriented sectors, and the inclusion of the informal economy can enhance the employment impact. In addition, aspects of the decent work concept have to be taken into consideration.
- There is currently little information available on the scope and quality of the jobs created by PSP projects. However, it is crucial and possible to estimate the direct and indirect employment effects of PSP projects by using appropriate methods.

## The significance of private sector promotion for improving the employment situation

Promoting employment and reducing poverty are the goal and "*raison d'être*" of TC endeavours in the realm of sustainable economic development. Private sector promotion measures constitute a central component of **Germany's integrated approach to employment promotion in development cooperation**. The private sector promotion of the German development cooperation strives to create productive job opportunities as well as income wages that secure one's livelihood and thus reduce poverty (see Figure 1).

PSP projects can impact employment at different levels:

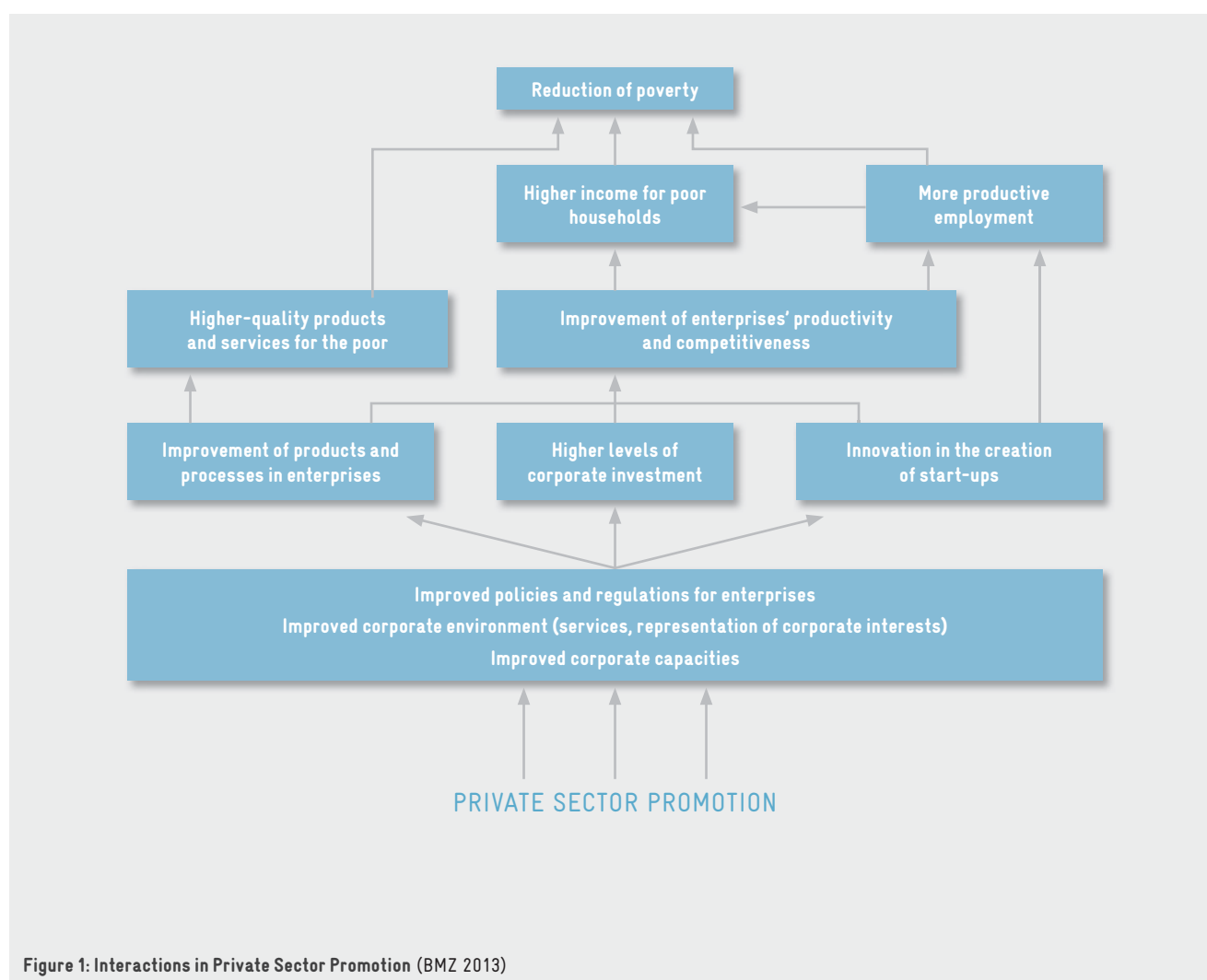
- **direct impact:** e.g. creating jobs via business development services (BDS)<sup>1</sup> at the level of service providers, as well as through the promotion of business start-ups and the growth of existing enterprises;

- **direct and indirect level:** for example, through enhanced competitiveness. To achieve this, services are mainly rendered at the micro and meso levels such as in the context of promoting innovation or value chains;
- **indirect level:** through interventions at the framework level, where the greatest potential for broad impact exists. Attribution, however, proves difficult because of complex interdependencies and diverse external influences, as well as the rather long-term nature of the processes.

The overall employment impact of interventions in terms of both positive multiplier effects, as well as negative displacement and substitution effects often remains unclear. Closer examination of **the outcomes of PSP projects on employment** would facilitate assessment and description of their contributions to the creation of jobs and strengthen the utilisation of the potential of employment promotion. Therefore, the mechanisms for employment effects should be analysed when designing the impact model of PSP projects. Furthermore, during this process, impact hypotheses and indicators of higher-level effects should also be developed and assumptions and risks taken into consideration.

<sup>1</sup> BDSs are non-financial services for enterprises such as training, consultation, information or linkages offered by public or private service providers.





If required, the impact model should be broken down at the intervention levels to better understand interdependencies and to establish the requirements for adequate monitoring.<sup>2</sup> Some methodological guidelines that present various methods of measuring employment effects are available (Kluge 2011).<sup>3</sup> They contain clearly described examples of how to measure the effects on employment, including in complex PSP projects. Important information on various methods and indicators can also be found in Module 2.4 of this handbook.

### Micro, small and medium-sized enterprises (MSMEs): an important engine for employment

A specific focus of employment-oriented private sector promotion in Germany's partner countries is set on formal and informal micro, small, and medium-sized enterprises (MSMEs)<sup>4</sup> (BMZ 2013). MSMEs provide **two-thirds of all jobs** worldwide and thus generate livelihoods for most of the people in the countries with which we cooperate (ILO 2015). These firms also ensure a country's innovative energy and competitiveness.

<sup>2</sup> For detailed examples of impact models and sample indicators for private sector promotion projects, cf. GIZ (2014). It presents, i.a., an impact model for employment promotion in PSP.

<sup>3</sup> See our German-language handbook "Messung der Beschäftigungseffekte von Entwicklungsmaßnahmen der Technischen Zusammenarbeit" (Kluge 2012).

<sup>4</sup> In this document, micro enterprises are defined as having 10 or fewer employees, small enterprises between 10 and 100, and medium-sized enterprises as having between 100 and 250 employees (cf. ILO 2015).



A property tax introduced in consultation with GIZ has been in effect in this rural Madagascar community for a long time. It has afforded new financial flexibility that has triggered economic momentum.

Numerous empirical studies confirm the role of MSMEs as an important driving force in job creation (DIE 2015, ILO 2015). In contrast to larger companies, MSMEs not only contribute to the creation of new jobs through **corporate growth**, but also as the result of **start-ups**. However, studies also reveal that the majority of MSME-created jobs are short lived and, compared to large companies, are characterised by a lower wage level, as well as lower productivity and quality of output (DIE 2015).

The category of MSMEs also includes many micro enterprises in which the work is neither productive nor decent. Especially in developing countries, the MSME segment is often marked by an **unhealthy presence of informal, languishing small-scale firms** with low productivity.

Although MSMEs can make a substantial contribution to employment, there is ongoing controversy as to which types of MSMEs actually make a significant contribution to the **creation of productive jobs**. In developing countries in particular, research on this issue is still needed (de Kok et al 2013). However, recent studies highlight the major role micro and small enterprises that have high

potential for innovation and growth can play in creating decent jobs. The research reveals that new small-scale enterprises in particular carry above-average weight in engendering employment.

In order for the potential of the employment-boosting private sector to be able to develop more effectively and actually create more and better jobs, innovation-oriented enterprises with growth potential, in particular rapidly growing ones (so-called “gazelles”), must receive support (DIE 2015). In parallel, fundamental political reforms must be undertaken to improve the basic conditions for all MSMEs through elimination of structural barriers to growth such as the lack of access to capital and the shortage of qualified specialists.

## BOX 1

## EMPLOYMENT IMPACT OF PROMOTING MICRO, SMALL AND MEDIUM-SIZED ENTERPRISES (MSMES) IN MOROCCO

The majority of Moroccan enterprises in the non-agricultural sector, which employ more than 60 per cent of the country's workforce, have fewer than ten employees. In contrast to their statistical significance, however, MSMEs' contribution to GDP is limited.

Significant corporate governance shortcomings, a generally unfavourable business environment, and limited access to financial resources reduce these enterprises' growth opportunities. Therefore, the GIZ programme **Promotion of Micro, Small and Medium-Sized Enterprises** should result in the creation of more jobs in the country. The programme (2013–2015) improves the conditions for sustainable and employment-generating growth of MSMEs in the pilot regions of Grand Casablanca, Tangier, Tétouan, Oriental and Sous-Massa-Draa.

GIZ's measures focus primarily on the level of ministries, associations, and funding agencies. The Moroccan Ministry of Economy adopts findings from various studies on policies to promote MSMEs and cooperates with the respective technical ministries in their implementation. The partner institutions receive advisory services and training. The framework for MSME pro-

motion policies is discussed at public-private dialogue forums. National funding agencies and organisations receive support in adapting their products and services to the needs of MSMEs and increasing the quality of their services. Specific value chains are supported, and women who run enterprises are aided via advisory services and the work of associations. Selected Moroccan banks develop financial services that facilitate MSMEs' access to credit.

Today, the promotion of micro-enterprises attracts much greater attention in Moroccan economic policy. This can be seen, for example, in the fact that the originally planned support now operates under the title "National Strategy for the Promotion of Micro-Enterprises". In formulating the national development strategy, the Ministry of Economy has made supporting the formalisation of micro-enterprises a priority.

Estimates of the gross employment effect of this measure that were achieved by 2012 range between 3,700 and 4,900 jobs. The average cost per job created amounted to 1,350 euros. By 2015, an additional 1,600 to 2,100 jobs were to have been created at an average cost of EUR 1,800 each.

## Employment effects of PSP instruments

In the following section, selected PSP instruments of technical cooperation (TC) are presented in terms of their employment impact and recommendations derived as to how employment might be incorporated to an even greater extent.<sup>5</sup>

An improved **climate for business and investment** can lead to declining transaction and production costs. The resulting increased productivity and corporate competitiveness create investment incentives, which in turn can contribute to economic growth and more jobs. For example, cost reductions and simplification of corporate registration procedures demonstrably increase the number

of start-ups and foster their survival and growth (Motta et al. 2010). Although the advisory process is often complex and protracted, once implemented, an improved business and investment climate can have a broad impact within a short time.

First and foremost, reforms that facilitate market access and **increase labour productivity** should be supported, including doing business factors such as taxes, registration costs and time, etc. Also to advocate are eased access to land and capital, education, and investment incentives (named in the International Finance Corporation's Doing Business report). The effects of various policy options on employment should be analysed as well (policy impact assessment).

5 See also De Kok / Deijl / Veldhuis-Van Essen (2013).



Rattan furniture is an export success story in West Kalimantan, Indonesia. VC optimisation has made production more efficient and led to the creation of many jobs.

In the process, the partner can be supported in placing the topic of employment on the political agenda. In the dialogue, employee representatives and representatives of the informal economy should have the opportunity to articulate their concerns about employment-related issues.

Enhanced access to **non-financial business services** supports enterprises in creating value that can lead to higher-quality products, more efficient processes, or new marketing opportunities, resulting in cost savings, productivity gains, and higher sales. Businesses thus increase their competitiveness and contribute to growth and employment.

Four features in particular can optimise the employment orientation of BDS:

- goals set precisely and specifically to raise labour productivity and streamline market access (e.g. through the introduction of quality standards, market information, etc.);
- demand orientation;
- industry orientation (a focus on forward-looking sectors with high employment potential);
- targeted combination with other PSP instruments.

The development of **clusters and VCs** (linkages) can also have positive effects on employment. A **cluster** has been defined by et al. (2002) as “a spatial concentration of firms that focus on a specific sector, industry, and products and have a high degree of interaction”. The characteristics of the specific industry play an important role for a cluster, as do the cluster’s maturity and arrangement.

## BOX 2

## PRIVATE SECTOR PROMOTION IN THE SOUTH CAUCASUS

The three countries of the South Caucasus, Armenia, Azerbaijan, and Georgia are confronted by the challenge of having to create broad-based growth in order to reduce the urban-rural gap and poverty, especially in rural areas. Due to their small domestic markets with low purchasing power, the respective governments have decided to rely on the expansion of foreign trade. However, the entrepreneurial and institutional prerequisites for the development of foreign-trade-oriented economic areas are not adequately met, and companies' requirements for highly qualified specialists are increasing.

The regional project promotes value chains in selected economic areas such as tourism and agricultural industries through a systematic multi-level method that implements the integrated approach to employment promotion very effectively. The project's aims include improvement of the framework conditions and promotion of the private sector in selected value chains, as well as sector-relevant initial and further training and private sector participation in vocational training.

At the core of value chain promotion are needs-assessment-based action plans developed with all stakeholders. These are implemented with the support of private and governmental institutions, which, in dialogue with companies and corporate networks, are strengthened in the provision of their services. The aim is the improvement and continual expansion of the needs-oriented service offering for the purveyance of modern management methods, as well as the introduction of standards that are relevant for trade with the EU.

Consultation on economic policy issues takes place in order to improve the framework conditions, which have direct bearing on the performance of the respective value chains and the development of both vocational training and the economic sector itself. In addition, initial and further training, as well as formal and non-formal education, are designed and improved based on the need for technical specialists in the selected economic segments. The matching of jobseekers' qualifications with company requirements is measured by means of a module goal indicator: 40 percent of the subsidised enterprises, including complementary service providers, assess the new or adapted vocational education and training endeavours as having greater labour market relevance than the existing vocational training programmes.

Clusters in the service sector (e.g. tourism) and low-tech fields (e.g. agricultural product processing) have more potential to create jobs for both skilled and non-skilled workers than highly modern, capital-intensive ones, though in terms of innovation and long-term competitiveness, the latter also play an important role.

New clusters frequently hold potential for job creation stemming from the division of labour and cooperation, and fostering networks that comprise both enterprises and relevant institutions (e.g. in the realms of research and training) is imperative. Intermediary organisations such as associations and cooperatives have a special role in network building.

In the process of **promoting VCs**, it appears that the VC's governance structure<sup>6</sup> plays a particularly crucial role in achieving the highest possible employment impact. Cost and time pressures, such as those related to highly standardised products based on economies of scale, are usually passed down from the lead company to suppliers. This can lead to lower wages and/or degraded working conditions. In addition, suppliers can easily be replaced, and the lead company usually has no incentive to invest in them, e.g. through training. Smaller orders with a greater focus on quality or integration into national VCs appear to be more sustainable in this regard and more likely to make func-

<sup>6</sup> The governance structure of a VC is understood as the authority and power relations that determine how financial, material and human resources are distributed within the chain.



The director of the ADER (Agencia para el Desarrollo Regional del Oriente de Caldas) in conversation with representatives from the private sector in the Manizales Chamber of Commerce

tional upgrading<sup>7</sup> possible (Schulenburg 2006, p. 13). The selection of value chains should be made in accordance with economic, ecological, social and institutional criteria in order to maximize the positive effects of value chain promotion.<sup>8</sup>

**Promotion of start-ups:** In developing countries, the number of start-ups is not a problem: they appear for lack of alternatives – and often in large numbers. Problematic is rather their productivity, innovation and sustainability (Müller/Rammer 2012). Promoting business start-ups involves combining various instruments, e.g. providing advice in regard to policy for the creation of incentives for founding a business, developing structures (start-up centres, incubators), imparting relevant skills and knowledge, and developing appropriate funding mechanisms. Important, too, is creating a “culture of entrepreneurship”, e.g. through public campaigns or targeted

awareness programmes at universities. With regard to the target of employment, the process of promoting start-ups needs to focus on sustainable and growth-oriented industries, as well as innovative enterprises that have growth potential.

The **promotion of economic organisations** (such as chambers and associations) can also have positive effects on employment, although here the interdependency is rather indirect. The benefit of chambers and associations is that social capital<sup>9</sup> is created, interests are represented, and the introduction of collective standards (codes of conduct, benchmarking, etc.) becomes possible. Functioning chambers and associations can augment the (employment) effectiveness of other PSD instruments because they assume an important role as facilitators of cooperation in networks of enterprises. In addition to the ‘classical’ institutions such as sectoral and regional associations and chambers, other forms of organisation should be encouraged (e.g. co-operatives and organisations in the informal economy).

<sup>7</sup> In functional upgrading, activities within a VC are shifted toward tasks with a higher added value.

<sup>8</sup> A handbook (Schneemann/Vredeveld 2015) was produced in 2015 in regard to the selection of value chains.

<sup>9</sup> Here defined as social-relationship networks in a community.

### BOX 3 PROMOTING COMPETITIVENESS FOR BROAD-BASED GROWTH IN NAMIBIA

Namibia is a middle-income country, but it is still plagued by high unemployment, widespread poverty, and large-scale social disparity. To overcome these challenges, the country urgently needs to create more jobs in order to raise incomes.

The aim of the TC project “Promoting competitiveness for inclusive economic growth” in Namibia is to create new, competitive companies, to grow existing ones, and to improve the employment and income situation. Towards this goal, the project supports, among other things, the Ministry of Industrialization, Trade and SME Development (MITSMED) in the planning of growth strategies for various sectors and in the implementation of industrial policy. Selected communal and regional agencies are strengthened in order to integrate relevant portions of MITSMED’s funding programmes and instruments into the local economic promotion system. Furthermore, access to adequate financial services is being improved, especially for SMEs.

In addition to domestic and international specialists, as well as integrated experts, five development workers have been appointed for the specific purpose of promoting economic development at the local level.

Furthermore, within the context of the emphasis on Namibia’s sustainable economic development, a project has been established to promote the strengthening of vocational education and training, which will provide a medium-term remedy for the country’s acute shortage of skilled workers. In this way, the project will assist enterprises that receive support through the Ministry of Industrialization, Trade and SME Development’s programmes create new jobs.

The **promotion of innovation and technology** can have both positive and negative employment impacts. The employment effects of innovations vary depending on the type of innovation and the sector (Vivarelli 2011). **Product innovations** are generally associated with positive effects on employment (rising demand for new or improved products or complementary effects on demand at other enterprises). They can be supported by improved access to

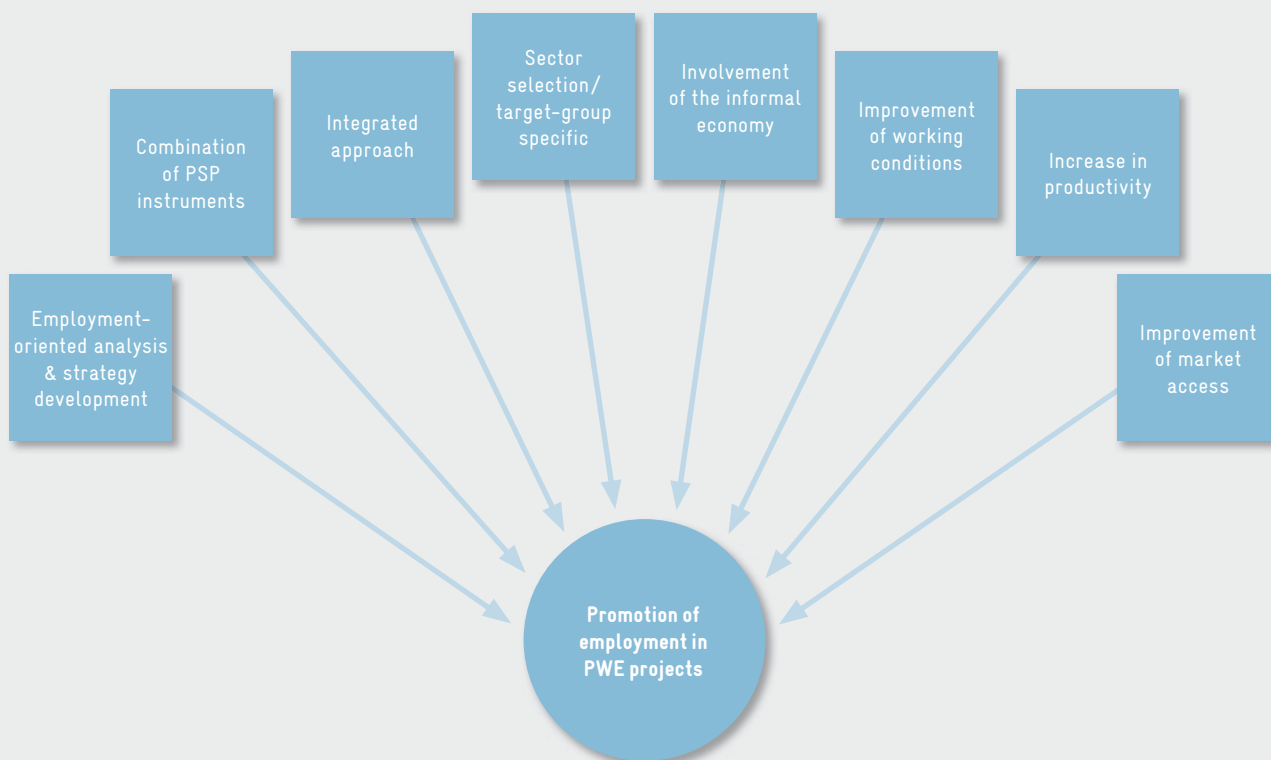


This shoe factory in Morocco mainly produced work shoes, but now also makes shoes for toddlers.

research and development, as well as the strengthening of intellectual property rights.

New products can also emerge in the project context: The needs of the local population can inspire new products and services based on simple, labour-intensive technologies and create large numbers of jobs. This includes product innovations in the framework of inclusive business approaches<sup>10</sup>. Due to efficiency gains, **process innovations** in the short run frequently lead to rationalisation and job losses and thus can have negative employment effects. They are, however, necessary for long-term increases in labour productivity in order to maintain or increase competitiveness; thus, they contribute to long-term growth. They can also lead to positive long-term quantitative and qualitative employment effects.

<sup>10</sup> Regarding inclusive-business approaches, see the GIZ handbook (2016): Grow-Scale-Impact. How to help inclusive businesses achieve scale.



**Figure 2: Factors for increasing the employment effectiveness of PSP instruments**  
Source: Rösler (2013)

**Local and regional economic development (LRED)** measures can accompany structural change, contributing to the strengthening of economic areas and thus producing positive long-term employment effects. In this process, other PSP instruments and technical areas are often resorted to. In addition to economic potential, an understanding of the issues, and the partners' possession of strategic skills, as well as a minimum of willingness to cooperate between the public and private sectors, budgets are necessary at the local level in order to implement initiatives. However, LRED can also make an important contribution to structural change and the reduction of conflicts in a context of structural weakness. The lack of public budgets can possibly be remedied through donor funding. In such contexts, LRED can, in particular, undertake measures to promote business start-ups and self-help initiatives, as well as the coordination processes in the establishment and expansion of economic infrastructure. Public-works programmes can create additional employment. The promotion of good governance, which is linked to LRED, places particular emphasis on employment potential for disadvantaged target groups.

## Sectoral analysis

When deciding on the sectors to be supported, research must be undertaken to ascertain obstacles to the growth of specific sectors and the sectors in which growth has a particularly potent effect on poverty reduction. These questions can only be answered in a country-specific context.<sup>11</sup>

Focussing mainly on labour-intensive sectors is often recommended in the promotion of employment. This, however, can lead to problems. Even if growth in labour-intensive sectors creates more jobs than in capital-intensive ones, it does not justify restricting efforts exclusively to the former.

<sup>11</sup> A handbook for the identification of sunrise industries was developed in 2006 (Mahnke 2006); the handbook "Guidelines for Value Chain Selection" (Schneemann/Vredevelde 2015) is recommended for choosing value chains.



One reason is that the actual quantitative employment effects achieved depend on the growth potential of the respective sectors: high growth in capital-intensive industries can create more jobs than low growth in labour-intensive sectors. The analysis has to take both multiplier and displacement effects into account. Furthermore, the qualitative employment effects cannot be disregarded. Additional employment only leads to **poverty reduction when labour productivity and incomes are sufficiently high**. Therefore, the acceptability of the working conditions and the fulfilment of decent-work criteria (cf. Module 3.1) should also be clarified when looking at labour-intensive sectors.

Hull (2009) recommends a **two-pronged strategy** that promotes employment-intensive growth in **sectors with high productivity** and potential for the future and at the same time bolsters productivity in **labour-intensive sectors**, in which most people – often unskilled labourers – work.

## Further challenges to development policy

In order to face the challenges effecting development policy, the following measures are pointed out to ensure an employment oriented design of PSP measures:

### ■ Analysis and Strategy Development:

At the beginning of new projects, but also in ongoing efforts, essential employment data should be collected and its evolution observed over time. This can make it possible to integrate employment factors into the project design from the outset. Furthermore, this data can help identify future-facing industries and structural changes that are taking place.<sup>12</sup>

### ■ Combination of PSP instruments:

The instruments of PSD complement each other and make it possible to create greater overall leverage in the promotion of employment. Therefore, greater attention should be paid to this phenomenon during the planning phase so the various areas of intervention in complex projects can interact and be tested and shaped in terms of their impact on employment.

### ■ Focus on MSMEs:

Due to their role as an important driving force for job creation, an effective MSME policy that strives to create better framework conditions and remove structural growth barriers should be developed and implemented. This should be accompanied by targeted promotion of innovation-oriented companies with growth potential through tailor-made, precise, and issue-oriented interventions and measures in order to address the very specific growth inhibitions that confront “gazelles”.

### ■ Integrated approach to promoting employment:

To increase employment effects, PSP measures, an active labour market policy, and vocational education and training should be integrated in a meaningful way (cf. Module 2.2). If any of these three elements is not present in a particular programme, in the context of German TC commitments, it should be examined whether the missing element can be supplemented by an additional intervention area or be undertaken in cooperation with other implementing agencies or donors – or with the partner government. Better integration of existing modules – e.g. PSP and training – can also be very beneficial.

### ■ Focus on selected industries/sectors:

Sustainable sectors or industries should be systematically promoted based on solid initial and target-group analyses. Opportunities for job creation also exist in new fields such as renewable energy (green jobs), urban development, and water supply.

### ■ Inclusion of the informal economy:

The possibility should be examined as to the extent to which the informal economy can be involved in projects, for example, through participation in the public-private policy dialogue, encouraging advocacy, integration into promotion of local economic development, or the creation of linkages, e.g. in the context of inclusive business models (cf. Module 3.2).

### ■ Quality of working conditions:

Aspects of occupational safety, core labour standards, and workers’ rights must be given appropriate consideration in GIZ’s PSP projects.

### ■ Increase productivity:

Despite possible short-term job losses, productivity-based growth ultimately leads to higher employment. Productivity in enterprises and industries can be raised through a variety of measures: qualification and training of workers, improving organisational pro-

<sup>12</sup> In regard to undertaking an employment and labour-market analysis, see the handout “Guidelines for an Employment and Labour Market Analysis (ELMA)” (Mummert 2014). A summary can be found in Module 2.1.

cesses, introducing international standards, developing process innovations, etc.

■ **Improvement of market access:**

In addition to increased productivity, improvement of access to markets can be a primary factor that leads to more employment. This can be promoted, e.g. through better conditions for start-ups, the development of new products (innovation promotion), and involvement in national and international value chains.

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On behalf of



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for Economic Cooperation  
and Development



# Assessing Employment Effects

□ ■ □ Module 2.4

**Module 2.4 is part of the publication “Full and Productive Employment and Decent Work for All – Handbook on Employment Promotion in Development Cooperation” in Section 2: “Conceptual Approaches and Instruments for Effective Employment Promotion”.**

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Abbreviations		
BMZ	Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung / German Federal Ministry for Economic Cooperation and Development	
(OECD-)DAC	OECD-Development Assistance Committee	
DC	Development cooperation	
DCED	Donor Committee for Enterprise Development	
DID	Difference-in-Differences	
EnDev	Energising Development	
FC	Financial cooperation	
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit	
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit	
ILO	International Labour Organization	
KESC	Kigali Employment Service Centre	
KfW	KfW Development Bank	
OECD	Organisation for Economic Cooperation and Development	
RCT	Randomized Controlled Trial	
RWI	Rheinisch-Westfälisches Institut für Wirtschaftsforschung / Rhine-Westphalia Institute for Economic Research	

# Assessing Employment Effects

- The success of development cooperation (DC) is measured by the effects of programmes and projects in partner countries. Employment is a central target and measured quantity in many DC projects, particularly those related to sustainable economic development.
- The measurement of employment effects, i.e. the aggregate changes in the employment situation (employment status, quality, and intensity), is therefore an important aspect of German DC.
- The challenge for any impact measurement is to determine the counterfactual situation, i.e. attempting to assess the result of non-intervention. Evaluating the difference between the actual, intervention-influenced situation and this theoretical comparative scenario devoid of intervention is the only means of realizing a rigorous measurement of the effects.
- Hence, gauging a project's employment effects must be part of the equation during its planning (indicators, baseline, or a comparison group) in order to provide well-founded, comparable results.
- Employment effects measured in this way can serve as an analytical basis of the interventions' efficiency. Value-for-money, in particular calculating the cost effectiveness ration, is a concept whose significance is growing.

## Placement within the development-policy context

### The importance of assessing employment effects

In the past few years, development cooperation has come under increasing pressure to substantiate the effectiveness of policies and interventions. The **Paris Declaration** (cf. OECD 2005) redirected the framework for strategic and institutional change processes in DC, placing a greater emphasis on their effects. At the international level, demonstrating the impact on employment has gained particular importance: One of the **Sustainable Development Goals** is “full and productive employment and decent work for all”. Consequently, all projects that strive to improve the employment situation are also working toward achievement of this objective. In order to do so, it is important to generate substantive evidence of individual interventions' efficacy.

There are several reasons why analysing the employment impact of projects, programmes, policy measures and action strategies at various levels is important. This analysis makes it possible to

- identify the verifiable, qualifiable effects achieved by individual interventions – and thus by the relevant fields of action of development cooperation;
- employ findings on the effectiveness of interventions and instruments in the planning and adapting of new DC instruments;
- confirm or scrutinise the interaction of effects by means of empirical evidence;
- make development cooperation more transparent and accountable;
- perform a meaningful cost-benefit analysis.

German bilateral development-cooperation analyses are based on the **criteria set forth by the OECD Development Assistance Committee (OECD-DAC)**, which encompass the efficiency, effectiveness, relevance, and sustainability of development-policy effects. The employment impacts of sustainable-development programmes and projects can be especially crucial for the relevance and sustainability criteria. Hence, funding agencies and co-financiers expect German DC implementation organisations to systematically gather data on the employment effects of their endeavours and provide reports on them. Measurable successes can also benefit the public image of local partners.

Thus Germany's BMZ supports the **conceptual development and more frequent application of impact analyses** and co-operates with national and international scientific institutions in this effort. For example, the German Federal Ministry for Economic Cooperation and Development (BMZ), the ILO, the Inter-American Development Bank, and the World Bank jointly support the Youth Employment Inventory, a database containing information on the impact of youth-employment programmes.

Many projects, however, face difficulty in the process of measuring their impact on employment. This handbook module seeks to provide an initial **overview of the fundamentals, challenges, and methods involved in verifying employment effects** and to illustrate them with a few practical examples. At various points in the text, references of direct relevance to DC practitioners are given for additional guidance and orientation.

### Methodological challenges

One way to measure participants' direct impact on the labour market is to **enumerate the people that came into employment** due to a DC intervention, but this can give rise to various methodological challenges. For instance, participants might have found employment without the intervention or stepped into positions that had been held by others. Furthermore, in many countries, no unemployment records are kept because the lack of a social-protection scheme forces people to pursue any type of work or activity (often at the lowest level) that enables them to earn a livelihood. As a result, most people are not visibly "unemployed", but rather active in the informal sector or underemployed. Since these are frequently low-quality jobs, improved working conditions or higher wages can also be important objectives (see section *Intended employment effects* and Module 3.1).



Impact measurement has the task of isolating the effects of various factors that exercise influence

An individual intervention cannot always achieve all goals, and in some cases, goals can actually conflict (e.g. improved working standards vs. more employment). The first step, therefore, is to **define the employment intervention's goal clearly** (see section *Principles of measuring impact*). The second is to select the appropriate methods for achieving it.

The choice of appropriate verification methods is a decisive step, especially when labour-market interventions are involved. The fact that people (and enterprises) adapt their actions to both new circumstances and to the actions of others presents a fundamental challenge. For example, an hourly-wage increase can lead to employees working less since they can achieve the same monthly earnings in a shorter time. Furthermore, people (and enterprises) exercise mutual influence. Individuals can learn new skills from each other without having personally participated in training courses (spillover) and, with their improved skills, can push other people out of their jobs. An intervention's direct result (e.g. improved job opportunities) can thus differ from its ultimate effect (see section *Principles of measuring impact*). However, it is this **ultimate effect that defines interventions' sustainable success**, and various methods for measuring it are available (see section *Measurement methods and procedures*).



**When choosing the appropriate methodology**, among other things, it is necessary to distinguish between results actually achieved by the project itself and how they relate to other (labour market) developments. For example, training-programme participants can impart what they've learned to others or help create new jobs in other areas (multipliers). Moreover, with their additional income, they might safeguard jobs for others or, after their training, continue in their old positions, although they would have been unemployed without the project.

Hence in the realm of employment in particular, it is important to look beyond the direct result of the intervention and to factor in the far-reaching effects on the economy and society.

## Principles of measuring impact

An employment effect is any **change**, intended or not, **in the employment situation** that is the direct or indirect result of an intervention. The "employment situation" is a higher-level term that indicates a person's employment status (e.g. unemployed, employed or self-employed); the employment quality (e.g. formality, income, wage, workplace quality or safety); or the employment intensity (e.g. working hours per day).

### BOX 1 SAMPLE PROJECT INDICATORS

Key indicators also make it possible to derive individual project indicators that are adapted to the intervention's particular context and design.

As an aid in this undertaking, the sector project "Employment Promotion in Development Cooperation" has prepared a list of sample project indicators. These are related to the respective key indicator, which measures improvements in either the quantity or quality of employment.

## Intended employment effects

In order to underpin the evaluation of income and employment effects in the context of DC interventions, the sector project "Employment Promotion in Development Cooperation" uses **key indicators** formulated especially for development cooperation in order to gather and aggregate employment effects. These are as follows:

1. the number of (additional) people that came into employment, of whom X are women and Y young people (who have been employed at least six months).<sup>1</sup>
2. the number of employees whose employment or income situation improved due to
  - i. improved employment quality (e.g. workplace conditions), formalised employment, job permanence (full-time / part-time / seasonal). In regard to the workplace conditions, among other things, the minimum requirements of the ILO, the IFC Performance Standards, or national labour legislation can be used; or
  - ii. a rise in income (at least to or above the national minimum income or a minimum of 3.10 US Dollar per day).

These indicators encompass both the **quantitative** (number of employment opportunities) and **qualitative** (type of employment conditions) **dimensions of the employment effects**. They are intended to provide a uniform, comparable basis for the calculation, which can also be undertaken by projects whose main objective is not employment creation or improvement of employment quality. A further refinement of the indicators and their bespoke adaptation to the specific project context are both possible and desired. If this is done, it should be approached in a way that ensures the values can still be aggregated to the higher-level indicators.

<sup>1</sup> The first indicator makes it possible to determine the effects of interventions designed to improve the labour supply (employment through improved employability or vocational training); the demand side (employment through newly created jobs); and labour market services (employment through better job placement).

Note on the text in brackets: the determination of additional employment requires the measurement of net effects (see section "Outcome vs. Impact"). Consideration of the employment duration (here at least six months) is also desirable in order to measure "sustainable employment". Since the introduction of the indicators here is viewed as a (learning) process, approaches are also possible in a first stage that measure gross results and also measure without reference to the time component.

Furthermore, on behalf of the BMZ, the GTZ<sup>2</sup> collaborated in the formulation of a **standard for results-based monitoring for the Donor Committee for Enterprise Development (DCED)**<sup>3</sup> in the area of sustainable economic development. At the core of the DCED standard are three common indicators that enable donors to aggregate the effects achieved through their programmes. The three indicators measure the number of target-group beneficiaries (scale), net income changes, and the net additional jobs created.

A precise definition and demarcation of the employment effects to be measured forms the basis for the subsequent systematic and comparable impact measurement. Therefore, the BMZ also promotes the further development of practice-oriented methods for impact measurement within the framework of **pilot projects and publications**.

### Outcome versus impact

The key indicators mentioned measure a project's outcome, i.e. "the short-term and medium-term level of an outcome variable of interest caused by an intervention's outputs. Employment-related outcomes are e.g. the employment situation of an individual or the number of employees in a firm" (Kluve/Stöterau 2015). This is termed a **gross employment effect**.

An intervention's employment effects can be assessed in **gross or net terms** (cf. Kluve/Stöterau 2015, pp. 21 f.). Seen from a gross point of view, the beneficiaries' employment situation is compared before and after an intervention. This, however, is based on the assumption that in the absence of the intervention, the situation would not have changed. This assumption is often unrealistic since framework conditions in open markets change constantly. For example, a recession can result in a drop in employment, but this could prove to be less of a problem for beneficiaries of the intervention than for the population on the whole. The employment impact, hence, is defined as "**the overall (economy-wide) change in employment outcomes as a result of the entire set of employment-related effects brought about by an intervention**" (Kluve/Stöterau 2015).

To do this, it is necessary to **measure the net effects** first. These can be gleaned by surmising what would have occurred without the intervention (the contrafactual situation). Since, of course, this does not lend itself to observation, methods have been developed to estimate them (see section *Procedures for measuring effects*). The net effect is obtained by a comparison with this contrafactual scenario. An **intervention's causal effect is defined** as "the difference between the factual outcome of the target variable ("of the 100 training participants X percent found a job") and the contrafactual case (What percentage of the same 100 training participants would have found a job without the program?) (cf. Kluve/Stöterau 2015).

In order to determine the intervention's aggregate economic impact, it is also necessary to take **indirect and induced effects** into consideration (see Box 2). The most important indirect and induced effects include

- **Substitution effects:** positive employment effects among the beneficiaries of the target group at the expense of other subjects in the intervention's target population (e.g. other unemployed people) who do not benefit directly.
- **Displacement effects:** positive employment effects within the target group are offset or reduced by negative employment effects for individuals/enterprises outside the target population.
- **Multiplier effects:** employment effects as a consequence of the initial economic effects of the intervention (direct and indirect). This includes supplier effects along the value chain as well as effects of an increase in consumption (consumption multipliers). (Kluve/Stöterau 2015)

A project's effectiveness can thus be better gauged by **matching its beneficiaries against a comparison group** that is as similar as possible, but which did not take part in the intervention. In practice, however, this is sometimes difficult or can only be done with a significant amount of additional effort. In such cases, a before-and-after comparison (see section *Procedures for measuring effects*) is the only feasible option. Despite its disadvantages in many situations (e.g. if the framework conditions are altered significantly during the intervention and thus no longer comparable), it can at least provide an indication about the effects. In any case, the **possibility of measuring net effects** should be examined. It is advisable to pilot major interventions that involve untried instruments on a small scale and rigorously evaluate them; only when the positive

2 As of 01 January 2011, GTZ (Deutsche Gesellschaft für Technische Zusammenarbeit) was merged with DED (German Development Service) and InWEnt (Capacity Building International, Germany) to form GIZ.

3 The Donor Committee for Enterprise Development (DCED) is a forum of several donor and multilateral organisations that strive for sustainable poverty reduction through private-sector development.

## BOX 2 DIRECT, INDIRECT AND INDUCED EMPLOYMENT EFFECTS

1. **Direct employment effects:** changes in the employment outcomes among the intervention's beneficiaries directly caused by the intervention itself. Direct effects are normally one of the intervention's primary goals.
2. **Indirect employment effects:** changes among the intervention's target population's employment outcomes caused by the direct effects of the intervention (on employment or other outcome variables). These include multiplier effects, substitution effects or the effects of altered regulatory framework conditions.
3. **Induced employment effects:** changes in employment outcomes among individuals and enterprises that are not part (i.e. outside) the intervention's target group. The effects are induced through all of an intervention's initial effects – both direct and indirect. These include employment effects along the value chain (multiplier effects), effects due to an altered economic environment, and displacement effects.

Source: Kluge/Stöterau (2015)

effects have been demonstrated should the measures be made accessible to a larger target population. Certainty must be attained that the context upon which the positive impact discovered is dependent compares to the conditions to which the larger target group will be subject.

If no assessment of employment effects was foreseen at the project outset and was thus not performed in the course of the monitoring (e.g. there was no tracking of employment indicators), it is sometimes possible to undertake a **retrospective assessment of employment effects**. To do this, all recorded monitoring data and other sources must be used in order to achieve a best-possible estimate. An essential prerequisite for this is clear data on the observed outcomes, as well as experience gathered by similar projects in comparable contexts that have been rigorously (contractually) evaluated. This experience can serve as an input for the assessment.

## BOX 3 METHODOLOGICAL GUIDELINES

Methodological guidelines developed by the sector project "Employment-oriented development strategies and programmes" offer a practice-oriented explanation of how employment effects can be measured in a way that is both well grounded and pragmatic.

Kluge (2011): Measuring employment effects of technical cooperation interventions; some methodological guidelines

## Measurement methods and procedures

There are two basic ways to analyse DC's employment impacts in partner countries. At the project or programme level, the **bottom-up approach** focuses on individual actors in the (labour) market, usually people or enterprises. At the macroeconomic level, employment impacts can be assessed using a **top-down approach**. This analysis evaluates the effectiveness of an intervention in terms of employment impacts at an aggregated level (e.g. sector, region, or country). This approach is more appropriate for large-scale programmes or an entire portfolio and is generally characterised by firmer underlying assumptions. This handbook module presents an introductory overview of methods and procedures to be used when employing a bottom-up approach and offers an example of a top-down assessment. More detailed information and further explanations are provided in the literature and links.

## Procedures for impact measurement

The evaluation parameter most frequently used in **bottom-up analyses** is the *Average Treatment Effect on the Treated*. The analysis determines the effect for those people directly affected by the intervention. The first step is to define the beneficiaries, i.e. identifying **the observation unit** for the impact analysis. They can be individual employees, enterprises or regions. As a rule, this can be ascertained directly from the nature of the measure or the programme's target group; the choice, though, is not always manifest.

The next step is making a decision as to the **employment effects of the intervention that are expected and to be measured** and the **timeframe**. Here, too, this can usually be derived from the nature of the intervention and can, e.g. be related to the employment status of a single individual (employed / unemployed / quality of employment) or the number of employees and / or the quality of employment in an enterprise.

After the observation unit and outcome variable have been defined, an appropriate assessment design can be chosen. Many experts consider a **randomized controlled trial (RCT)** to be the “gold standard” and the methodically most accurate approach for an impact analysis. In an RCT, potential participants in the intervention are randomly assigned to a treatment group and a control group. Since experimental methods are sometimes difficult to implement for practical, ethical, or financial reasons, the effect analysis can also resort to alternative, non-experimental methods.

A **before-and-after comparison** involves a comparison of the beneficiaries at two different points in time; as the name implies, this is usually done before and after the measure. In the development-policy context, this is usually the easiest method, especially if the baseline data required to determine the parameters of the outcome variable can be collected before implementation of the intervention. However, the problems of this method are obvious: even if a before-and-after comparison reveals differences in the outcome, proving that they are exclusively, i.e. causally, attributable to the measure is often not straightforward (cf. Kluve 2011).

In contrast, in a **cross-section comparison**, the basic idea is to compare an intervention’s direct beneficiaries with a group whose characteristics are as similar as possible, but whose members are not beneficiaries. Here, the average outcome of the control group, measured at the same time, is analysed as a counterfactual result that would have occurred if the members of the treatment group had not participated. The method is intuitively obvious and in principle can be carried out relatively simply. However, in development cooperation, it is often difficult to find a suitable comparison group since measures are often aimed at very specific population segments. For example, individuals could select themselves as members of the treatment group or the control group, meaning that the two are not actually comparable, and the estimate of the effect provides a skewed result. Some more refined methods, such as statistical matching, attempt to improve cross-section comparison by matching only treatment and control groups that



Training course on the application of monitoring systems of the Amazon riparian states' forests in Brazil

are very similar in terms of observable characteristics. For a successful matching comparison, though, the availability of extensive information on the beneficiaries and non-beneficiaries (*before the intervention*) is an important prerequisite (cf. Kluve 2011).

In the **difference-in-differences approach (DID)**, the cross-section and the before-and-after comparison are combined. First, as in a cross-section comparison, a comparison group of non-participants (among whom the highest possible degree of comparability exists) is selected. Then, as in a before-and-after comparison, the average outcomes are compared in advance and afterwards. This means that the differences are compared between the treatment group (the first difference) prior and subsequent to the intervention (second difference). In this way, the DID method also takes trends in the economic environment, which would be reflected in the before-and-after comparison, into account. The DID method is preferable to the before-and-after comparison and cross-section comparison because its principles conclusively obviate major distortions in the results. Accordingly, in an impact analysis of development-policy interventions, it generally provides the most reliable conclusions when an experimental approach cannot be implemented (cf. Kluve 2011).

The selection of the evaluation design is closely linked to the issue of the **data** available or which can be collected. Thus the first task for any impact analysis to check which approach can be deployed based upon the data that exists. If it does not provide an adequate basis for the design of

## BOX 4 HOW TO MEASURE EMPLOYMENT EFFECTS

### 1. Who are the beneficiaries of the intervention?

- e.g. labourers, the unemployed, graduates, enterprises

### 2. Choice: Which employment variables should be measured?

- e.g. change in employment status (employed / unemployed); the number of employees; employment quality (wages, formal vs. informal, working conditions); and / or intensity (underemployment)

### 3. Choice: What is the appropriate evaluation design?

- e.g. cross-sectional comparison, before-after-comparison, difference-in-differences, or a randomized controlled trial

### 4. Implementation and data collection

- What data is available directly? e.g. labour-market statistics, data from universities or chambers of commerce, or a bespoke monitoring system
- Is it necessary to collect specific data? If so, a plan must be developed as to how often, by whom, and how the data should be collected, e.g. through company surveys or tracer studies
- Is there sufficient data for the implementation of the selected design (step 3)

### 5. Quantitative analysis

- descriptive analysis and quantitative estimation of the intervention effects
- these are ideally complemented by qualitative methods, e.g. observations and discussions with stakeholders or focus groups, in order to foster understanding in regard to the implementation, the effect mechanism, and the plausibility of the results

Source: Kluge (2011)

a meaningful enquiry and new data need to be collected, this, in turn, impacts the methodology selection since gathering new data can consume considerable financial resources. In such cases decisions need to be made regarding the target group and sample scope, as well as how and when the data will be collected (cf. Kluge 2011).

The **quantitative evaluation** is the final step in the impact analysis. The first activity in a descriptive analysis of the data is a detailed presentation of the sample and its properties. Next, a statistical estimate of the intervention effects is made using the selected study design (cf. Kluge 2011).

In order to achieve a “method mix”, the quantitative analysis should be complemented by **qualitative analyses**. These support the interpretation of the quantitative results and create a clearer understanding of the underlying causal mechanisms. Furthermore, they underpin the impact analysis and can substantiate the plausibility of the results of a methodologically limited quantitative analysis, as well as provide additional valuable insights regarding the intervention. To perform such analyses, methods such as case studies or partially structured surveys involving interviews of individuals or focus groups can be employed (cf. Kluge 2011).

Subsequent to the measuring of net employment effects by means of one of the methods presented, it is possible to also estimate indirect and induced effects by means of multipliers. Thus an estimate of the project’s **aggregate economic impact** is provided. If nothing but figures for gross employment effects (e.g., from a simple before-and-after comparison) are available, the net effect can be estimated using a counterfactual parameter based on a rigorous impact analysis of a similar project (cf. RWI 2013). It is nonetheless difficult to determine the multipliers and parameters due to the limited empirical data, meaning that further rigorous impact analyses that also take indirect and induced effects into account are required. In order to create a “**learning system**” through systematic recording and refinement of the parameters in various projects and contexts, estimated values for these parameters can be verified and rendered more precise on an ongoing basis (cf. Kluge / Stöterau 2014).

If it is not possible to actually measure the employment effects at the project level in the face of a requirement to submit such information, a possible alternative is to **estimate** them. This can be done, for instance, based on the employment effects of a subsample for which data can be collected or is available from other sources. Additionally, or another possibility, is to use data from similar projects

for which effects have been rigorously measured. In order to systemise this procedure, GIZ is developing “Guidelines for Monitoring Employment Effects”.

Another option is to demonstrate employment effects using a **top-down approach**. The underlying logic here varies significantly from bottom-up approaches. Rather than having as its basis individual project results, a top-down approach considers the resources used as the decisive determinant of the employment effects. One example here is the KfW’s approach to reporting on employment effects at the aggregate portfolio level (see Box 6).

## Cost effectiveness

In order to achieve a higher-quality comparison and classification of an intervention’s efficiency beyond merely measuring its impact, calculation of the cost effectiveness is necessary, for which the “**value-for-money**” concept is often used. The aim here is to find the optimal balance among economy, efficiency, and effectiveness (cf. OPM 2012), and thus maximize the impact per funding unit (cf. DFID 2011).



Seller of Pico-PV-lanterns and improved cooking stoves in Kenya

**Costs per job** are a key indicator in the calculation of cost effectiveness in employment promotion. In making this calculation, the costs of an activity or a component of a project or project portfolio are related to the number of

### BOX 5

#### MEASURING EMPLOYMENT AND INCOME EFFECTS IN THE AREA OF BASIC ENERGY SERVICES IN KENYA (PRODUCTION OF IMPROVED COOKING STOVES AND THE DISTRIBUTION OF SOLAR LIGHTING)

Under the auspices of the “Energising Development” (EnDev) global partnership, GIZ is promoting access to clean energy for rural households in Kenya through the creation and development of markets for energy-efficient cookers and solar lanterns. Endevo programmes have provided around 4.5 million people with access to sustainable energy for cooking and small businesses have sold more than 120,000 solar lanterns.

On behalf of the Sector Project “Poverty-oriented Basic Energy Services (HERA)”, the Rhine-Westphalia Institute for Economic Research (RWI) investigated the effects of the programmes on employment and income. Both quantitative (employment status, income levels) and qualitative dimensions (job characteristics, forms of employment, income stability, diversification of income sources) of employment effects were investigated.

Furthermore, semi-structured interviews were used to analyse the indirect and induced employment effects along the value chain. On the basis of a cross-section comparison of people who had already completed EnDev training (“active entrepreneurs”) and others who were participating in a training session at the time of study (“new training participants”), and thus had not yet been affected by the measure, an initial assessment of the programme’s (net) employment and income effects can be made. The study results show that producers of stoves were able to increase their monthly income by 55 per cent (from 7530 to 13740 KSh); the income increase in the distribution of solar lanterns, however, was significantly lower.

RWI (2016)

## BOX 6

## EMPLOYMENT IMPACTS OF FINANCIAL COOPERATION (FC): KfW'S ESTIMATION MODEL

The KfW uses a model whose aim is an aggregated recording of the FC portfolio's direct, indirect and induced employment effects for reporting purposes. Specifically, the Competence Centre Development, Governance & Peace has developed an estimation model for the employment effects of FC, with which the KfW Development Bank assesses the direct, indirect and induced employment effects of the FC portfolio on the basis of project types.

In most FC measures, indirect employment effects are significantly greater than direct effects, which are easier to estimate. The indirect effects occur along the upstream and downstream stages in the value chain, due to improved site conditions and productivity or the increase in local demand (cyclical effects).

The model can generate statements about the overall portfolio and make rough estimates at the sub-sector or regional level. Since it is based on average values, however, it is neither suitable for portfolio management nor for measuring employment at individual project levels.

The model aims at an aggregated recording of the employment impact of the FC portfolio for reporting purposes. The basis is the commitment volume subdivided into 41 standardised project types that have various impact profiles. Based on the analysis of available studies on the employment effects of individual projects, the model was defined together with an expert in the basic principles. The assumptions and parameters were then supplemented with bespoke studies, checked by in-house sectoral experts and adapted taking the characteristics of the current FC portfolio into account.

The basic idea of the model is as follows: First, the share of the total euro cost that flows into a particular employment category is estimated. In the process, distinctions are made between employment in the project country, in other developing countries, and in industrialised countries, as well as between three qualification levels. This share is multiplied by the commitment volume for each category. By dividing the resulting amount by the salary level for the respective category (e.g. the average wage for low-skilled workers in Ghana), the number of years of employment generated by direct effects and indirect (value-chain) effects is obtained. The operations-phase effects and the induced effects are then added. Demand effects can be estimated based upon national consumption ratios and a consumption multiplier. Other induced effects (e.g. increased productivity) are recorded at the project-type level where possible. Where this is not possible, they are estimated using a Cobb-Douglas production function and national macro data.

The model makes it possible to make statements about the number of secured and newly created local and international jobs in three qualification levels. Various analyses are possible, e.g. for individual sectors, regions or time periods.

Cf. KfW (2015a)

jobs created and/or improved. For each case, it is necessary to decide which costs (e.g. with/without partner contributions, with/without administrative costs) and which effects (direct/indirect/induced, gross or net employment effects) are to be used as a basis. The most appropriate choice may vary depending on the goal of the calculation and the availability of data.

A **cost-benefit analysis**, in contrast, calculates the yield per funding unit expended, i.e. a monetarisation of the

effect is required. In the employment context, this is usually done based upon income: the beneficiaries' additional income per unit of project funding disbursed.

Regardless of the approach selected, the calculated costs are not interpreted in (absolute) isolation. Rather, they are compared with the identically calculated value of a **comparable alternative**. If the interventions' goals and target groups are not comparable, e.g. because the framework conditions or the quality of the jobs vary greatly

(e.g. appointments for academics as opposed to low-skilled labourers' positions), a comparison of the cost effectiveness **does not make sense**.

The approaches cited may be useful at various times in the project cycle: **ex ante** indications of probable costs and effects can be used to **decide between alternatives**, e.g. in relation to various activities or components within a project or between projects or portfolios. A decisive factor regarding the quality of the basis upon which decisions are made is the quality of the ex-ante estimates of costs and effects.

**During the project implementation**, data from results and financial monitoring can be used for **project steering**. Data provides early evidence of the existing budget's ability to meet the desired indicators or whether adjustments in specific activities are needed or the budget has to be reallocated for other activities. However, it must be kept in mind that the cost per job is often high initially due to high development and fixed costs at the outset, but this is reduced in the long term by lower costs per participant and effects that are only measurable after a period of time.

After completion of the project (ex post), cost effectiveness data can be used to **demonstrate accountability** to the donors. The more rigorous the impact assessment can be implemented (including counterfactual analysis) and the more accurate costs can be accounted for, the more authoritative are statements about the effectiveness and cost effectiveness of the instruments and approaches used, which are also indispensable for **institutional learning**. When experiences regarding the costs and effects of an intervention are available in various contexts, they can serve as the basis for the **ex-ante assessment of effects** and thus the development of future projects and the formulation of the indicators.

However, the types of interventions that promise the greatest employment effects in a specific context cannot be explained solely on the basis of ex-post effects in other projects; an **ex-ante analysis** is also required (see Module 2.1). For example, in a given region in a particular industry, the binding constraints may be on the labour-supply side (e.g. a lack of qualified workers), but in another industry on the labour-demand side (a lack of business activity, e.g. due to a lack of access to finance). In order to use ex post-measured effects for decisions on specific interventions, the relevant contexts must be comparable.

## BOX 7 THE VALUE-FOR-MONEY APPROACH AND A TRACER STUDY IN RWANDA

As part of the **Promotion of the Economy and Employment programme in Rwanda**, the first Employment Service Centre (KESC) was opened in Kigali in May 2013. The job centre provides support in finding a job or an internship, career counselling, assistance with the preparation of application documents, and interviews, as well as courses on IT and entrepreneurship. 23 percent of the job seekers who took advantage of the services were placed in jobs within the first six months. A **value-for-money** analysis calculated the cost per job placement, taking into account GIZ's direct and indirect costs, at 1,013 euros.

In addition, the KESC's **net employment effect** was examined by means of a tracer study in which a group of registered jobseekers who did not make use of any services (counterfactual comparison group) were compared with the participants, who used the service (treatment group). The comparison revealed that eight percent more of the participants found jobs, which is equivalent to 143 additional job seekers whom the Kigali Job Centre was able to place.

## Further challenges to development policy

Producing more precise, also quantitative, evidence of development cooperation's employment effects remains a major challenge. This manual on measuring employment effects, the DCED Standard for Results Measurement, and other studies provide guidance and methodological assistance that facilitate DC practitioners' efforts in generating the required measurement of effects (see also the list of links and references in the Appendix). There is a need for the **consistent transfer of these methods and instruments into practice and for their extensive application in a large number of development cooperation measures**. Broad implementation of these methods and the comprehensive analysis of their results will make it possible to provide evidence for and increase the employment impact of development cooperation interventions.



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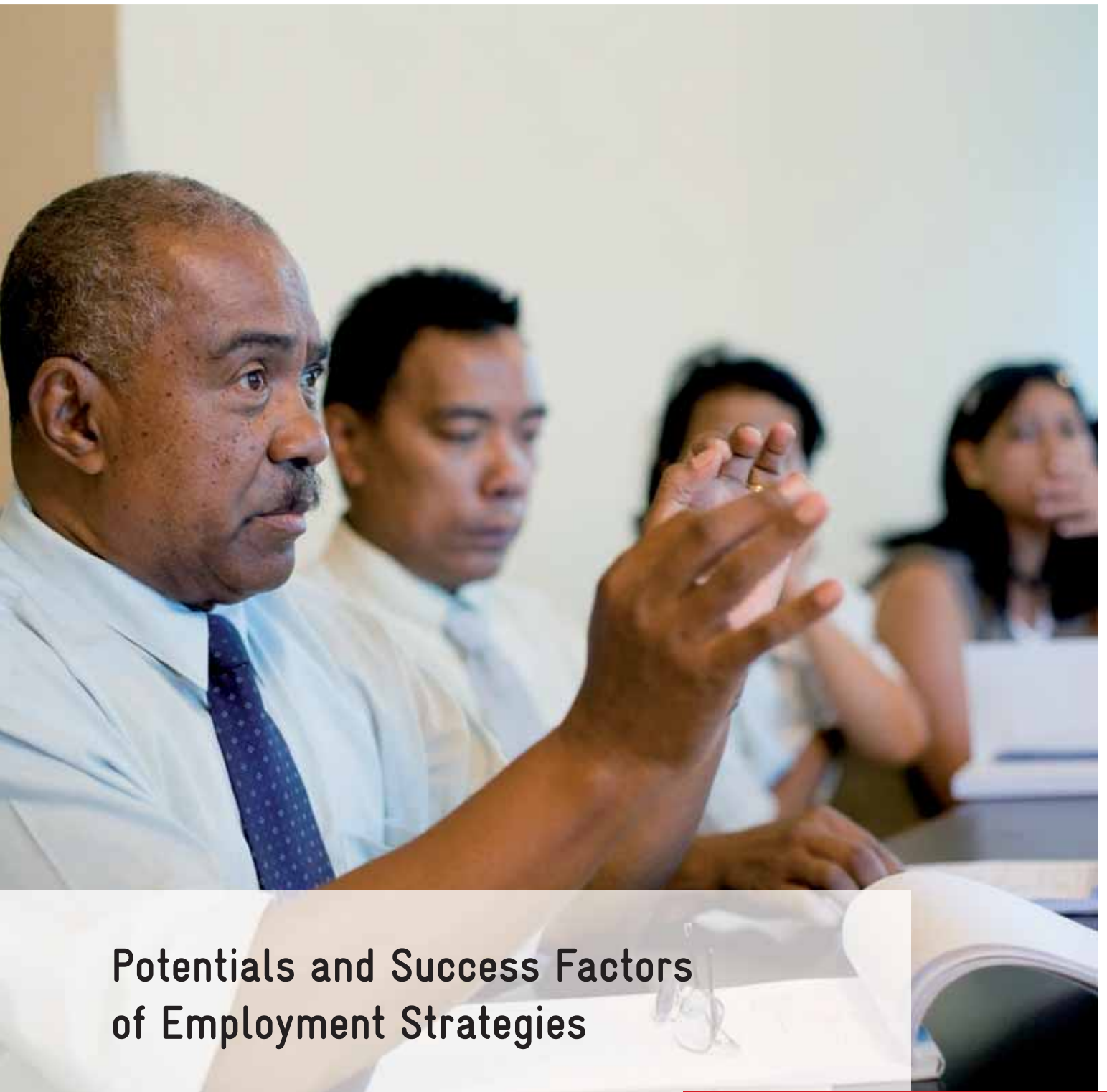
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and Development



# Potentials and Success Factors of Employment Strategies

□ ■ □ Module 2.5

**Module 2.5 is part of the publication “Full and Productive Employment and Decent Work for All – Handbook on Employment Promotion in Development Cooperation” in Section 2: “Conceptual Approaches and Instruments for Effective Employment Promotion”.**

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Abbreviations		
DWCP(s)	Decent Work Country Programmes	
EU	European Union	
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit	
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit (now GIZ)	
ILO	International Labour Organization	
NRP(s)	National Reform Programmes	
OECD-DAC	OECD Development Assistance Committee	
PBA	Programme-Based Approaches	
PRSP(s)	Poverty Reduction Strategy Paper	

# Potentials and Success Factors of Employment Strategies

- Employment strategies are an instrument to anchor employment promotion coherently and prioritarily in the policy portfolio at the national, regional, local, and transnational level or with respect to specific target groups and sectors.
- The potential success of employment strategies is linked to a number of fundamental prerequisites: a clear political will, ownership, a stable political framework, a coherent approach, the involvement of relevant stakeholders, and a focus on priority areas of intervention. In addition, it is important to develop strategies for solutions that are appropriate for the particular context using in-depth analyses of the employment situation and giving greater consideration to the informal sector.
- The character of national employment strategies and the major challenges in developing countries require international support that frequently goes beyond the scope of action of bilateral cooperation. In such cases, it is possible to make greater use of programme-based approaches (PBA).

## Current developments

In recent years, political strategies that are designed to improve the employment situation in developing and emerging countries have become more important. Employment promotion is a cross-cutting issue and demands complex approaches because diverse areas such as labour market, economic, social, financial, fiscal, and educational policies are relevant to employment to a large degree. They are, therefore, included in the strategies and have to be aligned more coherently.

An employment strategy creates a **policy and reference framework for employment promotion** and serves the stakeholders as a jointly developed vision and an instrument for future employment policy development. It formulates one or more employment policy goals and bundles targeted measures to safeguard existing jobs and create new ones. Employment strategies can focus on the transnational, national, regional, or local level; on specific target groups (e.g. young people or women); or on individual sectors. Selected structurally weak regions of a country can be supported by regional or local employment strategies. **National and transnational strategies** seek to improve the employment situation of a country or several countries in a region, are significantly more comprehensive, strengthen labour market policy cooperation, and make

it possible to secure the goal of employment promotion in the national policy portfolio. Despite differences, the conceptual and operational approaches to formulation and implementation of employment policies are similar, although the challenges increase the higher the level which the strategy addresses is.

Since the mid-1990s, employment strategies have been formulated and implemented with varying degrees of success in industrialized as well as in emerging and developing countries. For several years, attempts have also been made at the **global and transnational levels** to improve the employment situation through strategic policy coordination. The ILO's Global Employment Agenda (cf. Box 1) provides a global frame of reference for the formulation of appropriate policies in the context of individual countries. The European Employment Strategy, whose implementation and evaluation are well documented, is an example of a transnational strategy (cf. Box 2).

## BOX 1 THE ILO'S GLOBAL EMPLOYMENT AGENDA

Adopted in 2003, the ILO's Global Employment Agenda is a central element of its Decent-work agenda (cf. Module 3.1); it was conceived as a thematic guide for the formulation, revision, and reorientation of employment policies. The Agenda links employment promotion in differentiated topic areas to economic, social, and development policy and places them at the hub of these three policy areas. With their quantitative and qualitative employment targets, six policy areas are central to the conceptual and operational implementation of the Decent-work vision:

- employment promotion
- initial and continuing education and training
- private sector development
- labour market policies (including institution building)
- development of social partnerships and dialogues
- social security.

The elements of an employment strategy that are ultimately implemented is decided based on analysis and experience with employment policies and is subject to the government's political will.

Source: ILO: Global Employment Agenda, [www.ilo.org/employment/areas/global-employment-agenda/lang--en/index.htm](http://www.ilo.org/employment/areas/global-employment-agenda/lang--en/index.htm)

## Success factors of employment strategies

Experience gained from implemented national employment strategies, the European Employment Strategy as well as from the employment promotion striven for under the Poverty Reduction Strategy Papers (PRSP) and the Decent Work Country Programmes (DWCP) has demonstrated clearly that certain prerequisites must be met for successful formulation and implementation of employment strategies (cf. GTZ 2009). In particular, the factors presented in Figure 1 below have proven crucial.

Successful employment strategies require **political will and ownership**. Important prerequisites for success are the commitment to making a high employment level a key



The promotion of labour-intensive industries such as textiles creates employment and income opportunities (India)

policy objective and the involvement and (self-) obligation of all relevant actors. Relevant actors in this context include all individuals and institutions that directly or indirectly influence the employment situation at particular reference levels (local, regional, national, and transnational); the target group; or individual economic sectors. These are generally the social partners (trade unions, employers' organizations); the government administrations at the territorial reference levels (especially the labour administration); ministries; enterprises; vocational training facilities; universities; and stakeholders from civil society.

In the context of local employment strategies, an example of a potentially useful element is the early establishment of a "**local partnership**" with members of the above-mentioned organizations and actors (cf. Schmieder, 2007). In creating a "local partnership", it is important to use structures and alliances that already exist and to include those individuals who (e.g. on the basis of their position or function) are both willing and able to participate actively in the preparation and implementation of employment strategies. The responsible governmental side of the "local partnership" has to communicate binding responsibilities and the requisite skills, as well as make an adequate budget available. Seminars and training events conducted in advance should impart necessary knowledge to the members of a future "local partnership". It has become a tried and tested method to first informally create a "local partnership" that is then gradually formalised in the course of joint activities and successes.



Employment potential through renewable energy: Green Jobs in the Atacama Desert (Chile)

Experience shows, furthermore, that within the framework of a local or national employment strategy, the involvement of a prominent **leadership figure** who is politically independent and recognized by all stakeholders may be particularly promising for activating partners and the consistent pursuit of employment objectives. Pressure in terms of expectations and performance can be created and a learning process initiated through mechanisms such as widespread reporting of the results achieved. This helps advance the self-interest of all stakeholders in the success of the strategy and its implementation.

Social dialogue, i.e. the involvement of all relevant social partners, is the underlying principle of the processes of formulating, implementing, and evaluating an employment strategy, irrespective of the chosen cooperation form. The participation of all stakeholders in the broadest possible social dialogue is essential to success and has to begin with the analysis of the initial situation. Only through the social partners' early and consistent engagement can ownership evolve and a balanced consideration of various interests be guaranteed. The formulation and implementation of an employment strategy by external experts without intensive cooperation with the partners is, therefore, usually neither constructive nor sustainable.

## BOX 2

### THE EUROPEAN EMPLOYMENT STRATEGY

The European employment strategy plays a pivotal role in the coordination of EU policies and is the core of European employment efforts. The European Union (EU) adopted it in 1997 in an attempt to lower the Member States' persistently high unemployment levels. Since its re-orientation in the context of the Lisbon process in 2005, the focus of the strategy has been the concerted promotion of growth and employment. In consultation with the European Commission, the EU Member States formulate common employment policy objectives and guidelines that are then implemented in the National Reform Programmes (NRPs) and documented in a jointly produced employment report. A central aspect of the preparation of the NRPs is the political and public debate of the objectives and strategies. In this context, in April 2012, the European Commission published, among other things, a number of strategy documents on the promotion of intelligent, sustainable, and integrative growth that was summarised in an "employment package". With investments, reforms, and improved coordination, this package seeks to help achieve a reduction in the high unemployment rate that emerged on the heels of the global financial and economic crisis.

A systematic impact assessment based on qualitative and quantitative indicators, country-specific recommendations, and joint employment reports provides the basis for the continuous evaluation and adaptation of the employment strategy. The experience gained so far shows that the formulation and implementation of an employment strategy takes time. For instance, an increase in the employment intensity of economic growth in the EU Member States could only be identified after an initial period of disappointing results. The reasons for this – among other factors – lie in particular in the comprehensive reorientation of the European employment strategy toward a coordinated employment and economic policy.

Source: European Commission:  
European Employment Strategy,  
<http://ec.europa.eu/social/main.jsp?catId=101&langId=en>



Employment strategies need to be **coordinated with other policy areas and national development strategies**.

As previously mentioned, employment policy is a cross-sectoral policy field. Employment policy measures, therefore, may not – as often happened in the past – be taken in isolation, but have to be closely connected and coordinated with other economic and social policy areas and reforms.

In doing so, the objectives of employment promotion are frequently integrated into **more comprehensive existing development strategies** such as PRSPs, DWCPs, and other national plans or development frameworks. In many developing and emerging countries, PRSPs form the foundation for the design and implementation of policy measures in cooperation with international donors and development banks, which is why they are particularly relevant to the planning and implementation of strategic measures to promote employment. As the ILO’s essential tools for cooperation with partner countries, DWCPs are also central to the linking of employment goals with other policies. DWCPs are based on existing PRSPs, identify topics that are missing from among the ILO’s objectives, and complement them in the country-specific approach (cf. Module 3.1).



Infrastructure investments can promote employment: Engineers monitor the progress of a water project in Lebanon

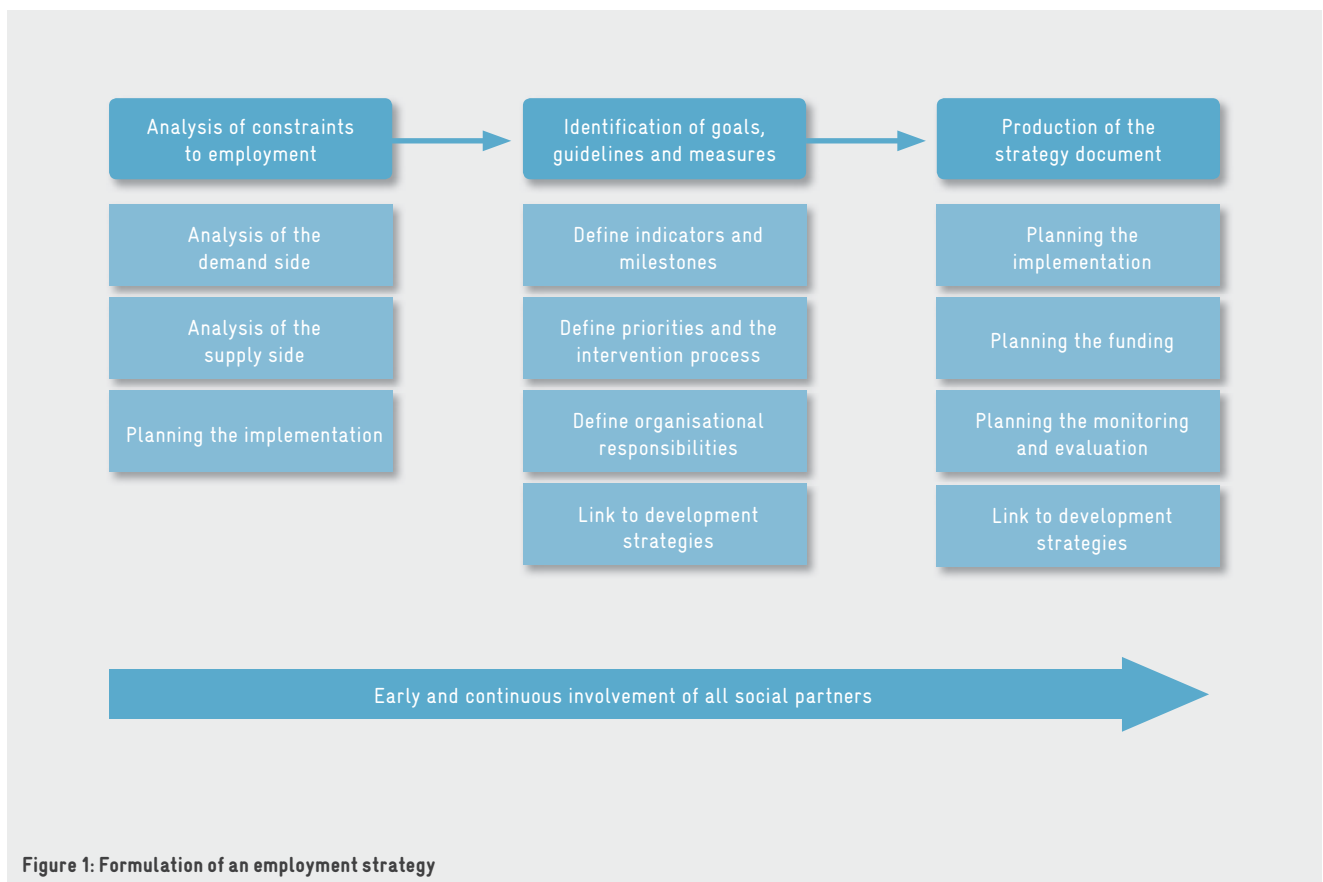


Figure 1: Formulation of an employment strategy



Just like this tiny seedling, a country's economic development requires a lot of energy, patience and good conditions

Given the long-term nature of the process, a **stable political framework** is necessary for the success of an employment strategy. Beyond efficient and reliable institutional structures, adequate political and administrative competencies and capacities have to exist for the design and implementation of national employment strategies. Especially in countries with relatively low political and administrative capacities, the integration of employment policy in PRSPs, DCWPs, and other development strategies is desirable so as not to place additional strain on the institutional structures with the formulation of separate goals and the production of documents.

The process of setting goals has to be preceded by thorough analyses of the labour market situation, **employment constraints** on the demand and supply sides, and the weaknesses of labour market services (cf. Module 2.1). These analyses demand serious and detailed **labour market information**. In addition, a **monitoring system** that continuously collects and analyses the data gathered is required to observe whether progress has been made vis-à-vis the objectives and, if necessary, to adjust policy measures in a timely manner. An evaluation of the results

should include various methods, both quantitative and qualitative, for the identification and measurement of employment impacts (cf. Module 2.4) in order to assess the results comprehensively and to be able to give sound recommendations on this basis.

As with other promotion strategies, clear **prioritisation of intervention areas**, the **operationalisation of goals and measures**, the **designation of responsibilities and tasks**, and the timely **securing of the required financing** are critical for success in the realm of employment. An implementation plan or action plan that identifies the necessary instruments and measures, sets clear areas of responsibility, and determines the time frame and milestones for the individual activities can be helpful in the process of operationalising the goals. The fundamental elements of an employment strategy's financing should be clarified prior to the start of the formulation phase. Financial considerations have to be concretised during the preparation phase and appropriately linked to the planning and implementation of the budget.

In many countries, young people and women are confronted with particular problems in the labour market and are often disproportionately subject to unemployment and underemployment (cf. Modules 3.3 and 3.4). Where such disadvantages of various population groups exist, consideration should be given to the possible use of **target-group-specific employment strategies**.

To improve the employment situation in developing countries, it is imperative to involve **the informal economy** more consistently than has been the case (cf. Module 3.2). Although informal employment accounts for the bulk of non-agricultural jobs in developing countries, policy measures rarely address this fact. This neglect begins in the labour market analysis, where the usual indicators (e.g. the unemployment rate) are not suitable to provide a meaningful description of the employment situation. For future employment success, it is therefore extremely important to analyse the entire labour market, including the structure and significance of the informal sector, to identify effective options for action and to integrate them into employment strategies.

**Vietnam's national employment strategy** (cf. Box 3), which takes measures for the informal sector into account, can be seen as a model here. Through loans from the National Employment Fund, villages in which traditional crafts are the main economic factor are supported. The loans have enabled production increases, created job opportunities, and increased productivity at work. These

measures have also led to diversification of the employment structure in rural areas and to new jobs (including in the informal sector) that guarantee poor people higher and relatively stable incomes.

The ILO's **experience and published standards** (cf. Box 1) and the **Employment and Labour Market Analysis (ELMA)** (cf. module 2.1) developed by the German Development Cooperation can provide fundamental orientation for the analysis and identification of barriers to employment and the formulation of goals, guidelines, indicators, and measures. Another guideline for the formulation of local employment strategies is the Practical Handbook on Developing Local Employment Strategies in New Member States and Candidate Countries of The European Union (cf. European Commission 2004). Despite its latter's regional focus on new EU member states and candidates for membership, this manual can also be used as a fundamental guide for other countries, provided that the requirements are adjusted to the specific local conditions.

## Further challenges to development policy

The character of national employment strategies and the magnitude of existing challenges in developing countries require **comprehensive international support** that often exceeds the scope of action of bilateral cooperation efforts. In such cases, there are opportunities to make greater use of programme-based approaches<sup>1</sup> in international development cooperation in order to effectively promote the common goal of a high employment level in coordinated endeavours.

There is widespread need of development-cooperation support. Besides the **importance of financial resources** in international development cooperation, particular attention is drawn here to the need to support national governments in the area of **capacity development**. Comprehensive advice and support in the evolution of national capacities in DC partner countries can make a decisive contribu-

tion to promoting the prerequisites for this. This type of assistance can also help reinforce the required significance of employment policy goals in the national policy agenda and lead to them being anchored and implemented in coherent strategy documents, including PRSPs and DWCPs. Corresponding efforts on the part of the countries to enhance the fixing of employment promotion strategies should continue to be supported comprehensively and consistently.

Existing employment strategies at the global, European and national levels provide various points of reference for future strategies. However, when considering the experience gathered, it is fundamentally important to keep in mind that many of the current national employment strategies are still in the implementation phase, so that there is largely a lack of concrete experience and successful examples of national implementations. The degree to which these strategies will meet with success in the future, therefore, requires further observation. In this context, it is also necessary to develop and use more **appropriate methods and instruments for measuring employment effects** (cf. Module 2.4) so that improvements in the employment situation due to national employment strategies can also be demonstrated in the years to come.

<sup>1</sup> According to the OECD DAC, programme-based approaches (PBAs) are defined as a modality of international cooperation based on the principles of coordinated support of a national development programme. The term PBA is used when the various donor contributions form an integral component of the national, sectoral, regional, or cross-cutting programmes of partner countries.

## BOX 3

## VIETNAM'S NATIONAL DEVELOPMENT AND EMPLOYMENT STRATEGY

The emerging economies of East and Southeast Asia indicate that progress in improving the employment situation can be achieved with the help of comprehensive strategies. For example, Vietnam views promoting employment as a key element for achieving sustainable economic growth and social stability and declared it a priority issue for its national development strategies for 2001–2010 and 2011–2020 (the current policy is entitled the Viet Nam Sustainable Development Strategy for 2011–2020). In the formulation and implementation of development strategies, the Vietnamese government receives advice from the ILO in the context of Decent Work Country Programmes. The successes of the previous employment strategy were promising. In the period between 2006 and 2010, about eight million permanent new jobs were created, the proportion of non-agricultural workers was increased, and the general educational level of was improved significantly.

The goal of the 2001–2010 Vietnamese employment strategy was to alter the employment structure in accord with the economic structure, to create jobs for people with differing qualifications, to increase labour productivity and income, and to raise living standards. Significant progress was achieved during the period in regard to the goals that had been set: More than 1.5 million jobs were created annually on average; the proportion of people employed in agriculture fell below 50 per cent; and at 4.2 per cent, the 2010 urban unemployment rate was well below the 5 per cent target. Furthermore, the proportion of skilled labour in the overall work performance rose to 40 per cent.

To achieve this, support was given to export-related industrial sectors; industries with a competitive advantage; labour-intensive industries (agriculture, forestry, fish processing, clothing and footwear, and mining); as well as new-technology areas such as software, engineering, and chemistry. In the service sector, priority was given to the development of business services (e.g. transportation, commerce, banking, finance, and insurance) and the diversification of tourism. Agriculture was industrialised and modernised through the planting of new grain varieties; support for the livestock industry and the economic development of small-scale farmers; the rediscovery and expansion of traditional folk-art villages; and the reforestation of forests.

Besides strong economic growth, crucial factors for the success of the strategy included the establishment of clear employment goals, the political will of the Vietnamese government (ownership), and a broad public discussion and coordination of policy measures. The social partners were especially actively involved in the realms of enterprise development, job creation, vocational training, industrial relations, labour contracts, collective bargaining, the right to strike, wage policies, job security, and social security.

However, despite the positive developments, Vietnam still faces major challenges: underemployment is persistently high, especially in rural areas, and progress in combating youth unemployment has been less than expected.

Source: ILO (2008) and Vietnam (2012)

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# Innovative Project Approaches to Enhance Effects on Employment

□ ■ □ Module 2.6

**Module 2.6 is part of the publication “Full and Productive Employment and Decent Work for All – Handbook on Employment Promotion in Development Cooperation” in Section 2: “Conceptual Approaches and Instruments for Effective Employment Promotion”.**

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BMZ	Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung / Federal Ministry for Economic Cooperation and Development
DFID	Department for International Development
E4D	Employment for Sustainable Development
ECO Emploi	Promotion of Economy and Employment
EconoWin	Economic Integration of Women in the MENA-Region
FEDA	Federation of Economic Development Associations
ICT	Information and Communication Technology
KfW	Kreditanstalt für Wiederaufbau / German Development Bank
kLab	Knowledge Laboratory
MENA	Middle East and North Africa
NEP	National Employment Pact
SMEs	Small and medium-sized enterprises

# Innovative Project Approaches to Enhance Effects on Employment

- Innovative approaches that adopt new types of progressive solutions to a specific problem constitute an important basis for improving the effects on employment of German development cooperation projects.
- Measures in the framework of the integrated approach to employment promotion that links vocational training to job-market policy and the promotion of the private sector have proven to be particularly effective.
- Future German development cooperation projects should place greater importance on the results achieved, using dates and quantitative facts and figures (all rigorously evaluated). This will better demonstrate their effects.

How can projects enhance the effects on employment? This module presents projects that vary widely in their objectives and sectors of activity. However, they are similar in that they follow innovative approaches that adopt a new type of progressive solution to a specific problem.

The example projects were selected on the criteria of innovation, effectiveness, transferability and sustainability<sup>1</sup>:

- **Innovation:** utilisation of a new, progressive solution to a specific problem;
- **Effectiveness:** an approach that is effective on employment in the framework of an integrated approach to employment promotion;
- **Transferability:** the approach is fundamentally suitable for transferring to other projects, as it tackles core issues;
- **Sustainability:** assurance that the intended effects will last longer than the duration of the measure.

In many projects, employment is explicitly promoted worldwide, either through the creation of productive jobs which respect human dignity, or through the improvement of the employability of individuals. In total, the German Federal Government promotes employment in more than 100 technical cooperation projects around the world with total orders to the value of nearly 900 million Euros (as of 2015)<sup>2</sup>. The employment measures focus on **the priority area ‘Sustainable Economic Development’**, especially the core skill areas of ‘Promotion of the Private Sector’ and ‘Vocational Training, and the Job Market’. Due to the cross-sectoral nature of employment promotion, it is also pursued in many German development cooperation projects in a variety of specialised directions, such as the domains of ‘Good Governance’, ‘Rural Development’, and ‘Water’.

1 The competition organised in 2008, ‘New Ideas for More Employment’ (Lutsyk 2011), also gives advice on new, innovative, particularly effective approaches to employment in German development cooperation that is still important today.

2 The portfolio comprises a list of current GIZ projects relating to employment commissioned by the Federal Ministry for Economic Cooperation and Development (BMZ) and the Ministry of Foreign Affairs. The value of orders relates to the phases of the projects currently in progress.

The following example projects should provide a source of **inspiration for the planning and implementation of development cooperation projects**. They show, among other things, how to encourage acceptance and respect for working women in the community, how youth employment in rural value chains can be increased, the ways in which public-private partnerships are able to improve and

increase employment opportunities, how an innovation centre can be a tool to assist women who set up businesses in the ICT sector, ways in which the quality of work in small and medium-sized enterprises can be enhanced, and how financial cooperation promotes labour intensive infrastructure programs.

## Media campaigns on confidence-building and changing women's role models in professional life

*#economic empowerment #media campaign #raise awareness #meta-level*

### Background

Although society and the economic system benefit when women participate in professional activities, the countries of the Middle East and North Africa (the MENA region) still display the world's lowest percentages of women in economic life. Despite the immense progress in women's education in the MENA region that has been recorded over the last few decades, at present, women in the region represent no more than 25 percent of the work force. In Egypt, for example, one woman in three holds a secondary education diploma, and one in five is a university graduate. In Jordan and Tunisia, significantly more women than men are enrolled in universities. The main reason for the limited number of women who have access to the labour market and stay there lies in the socio-cultural perception of a woman's role in the economy and society. In addition

to the socio-cultural hurdles, there are institutional and legal obstacles, such as the lack of available child care.

### The innovative approach in detail

To encourage acceptance and respect for working women in society, the film and media campaign ANA HUNNA (Arabic: *I'm here*) was devised, using particularly innovative and effective methods to initiate social debate on women's role models. The campaign is based on the hypothesis that public discussion of the economic empowerment of women can prompt a change of attitude, in the hope that an awareness of professionally active women will lead to increasing acceptance of equal professional prospects for both men and women.

#### BOX 1

#### 'THE ECONOMIC INTEGRATION OF WOMEN' (ECONOWIN), A REGIONAL PROJECT IN EGYPT, JORDAN, MOROCCO AND TUNISIA

In the framework of the EconoWin regional project, the conditions for the integration of women into the economic and business sphere are to be improved in the four target countries of Egypt, Jordan, Morocco and Tunisia. The target groups of the project are women, both qualified and unqualified, in the four countries. EconoWin aims to change attitudes and women's role models in economic life through actions on the most practical level possible: female filmmakers from all four countries have produced films with the theme

of Women and Work. This went much further than merely providing a topic for discussion at the Berlin international film festival: these films also gave rise to social dialogue in rural areas, schools and small villages. Gender-sensitive value chains promotion and vocational guidance for women through mentoring are the approaches which, through tangible projects, achieve implementation of gender-sensitive economic and employment policies promoting 'Gender equality as judicious economic policy'.



Participants in the ANA HUNNA media campaign (Egypt)

The film and media campaign was conducted in close cooperation with national civil society organisations in three phases:

- **Preliminary campaign:** a selection of ten existing short films on the theme of ‘Women and Work’ in the region was made. For these films, rights of use were obtained, subtitles were created and the collection was assembled in a DVD box. The films were used by ANA HUNNA partners to conduct events.
- **Call for bids, development and production of new film projects:** in parallel to the preliminary campaign, bidding was opened for new short film projects on the theme of ‘Women and Work’. This incited lively interest. National panels of experts selected two or three short film projects and provided financial and specialist support. The outcome was eight short films (documentary and fiction) dealing with themes such as sexual harassment, conditions in the workplace, the role of working women in society and personal fulfilment in a job.
- **Main campaign on publication of the films:** in the context of the main campaign, based on the slogan ‘Women are self-determined, active and powerful in society and the economy!’ the ANA HUNNA partners and other interested parties organised events designed to encourage men as well as women to call social inequalities into question and talk about this theme publicly. These events were accompanied by communication measures in the social media. Journalists received training and were familiarised with the issue at press conferences on ‘The Economic Integration of Women’.

Esraa Saleh, from Egypt, describes her impression of the official ANA HUNNA film screenings as follows: ‘Many people come to the ANA HUNNA film events with pre-conceived ideas. During the events, they hear other points of view and begin thinking about them, which is a good start in itself. When someone makes room for new ideas, change is on its way!’

## Effects

The short films helped to initiate public discussion of the role of women in professional life which, in the medium to long term, should encourage acceptance and respect for working women in society.

- The new films produced by filmmakers of the region were shown at over 320 events in universities, schools and community institutions, and at more than 15 national and international film festivals. More than 7,000 people took part in the events, over 225 reports were published in the media and lively exchanges took place on social media platforms such as Facebook and Twitter. In the meantime, ANA HUNNA has become a recognised brand and demand for the ANA HUNNA films remains high.
- Visitor surveys were conducted after each event, during which 85 percent of the interviewees stated that they now had a far higher acceptance of working women. 41 percent of the participants added that the event had demonstrated the importance of women to society and that gender stereotypes needed to be changed.

## Sustainability and transferability

With an eye towards transferability and sustainability, a guide to the use of film as a campaigning medium for raising awareness was drawn up in collaboration with ANA HUNNA partners, together with a teacher's guide booklet about screening films in schools and universities. ([http://econowin.org/wp-content/uploads/2016/09/2016\\_Ana-Hunna\\_-manual\\_EN.pdf](http://econowin.org/wp-content/uploads/2016/09/2016_Ana-Hunna_-manual_EN.pdf), [http://econowin.org/wp-content/uploads/2016/09/2016\\_Ana-Hunna\\_Educational-Kit\\_EN.pdf](http://econowin.org/wp-content/uploads/2016/09/2016_Ana-Hunna_Educational-Kit_EN.pdf)).

Throughout the process, there was close collaboration with national civil society organisations, the 'ANA HUNNA partners'. These partner organisations showed great interest in continuing campaigning operations on their own account. Discussions are currently in progress on how the network can be institutionalised in order to maintain commitment. Among other proposals, the idea of a joint ANA HUNNA foundation was discussed.

## Further information

ANA HUNNA Manual: [http://econowin.org/wp-content/uploads/2016/09/2016\\_Ana-Hunna\\_-manual\\_EN.pdf](http://econowin.org/wp-content/uploads/2016/09/2016_Ana-Hunna_-manual_EN.pdf)

ANA HUNNA web site: <http://ana-hunna.org>

EconoWin Website: <http://econowin.org>

ANA HUNNA Educational Kit: [http://econowin.org/wp-content/uploads/2016/09/2016\\_Ana-Hunna\\_Educational-Kit\\_EN.pdf](http://econowin.org/wp-content/uploads/2016/09/2016_Ana-Hunna_Educational-Kit_EN.pdf)

GIZ (2016): Women's Economic Empowerment in Technical Assistance Programmes – Examples of Good Practices in Private Sector Development

## Promoting youth employment through local economic development

#youth unemployment #rural development #value chains #fragility, conflict and violence #reducing poverty

### Background

In Sierra Leone, over 60 percent of young people are unemployed or underemployed. Education levels are generally low and training oriented towards the job market is limited. The private sector is underdeveloped, especially in rural areas, and does not provide enough job opportunities. Furthermore, it is difficult for young people to access necessary resources such as land, means of production, and finance. After the long years of civil war, whose economic and social consequences can be felt to this day, young people have few prospects of escaping poverty. The agricultural sector has great potential for income generation. By far the greater part of what used to be productive farmland is lying fallow or is only being cultivated extensively. As

the climatic conditions are favourable for the cultivation of cash crops, jobs and income can be generated with modernised farming practices.

### The innovative approach in detail

Support is given to sustainable, market-oriented farming along selected value chains. This is also attractive to young men and women as it offers significant income and employment potential. First of all, employment-intensive value chains were systematically identified and analysed quantitatively and qualitatively for their likelihood of providing jobs. Each production chain was thoroughly examined to find out how additional decent work can be created by optimising value creation. Following this analysis, those measures were derived which, from the economic, social and environmental points of view, offer the best prospects for job creation.<sup>3</sup>

This analysis constituted the basis on which a variety of measures were identified and put into practice for the empowerment of young people in the selected value chains of cocoa and coffee, and of rice. At the core of the project, the imparting of technical, social and entrepreneurial skills took precedence through qualification and assistance measures. These are not imparted in isolation. On the contrary, the three dimensions of technical, social and entrepreneurial skills are rationally combined wherever possible.

- The technical, vocational and further training focuses on rehabilitation, production and post-harvest technology in the selected value chains. Standardised Integrated Farmer Training was developed for coffee and cocoa value chains. In addition to technical issues, it also integrates aspects of product marketing and cost calculation as well as considering the role of the farmer, in village society and as entrepreneur. The effectiveness of this modular programme lies in its capacity to adapt to the trainee's level of education.

#### BOX 2

#### THE PROJECT FOR YOUTH EMPLOYMENT THROUGH LOCAL ECONOMIC DEVELOPMENT IN SIERRA LEONE

The programme for youth employment through local economic development, takes a multi-level approach, with implementation focusing on the local level, i.e. the three districts most affected by the civil war: Kailahun, Kono and Koinadugu. Its objective is to improve the income and employment situation of young people in the 18 to 30 age-group who are jobless or in precarious work. In pursuit of this goal, the project has three main fields of action: the Ministry of Labour is receiving advice on the incorporation of the plan of action into national employment policy. In the field of 'Youth Support', life skills are being improved and appropriate methods of start-up support are being introduced. In the field of 'Value Chain Promotion', new job opportunities are being created in selected value chains. The value chains concerned here are cocoa and coffee, rice and another which is still to be defined. Increases in income and employment are expected to be generated by an acceleration programme (see Box 3, Module 3.7 Conflict, Fragility, Violence).

3 The GIZ/ILO *Guidelines for Value Chain Selection* (2015) constitute a tool for selecting value chains on the basis of their quantitative and qualitative employment aspects. For an analysis of how, where and to what extent jobs can be promoted in these sectors, the 'Value Links' approach provides a range of analytical tools (GTZ 2008).

- Throughout the three value chains supported, a series of largely informal micro and small enterprises have emerged. In order to strengthen these enterprises and thus create job opportunities in the rural and peri-urban area, the programme has developed a six-month cycle of training and coaching. The SME Business Training and Coaching Loop is an acceleration programme in which training, coaching, and peer-to-peer formats are alternated in such a way that the entrepreneurs not only build up knowledge and skills, but also learn to integrate them into their operational procedures, thus strengthening their business.
- In addition to qualification of the target groups, complementary measures were also adopted. These include facilitating access to land for young people by helping them to conclude long-term lease contracts or by drawing up certificates of ownership. The project also implements measures for preventive conflict resolution and intergenerational dialogue which help to raise the status of young people in the community.

All the measures were tested for potential negative effects according to the principle of ‘Do no harm’.

## Effects

The improvement in young people’s skills and self-confidence and the increase in agricultural production are leading to an improvement in the employment and income situation in rural areas in the districts covered by the project. On a higher level, the project is leading to a reduction of poverty, and in the medium to long term, also contributes to peace and stability in Sierra Leone.

By July 2016, the following effects had already been achieved:

- 6,960 young people, 30 percent of them women, have earned new or additional income through work in the three value chains (direct employment effect).
- 323 Community Animal Health Workers (17 percent women) are working as independent entrepreneurs (direct employment effect).
- 46 people have been trained as trainers for the Integrated Farmer Training, and in the next phase will form an organisation to work freelance (direct employment effect).



The sustainable cultivation of rice increases agricultural production and promotes employment

- 232 managers of micro and small enterprises have completed the SME Business Training and Coaching Loop. 17 trainers received instruction in business management and are giving further training to young people. 523 young people participated in training courses in the domain of entrepreneurial skills.

## Sustainability and transferability

- To implement the measures, private and public service-providers entrusted with the execution of self-financed and donor-financed programmes were commissioned under contract. These service-providers were supported by means of demand-oriented further training in the framework of ‘Strengthening private and public service-providers’. By these means, a sustainable capacity of public and private service-providers is to be created in order to promote need-oriented support for all target groups, even after the programme has come to an end.
- In both value chains (cocoa / coffee and rice) a comprehensive view of the land situation was taken into account. For all project beneficiaries, long-term contractual rules for land use and ownership were laid down, an important basic requirement for the sustainable use of rehabilitated land.
- The programme endeavours to incorporate need-based training content, such as animal health or ownership support, into the programmes of the existing vocational training centres.

- The modular three-level approach of the Integrated Farmer Training was developed into a curriculum and has already been tested successfully with 5,500 farmers. The average rate for participation with no reimbursement of expenses was over 85 percent per module. Due to the flexible construction of the programme, the teaching content can be adapted to the most diverse agricultural elements and education levels.
- The SME Business Training and Coaching Loop has been standardised and documented in a manual. It is already in use in Benin, and further projects (in Togo, Tunisia and Malawi, among others) have begun to introduce this approach.
- Employment is integrally promoted. In addition to qualification measures, other measures relating to labour demand and framework conditions are being implemented to ensure that young people have sustainable employment opportunities.

### Further information

GIZ project summary: Youth employment promotion through agricultural development,  
<https://www.giz.de/en/worldwide/20949.html>

## Long term creation of sustainable employment through cooperation with the private sector

*#employment creation #public private partnership #private sector #inclusive business*

### Background

Sub-Saharan Africa is rife with contradictions. Despite high economic growth and a wealth of natural resources, underemployment and precarious working conditions

continue to stunt the sustainable development of the region. For example, 60 percent of the working population in Sub-Saharan Africa is underemployed. An average of 42 percent of people of working age lives on less than two US Dollars a day, even though they work. Women

#### BOX 3

### THE 'EMPLOYMENT FOR SUSTAINABLE DEVELOPMENT' PROGRAMME (E4D) IN SUB-SAHARAN AFRICA

The Employment for Sustainable Development initiative (E4D) was created in 2015 at the request of the Federal Ministry for Economic Cooperation and Development (BMZ) and the British Department for International Development (DFID) with the aim of making use of the economic potential of Sub-Saharan Africa in a more sustainable and economically effective manner. The objective of this public private collaboration is the quantitative and qualitative improvement of the employment

situation in the countries of Ghana, Cameroon, Kenya, Mozambique, South Africa, Tanzania and Uganda. Employment-effective models of business and cooperation, demand-oriented vocational and further training, up-scaling, and learning should enable the project's goal of high employment levels to be attained. The target group of the project comprises in particular the poorer groups of the working age population, women and young people.



and young people are particularly affected by precarious employment conditions. New jobs, good future prospects, and improved working conditions can only be created via collaboration between the governments and the private sector. But up to now, the private sector and public stakeholders have not yet contributed sufficiently to improve the employment situation.

### The innovative approach in detail

In accordance with the philosophy that obstacles are best overcome through collaboration, E4D plans and implements public-private partnerships in the seven target countries of Ghana, Cameroon, Kenya, Mozambique, South Africa, Tanzania and Uganda. E4D relies on the experience gained over decades of German development cooperation in vocational and further training in Africa. It advises partner countries on how to utilise the investments, and especially the resulting jobs, as development opportunities with a wide impact. A major problem with vocational training in African countries is that the training is insufficiently oriented towards the needs and standards of the private sector and that those who complete the courses have scarcely even the most basic practical training in their profession. E4D cooperates with companies as strategic partners in order to make use of their information and planning data on real manpower requirements with a view to including these in the comprehensive build-up of local capabilities for arising jobs and possibilities for earning income within the supply chain concerned.

This kind of cooperation combines the innovative power of business with the resources, knowledge and experience of development policy. Costs and risks are shared equally between the two partners. Depending on the partnership, other stakeholders such as local authorities, NGOs, vocational schools and universities, trade unions or business associations may also be involved in the measures.

The objective of this approach is to increase the number of jobholders in the eight target countries by 36,200, to increase the income of 100,000 gainfully employed people by an average of ten percent, and to bring about an improvement in the working conditions of 32,000 people. To achieve these ambitious objectives, on the one hand, broad-impact, inclusive business models and enterprise set-ups are promoted in collaboration with private enterprises. The purpose of this is to integrate the poorer population groups, such as employees, suppliers or retailing partners, into the value chain. This creates jobs, both directly and indirectly, increases income, and

improves conditions in the workplace. On the other hand, the employability and productivity of people in the formal and informal job market are enhanced through demand-oriented basic and further training. This increases the supply of qualified specialist personnel. One of E4D's particular concerns is to implement measures for professional qualification in such a way that women may also benefit from potential job opportunities and that existing difficulties in the professional integration of women and girls may be counteracted.

There is a special focus on economic sectors offering specific local job opportunities, e.g. the upstream and downstream sectors of the extractive industries. These upstream and downstream sectors include, for example, road-building, infrastructure and provision of services. In addition, certain sectors of the Green Economy (renewable energy, waste management, forestry, agriculture) offer additional job prospects, which are specifically targeted. The employment initiative Skills and Employment for Eastern Africa, which implements the project with co-financing from the British Department for International Development (DFID), the Norwegian Development Cooperation Agency (NORAD) and the oil and gas company BG Group/Royal Dutch Shell, promotes local employment, for example, through better vocational training systems in various sectors of the energy industry. The objective is to involve the local population in value chains (which in any case will be generated by international investment) in accordance with the principle of inclusive growth.

### Effects

A forecast of the measures already in operation or definitively planned estimates that a total of 26,400 women and men will gain employment, while another 50,000 people will benefit from increased income and 16,500 from improved working conditions. Furthermore, in five of the eight countries, modular curricula are being introduced in five professional sectors. These are already partially accredited and several hundred men and women are currently undergoing training. In the renewable energy field in particular, new syllabuses were developed and 200 technicians have been trained in East Africa. In collaboration with Samsung and the Korean Development Agency KOICA, the training of women for the electronics industry in Ghana is being promoted. Samsung provides support in adapting syllabuses to the market and provides equipment for technical schools. This allows for another 100 young women to be trained annually.



The expansion of the Green Economy offers improved job prospects for the population

### Sustainability and transferability

- Companies and public partners often continue to apply the measures beyond the end of the project. In this way, for example, supplier relations built up in the inclusive business model can be maintained and contribute to more income and employment in the long term. In this regard, sustainability is a decisive criterion in the selection of individual measures.
- For measures that promote basic and further training, financing models are also invariably developed, so that courses introduced by public or private sponsors can be offered for a longer period. The orientation of these new offers towards the demands of the job market and cooperation with technical schools and educational institutions contribute significantly to sustainability.
- With the involvement of other private and public partners, successful project concepts and business models are to be replicated and disseminated. For this purpose, the programme is developing innovative forms of cooperation and financing, in order to enlist additional investors (for example social impact investment).

### Further information

Information film on the E4D project:  
<https://vimeo.com/123842417>

BMZ (2016). Economy – Prospects for sustainable development – Private business as a development cooperation partner: [www.bmz.de/de/mediathek/publikationen/reihen/infobroschueren\\_flyer/infobroschueren/Materialie278\\_wirtschaft.pdf](http://www.bmz.de/de/mediathek/publikationen/reihen/infobroschueren_flyer/infobroschueren/Materialie278_wirtschaft.pdf)

## Innovation centre for the support of women setting up businesses in the ICT sector

*#entrepreneurship #ICT sector #women economic empowerment #technology hub*

### Background

In spite of outstanding international coefficients in the World Bank's Doing Business Report and economic growth of seven percent in 2015, 80 percent of the working age population in Rwanda is still working in the agricultural sector. For the most part, this means subsistence farming or informal, not very productive, and poorly paid employment conditions. The main triggers of this situation are an underdeveloped private sector, an inadequate vocational training system, few and unsystematic market operations and insufficient access to financial services for a large proportion of the population and especially for small and medium-sized enterprises. The creation of jobs outside the agricultural sector, targeted at young people in particular, is accordingly one of the principal objectives of the national development strategy. As Rwanda is one of the fastest-growing African countries in the field of Information and Communications Technology (ICT), the government has designated ICT as the core driving force for transforming Rwanda into a science-based economy and has assigned corresponding importance to it in its national development strategy.

### The innovative approach in detail

The kLab (Knowledge Laboratory) was founded in 2012 by government institutions and private individuals (e.g. deans of Carnegie Mellon University). The purpose of kLab is to put at the disposal of university leavers and young entrepreneurs, both men and women, a place with a solid infrastructure (power supply, internet) to enable these young entrepreneurs to correspond and network and develop new business ideas. kLab organises numerous events such as workshops, training courses, and lectures, in close collaboration with private enterprises. In the early stages of their business development, the start-ups and young entrepreneurs should be given support in order to achieve market-readiness and in due course create jobs as employers. Since 2014, the economy and employment promotion project has conducted the following main activities in collaboration with kLab:

#### BOX 4

#### THE 'ECONOMY AND EMPLOYMENT PROMOTION' PROJECT (ECO-EMPLOI) IN RWANDA

In the framework of the 'Economy and employment promotion' project in Rwanda, measures with an effect on employment are being implemented through selected public and private stakeholders. To this end, a combined strategy is being put into practice. It includes private sector development, improvements in vocational education and training as well as matching services such as career guidance and placement as elements of an integrated approach to employment promotion. The target groups of this project are, in particular, young women and men in the 15 to 39 age group who to a large extent are insufficiently educated and who, for the most part, are working in precarious employment conditions, completing vocational training courses, or seeking work. Other target groups are entrepreneurs, both men and women, and their employees, teaching staff in technical schools, and vocational trainers.

- Training courses in the development of a business model (business model canvas) with experts from Egypt and Germany.
- Testing of an online platform for ICT start-ups, designed to increase the chances of success for founders of new businesses in the ICT sector through a structured advisory process for the development of business plans.
- College cooperation with Germany (DHBW Mannheim & Hochschule Trier); conduct of two pilot programmes to support young Rwandan entrepreneurs in business development.
- Mentoring programme with female managerial staff of large telecommunications companies, in the framework of which graduates of technical schools in the ICT sector and young women who have enrolled with Kigali

Employment Service Centre are acquainting themselves with practical work in ICT enterprises.

### Effects, sustainability and transferability

With the kLab, the Eco-Emploi project has begun to incorporate ICT into the promotion of employment:

- The activities have contributed to over 50 start-ups developing ideas into market-ready products.
- Three founders of new enterprises, who participated directly in the measures of the project, have already successfully established themselves on the market.

However, even four years on from the foundation of the kLab, no sustainable financing or business model has been established. Sponsorship still lies with the Rwanda ICT Chamber, which does not have enough staff and financial resources at its disposal. kLab and the ICT eco-system have not yet been able to break free of state subsidies and support by donors. The users of kLab work in a very dynamic environment (eco-system). The target group is in continual flux and cannot always be specifically addressed.

Building on these experiences, the phase of the Eco-Emploi project begun in June 2016 is now, in parallel with three other economic sectors, clearly focused on the ICT sector. Selective commitment within the framework of the kLab is placed on a broader basis. This will serve a much wider partner-landscape in Rwanda's ICT sector. The focus here is particularly on young women.

### Further information

Web site of kLab: <http://klab.rw>

Fact sheet on Promotion of Economy and Employment – Eco-Emploi: [www.giz.de/de/downloads/giz2015-en-promotion-economy-employment-ruanda.pdf](http://www.giz.de/de/downloads/giz2015-en-promotion-economy-employment-ruanda.pdf)



Participants in the innovation platform discussing the development of new solutions (Egypt)

## Improving the quality of jobs in SMEs

*#decent work #placement services #raise awareness #quick wins plus sustainability #social innovation*

### Background

Extremely high youth unemployment and an absence of career prospects for young Egyptians of both sexes are among the country's most pressing political and socio-economic problems. Despite mass unemployment, companies often have difficulty filling vacancies. In non-academic fields in particular, the jobs offered are often not attractive in nature and are unacceptable to job-seekers despite the high unemployment rate: very often, no formal contract of employment is signed, there are no social security benefits and the level of pay is low.

#### BOX 5

#### THE LABOUR MARKET ACCESS PROJECT IN EGYPT

The project 'Participation through employment – facilitating access to the labour market' (Labour Market Access Project) is part of the BMZ's special initiative for stabilisation and development in North Africa and the Middle East. The measures aim to improve the employment situation for young Egyptians of both sexes in non-academic occupations. For this purpose, a variety of approaches are combined: in collaboration with national partner organisations, employment agency structures are extended and created and the quality of jobs in enterprises is improved (see also Box 7, Module 2.2). In addition, a dialogue has been established at a national level through the project to see how job agency services and job quality in general can be improved. This leads to close collaboration with the employers' umbrella organisation for economic development, the Federation of Economic Development Associations (FEDA) and the National Employment Pact (NEP). The NEP is a joint initiative by Egyptian and German private enterprises together with the German-Arab Chamber of Industry and Commerce.

### The innovative approach in detail

In conjunction with local enterprises, the project aims to improve job quality for at least 9,000 workers, for example, through better social welfare benefits, more safety precautions in the workplace or new career opportunities. To this end, the project supports the employers' umbrella organisation for economic development, the Federation of Economic Development Associations (FEDA).

In cooperation with FEDA, ideas competitions regarding job quality are organised, which should generate examples of good practice for job quality. In the current competition, the GIZ gives eight Egyptian SMEs technical and financial support with the implementation, in collaboration with their employees, of suggestions for improving job quality. Among the suggestions that are currently being implemented are projects such as the establishment of a recreation area for staff, a day care centre with special learning facilities for the children of employees, and a container with living accommodation and sanitary facilities for ship mechanics carrying out repairs at sea. A further element in the cooperation with FEDA is awareness-raising and public-relations work on job quality.

In addition, the Labour Market Access Project is holding innovation cycles with respect to specific challenges in the Egyptian job market, and the resulting innovative solutions proposed are tested in order to determine their effects on employment and improvements in job quality. For example, testing is in progress in a medium-sized enterprise of a points system intended to motivate employees to stay in their newly begun jobs. Numerous different stakeholders in Egyptian society are involved in the cycles, with the aim, among other things, of jointly setting up an innovation platform to develop new approaches to the promotion of youth employment in Egypt. By collaboration across boundaries of specialisation, rapid prototyping of proposed solutions, and testing of simple prototypes, the project ensures that the innovations promote successful social change and achieve positive effects.

## Effects

This approach aims to achieve visible successful results in the short term (e.g. creation of positive examples, young people placed in decent jobs) and also sustainable effects (e.g. durable structures for improving job quality).

- The improvement of services and consulting for the members of FEDA is expected both to improve the jobs and working conditions of the employees and to strengthen the competitiveness of the enterprises – with, among other effects, the creation of more decent jobs for young people.
- Overall, while the project is in operation, it will endeavour to improve job quality for at least 9,000 workers through, for example, better social welfare benefits, more safety precautions in the workplace, or new career opportunities.
- Awareness of the issue of job quality was raised in the framework of a number of events designed for the purpose, with about 100 SMEs in the governorates of Suez, Ismailia and Port-Said on the theme of ‘Job Quality and Good Business Management’
- The innovative prototypes aim for unequivocal effects at the micro-economic level. In the longer term, the innovation cycles break down the inflexible perception of innovation that predominates in Egypt.

## Sustainability and transferability

- The use of competitions as an instrument for identifying implementation partners has proved its value. The choice of SMEs in the context of the competition took place in the framework of a call for bids, the winner of which was designated by nationally constituted committees. This procedure ensures transparency of the selection process, but also establishes the necessary ownership on the side of the selected partner, as the latter has to go through a relatively comprehensive application procedure.
- The theme of job quality is addressed consistently throughout the project. Thus enterprises that collaborate with the NEP in the framework of job placement make an undertaking to provide decent work consistent with human dignity for young Egyptians.

- In the partner institutions, capacities are built up and continue to be used after the project comes to an end. FEDA’s institutional roots ensure the umbrella organisation’s sustainable support for job quality at national level.
- The innovative prototypes developed in the fields of job quality and work placements are disseminated via the partner organisations, NEP and FEDA, and are at the disposal of all interested enterprises and organisations.

## Further information

Akzente: New jobs for Egypt:

<https://akzente.giz.de/en/artikel/new-jobs-young-people>,  
<https://www.youtube.com/watch?v=VG1uUxc1EBs&list=PLcjTOiq3BCom8sbXUPjH1uFNcNPxJvrui&index=5>

Innovation cycle:

<https://www.youtube.com/watch?v=I6JUY6Ywo7I>

National Employment Pact:

[www.nep-egypt.com/home.php](http://www.nep-egypt.com/home.php)

Social Innovation Handbook:

<https://dms.giz.de/dms/lisapi.dll?func=ll&objaction=overview&objid=103183642>

Video on activities with FEDA: <https://www.youtube.com/watch?v=ISO1APEXnDs&feature=youtu.be>

## BOX 6

## THE BMZ'S MIDDLE EAST EMPLOYMENT DRIVE 'CASH FOR WORK'

One of the ways the Federal Ministry for Economic Cooperation and Development (BMZ) supports the people who have fled from Syria and Iraq and the host communities is through extensive cash-for-work measures. In the framework of the Middle East employment drive (Partnership for Prospects [P4P]), more than 50,000 temporary jobs were created in Turkey, Jordan, Lebanon, and Iraq during the year 2016. The scope of the efforts ranges from financing salaries for additional teachers and teaching assistants to constructing community center buildings and implementing waste-recycling projects. The additional income affords direct support to the refugees and thus helps improve their living situations.

### Waste collection and recycling create temporary and longer-term jobs for refugees and the host communities in Jordan

*#cash-for-work #refugee economies #host communities #quick wins*

#### Background

Due to Syria's ongoing military conflict, increasing numbers of Syrians are fleeing to the country's southern neighbour, Jordan. By September 2016, 656,400 Syrian refugees had officially been registered, about 85 percent of whom live in cities and communities outside the refugee camps. In many north Jordanian cities and towns, the population has doubled since the beginning of the crisis. Even before

the refugees' arrival, the communities were often characterised by inadequate infrastructure and weak economic activity. Forty-four percent of Jordan's working population is engaged in informal-sector activity.

The rapid population increase due to the refugee influx has been accompanied by various problems in the host communities, including their being inundated with significantly more waste and refuse than the existing capacities of the services and infrastructure for disposal have been able to cope with. The resulting pollution in some areas has led to increasing resentment, fuelling the conflict potential between refugees and the local population. There has been a simultaneous intensification of social tension, as the Jordanians increasingly perceive the Syrian refugees as competitors in the already meagre job market.

## BOX 7

## THE 'WASTE TO POSITIVE ENERGY' PROJECT IN JORDAN

By creating employment opportunities in the area of waste disposal, and the income they generate, the 'Waste to Positive Energy' project strives to promote acceptance of the Syrian refugees in Jordan's northern communities, alongside environmental relief. To achieve this, the effort addresses both the refugees and socially vulnerable groups within the host communities. With the help of the labour-intensive cash-for-work measures in the area of the refuse collection, needy people are provided with short-term employment. In addition, skilled workers are provided with education and training in the realms of recycling and waste disposal, and recycling centres are built. The project is part of the BMZ's Middle East employment drive.

#### The innovative approach in detail

The 'Waste to Positive Energy' project combines waste collection and recycling, transitional aid, and employment promotion. The focuses of the cash-for-work measures are labour-intensive waste removal and the collection and processing of recyclables. These measures make it possible to rapidly provide temporary jobs for a large number of people, enabling them to stabilise their income. Participants receive a daily wage of 8–19 euros and should work an average of 50 days a year. The goal is to integrate 6,000 Syrian refugees and Jordanians living in the area into cash-for-work measures by the end of the year.

In addition to stabilising the household income of refugees and disadvantaged local people, the image of the urbanised areas and landscape in the refugee communities is significantly improved, which promotes acceptance of the Syrians – and simultaneously encourages environmental awareness in the region. Men are usually employed in the waste removal, while women are active in public campaigns to strengthen environmental awareness.

Besides the temporary jobs, in the medium term, as many as 560 permanent jobs are to be created in recycling centres. The required technical specialists will receive appropriate training on the job. Garbage trucks provided by donors for the removal of refuse receive regular maintenance.

### Effects

So far, the project has provided short-term employment for 4,250 people. Daily cleaning takes place in 14 communities and in the Zaatari Camp, and cooperation with at least six additional municipalities is in the planning stage. In some of the towns, the work is administered by Oxfam and Caritas. Outside the urbanised areas, the *Royal Rangers*, Jordan's environmental police, assist with the clean-up efforts. Awareness-raising events have already been held in various municipalities. It is foreseen that the longer-term jobs will be created beginning in 2017, when recycling facilities are available in several areas and recycling concepts have been formulated. To ensure a certain level of job security for the short-term Syrian workforce, work permits are obtained that provide them with social protection.

### Sustainability and transferability

The combination of temporary cash-for-work measures and the medium-term approach to establishing a functional infrastructure for collecting recyclables and recycling ensures the measures' sustainability. The effort demonstrates an example of how a segue from transitional aid to structural development cooperation in the field of employment promotion can be composed.

The partners welcome the measures, as the people benefit from the aid directly, thus reducing tensions among people and, in turn, promoting peace. The additional incomes strengthen individuals' purchasing power, which strengthens the local economy.

Cash-for-work measures can be deployed in many contexts and have a broad impact. However, they require a high degree of sensitive planning and context-specific design.

### Further information

Folder 'Helping refugees build a future':  
[https://www.bmz.de/en/publications/type\\_of\\_publication/information\\_flyer/information\\_brochures/Materialie248\\_refugees.pdf](https://www.bmz.de/en/publications/type_of_publication/information_flyer/information_brochures/Materialie248_refugees.pdf)



## Promotion of labour-intensive infrastructure as an example for Financial Cooperation in fragile contexts

*#employment intensive investment programs #peace building #refugees #host communities*

### Background

In fragile contexts, the conflict-laden environment and the lack of basic services necessary for life often require fast-acting measures with immediate effects on income. Short-term capacity for absorbing manpower exists primarily in the informal sector, and especially in agriculture. At the same time, growth of the formal sector in the long term is important for the creation of 'good' jobs with higher standards of work and a minimum of social insurance. The German Development Bank (KfW) therefore promotes employment in fragile contexts not only in multi-sectoral projects with the aim of immediate stabilisation or peace-building, but also through sectoral projects to improve framework conditions for the private sector.

In fragile contexts, the KfW finances multi-sectoral projects in which the creation of income as a contribution to peace-building is an explicit objective. These projects should enable material survival as well as peaceful coexistence. Income possibilities therefore include informal and formal, independent and dependent, short, and long-term jobs.

#### BOX 8 PROMOTION OF EMPLOYMENT THROUGH LABOUR-INTENSIVE INFRASTRUCTURE MEASURES IN LEBANON

In the context of the Middle East employment drive (Partnership for Prospects) and the special initiative 'Tackling the Root Causes of Displacement – Reintegrating Refugees', the project aims, in cooperation with ILO and UNDP, to offer income and job prospects to refugees and inhabitants of communities taking in refugees through labour-intensive infrastructure measures. In this way, not only the living conditions of the target group will be improved, but social tensions between the groups can also be pre-empted or relieved.

### The innovative approach in detail

Immediately after military conflicts, the infrastructure is often severely damaged and local business cycles disrupted. Large numbers of people then depend on humanitarian aid. In these situations, on the one hand, public employment programmes can set the local business cycles in motion again (through the generation of local demand for services and building materials, but also through the effect of income and correspondingly increased consumer demand) and thus reduce dependency on humanitarian aid. On the other hand, the reconstruction of ruined infrastructures helps to get living conditions back to normal quickly and ensure basic supply services. This approach thus yields a double dividend. In post-conflict situations in particular, both are important prerequisites for the restoration of trust in the capacities (and legitimacy) of the decentralised state organisation and for avoiding a rapid relapse into fragility (political stabilisation).

- Through the measure taken in Lebanon, direct employment for Syrian refugees and Lebanese citizens is created, so that access to the job market for these target groups is improved. At the same time, the measure makes a positive contribution to strengthening the local private sector and improving local infrastructure. The combination of both exerts a positive influence on economic development in the target regions.
- The target areas are selected according to the Vulnerability Map of the Lebanese Crisis Response Plan and areas classified in it as particularly vulnerable, where the great majority of Syrian refugees and a large proportion of the poverty-stricken Lebanese population are concentrated. Altogether, the target group should consist of about 60 percent Syrian refugees and 40 percent Lebanese citizens.
- The job possibilities arising in the project range from short-term jobs to 12-month job contracts. The jobs created are formalised, that is to say that even the Syrian refugees, who until now have been unable to work, will receive work permits. To this end, the project includes a special support component for the Lebanese Ministry of Labour and Social Affairs. Furthermore,

the jobs created comply with the Decent Work Standards of the ILO. Both employers and employees are made aware of this fact. Remuneration corresponds to the minimum wage. The ILO and the UNDP keep a close watch to ensure that the salary payments take place as agreed and that the applicable standards are respected.

## Effects

The projects support supply and demand; support is given both to the creation of jobs on the demand side and the accession of the workforce to the job market on the supply side. At the same time, the provision of necessary social and economic services for the people and agricultural and technical production and local services are boosted. Both contribute to revitalising the local business cycle. On the demand side, the effect on employment is the creation of direct short-term employment through the labour-intensive configuration of infrastructure measures (schools, hospitals, roads, markets, etc.) As a rule these measures continue for three to five months. In fragile contexts they may serve in particular to open up income opportunities to returnees or former combatants and make work experience possible. In this area, the number of short-term jobs created depends directly on the available investment volume. The workers employed in the short term generate additional demand, e.g. for food, and thus more short-term jobs are indirectly generated.

## Sustainability and transferability

- Direct long-term employment arises from the operation of the infrastructure created, such as the management of a new market or the appointment of teaching staff for new schools.
- The indirect long-term effects on employment are considerably greater, though more difficult to measure. Additional land for agricultural production, rehabilitated roads, access to markets and other important market infrastructure (e.g. storage space or cattle pens) give rise to possible ways to make the change from subsistence farming to the marketing of agricultural produce.
- These additional economic activities, in turn, generate incentives for small and micro-enterprises to establish themselves. It can also be observed that important newly created infrastructure, such as bus stations,

are income-multipliers that help create numerous new jobs in the service sector (mechanics, store staff, retailers, etc.).

- On the supply side, the KfW supports parallel measures for the qualification of employees in its multi-sectoral programmes. In fragile states, years of violent conflict have often left a shortage of well-trained workers. The workers may have emigrated, received no education or lost the corresponding skills ('forgetting by not doing'). Measures are then required to improve employability or entrepreneurship. For example, the KfW supports on-the-job training which takes place during the building phase or shortened vocational training measures.
- For all measures, the KfW is committed to taking advantage of opportunities to foster social cohesion. For instance, internally displaced persons are employed side by side with local building workers. However, these programmes also embody the challenge of not causing new conflicts and acting on the principle of 'do no harm'. Such situations can arise, for instance, by reason of unfulfilled expectations, if workers are hoping that the project will bring long-term employment.

## Further information

KfW Development Research (2016): Employment-intensive measures – rapid results with double dividend. Development in Brief, No 38:

[https://www.kfw-entwicklungsbank.de/PDF/Download-Center/PDF-Dokumente-Development-Research/2016-10-28\\_EK\\_Beschäftigungsintensive-Maßnahmen\\_EN\\_final.pdf](https://www.kfw-entwicklungsbank.de/PDF/Download-Center/PDF-Dokumente-Development-Research/2016-10-28_EK_Beschäftigungsintensive-Maßnahmen_EN_final.pdf)

KfW website on Economic Growth and Employment: <https://www.kfw-entwicklungsbank.de/International-financing/KfW-Development-Bank/Topics/Economic-growth-and-employment>

## Further challenges to development policy

All in all, these approaches show that more decent employment can be achieved in cooperation countries with innovation and joint effort:

- **Innovative ideas** form an important foundation for a project's effectiveness on employment. Here, what has proved especially effective are not so much the individual measures, but the policy-mix of innovative and traditional measures, as well as intervention on the demand and supply sides of the job market and interventions to improve the matching of both sides. This is also attained by the **integrated approach to employment promotion** in German development cooperation. Its successful implementation in some of the projects presented shows how this can be consistently taken into account in the planning and execution of a development cooperation project.
- The various examples from Sub-Saharan Africa and the MENA region suggest that there is no 'one size fits all' principle, but that **context-specific solutions** must be found to the promotion of employment. In addition to consideration of the integrated approach, issues that reveal themselves to be relevant include the social perception of women's employment, the quality of jobs, cooperation with business and information and communications technology (the list is not exhaustive). Most of them are linked to short term results (creation of positive examples) with sustainable effects (durable structures). Innovation, even in a **fragile context**, is a key element in development cooperation.
- Finally, it has become clear that development cooperation projects direct heightened attention to the **measurement of their results**. It is important that in the future, monitoring systems should be even more consistent in extending the use of indicators to measure effects on employment. German development cooperation projects should give even greater prominence to the results obtained, using dates, facts and figures underpinned by statistics and thus be better able to demonstrate their effects. This would enable the employment effects of development cooperation projects to be more effectively pursued and would facilitate measurement of their contribution to poverty relief and the attainment of Sustainable Development Goal 8 (decent work for all).

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**KfW Development Research** (2016): Employment-intensive measures – rapid results with double dividend. Development in Brief, No 38: [https://www.kfw-entwicklungsbank.de/PDF/Download-Center/PDF-Dokumente-Development-Research/2016-10-28\\_EK\\_Beschäftigungsintensive-Maßnahmen\\_EN\\_final.pdf](https://www.kfw-entwicklungsbank.de/PDF/Download-Center/PDF-Dokumente-Development-Research/2016-10-28_EK_Beschäftigungsintensive-Maßnahmen_EN_final.pdf)

## LINKS

**ANA HUNNA Manual:** [http://econowin.org/wp-content/uploads/2016/09/2016\\_Ana-Hunna\\_-manual\\_EN.pdf](http://econowin.org/wp-content/uploads/2016/09/2016_Ana-Hunna_-manual_EN.pdf)

**ANA HUNNA web site:** <http://ana-hunna.org>

**BMZ: Development partnerships with business:** [www.developpp.de](http://www.developpp.de)

**EconoWin web site:** <http://econowin.org>

**Fact sheet on Promotion of Economy and Employment – Eco-Emploi:** [www.giz.de/de/downloads/giz2015-en-promotion-economy-employment-ruanda.pdf](http://www.giz.de/de/downloads/giz2015-en-promotion-economy-employment-ruanda.pdf)

**Educational kit ANA HUNNA:** [http://econowin.org/wp-content/uploads/2016/09/2016\\_Ana-Hunna\\_Educational-Kit\\_EN.pdf](http://econowin.org/wp-content/uploads/2016/09/2016_Ana-Hunna_Educational-Kit_EN.pdf)

**Explanatory film 'Akzente – Neue Jobs für Ägypten' (in German):** <https://akzente.giz.de/de/artikel/neue-jobs-aegypten>, <https://www.youtube.com/watch?v=VG1uUxc1EBs&list=PLcJT0iq3BCom8sbXUP;H1uFNcNPxJvrui&index=5>

**Explanatory film on the E4D project:** <https://vimeo.com/123842417>

**GIZ project description 'Promotion of youth employment through agricultural development':** <https://www.giz.de/en/worldwide/20949.html>

**Innovation cycle:** <https://www.youtube.com/watch?v=I6JUY6Ywo7I>

**KfW website on Economic Growth and Employment:** <https://www.kfw-entwicklungsbank.de/International-financing/KfW-Development-Bank/Topics/Economic-growth-and-employment>

**kLab web site:** <http://klab.rw>

**National Employment Pact:** [www.nep-egypt.com/home.php](http://www.nep-egypt.com/home.php)

**Social Innovation Handbook:** <https://dms.giz.de/dms/llisapi.dll?func=ll&objaction=overview&objid=103183642>

**Web site of the National Video on activities with FEDA:** <https://www.youtube.com/watch?v=ISO1APEXnDs&feature=youtu.be>

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On behalf of



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for Economic Cooperation  
and Development



# Employment Promotion through Public Works Programmes

□ ■ □ Module 2.7

**Module 2.7 is part of the publication “Full and Productive Employment and Decent Work for All – Handbook on Employment Promotion in Development Cooperation” in Section 2: “Conceptual Approaches and Instruments for Effective Employment Promotion”.**

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## Abbreviations

GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH
IDP	Internally displaced person
ILO	International Labour Organization
NGO(s)	Non-governmental organisation(s)
MGNREGA	Mahatma Gandhi National Rural Employment Guarantee Act
PWP	Public works programme(s)



# Employment Promotion through Public Works Programmes

- Public works programmes (PWP) are used as policy responses when the labour market is dysfunctional and unable to create the required scale of employment. Often set up in reaction to economic downturns or crises, they comprise a wide range of designs reflecting different objectives, target groups, time frames and scope.
- PWP have the potential to achieve multiple goals: decrease unemployment, reduce poverty through social protection and provide public infrastructure or services. These assets can stimulate economic activity in a broader sense and thus contribute to sustainable employment in the long run.
- In order to avoid unintended side effects like deadweight or displacement effects, PWP should be preceded by proper planning of design and implementation. This includes a clear definition of objectives, which need to be aligned with the local political circumstances and labour-market conditions, the identification of the target group, the setting of a wage rate and the formulation of an exit strategy.

## The spectrum of public works programmes

The term public works – or public employment programmes – refers to any **direct job-creation effort** by a government or non-profit institution through an employment programme. The core outputs are jobs, income and the provision of public goods or services. Although these may be a temporary response to specific shocks and crises, PWP can also have a long-term horizon. Besides temporary, targeted cash-for-work interventions, the term can include employment guarantee schemes, as well as labour-intensive public investments.

PWP are policy responses when the labour market is dysfunctional and unable to create the required scale of employment. They can complement national employment policies for the private sector and limit the risk of long-term unemployment and increased informality. As such, they can play a role in achieving Sustainable Development Goal 8 “Full and productive employment and decent work for all”. However, PWP **differ tremendously in objective, scale and scope**, making a schematisation difficult.

- **Employment-guarantee schemes** follow a rights-based approach premised on individual entitlements and guarantee a minimum level of employment to participants during a specific time span. An employment-guarantee scheme has a long-term perspective and works mainly as an employment-creation programme in dysfunctional labour markets or as a social safety net e.g. in agricultural lean seasons. A prominent example of an employment guarantee scheme is India’s Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) (cf. Box 1).
- **Employment-intensive infrastructure programmes** are investment programmes whose objective is to (re-)build infrastructure in an employment-intensive way, e.g. labour-intensive road building or infrastructure rehabilitation and maintenance programmes or the construction of education and healthcare infrastructure. These programmes put their focus on asset creation through public works; hence the creation of quality assets is their primary objective.
- **Cash-for-work programmes** can be used to describe the specific implementation structure of a PWP, but it often describes interventions in situations in which a quick response in humanitarian or transitional aid is required. The interventions are often implemented by

bilateral or multilateral donors or non-governmental organisations (NGOs) in order to stabilise household incomes and rebuild infrastructure or provide necessary services. They are also increasingly popular in assisting refugees, internally displaced persons and host communities. When the transaction conditioned on work is compensated in kind instead of cash, these programmes are called food / voucher-for-work-programmes.

In the past, experience with PWP has been mixed. They can cause **distortions in the labour market** and a crowding-out of employment in the private sector. Moreover, infrastructure built through PWP has often proven to be not very durable due to a lack of quality. Lately, however, these programmes are back on the agenda as **instruments in transitional aid, as a social safety net, and a means for targeted employment promotion**. It is assumed that these programmes, if designed appropriately, can achieve multiple goals, e.g. the creation of assets or services, employment, and social protection.

## Public works programmes for sustainable development

A main reason for the implementation of PWP is the **short-term effect on employment**. Though temporary, people are employed directly and receive a predictable income. This may contribute to reducing poverty, creating social protection, and other benefits for the time a person is employed through the PWP. However, a PWP can also contribute to **employment creation in the medium and long run**.

The following **impact channels** may affect sustainable employment promotion (cf. Gehrke/Hartwig 2015, p. 1):

- The steady income perspectives provided by PWP encourage beneficiaries to make **productive investments**. This, in turn, may lead to increased disposable household incomes accompanied by improved risk-management capacity that can result in greater willingness to make productive investments, increasing agricultural or industrial output. Hence, additional business opportunities might be created that trigger a rise in employment opportunities.
- A second possible impact of PWP is that, depending on the **wage rate of the programme**, they may contribute to higher labour demand and thus better working conditions and higher wages in the private sector. If the private sector labour supply is reduced due to PWP, private employers need to adjust their wages and working conditions. However, the risk of private employers tending to use more labour-saving technologies exists, which could have negative effects on employment in the long run. Here, the complexity of setting the wage rate in public employment schemes is crucial and relates to the issue of the size of the resulting gap between the programme's wage rate and the one in the local labour market. In monopsonistic labour markets, where there is just one employer, wage standards set by a PW programme could increase workers' bargaining power.
- Through **on-the-job training** or training packages, PWP can help to build or enhance participants' skills, improving labour-supply quality and hence workers' employability. Consequently, this may lead to programme participants earning more in the future, more sustainable employment, and therefore economic development of the target region.
- The generation or improvement of **public goods and services, such as productive and social infrastructure and community services**, can lead to greater economic activity in the target region, which can increase the productivity and the number of jobs supplied by the private sector.



Public works programmes are often implemented in rural areas

## BOX 1

## THE MAHATMA GANDHI NATIONAL RURAL EMPLOYMENT GUARANTEE ACT IN INDIA

The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) was passed by the Indian government in 2005 and is the largest PWP worldwide. It provides work on demand within 14 days of a formal request by a group of at least ten people. After a pilot phase with 200 districts, the programme was extended to all rural districts in India by 2008. For up to 100 days per year, workers can participate in the programme, which pays the minimum wage for the agricultural sector in the respective region. Because prevailing agricultural wage rates are often below minimum wages, the programme effectively sets a wage-floor and thus adds to decent working standards, and avoids exploitation.

The labour-intensive activities to be undertaken in the programme are stipulated by the central government, but the choice of which particular asset to work on is decided locally. Hence, the specific needs of the region are regarded, and various decision-makers are included. Activities in the MGNREGA mainly focus on transport infrastructure and growth of agricultural production, e.g. through water conservation and irrigation works.

The causal links of MGNREGA on employment outcomes were evaluated in a study by E. Gehrke in 2015. Mechanisms through which employment can be created by the programme are

- increased productive investments of participants,
- setting the wage rate so that, depending on the labour-supply elasticity, more people might seek to join the workforce due to increased incentives, and
- through infrastructural assets that enhance economic activities.

The study compares districts with a very high participation rate to those in which the intervention is not used broadly in a difference-in-difference estimation design. The findings indicate that due to the nature of one of the programme's unemployment benefits, there is an increase in households' ability to take up more risky activities; this, in turn, results in the fact that participating households engage in entrepreneurial activities more frequently. Moreover, the largest employment effects are achieved when related infrastructure projects are targeted towards land development, especially when the programme builds connectivity-related infrastructure.

Source: Gehrke (2015) and ILO (2010)

Findings of the available **evaluations of 16 PWP**<sup>1</sup> in developing countries and countries in transition show mixed results on the impact channel viability:

- It appears that participants' productive investments can be generated through long-term programmes that provide additional income for at least three years. In these situations, participants invest in goods that may be used for small-scale business or in education and training. In shorter or less predictable programmes, the majority of additional income is spent on unproductive consumptive goods and services. Complementing a PWP with **financial services** such as access to micro-credits has proven successful in increasing productive

investments. In this case, income from a PWP can function as collateral. These measures show a very high potential in promoting sustainable employment outcomes (cf. Gehrke / Hartwig 2015, p. 3).

- The effects of a PWP on wages in the private sector are ambiguous. They depend greatly on the **number of beneficiaries** in the programme, its **duration** and the **gap between programme and private sector wages**.
- Although the increase in participants' employability is often stated as a main long-term effect of PWP, little evidence has been found to demonstrate that the skills developed through PWP participation actually enhances their employability. Skills developed through PWP are often not those demanded by private sector employers. Moreover, the time and resources for training and qualification in most PWP is limited. Thus, acquired skills are often **inadequate to achieve**

<sup>1</sup> The discussion paper Gehrke / Hartwig (2015) is based on evaluations of PWP from Argentina, Bangladesh, Bolivia, El Salvador, Ethiopia, India, Indonesia, Liberia, Malawi, Nepal, Rwanda, Sierra Leone, Somalia, South Sudan, South Africa and Yemen.

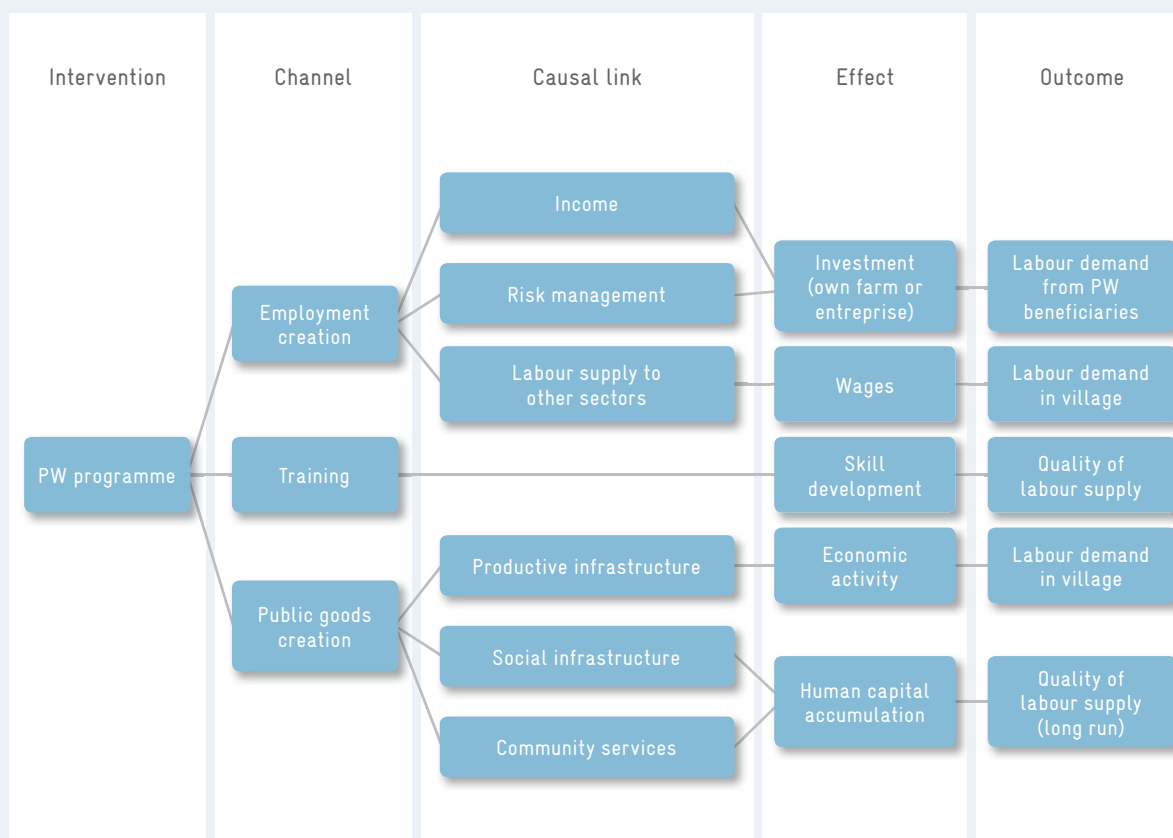


Figure 1: Potential effects of public works programmes on employment (Source: Gehrke/Hartwig 2015).

a substantial increase in employability on the first labour market.

- The **most promising impact channel to promote sustainable employment** through PWP is the creation of infrastructure. Depending on the project focus, the produced assets can yield benefit for the region in various ways, e.g. by facilitating access to markets with road construction or increasing agricultural production due to a new irrigation system. Through raised market access and an increase in agricultural output, positive effects are likely to be sustained. Analyses show that the **provision of infrastructure**, especially in the areas of irrigation and water conservation, land development and rehabilitation, flood control, and road construction (cf. Gehrke/Hartwig 2015, p. 3) create significant potential to foster economic activity and positively affect sustainable employment creation. Still, depending on the project focus, the chosen project's distributional effects have to be taken into consideration, e.g. land irrigation will rather benefit land owners.

## Design of public works programmes

Public works programmes have various objectives and differ tremendously in dimensions of design, which is always context specific. The **complexity of the programmes**, the possible direct, indirect, and induced effects, and the fact that they often target multiple objectives makes it necessary to put specific focus on the design of PWP. While the specific expressions differ, the key components of planning a PWP are similar in different contexts.

When planning a PWP, first the **objective of the programme needs to be clearly defined**, e.g. temporary employment, social protection, asset creation, stabilisation of household income, increasing employability, etc. If there are multiple objectives, it is useful to prioritise. Furthermore, decision makers should consider whether there are alternative instruments to reach the main objectives of the PWP more effectively. If a PWP is the



The employment guarantee programme in India provides child care as long as there are at least five children at the work place

instrument of choice, the defined objectives should be considered in all further steps.

Most importantly, in order to design an effective PWP and avoid unintended effects, the **political, economic, and social framework conditions** in the specific context should carefully be taken into account. For a country-specific design of an employment-focussed PWP, a prior employment and labour market analysis is recommended to understand the underlying causes of unemployment (cf. Module 2.1). The design of the PWP depends on the characteristics of unemployment and underemployment. The general aspiration is to create a synergy between the PWP and the national employment strategy, macroeconomic policy co-ordination, and the process of economic reform in a mutually supportive way. Moreover, an essential aspect is to include an exit strategy of the PWP that is aligned with other measures.

In order to create **ownership** for the programme and guarantee commitment of the community to maintain the created assets, a participatory approach is recommended. The process of choosing projects, defining the target group, etc. can often be designed in an inclusive way. Political authorities, local communities, NGOs, and other stakeholders in the region who represent the possible target group, implementation network, and beneficiaries of the assets should be involved early on. However, the risk of participatory approaches is that local power structures face specific biases. In order to ensure an adequate quality of the assets created, technical experts should always be part of the implementing team.

## BOX 2 GENDER DIMENSIONS IN PUBLIC WORKS PROGRAMMES

When designing public works programmes, inclusion of all groups in the society is an important element to support social cohesion. However, short-term PWP often face difficulties in the attempt to achieve gender equality. The main reasons for lower female participation are the double burden of household and market work that women face when they take up employment. Additionally, social and cultural norms often hinder equal participation of women and men. A third reason, especially in regard to PWP, is the type of work the programme offers: infrastructure work, which often demands hard physical labour, regularly prevents women from participation. I would think that the third reason is actually the first reason.

However, factors that speak for women taking part in public works schemes are manifold and should be regarded when conceptualising the programmes. Initially, a participatory process is necessary to identify the needs of female workers. The distance to the work place and facilities at working sites are also crucial in women's ability to take up work. The NREGS, for example, provides child care as long as there are at least five children at the work site. Furthermore, flexible working hours and social security measures like maternity leave contribute to higher female participation. To reach and inform women about PWP and their possibilities of participation, targeted campaigns need to be developed. Moreover, to broaden skills, especially in regard to financial literacy, training courses should be established with specific focus on female workers. Finally, a gender dimension needs to be included in the monitoring and evaluation process right from the beginning of PWP to analyse impacts on female workers, but also to ensure awareness of all included actors. If properly designed, women can take part in all types of work, but in specific circumstances, PWP are designed particularly for culturally accepted female activities, e.g. in awareness-raising campaigns, sewing activities, or child care.

Sources: ILO (2015), World Bank (2010)

In many PWP, participation is restricted to a specific **target group**. The objective is often to reach members of the most underprivileged social segments. These can be identified by specific registration procedures and background checks, and often by the setting of a relatively low wage rate, which leads to self-selection. Additionally, geographic, gender-related, and age-group specific targeting may play a role, depending on the PWP's objective. Even if the PWP is not specifically targeted at women, it should always consider a gender perspective (cf. Box 2). Targeted programmes can be more effective in reducing deadweight effects and addressing the most vulnerable, but they need to deal with the risk of social stress that might occur by offering access to employment and income to some and not others.

Depending on a project's objective, there are various options for work and the potential assets that can be created. Therefore, the **choice of asset or service to be created through a PWP** is a key issue. Besides standard infrastructure programmes, e.g. road construction, PWP also often include work in environmental services. Tasks in environmental services can include reforestation, caring for seedlings and young planted trees, removal of invasive vegetation, litter, or garbage and restoring degraded land (cf. ILO 2010, p. 30). PWP can also include social and civil services, e.g. community-support services or awareness-raising campaigns. However, for some tasks, the risk of overlaps with common civil service activities is relatively high, and there is need to clearly define each component. When considering a specific project, decision makers should take the respective distributional effects into account since the beneficiaries of projects might differ tremendously.

The **duration of the PWP and the sustainability of created employment** are other components to be considered. While the duration of the PWP is often limited by the objective, e.g. short-term relief after a crisis or creation of a specific asset and the financial budget, the duration of participants' employment in the programme might differ for several reasons. These can include the core objective, e.g. reaching a larger group of beneficiaries with shorter employment opportunities or a smaller group with longer employment spans, which often go hand in hand with higher total income. As the programmes are relatively costly, it can be rational to have relatively short interventions. However, in order to sustainably affect household incomes and risk-management capacities the programs should have a long-term horizon.



Strained infrastructure and a lack of employment opportunities: a refugee camp near Dohuk in Northern Iraq

In any case the programme should include a viable **exit strategy**. This relates to the beneficiaries and the infrastructure created. Beneficiaries need follow-on employment opportunities or social protection, and the infrastructure created has to be maintained in order to preserve the assets' value and utility. It is recommended to train PWP participants to maintain the assets and clarify long-term financing from the onset in order to create permanent employment opportunities in infrastructure maintenance for some of them.

PWP are often combined with **training** packages, which give participants the ability to conduct the required tasks and also offer the opportunity to increase participants' employability. As the time spans of employment in PWP are often short, the training component – though often costly – cannot always satisfy the required conditions to improve employability in the long run. Moreover, although combined with training on the job, the acquired skills are not always conducive to finding employment after the programme since they do not necessarily match labour demand in the first labour market. All in all, beneficiaries should be provided with sufficient training to ensure quality of the assets, but expectations have to be managed concerning a rise of participants' employability in the long run. If technical and vocational training is a core objective, other programmes might be more suitable, e.g. cash-for-training.



Internally displaced people and host communities in Northern Iraq are supported by means of cash-for-work programmes

Another complex aspect of PWP is the **setting of the wage rate**. If the wages paid are relatively high, fewer people are likely to benefit from participation. However, with very low wages, the benefit for each participant will be smaller. In general, PWP wage rates should be set in a way that promotes participation of the poorest share of the population: the wage should be enough to help people escape poverty.

### Cash-for-work programmes for refugees, internally displaced persons and host communities

In regions affected by conflict, fragility, and violence, refugees and internally displaced persons (IDPs) can lead to serious **disruptions in the labour market** of the host communities. A major obstacle to employment and income for refugees is that access to the formal labour market is limited in many countries. Work permits are rarely granted or are based on specific criteria. Still, many refugees work in the informal sector. Apart from emergency aid, which is made available through food, voucher, or cash transfers, the instrument of cash-for-work is increasingly implemented in these contexts (cf. Box 3). Apart from full integration of refugees into the labour market, temporary employment to improve livelihoods is more accepted by most partner countries.

#### BOX 3 CASH-FOR-WORK PROGRAMMES IN NORTHERN IRAQ

More than half a million IDPs plus 90,000 Syrian refugees are hosted in the province of Dohuk in Northern Iraq, where the total population of the province itself is approximately 1.3 million people. Apart from an inadequate and overburdened infrastructure, there is a need for employment and income-generating opportunities.

In April 2014, GIZ launched a cash-for-work programme that gives IDPs, refugees, and people from the host communities in the province of Dohuk the opportunity to participate. The people get a daily rate of 25,000 to 40,000 IQD (20 to 30 euros), depending on their skills, for a maximum of 40 days. The rate is in alignment with standards of UN agencies and other organisations working in the region and in accordance with the national poverty line. The temporary income enables families to secure their immediate, basic needs.

The measures undertaken by cash-for-work efforts are manifold. Camp infrastructure is improved by constructing roads, sewage channels, public places, sports areas, and playgrounds, etc. Through GIZ's partner Welthungerhilfe, summer schools were operational during the summer holidays. More than 6,300 people were offered supplementary lectures and social activities or participated in the rehabilitation of classrooms. The Malteser organisation was sub-contracted to train 2,200 women and men to disseminate information about hygiene, health and nutrition to other camp inhabitants. In total, 16,000 people will benefit from temporary employment through the cash-for-work programme.

The programme is supplemented by multi-purpose cash assistance: Together with the National Refugee Council, cash transfers to very vulnerable households are made. This financial support reaches the poorest of the poor who are temporarily or permanently unable to work.

The primary objective of the cash-for-work programmes is the temporary **stabilisation of household incomes**. However, the programmes also try to bridge the gap between emergency aid and structural-development cooperation, as most refugees and IDPs live in protracted situations. Cash-for-work programmes and their temporary employment opportunities can contribute to the installation of required infrastructure around refugee camps and in host communities. Moreover, they can increase economic activities and employment opportunities and contribute to social cohesion if refugees, IDPs and host communities can participate equally.

## Further challenges to development policy

PWP are complex instruments with various expressions depending on objective and context. In situations of protracted unemployment and underemployment, the state is in a position to step in as an **employer of last resort** and incorporate PWP as an instrument to complement a broader employment strategy. This is backed up by the idea that decent work and employment can be seen as a public good, with positive external effects like healthcare, education, and law and order.

Regarding PWP, there is **no one-size-fits-all strategy**, and they are not an instrument that can solve structural problems of unemployment and underemployment. To achieve sustainable employment creation, PWP always need to be aligned with other policies like educational measures, to have access to financial resources (cf. Gehrke/Hartwig 2015), and to complement a more general development and growth strategy.

Apart from traditional PWP that include infrastructure creation, there are several **innovative approaches** to these measures. These may include programmes that create assets in the form of services, e.g. in the social sector, or programmes that are targeted at women specifically or at people with higher-education backgrounds. Employment guarantee schemes give people a right to work and thus a special perspective on the value of employment in a society and for a person.

It has to be kept in mind that there can be a conflict of objectives in PWP, and the achievement of a double dividend or multiple goals requires a sound design and adequate framework conditions. Actively learning from different experiences about what works and what doesn't is required and can be used to match programmes to specific contexts. In this regard, continued **monitoring and rigorous evaluation** of PWP are required. This is also relevant for the diversity of cash-for-work interventions for refugees, internally displaced persons and host communities.

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and Development



## Special Challenges



# Decent Work – Making It a Reality

□ □ ■ Module 3.1

**Module 3.1 is part of the publication “Full and Productive Employment and Decent Work for All – Handbook on Employment Promotion in Development Cooperation” in Section 3: “Special Challenges”.**

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Abbreviations	
BMAS	Bundesministerium für Arbeit und Soziales / Federal Ministry of Labour and Social Affairs
BMZ	Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung / Federal Ministry for Economic Cooperation and Development
CLS	Core Labour Standards
DWCP	Decent Work Country Programme
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
ILO	International Labour Organization
OECD	Organisation for Economic Co-operation and Development

# Decent Work – Making It a Reality

- Only work under humane conditions that, in addition to providing a living wage, guarantees at least minimum social standards and respects fundamental labour laws (i.e. not merely any type of employment), makes it possible for people to liberate themselves from poverty permanently.
- German development cooperation is oriented toward the International Labour Organization's Decent Work Agenda in our efforts to contribute to more productive employment in our partner countries.
- The Decent Work Agenda combines four strategic goals: promotion of job opportunities that provide an adequate income, expansion of social protection, implementation of the Core Labour Standards, and strengthening the social partner dialogue. The Agenda also explicitly includes equality between women and men as a crosscutting objective.
- Only when the informal sector is taken into account can success in combatting poverty and decent working conditions be achieved.

## The Decent Work Agenda for more and better jobs

Employment ensures the livelihoods of workers and their families and empowers them to participate in social and economic life. However, 1.5 billion people worldwide work in situations of precarious employment (cf. ILO 2016, p. 16). In addition, more than 21 million people are victims of forced labour, and 168 million children have to work (cf. ILO 2016, p. 24). Nearly one third of the world's working people, and more than sixty per cent of Sub-Saharan Africa's, have less than 3.10 US Dollar per person per day to live on. They are part of those employees who are called “**working poor**” (cf. ILO 2016a), i. e. they have jobs but their incomes fall below the poverty line.

Serious work-related accidents occur again and again because safety standards are ignored. For example, in Bangladesh in 2013, more than 1,100 garment-factory workers were killed and over 1,500 injured in the collapse of the Rana Plaza commercial building. A total of over 2.3 million people die annually as the result of occupational diseases or workplace accidents. In addition to the enormous human loss, this leads to a yearly economic loss of 2.8 billion US Dollar, which is four percent of the value created globally. **Individuals engaged in the informal**

**sector** in particular often toil in conditions that are hazardous and deleterious to their health, without anyone to advocate for their rights or the protection of a legal framework – and earn incomes that do not enable their families and them to enjoy a decent existence. Furthermore, in the event of unemployment, sickness, maternity, old age, or disability, some three quarters of the world's population do not have access to the benefit of an adequate social safety net (cf. ILO 2014a, p. 2).

The situation of the numerous people forced to live in poverty despite employment highlights the crucial role of economic and social laws and standards in the realm of employment. Not any job, but only one performed in the frame of decent working conditions gives people the possibility to break free from poverty permanently. The creation of quality jobs by, for example, reducing precarious employment and lowering the number of working poor, also leads to sustainable growth in emerging and developing countries (ILO 2014b).<sup>1</sup>

<sup>1</sup> Based on the analysis of 140 countries, the ILO report demonstrates that since 2007, countries that invested the most in good jobs in the early 2000s have enjoyed about one percentage point higher growth annually than other developing and emerging countries.

In addition to its goal of contributing to more productive employment in our partner countries, German development cooperation seeks to improve working conditions. Our efforts in this direction are based on the Decent Work Agenda developed by the ILO in the late 1990s. It combines the following four strategic goals:

- promoting productive employment that offers reasonable wages and decent working conditions,
- extending social protection to all workers and their families,
- implementing the Core Labour Standards,
- promoting social dialogue.

There is **strong reciprocal interaction** among these four goals. If the implementation of one of these goals develops successfully, it frequently has a positive effect on the development of the others.<sup>2</sup> In concert, the four objectives contribute to the implementation of social and economic integration, poverty reduction, and social and personal development. The Decent Work Agenda also explicitly includes **gender equality** as a horizontal objective.<sup>3</sup>

The efforts of the ILO have been devoted to promoting better employment opportunities and social protection since its foundation in 1919. The term “decent work” and the comprehensive agenda associated with it, however, were only developed in the late 1990s. Since then, the influence of the agenda and the endeavours to implement it **is growing within international development cooperation (DC)**:

- Decent work is firmly anchored as a goal in the **Agenda 2030** for Sustainable Development (Sustainable Development Goal 8); it is thus a core component of the international reference framework for development policy. The sub-targets of Goal 8 include, among other things, the creation of decent jobs, full and productive employment, equal pay for equal work, youth employment, labour rights, and combating forced labour. Furthermore, decent work is a prerequisite for the achievement of several other Agenda 2030 goals such as



People engaged in the informal sector are often exposed to unhealthy and hazardous working conditions (Nepal)

reducing poverty, combating hunger, gender equality, and the reduction of inequality (cf. Module 1.1).

- Additionally, the World Bank and the ILO have agreed to integrate the Decent Work Agenda in the second generation of the **Poverty Reduction Strategy Papers**.
- In the context of the June 2008 “**Declaration on Social Justice for a Fair Globalization**” issued by the ILO, the Member States committed themselves to entrench full and productive employment at the centre of their economic and social policies and to implement the Decent Work Agenda.
- In response to the international financial and economic crisis, the International Labour Conference 2009 concluded the “**Global Jobs Pact**”, which links the Member States’ potential measures to mitigate the crisis with new opportunities for decent employment.
- To implement the Agenda, the ILO is backing the formulation of **national Decent Work Country Programmes (DWCPs)** (cf. Box 1).

**Germany’s development policy** supports the ILO’s four strategic objectives and in its projects, champions the implementation the principles of decent work in its partner countries. For example, during Germany’s G7 presidency, the country’s initiative called “Standards in Supply Chains” promoted decent work worldwide (BMZ/BMAS 2015, BMZ 2014). The initiative strives for the effective implementation and compliance with international standards along global supply chains (see also Box 2). Moreover,

2 For example, if legally binding health and safety regulations are expanded, and workplace safety increases, it improves workers’ health, employability, and productivity. In the context of labour-law compliance, the social dialogue, in turn, plays an important role in the design of social protection systems and the structure of labour relations. The central striving of the Decent Work Agenda is to take advantage of the synergy of all four goals. Simultaneously, potential conflicts that might emerge in the course of implementing individual goals, for example, between union-related advocacy and minimum wages on the one hand and investment and job creation on the other, are resolved (cf. Ghai 2006, p. 22 ff.).

3 Further information on the Decent Work Agenda is available on the ILO website: [www.ilo.org/decentwork](http://www.ilo.org/decentwork).

## BOX 1 DECENT WORK COUNTRY PROGRAMMES

Decent Work Country Programmes (DWCPs) are the principal instrument of the ILO's technical cooperation and are mainly applied at the national level. They promote the placement of decent work as a key component in national development strategies and facilitate governments' and social partners' elaboration and implementation of policies for more and better employment. They also serve as a conceptual framework for the formulation of instruments and measures to implement the Decent Work Agenda in collaboration with social partners and in accordance with the ILO objectives.

DWCPs are oriented toward countries' existing national development strategies, such as Poverty Reduction Strategy Papers. They identify takeoff points for the promotion of decent employment and address them through specific measures and instruments. Guidelines for monitoring and evaluation complete the approach.

Due to country-specific contexts and policy priorities, the focus of the DWCPs can vary greatly from country to country. The pilot programmes (Decent Work Pilot Programme), however, make clear that the following three key points are always taken into consideration (cf. ILO 2006, p. 6):

- poverty reduction,
- adaptation to global competition,
- democratisation and human rights.

As of early 2016, ILO decent-work programmes are either being implemented or are in the process of being drawn up in 85 countries around the world (cf. ILO 2016b). In the ILO's opinion, significant efforts are still needed – particularly in regard to raising awareness among governments and the United Nations' partners – to ensure that decent work is accorded appropriate status in national development plans and strategies.

Germany is involved multilaterally through its active support of the DWCPs.

### Employment promotion

Unemployment and underemployment are among the major causes of poverty and hunger. However, whether economic growth actually leads to **poverty reduction** depends greatly on whether the growth is based upon increased and more productive employment (cf. Module 1.3, Box 1). Thus the promotion of productive and decent employment requires special attention and purposeful measures.

**Productive and freely chosen jobs** are the essence of the ILO's mandate, which strives to achieve the goal of full employment. The ILO investigates measures and instruments that contribute to the creation of decent work and make it a reality. These measures have been articulated in a comprehensive Global Employment Agenda<sup>4</sup>, developed by the ILO's three partner groupings – governments of the member states, national employer associations, and workers. The Global Employment Agenda serves as a comprehensive policy framework and thematic guidelines for the promotion of decent work (cf. Module 2.5, Box 1).

The ILO's strategic orientation toward promoting productive and freely chosen full employment sought to achieve the following three results in the period from 2010 to 2015:

- coordinated and coherent policies to achieve broad-scale, labour-intensive economic growth,
- strategies for the development of specific knowledge and skills to strengthen people's employability, the competitiveness of enterprises, and inclusive growth,
- strategies and programmes to promote the sustainability of enterprises and entrepreneurship.

<sup>4</sup> Further information on the Global Employment Agenda is available on the ILO website: [www.ilo.org/employment/areas/global-employment-agenda/lang-en/index.htm](http://www.ilo.org/employment/areas/global-employment-agenda/lang-en/index.htm)



In order to produce broad-based economic growth and the creation of additional jobs, German development cooperation applies an **integrated approach to employment promotion** (cf. Module 2.2). The three core elements of the approach are job creation, fostering employability and developing an effective job matching, which are pursued against the background of an employment-oriented economic policy.

### Social protection

Decent work provides workers and their families with access to social protection through which **existing poverty is mitigated, the negative effects of sudden contingencies are cushioned, and employability is increased**. For poor people in particular, inadequate social protection in the event of illness, an accident, or job loss frequently results in devastating and sometimes irreversible consequences. They are often compelled to resort to short-term survival strategies such as taking out prohibitively expensive loans, selling their resources, forgoing necessary medical treatment, or interrupting their children's schooling so they can work. In cases of job loss, when there is no social protection, those affected generally seek out any available job – even one with less favourable conditions – in the hope of earning at least a small income.

Social protection has beneficial effects on economic, political, and socio-cultural integration and participation, positively impacts the level of education, and promotes good health. People who enjoy even modest wealth possess positive self-esteem and are viewed as respectable members of society. This self- and external perception fosters their personal development, promotes their social and economic integration, and facilitates the active exercise of their rights.

Germany's development cooperation efforts support partner countries in the **set-up and scale-up of social protection systems**. Advice so far has focused mainly on social protection in cases of illness, basic social protection, the introduction of micro-insurance, establishing pension systems, provision of relevant counselling, and inclusion of disadvantaged people. Encompassing the **informal sector** presents a particular challenge, as social protection benefits are usually linked to formal employment. People in the informal sector with low incomes are usually offered the possibility to protect themselves against the aftermath of unemployment, sickness, accidents, natural disasters, or crop failures by means of private, community-based, or cooperatively organised micro-insurance schemes.

### BOX 2

#### IMPROVING ENVIRONMENTAL AND SOCIAL STANDARDS IN THE TEXTILE INDUSTRY: THE PARTNERSHIP FOR SUSTAINABLE TEXTILES

German Development Minister Gerd Müller demands a radical rethinking: “The inhumane working and living conditions that exist in the textile industries of some Asian and African countries are no longer acceptable! Germany can and must play a leading role in improving these working conditions.”

The Partnership for Sustainable Textiles has committed itself to meeting this challenge. The multi-stakeholder initiative is made up of representatives, both men and women, from business, civil society, standards organisations, and labour unions. Their goal is improvement of the social, ecological, and economic conditions along the entire textile value chain – from the cotton field to the coat hanger – and thus make a better life possible for workers in the global textile and clothing industry (BMZ/BMAS 2015, BMZ 2014). Since its founding in 2014, 180 companies and organisations have joined the Partnership. On behalf of BMZ, GIZ's sector project “Sustainability in the Textile Supply Chain” constitutes the secretariat of the Textile Partnership.

The standards established by the Partnership for Sustainable Textiles are based on international principles such as the ILO's Core Labour Standards, the OECD Guidelines for Multinational Enterprises and the UN's Guiding Principles on Business and Human Rights. The focus of the Partnership's work is confronting the industry's most pressing challenges. These include improved transparency within the supply chain, the proper use of chemicals, living wages and freedom of association for garment workers. Current information on the Textile Partnership is available at <https://www.textilbuendnis.com/en>.

The negative consequences of unemployment can be mitigated through various **passive labour-policy instruments** that regulate benefits to compensate for income loss due to unemployment. Down to the present, however, payment of unemployment benefits still has low priority for governments in developing countries. One reason is the lack of fiscal scope for tax-financed systems. Yet another is the fact that unemployment insurance,

## BOX 3

## CAMBODIA: SOCIAL PROTECTION IN CASE OF ILLNESS

In Cambodia, German development cooperation has supported the establishment of systems for social protection in case of illness since July 2009 through the programme “**Social Protection in Case of Illness**”. It is based on the national strategy plan and strengthens the ability of national and sub-national institutions to safeguard the health of women, men, children, the elderly and people with disabilities.

GIZ’s and *Centrum für internationale Migration* technical advice focuses on the development of a legal framework as well as the creation of an institutional structure for a health-insurance system for the formal and informal sectors. Another goal is increasing the proportion of both the insured and people identified as living in poverty who receive free access to health centres and hospitals by means of integrated systems for social protection in case of illness in the provinces of Kampot and Kampong Thom. Other GIZ efforts in the area of social protection in case of illness include further education, dialogue sessions, study tours and trainings. An achievement on the legal and regulatory level has been the establishment of a National Social Security Fund managed by the Ministry of Labour for workers and employees in the private sector. Its initial focus has been providing financial protection in case of occupational injuries.

A national health insurance scheme is currently being tested in some textile factories. To be financed by employer and employee contributions, the subsequent mandatory introduction of the programme should cover the entire formal sector. In some pilot districts, GIZ supports the process of monitoring the implementation of social protection systems in case of illness for the poor and the most disadvantaged workers in the informal sector. Up to thirty per cent of the population in these areas is protected financially in case of illness. For the remainder, any illness or accident can involve enormous expenses that have the potential to push them below the subsistence level.

Upon presentation of a card issued through the ID-Poor Programme, the poorest households receive free access to almost all public health services. Health insurance for poor people who do not participate in the programme is available through the payment of contributions; it covers mainly curative and preventive services in hospitals and primary-care centres. This affords poor households the same health care as that for premium-paying members. Benefits for the poor are currently financed through health funds financed by donors and the government (Health Equity Funds). In addition, a voucher system funded through Financial Cooperation has resulted in improvement in poor people’s access to priority services, especially prenatal and postnatal care and during childbirth, as well as in regard to the use of long-term family planning methods.

severance payments, and private savings accounts are usually concomitances of formal jobs, which, in developing and emerging countries, means they protect relatively few workers.<sup>5</sup> For this reason, the political focus in these countries is usually more on the introduction or expansion of systems of social protection in cases of illness and basic social protection.

**Social protection in case of illness** should provide everyone with access to affordable and good-quality health services. Basic social care means residual<sup>6</sup> protection of the very poorest, who are unable to meet their basic needs or to overcome crises with their own financial resources. Social transfers secure their chances of survival, raise their educational and health levels, and thus improve their future employment opportunities. In the formal sector, social-care coverage in cases of illness is usually financed jointly by employers and employees through contributions. Community-based health insurance, in contrast, is based on small contributions from the members of a local community.

5 For a detailed discussion of unemployment benefit systems, see, e.g. the Indonesian example in GTZ 2008 (pp. 50 ff.).

6 “Residual” means covering the most basic needs.

This type of insurance is often subsidised by the central government. Community-based health insurance therefore also provides people in the informal sector with at least minimum social protection in cases of illness.

**People with disabilities** suffer pronouncedly from poverty, poor education and unemployment. In developing countries, only two percent of children with disabilities attend school, which leads to a high probability of under-employment or unemployment later in their lives. A further aspect of the principles of decent work is inclusion of people with disabilities in political, social and economic life. To help this process succeed, German technical-cooperation agencies collaborated with two organisations, Handicap International and the Christoffel Blindenmission, in investigating how national development strategies, e.g. a Poverty Reduction Strategy, can be designed with an inclusivity component. They also formulated concepts for people with disabilities' active participation in the design process of these development strategies.

**The elderly** are also particularly vulnerable to income poverty in the face of a lack of social protection systems. Country studies show that households with elderly members are disproportionately stricken with poverty (cf. UNFPA 2012). Until today, in low- and medium-income countries, only 25 per cent of people over 65 receive a pension. In most African countries, only one in ten can expect regular, often very low, retirement benefits (cf. HelpAge International 2014). Some governments receive assistance in their efforts to reduce poverty among the elderly by means of sustainably funded pension systems.

The concept of **graduation** is relatively new in the realm of development cooperation. It describes the **process of escaping from poverty and welfare dependency** into an existence that is independent, sustainable and resistant to intermittent setbacks. The concept is based on better **linkage and coordination of basic social-protection measures with instruments such as active labor market policies** or entrepreneurial training, which, through availing access to the labour market or self-employment, provide a sustainable income that empowers households to emerge from the burden of poverty. Examples are Bangladesh's *Rural Advancement Committees and the Challenging the Frontiers of Poverty Reduction Programme*; Ethiopia's *Productive Safety Nets Programme*; Rwanda's *Vision 2020 Umurenge Programme* and the GIZ project in Malawi *Social Protection for People in Extreme Poverty*, which has been supplemented by graduation approaches in the form of a pilot.



Good health is an important requirement for employability (Morocco)

## Core Labour Standards

Workers' rights, in particular those of the poor and most vulnerable workers, must be protected. They represent work-related values that have evolved in the course of industrialisation and the humanistic discourse on human rights and constitute the **ethical and legal framework** for all elements of the concept of decent work. All countries – and all enterprises – must be measured against their compliance with these standards, as they constitute the **foundation of a socially responsible economic process**. With over 189 conventions and 204 recommendations, the ILO is involved in the protection of these employees' rights, including wages, working hours, health, and work safety. The rights of women, children, indigenous peoples and migrants receive special consideration.

The **Core Labour Standards (CLS)**, adopted by the ILO in 1998, are main reference in the realm of labour and social standards and establish the minimum basic standards for labour rights, but without relativizing the other Conventions. They are binding for all ILO Member States, including those countries that have not ratified them (cf. Box 4).

Among the **German government's** efforts to combat poverty, its development policies seek to contribute to the promotion of economic growth as well as to help enforce decent working and living conditions in its partner coun-

## BOX 4 SOCIAL PROTECTION IN INDONESIA

In Indonesia, about 60 percent of employees – an estimated 73 million people – work in the informal economy. They often toil under inhumane working conditions and earn an income that is usually below the national average. Furthermore, workers in the informal economy are not protected against income losses due to crop failure, sickness, disability, or death in the family.

The Indonesian government has viewed the extension of social protection as one of its main priorities for years. Despite initial positive steps towards reform, the social protection system is widely regarded as inadequate. Thus GIZ has supported the Indonesian government in the sustainable development of its endeavours in this area. For instance, with the technical, methodological, and personnel support provided through GIZ's "**Social Protection Programme**", the National Council on Social Welfare was able to work out a national strategy for health insurance. With this foundation, the world's largest contributory health insurance system, which should be available to the entire population by 2019, was introduced in early 2014. The project's consulting services in the realms of organisational development and technical matters contributed to the Ministry of Social Affairs being able to expand the coverage provided by Indonesia's largest social transfer programme, *Program Keluarga Harapan*, from one million poor families in 2011 to 3.2 million in 2014.

In cross-sectional consultation on people with disabilities, the project supports the National Development Agency and Ministry of Social Affairs in the implementation of the UN Convention on the Rights of Persons with Disabilities. It also helps develop policy options for greater inclusion of people with disabilities in vocational training and the labour market. Thus the project not only improves living conditions for Indonesia's informal workers and their families, but also contributes to creating a strong foundation for the country's economic growth and social cohesion.

tries. Toward these goals, it campaigns for the enforcement of basic labour rights at various levels:

- through **support of international organisations** such as the ILO in the framework of the implementation of the Conventions on child labour;
- through **dialogue with Germany's partner countries** toward establishment and implementation of the ILO's CLS in national legal systems;
- through **collaboration with representatives of business and society** in the development and implementation of social and ecological standards. Instruments include the consulting services of ongoing projects and policy makers, organising multi-stakeholder dialogues, establishing qualification and assessment structures (capacity development) in developing countries, and public-private partnership projects (PPP) for the development and implementation of standards along global value chains.

Although the CLS represent only **minimum standards**, they have not yet been accepted worldwide. Their inadequate implementation in national legal systems has proven to be an obstacle to transnational acceptance of international norms and standards. Compliance with international standards is frequently problematic since these can conflict with national laws and requirements and often result in adjustment costs. Furthermore, the ILO is equipped with only weak sanctions mechanisms, which results in difficulty in enforcing CLS compliance.

Over the last three decades, in response to the lack of implementation of universally applicable human rights and labour laws, a growing number of **private-sector initiatives** have come into existence that promote the embedding of the ILO's CLS as a core element of voluntary social standards along their global value chains. These voluntary initiatives are also significant steps toward putting minimum standards into practice where labour laws are not adequately integrated into national statutes. Thus they are an important reference point in the context of the Corporate Social Responsibility discussion (cf. Box 5).

Experience over the last few years has made clear that it is often a challenge for small subcontractors to comply with minimum labour-law standards, which is why emphasis is increasingly placed on capacity building and the creation of local assessment and qualification structures. Nevertheless, it is important to keep in mind that the implementation of

## BOX 5 THE ILO'S CORE LABOUR STANDARDS

The ILO's Core Labour Standards (CLS) subsume eight Conventions under the main CLS principles, which are (1) Freedom of Association and the Effective Recognition of the Right to Collective Bargaining, (2) Elimination of all Forms of Forced and Compulsory Labour, (3) Effective Abolition of Child Labour, and (4) Elimination of Discrimination in Respect of Employment and Occupation.

- Convention 29 on Forced Labour (1930)
- Convention 105 on the Abolition of Forced Labour (1957)
- Convention 87 on Freedom of Association and Protection of the Right to Organise (1948)
- Convention 98 on Right to Organise and Collective Bargaining (1949)
- Convention 100 on Equal Remuneration for Men and Women Workers for Work of Equal Value (1951)
- Convention 111 on Discrimination in Respect of Employment and Occupation (1958)
- Convention 138 on Minimum Age for Admission to Employment (1973)
- Convention 182 on Prohibition and Immediate Action for the Elimination of the Worst Forms of Child Labour (1999)

the CLS by voluntary initiatives cannot replace national and international laws; this is rather a complementary measure. It does not release national governments from their obligation to demand the implementation of and adherence to the Core Labour Standards.

### Social dialogue

The Decent Work concept's fourth area of intervention is crucial as an instrument for **representation and equitable exchange** among business, national governments, and civil society in regard to employment-related topics. Social dialogue is a core component of a democratic society and an important means to achieve some type of equity in cases in which conflicts of interest are unavoidable. It can promote equality, efficiency, acceptance, and adjustment to changes and thus help advance sustainable economic development. This type of interaction is decisive for the success of meas-



Education instead of working in the fields: A village school in Madagascar increases chances for a better future

ures undertaken in the Decent Work agenda's other three intervention areas. The international framework for social dialogue consists of the ILO's "Cooperation at the Level of the Undertaking Recommendation" (1952) and "Consultation (Industrial and National Levels) Recommendation" (1960) (cf. Ghai 2003, pp. 132 ff.).

Social dialogue can take place **at three levels**: between employees and employers, internally – between company management and employees, as well as between social partners and governmental agencies. The most relevant social dialogue for business and industry takes place in their immediate working environment, i.e. between workers and their representatives, the trade unions, and employers' representatives. Employees are generally represented in talks on working conditions and wages by trade unions and businesses by employers' associations. Other organisations engage in social dialogue in a wide range of diverse employment relationships. For example, leasing and real estate associations negotiate the duration of leases, farmers' organisations and distributors discuss loans, informal workers and entrepreneurs bargain over employment conditions, and associations of the self-employed and local authorities seek common ground on rents and prices (cf. Ghai, 2003, pp. 133 ff.).

## BOX 6

## BETTER WORKING CONDITIONS IN BANGLADESH'S GARMENT INDUSTRY

The law in Bangladesh requires that textile producers comply with social and environmental standards, but the real-world situation often diverges significantly from what is stipulated. The disastrous fire in the Tazreen Fashions Limited factory in 2012 and the collapse of the Rana Plaza building in Savar in 2013, both of which resulted in numerous deaths and injured, have forced this issue into the focus of global attention.

Even simple measures, such as Plexiglas eye-shields on the sewing machines or an adequate supply of drinking water, would significantly improve the working conditions. To develop these and more comprehensive enhancements, the programme entitled “**Promotion of Social and Environmental Standards in the Industry**”, co-financed by Germany's BMZ and the European Union, supports companies in the textile industry through training and consulting services in their efforts to improve compliance with social and environmental standards. In the past four years, more than 650 companies have achieved a higher compliance ranking as a result of the programme's endeavours. The evaluation was undertaken in accordance with categories established by Bangladeshi law, which include the key ILO standards. Certification was granted to 230 factories based upon their compliance with principles of the Worldwide Responsible Accredited Production programme or the Business Social Compli-

ance Initiative. Moreover, the programme also supports non-governmental organisations that operate what are known as “women's cafés”, in which training, theatre, games, and films are employed to clarify the labour laws under which they are protected to female textile workers. They are trained in negotiation, and they put what they learn into practice in bargaining sessions with the factory management that deal with compliance with the statutory social standards. They also receive legal advice and medical treatment.

In response to the tragedies in Savar and Ashulia, the German government has made additional funds available for victims of industrial accidents in the textile sector. The scope of the programme has subsequently been extended to include “Inclusive Vocational Training for the Disabled” as a field of action. Its goal is to provide immediate support for some 500 victims of the Savar building collapse, as well as the creation of sustainable measures for the professional rehabilitation and labour market integration of around 250 people with disabilities in the textile and clothing sector.

The programme seeks to improve the social and environmental standards in Bangladesh from many directions. Significant expansion of its activities at the policy level offers an opportunity to extend the results that have been achieved to Bangladesh's entire industrial sector.

**Collective bargaining**, be it between trade unions and employers' organisations or among private, communal, and state-owned enterprises, is the world's most common form of social dialogue. In some developed countries (e.g. Austria, France, and Finland) almost all employees are protected by collective agreements. In the US, though, the figure is only about thirteen percent. Among the highest levels of collective-bargaining protection for formal employees in the developing countries are found in Ghana, with seventy percent, and Argentina and Brazil, with sixty percent each. Malaysia and the Philippines are at the other extreme, with a coverage rate of only about two percent (cf. Hayter/Stoevska 2011, p. 13).

A second aspect of social dialogue addresses the **representation and participation of employees within an establishment**, in both the formal and informal

sectors. This participation encompasses a large area that extends from representation in senior positions and management bodies to an active role in the administration of education and training programmes. Deploying a variety of methods ensures employees' participation in the functioning of the company. In Germany, for example, works meetings ensure workers' representation within the company (cf. Ghai 2003, p. 134).

The third level of social dialogue pertains to the **exchange between social partners and public stakeholders** on fundamental social and economic policy issues along the entire range of their diverse manifestations: the organisation of macroeconomic structures, public spending and taxation, employment policy, and minimum wage. Beyond people's indirect participation in the form of elections, many countries have mechanisms for direct participation

of the social partners, such as alliances for jobs and the representation of social partners in parliamentary committees or public planning commissions.

Social dialogue is the fundamental principle in the design of German development cooperation projects and is addressed in almost all of them. In addition to fostering close cooperation between the public and private sectors, which has already achieved visible and sustainable results, increasing attention is being devoted to the promotion of more **active involvement on the part of civil society**.

## Further challenges to development policy

In its partner countries, German development cooperation supports the implementation of the Decent Work principles as a central component of the fight against poverty. Each current project generally focuses on only one of the Decent Work agenda's intervention areas, thus contributing directly to its implementation. However, equal and integrated support of several areas of intervention within a single project might make it possible to increase the effectiveness of Germany's efforts in the realm of decent work by making use of their reciprocal effects. In view of the complexity of the Decent Work approach, improved coordination with other bilateral donors and international organisations should be considered.

### BOX 7

#### IMPROVING LABOUR LAW IN DIALOGUE: A PILOT PROJECT WITH TCHIBO FOR BETTER WORKING CONDITIONS IN ASIAN PRODUCTION FACILITIES

Significant inequality between managers and workers is typical in many Asian manufacturing facilities; a functioning system of worker representation is usually non-existent. Workers feel that their working conditions need to be improved, whereas managers assess their employees' productivity as low and complain of high staff turnover. In fact, when enterprises comply with social standards and a functioning dialogue exists in which all participants are involved, the potential for conflict between companies and their employees can be defused.

Realizing this was the impetus for a joint pilot project called "**Worldwide Enhancement of Social Quality**" implemented between 2007 and 2012 by GIZ and the German consumer-goods and retail conglomerate Tchibo. Its goal was far-reaching and long-term improvement of employees' working conditions in Asian production facilities. The project's focus was a stable, functioning dialogue between employees and management, as well as between retailers and their suppliers. The effort deployed application of a specially developed training and change-management approach in the project coun-

tries: Bangladesh, China and Thailand. The creation of a local trainer infrastructure was also supported. In workshops and site visits, the trained individuals used their expertise to impart information on improving compliance with social standards and appropriate in-house dialogue methods to managers and employees in the fields of textiles, housewares, decorative articles, and jewellery. The trainers instructed the participants – groups made up of both managers and employees – how to independently develop and implement measures to improve the situation in their companies.

Through the collective effort on concrete questions, solutions were developed that have benefited both the workers and the firms. In the meantime, social indicators and structures for ongoing dialogue in 40 production facilities with approximately 40,000 employees have improved, which has often been accompanied by a productivity increase. Consequent to the great success of the dialogue approach, Tchibo has decided to expand its use to all of its strategic suppliers worldwide. The training materials and learning experiences of the project are publicly available at [www.we-socialquality.com](http://www.we-socialquality.com).

## BOX 8

## HUMAN DEVELOPMENT REPORT 2015 “WORK FOR HUMAN DEVELOPMENT”

The 2015 Human Development Report, entitled “Work for Human Development”, is an urgent appeal to address one of the world’s major development challenges – decent work for all. Although they work, 830 million people worldwide still live on less than two US Dollar per day. More than 200 million people, including 74 million young people are unemployed, and 21 million people are obliged to perform forced labour. At the same time, technological progress, globalisation, aging of the population and environmental challenges are fundamentally changing the world of work.

From the human development perspective, the concept of work encompasses much more than jobs and working arrangements. It also comprises unpaid housework, care for the ill and infirmed, childcare and volunteer activities, and creative work. The report reveals that work can contribute to human development when it provides security, is fulfilling and satisfying, offers opportunities for career advancement, and makes participation and interaction possible. It must also afford flexibility in reconciling work and family life, as well as equal opportunities for women and men.

Some forms of work, such as child labour and forced labour, are extremely detrimental to human development because they contravene human rights and denigrate human dignity, restrict freedom and self-determination, and may represent a health hazard. Generally speaking, if work is to encourage human development, its quality is definitely a decisive dimension.

The change we are currently experiencing in the working environment also impacts human development. Prime movers of this transformation process are globalisation and technological upheavals – and the digital revolution in particular. The proliferation of digital technologies and their penetration of the world of work are changing this aspect of human endeavour everywhere, although the effects vary from country to country. The report makes clear that the rapid changes have created job opportunities, but they have also led to new challenges

such as non-standard contracts and short-term employment. Governments have to act quickly to ensure that work will advance human development in the future since new technologies will result in reduction of the demand for less-skilled workers while raising the requirement for highly qualified technical specialists.

The report also shows that although women bear more than half the workload, they suffer disadvantages in both paid and unpaid work: their participation is lower, they earn less than men, and they are more likely to be engaged in precarious jobs than their male counterparts. Furthermore, women assume a disproportionate share of the housework, as well as of the effort involved in providing care and support for other family members.

As a prerequisite for strengthening the role of work in the human development process, the report identifies policies and strategies in three broad areas:

1. creating more jobs to provide a greater range of choices;
2. securing workers’ welfare in order to create and reinforce a positive link between work and human development;
3. specific action to address the problems of specific groups and in certain contexts.

Essential changes in the working environment thus include better social protection, incomes that secure workers’ livelihoods, the strengthening of trade unions, promulgation of effective laws and regulations, the establishment of minimum wages, and the protection of workers’ rights. To create jobs and ensure employees’ well-being, an action agenda is also required. This should expedite change and be based on three pillars – a new social contract, a global deal and the Agenda for Decent Work.

Source: UNDP (2015)



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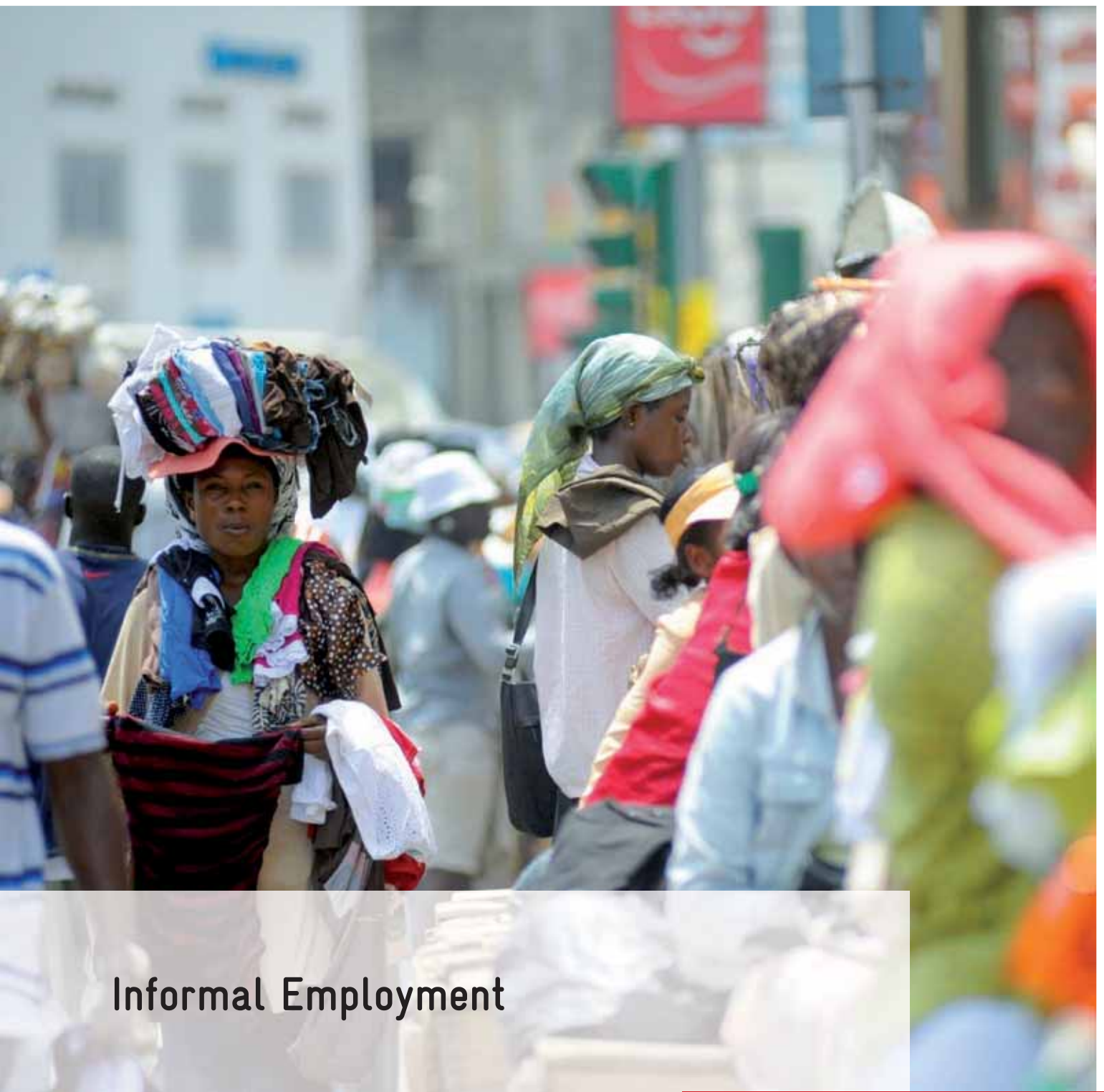
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for Economic Cooperation  
and Development



## Informal Employment

□ □ ■ Module 3.2

**Module 3.2 is part of the publication “Full and Productive Employment and Decent Work for All – Handbook on Employment Promotion in Development Cooperation” in Section 3: “Special Challenges”.**

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## Abbreviations

BMZ	Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung / Federal Ministry for Economic Cooperation and Development
DC	Development Cooperation
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
ILO	International Labour Organization
MSME	Micro, Small and Medium-sized Enterprise
OECD	Organisation for Economic Co-operation and Development
TVET	Technical and Vocational Education and Training
TVSD	Technical and Vocational Skills Development
UNESCO	United Nations Educational, Scientific and Cultural Organization

# Informal Employment

- The proportion of informal workers in Africa, Asia, Latin America, and the Caribbean averages 40 to 50 percent (cf. ILO 2014a). In some countries (as in Sub-Saharan Africa and Asia) it is even more than 80 percent of non-agricultural workers (cf. OECD 2009a).
- The term “informal employment” denotes a very wide range of heterogeneous activities. Alongside a vast majority of informal producers who struggle to earn a living at the subsistence level (“survivalists”), there is a relatively small group of top performers, who are very productive and have significant growth potential (“constrained gazelles”).
- Despite the great heterogeneity, informal employment is largely characterized by low wage levels, precarious working conditions, and a high proportion of poor people among the workers (working poor) – with women being disproportionately affected.
- Approaches to development cooperation have to take the heterogeneity of informal employment into consideration. A fundamental concern should be the improvement of working conditions and engendering the prerequisites for higher incomes through productivity increases. In order to overcome informal employment in the long run, job growth is necessary in the formal economy.

## Informal employment is widespread

Among the basic characteristics of the employment situation in developing and emerging countries is the **segregation / segmentation of the labour market** into a duality with formal and informal economic sectors (cf. Module 1.2). These two segments cannot be clearly distinguished from each other; rather, they represent a continuum with smooth transitions and overlaps. This continuum comprises a **multitude of very heterogeneous forms of employment** that to some extent differ strongly with respect to working conditions and income levels. The term “**informal**” denotes those activities and occupations that are barely – or not at all – subject to formal rules or laws (cf. Van Elk / de Kok 2014, p. 13).

In the past, informality was often regarded as a characteristic of underdeveloped economic systems that could be overcome and permanently eliminated through industrialisation processes and economic growth. In the meantime, however, it has been demonstrated that the informal

economy persists in both developing and OECD countries, and in times of crisis, tends to grow in some countries (cf. Jütting / de Laiglesia 2009, p. 66). The term “**informal employment**” refers to the basic characteristics of a job and not the enterprises or organisations per se in which the employees work. Informal employment exists in both the formal and informal economy (cf. Box 1).

According to new ILO estimates, in 2011, the average proportion of informal workers in Africa, Asia, Latin America, and the Caribbean was 40 to 50 percent (cf. ILO 2014a). In the last decade, this figure has only decreased in 26 of 49 countries (in which data was available). This means on the one hand, that informality still hinders the improvement of working conditions, reduction of the number of the “working poor”, and the strengthening of welfare state due to the lack of sufficient tax revenues (cf. ILO 2014a, p. 24). On the other hand, the informal labour market has **considerable quantitative significance** and can be an instrument for growth and poverty reduction, especially for employment in urban areas. Informal employment should, therefore, not solely be identified with poverty and low pro-

ductivity. Informal micro and small entrepreneurs can have potential for innovation, productivity, and income growth (see Box 2).

## Characteristics of informal employment

Informal employment is characterised by **great heterogeneity** (see Figure 1) and marked by two essential features. First, there are **major differences in income**. Comparatively, the highest incomes are earned by informal employers and informally employed workers who pursue their work on a “regular” basis. At the base of the pyramid are family workers, who usually contribute their labour without monetary compensation and therefore face an especially high risk of poverty. It should be noted that people cannot always be assigned to one specific category because they either perform several activities at the same time or change their activities regularly. Informal employment in the middle and at the base of the pyramid is often openly visible when people work, e. g. along the roadside, in small workshops, in their own homes, in markets, or in fields where they produce their goods and offer their services. These people can only generate the income they need to survive by being informally employed. That is, in most informal employment situations:

### BOX 1 FORMS OF INFORMAL EMPLOYMENT IN DEVELOPING AND EMERGING COUNTRIES

- **Informal employment in the informal economy** includes people who are self-employed, such as one-person enterprises, informal employers and non-registered business owners, as well as family workers and employees of (non-registered) micro and small enterprises (with up to five employees).
  - **Informal employment in the formal economy** refers to employees of formal (registered) companies (with more than five employees) who are not registered with the relevant authorities and do not have a formal employment contract, such as casual workers or people who work at home.
- The workers have **no employment contract or only a verbal agreement** that usually applies for a short period and can be terminated immediately at any time. People who work under these conditions are not registered with relevant governmental agencies.
  - As a result, informal workers are also **not entitled to benefits of public social security systems** and have no formal legal protection.

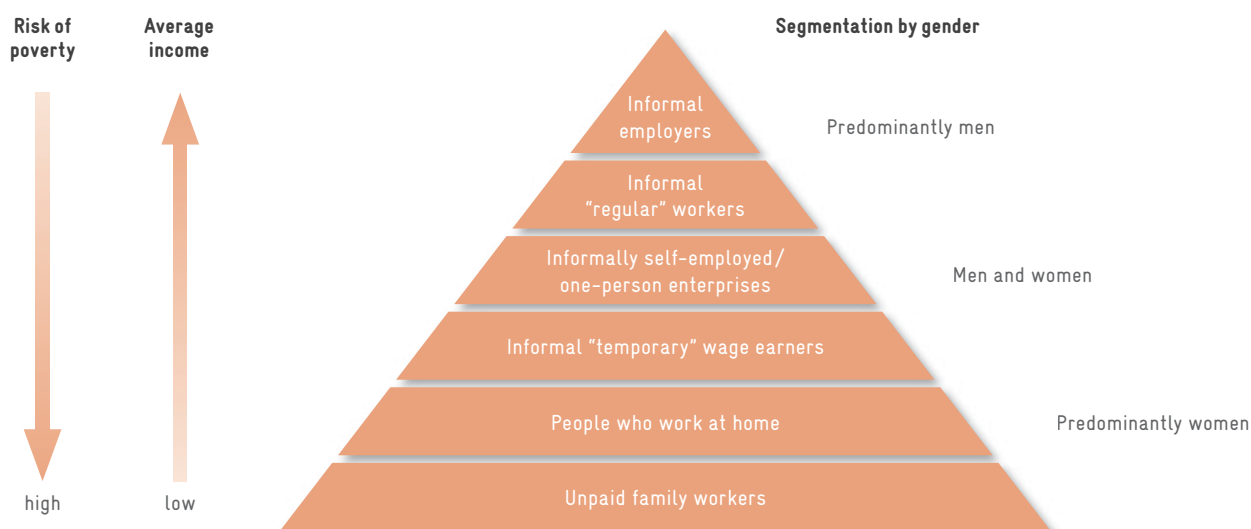


Figure 1: The heterogeneity of informal employment  
Source: Chen et al. (2005)

## BOX 2

## INTEGRATION OF THE INFORMAL SECTOR INTO THE VALUE CHAIN IN THE STEEL SECTOR

The Brazilian company Gerdau is the largest producer of long steel in the Americas. Like many other steelmakers, Gerdau depends increasingly on recycling in order to be able to meet its demand for raw materials over the long term. The family enterprise obtains a large part of its scrap metal from local salvagers, who usually work informally in poor conditions.

For many poor people in Latin America, refuse collecting is generally the only way to earn money honestly. The salvagers sell what they gather to middlemen, who in turn supply the steel industry. Since the collectors as a rule have no savings and need the money immediately to feed their families, they are forced to sell even small quantities to the middlemen on unfavourable terms.

In a strategic alliance in the frame of the developPPP.de programme, as of 2013, Gerdau and GIZ had invested about three million euros in Brazil, Chile, Peru, and Uruguay in the education and training of collectors. The aim was to improve organization and management along the steel value chain and to integrate the informal sector into the business relationship in a fair and profitable way.

Beginning in 2010, the micro-suppliers learned how to recognize, separate, and sort potentially profitable scrap metal in training programmes whose curricula also included occupational safety. Today, the collectors receive fixed prices per kilogram from Gerdau and organize themselves in collectives to place their business on solid footing. This stability also has advantages for Gerdau: the company can rely on both the suppliers and the quality of the products they deliver, which helps increase production. Meanwhile, some 9,500 informal workers have benefited from the project, and 8,000 of them have become part of the formal sector. Some 1,500 workers have organized themselves into cooperatives or enterprises and thus can better represent their own interests. Due to the success of the endeavour, Gerdau has expanded the model to other business locations and expects further positive effects along the steel value chain.

The key to the success of this strategic alliance was cooperation among three equal partners: the private sector, Non-governmental Organisations, and GIZ. In 2014, the steel industry's most important trade organisation, the World Steel Association, honoured the Brazilian steel concern with a prize for "Excellence in Sustainability" for this strategic alliance.

- **Inhumane working conditions, a lack of safety standards** and a – compared to the formal economy – **low income** characterize the majority of informal employment situations. Because they are neither registered nor subject to contractual regulations, informal workers have few opportunities to defend themselves against the precarious conditions of their employment.
- The low wages they receive is also related to informal workers' generally **low qualifications** and productivity.

The second significant feature is **gender and age-based segmentation of the forms and conditions of employment**. Women suffer from structural discrimination and are thus disproportionately engaged in informal employment characterized by particularly insecure and precarious working conditions. In informal employment, the wage gap between men and women tends to be larger –

to women's disadvantage – and is even higher than in the formal economy. As a result, women are in a worse economic position.

There are many reasons for this discrimination against women:

- There are cultural social values and norms that discriminate against girls and women in many different ways (cf. Module 3.4). These steer the distribution of jobs along **stereotypical gender roles** and contribute to **limiting girls' and women's employment mobility**. As a result, women work more frequently in the vicinity of their homes, in jobs that involve providing assistance, in jobs that demand less independence, or in simple service-oriented jobs.





Women's groups in western Kenya receive training in financial management, marketing, and manufacturing

- The very fact that **girls' access to education is limited** reduces their future employability. There has been a fundamental, dramatic rise in girls' school enrolment at the primary, secondary, and especially the tertiary level in recent decades, which reflects a general shift towards a positive appraisal of their education. Worldwide, there are indicators of a positive correlation between parents' educational level and income and the acceptance of girls' schooling. In contrast, traditional roles models that ascribe the major responsibility for domestic duties to girls and women still prevail among poor families in particular. Therefore, they attend school less frequently and regularly, receive a lower-level or stereotyped education, and rarely have a formal school-leaving degree. The majority of illiterate people are still women.
- Due to structural discrimination, the benefits women derive from **education and training measures** are reduced, which makes a successful start in professional life difficult. Even women who have attained a comparatively high educational level are not as well represented in the labour market as men, especially in decision-making and leadership positions. Discrimination on the job (salary, working hours, career opportunities), unequal distribution of power, and a paucity of opportunities to exert influence in politics and the law constitute significant employment-related hurdles for women because of their gender. As a result, even (highly) educated women often end up in jobs in which they cannot use their full potential and skills or make them available to the employer (cf. UNESCO 2012, pp. 77, 85).
- **Limited access to resources** (goods, information, land, credit, etc.) constrains many women, especially when it comes to taking advantage of their professional opportunities. They often have no formal entitlement to land, which renders them legally incompetent, and



The variety of products in her selection – from Pringles to beer to Vietnamese noodles – proves the economic flexibility of this boat-based saleswoman (Vietnam)

they cannot borrow money independently. A lack of information about potential areas of business, promotional measures, quality standards, and rights and obligations reduces their productivity.

- **Multiple roles at work and home** can lead to working women becoming overworked. The care of children and other family members, running the household, and social obligations often leave girls and women with little time for further training or to pursue employment. A lack of focus on their own micro and small enterprises and social conventions, e.g. in dealing with men (bank employees, government officials, etc.) can limit their productivity while raising their frustration level and the risk of failure in their economic endeavours.

Besides women, **young people are also disproportionately involved in informal employment.** According to a school-to-work survey that the ILO conducted in 20 developing countries in 2012–2013, three quarters of all young workers (aged 15–29) are employed informally. Informal employment often offers people at the outset of their careers their only opportunity to earn a living and frequently **hampers their transition to a regular job** – even in the future. According to the ILO report, informal employment is path dependent, i.e. prior informal work experience raises the risk of further informal employment. This impacts income levels, job satisfaction, and the underemployment of the affected individuals (cf. ILO 2014b, p. 1 f.). Therefore, the high proportion of informal employment among young people at the beginning of their careers presents a major threat to sustainable and social development for many developing countries, especially because young people often account for a high percentage of their populations (cf. Module 3.3).

### BOX 3 REASONS FOR VOLUNTARY AND INVOLUNTARY INFORMALITY

#### Involuntary informality as a survival strategy:

- A high labour surplus and inadequate creation of decent jobs as a result of high population growth are structural features of labour markets in developing countries. In order to survive, formal and decent work standards are dispensed with both in regard to employees and self-employed individuals.

#### Voluntary informality in enterprises:

- Inadequate or non-existent incentives to formalisation: The state fails to provide enterprises with adequate individual service in return for formalisation, such as when public utilities (electricity, water, insurance) are not made available to the necessary extent;
- Rigid, time-consuming, costly and complicated registration procedures for enterprises or unjust legal regulations (tax systems, economic conditions, etc.) increase the incentive to operate as informal businesses or with informal workers;
- Competitive pressure, especially due to globalisation, increases the incentive to employ workers under precarious conditions.

Like informal employment itself, the reasons for it are extremely diverse; they can be an involuntary survival strategy or a voluntary decision (cf. Box 3).

### Costs and potential of informal employment

Informal employment is an ambivalent phenomenon comprising facets that are both negative (costs) and positive (potential) for the state, the society, and the individual.

#### Costs of informal employment:

- The characteristic wage and labour conditions that accompany informal employment increase a country's **poverty** (working poverty). Due to the lack of social safeguards, in cases of illness or death, workers and their families can hardly afford the high expenses, e.g. for doctors and hospital stays, and then have to survive with a lower income or none whatsoever. Currently, 1.2 billion informal workers live below the poverty line of two US Dollar per day/person (of which 700 million are under the absolute poverty limit of 1.25 US Dollar per person/day) (cf. OECD 2009b).
- When enterprises operate in the informal economy voluntarily, the state loses **tax revenue** and the **possibility to exert influence**, e.g. on precarious working conditions. Social security systems suffer due to the small number of contributors and become ineffective. As a result, informal workers neither receive financial support nor have the possibility to earn (further) professional qualifications in periods of underemployment and high unemployment. Since they do not contribute to a pension scheme, poor people without access to social security usually have to work until an advanced age in order to survive; they simply cannot afford to be unemployed.
- The government's investment in the education of children and youth – the **potential of human capital** – is used only to a limited extent when they work at unproductive informal jobs. In terms of the country's economic and social development, this means the financial expenditure is largely wasted (cf. Jütting/de Laiglesias 2009, p. 28 ff.).
- In addition, competitive pressure, especially due to globalisation, creates incentives to preserve a large, agile informal economy through the **outsourcing of production steps**. The integration of informal enterprises into global value chains increases the demand for informal workers to fulfil orders flexibly and at low prices. Thus, the cost pressure on large and medium-sized enterprises is passed on to the weaker players. They can

## BOX 4

## IMPROVING THE FRAMEWORK CONDITIONS FOR SUSTAINABLE ECONOMIC DEVELOPMENT IN MOZAMBIQUE

Mozambique's economy is marked by a large proportion of informal enterprises. Only 7.9 percent of all employees work in formalised companies (cf. ILO 2008). Although a number of major projects in Mozambique create economic growth, the majority of the population has not yet benefitted from them and remains in poverty. A lack of transparency, excessive bureaucracy, unclear regulations and high corruption levels prevent the development of dynamic mid-size enterprises that could generate desperately needed employment opportunities and an adequate degree of income.

The focus of the “**Sustainable economic development in Mozambique**” DC programme is improving the framework conditions for economic activity of micro, small and medium-sized enterprises (MSMEs). A number of measures have already been implemented: With the support of the project, the Ministry of Industry and Trade has introduced a simplified licensing procedure of which MSMEs are the main beneficiaries. One-stop shops have been established in every province that have spared enterprises various administrative procedures and enabled them to obtain licenses in many sectors

within 24 hours. Another element of the business-climate reforms is a simplified taxation system for micro-enterprises with an annual turnover of the equivalent of less than 60,000 euros. Entrepreneur associations that have been supported have increased their dialogue capability and have pushed through legislative changes, i. a. in the simplification of customs procedures and the handling of goods. A business climate index will regularly measure the level of the bureaucratic effort required for MSMEs to be registered or to clarify their business modalities. In addition, the service orientation of service institutions will be monitored at the provincial level. The establishment and formalisation of two women's associations has paved the way to formal employment for more than 2,000 women. These associations have run successful business-training courses and have helped in the establishment of savings and credit groups.

As a result, the number of private-sector contributors to the national social-insurance system has already increased. Moreover, the satisfaction level of the local business associations' interest groups has risen steadily during the project period.

only offer the lowest prices if they continue to avoid the costs of unemployment, health, and retirement insurance and pay their employees the minimum wage.

#### The potential of informal employment:

- Integrating informal businesses and employees into global value chains can also have positive effects. Even if enterprises or employees are not registered, they usually produce legal goods and commodities. Companies can earn **profits and employees (continuous) income**. When there is a lack of formal employment, the informal economy serves as a “catch basin” and helps maintain the integrity of a country's economic and social systems. Furthermore, informal employment is often counter cyclical: In periods of upswing after a crisis, informal workers can switch (back) to formal employment.

- Informal businesses can also help **mitigate the development deficits of ineffective governmental structures**. Entrepreneurs can take advantage of the greater flexibility of action to implement innovative ideas, to delve into new business areas, and to accelerate growth processes. Shortcomings in the informal economy and specific obstacles to formalisation (economic, institutional, and social)<sup>1</sup> force people to find creative alternatives for the limited resources available, frequently encouraging them to act intuitively in accordance with entrepreneurial principles.<sup>2</sup>

1 Obstacles to formalisation include the lack of access to capital, insurance and public goods; inadequate demand for products of the informal economy; government regulations and their application or corruption; obligations vis-à-vis the clan or extended family.

2 In South Africa, a flexible minibus system takes the place of the non-existent government transportation system, allowing millions of people to get to their jobs quickly. Meanwhile, the bus company generates several million dollars turnover per year. At the outset, it intentionally defied the ineffective state structures and, e. g. refused to make payments for road concessions and licenses because they severely limited the company's profitability (cf. OECD 2009a, p. 3).



Refuse can often be very valuable. Millions of people worldwide live by collecting, sorting and recycling materials (Thailand)

- The informal economy encompasses, e.g. up to 80 percent of non-agricultural employment in Sub-Saharan Africa<sup>3</sup> and thus **offers training, work, and an income to a great number of people** (cf. OECD 2009a, p.2). A large group of informal entrepreneurs and self-employed people thus function as survivalists, producing at merely the subsistence level. In contrast, the relatively small group of top performers are able to produce goods and services that are competitive with products of formal businesses in terms of quality and scope. In this context, Grimm et al. (2011) point out the extraordinary potential of another group of informal entrepreneurs who are very productive and already possess good management skills, but are constrained by various circumstances (constrained gazelles). (Informal) micro enterprises can achieve high returns with minimal capital resources, making a decisive contribution to the generation of income for individuals and the country's economic strength (cf. Grimm et al. 2011, pp. 4–11).

3 If the figure is taken to include the majority of agricultural employment, such as independent farmers and the large number of day labourers, the number of informal jobs in an economy system rises to up to 90 percent.

## BOX 5 STRENGTHENING NON-FORMAL VOCATIONAL TRAINING IN GHANA

The vocational training component of the “**Sustainable Economic Development in Ghana**” DC programme seeks to strengthen non-formal vocational training. The strategies for this type of training are to be developed, the teaching and testing standards raised, and more short courses for master craftsmen and teachers implemented in the informal sector.

This effort complements and helps modernise the traditional apprenticeship system while retaining existing structures. The innovative core of the components is the establishment of a certification system for non-formal educational content. In order to give young people with a lower level of education the opportunity to earn a proper qualification, the skills they have acquired through work in informal enterprises and outside the formal education system would be recognised. In the future, master craftsmen, school representatives, and representatives of trade organisations will be involved together in the examination process. Cooperation with industry is an integral part of the programme and ensures efficient instruction that is demand oriented in accordance with the needs of the economy. The programme’s gender-strategy component encourages girls and women to seek apprenticeships in previously male-dominated professions. With the integration of actors from the informal economy in the policy dialogue, sustainable structures can be created, and in this way, new sources of income can be developed for women and young people, who are often informally employed.

## Further challenges to development policy

Informal employment includes a major reservoir of economic potentials that have not been made adequately usable for development.

The effectiveness of special DC programmes rises significantly when the heterogeneity of the groups of informal workers is taken into account in **approaches that are tailor made for the various target groups** (cf. OECD, 2009a, p. 5):

- To provide an alternative for people in informal employment, a greater number of productive jobs have to be created in the formal economy. **Economic policy and promotion of the private sector** must be explicitly directed toward the goal of creating employment.
- The great shortage of formal jobs also requires an active government that purposefully creates **incentives for the formalisation** of informal enterprises. In addition to shorter and simplified registration procedures, this includes the establishment of infrastructure and framework conditions that are conducive to job creation (see Box 4).
- Approaches to **increasing the productivity** of informal producers (e. g. through appropriate courses in business development services or other types of qualifications) create important requirements for higher incomes and better working conditions. Targeted labour market oriented non-formal training courses and consultation (TVSD<sup>4</sup>) improve informal workers’ employability (see Box 5). The GIZ Toolkit offers help in regard to learning and working in the informal economy (see Box 6), giving important tips in areas such as recognition of informally acquired skills and improvement of apprenticeship training (cf. Gerold 2012, p. VI).<sup>5</sup>

4 The TVET approach, which focuses strongly on promoting formal vocational training systems, is – primarily in coordination with qualification courses in the informal economy – increasingly being replaced by the Technical and Vocational Skills Development (TVSD) approach. By imparting technical knowledge in the course of balanced vocational training in the informal economy, educationally disadvantaged target groups can also achieve a greater amount of training, resulting in more young people being addressed and promoted. (Non-) formal and informal education systems should never be played off against each other, but rather be part of a continuum, which would help encourage and support chronically underfunded institutions.

5 In periods of low overall economic growth, it must be ensured that raising labour productivity of informal enterprises does not result in cutthroat local competition and thus lead to reduction of net employment.

- In general, **improving working conditions** for informal workers should be an important concern of any type of DC support. In this context, the upgrading of social welfare and the development of special programmes for the personal and occupational risk protection of workers in the informal economy are necessary.
- Finally, measures to increase **informal workers' mobility** can also facilitate their access to good jobs.

Hence the basic development-policy concern for the mass of informal forms of employment should be the gradual improvement of the working conditions (good jobs) and the reduction of obstacles to the growth of (in)formal companies.

Ultimately, success also requires the recognition that the government and (informal) workers need to build more **mutual trust and acceptance**. The state needs to actively use and promote the potential of informal workers and informal enterprises. Governmental social security systems and economic development and poverty-reduction programmes only function when all are willing to register and pay taxes and other fees. In the long term, therefore, the goal is for all employees to have the possibility to work in formal employment.

#### BOX 6 GIZ TOOLKIT "LEARNING AND WORKING IN THE INFORMAL ECONOMY"

The Toolkit "Learning and working in the informal economy – access, skills development and transition" was developed by the GIZ's sector project "Vocational training" on behalf of Germany's Federal Ministry for Economic Cooperation and Development (BMZ). In many developing countries, the informal economy offers a great many people their only access to productive employment and income. Skills development is key in permitting the transition from informal to formal employment and thus to a self-determined life free of poverty.

The Toolkit provides a structured overview of the state of research and current development-policy practice in this area. It contains introductory texts and tools, as well as the description of projects that have already implemented these approaches, as well as numerous references for further reading. Thus, it provides access to a broad knowledge and experience that can strengthen consideration of informal elements in current and future projects.

The following tools are presented in detail:

- recognition of informally acquired skills
- job placement after vocational training measures
- employment-oriented initial and further training for target groups in the informal sector
- vocational training for people seeking to launch a business
- community-based training
- approaches to financing
- green skills for informal workers
- the Learning Networks Approach
- mobile vocational training
- opening of vocational training centres
- improving traditional apprenticeship training
- imparting life skills
- cooperating with and promoting local economic institutions

Source: [www.giz.de/toolkit-informelle-wirtschaft](http://www.giz.de/toolkit-informelle-wirtschaft) or [www.giz.de/toolkit-informal-economy](http://www.giz.de/toolkit-informal-economy)

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for Economic Cooperation  
and Development



## Creating Employment Perspectives for Youth

□ □ ■ Module 3.3

**Module 3.3 is part of the publication “Full and Productive Employment and Decent Work for All – Handbook on Employment Promotion in Development Cooperation” in Section 3: “Special Challenges”.**

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Abbreviations	
AfDB	African Development Bank
BMZ	Federal Ministry for Economic Cooperation and Development
CEFE	Competency based Economies through Formation of Entrepreneurs
EU	European Union
DC	Development cooperation
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit
IDB	Inter-American Development Bank
ILO	International Labour Organization
IT	Information technology
IZA	Institute for the Study of Labor
KfW	KfW Development Bank
MoGLSD	Ministry of Gender, Labour and Social Development
MIF	Multilateral Investment Fund
NEET	Not in employment, education or training
OECD	Organization for Economic Cooperation and Development
PROMYPE	Programa de fomento a la micro, pequeña y mediana empresa
YEI	Youth Employment Inventory

# Creating Employment Perspectives for Youth

- The transition from school or vocational training to working life presents young people<sup>1</sup> with particular challenges in the labour market.
- When young people are unemployed from the outset of their working lives, it often has long-term negative consequences for their future employability and personal development. It also means that educational investments and potentials for economic development remain unused.
- Youth employment promotion instruments aid in assuring young people's employability, foster their employment or self-employment, and create incentives for enterprises to train and them.
- If young people have the opportunity to apply their strength, energy, ideas, and knowledge as active members of a society, they offer enormous potential for innovation, creativity, economic progress, and social change. It is imperative that these opportunities be made available – including with the support of development cooperation.

## The importance of youth employment promotion in development cooperation

It is extremely difficult for young people to establish themselves in the labour market. They usually lack work experience, are often not adequately trained for their chosen career, and cannot rely on networks and contacts – all of which complicates getting a good, sustainable start in their working lives (see Box 1).

According to the International Labour Organization (ILO), more than 73 million young people worldwide are unemployed. When the unemployment rates of adults and young people are compared, **the probability of young people being unemployed is three times that of adults.** Youth unemployment is about 11 percent in Sub-Saharan Africa, but it is 28 percent in North Africa and reaches 30 percent in the Middle East (cf. ILO 2015, p. 6).

Moreover, many young people work in the informal sector, perform unpaid family work, are in precarious employment, or do not work at a level commensurate with their qualifications. ILO surveys in 20 developing countries in 2012 and 2013 show that three quarters of young employees are engaged in informal employment (cf. Shehu/Ilsson 2014, p. 10). Some 37.8 percent of young workers lived in households with incomes of less than two US Dollar per capita in 2013, and were thus among the working poor, compared to 27.8 percent of the over-25 workforce (cf. ILO 2015, p. 47). This discrepancy is another example of the fact that young people in developing countries are confronted by circumstances fundamentally bleaker than those encountered by adults in the transition to productive and decent employment.

Youth-unemployment statistics, however, cannot depict the full extent of the phenomenon: specifically, they reveal little about the quality of the work in question. The situations of young people who work in the informal sector, do unpaid family work, are in precarious employment, or are not engaged in work commensurate with their qualifications are **not adequately captured by general figures.** In addition, some young people have already given up the job

<sup>1</sup> In this document, the term “young people” applies to people between 15 and 24 years of age, in accordance with the United Nations’ current definition (see A/36/215 and Resolution 36/28, 1981).

## BOX 1 REASONS FOR YOUTH UNEMPLOYMENT

- In periods of economic uncertainty, the rule is generally “last in, first out”. The “last in” are usually the workers with the least experience, i.e. young people.
- Due to their lack of work experience, young people have greater difficulty finding jobs than adults who have been employed for years. As a result, many young job-seekers take up what they hope will be interim employment in the informal sector. This provides an opportunity to at least gain professional experience, but it can also be a hindrance to future employment in the formal sector.
- Young people not only have less work experience than adults do, but also less experience finding work. They lack the contacts and networks established through employment, and they often do not know where and how to look for a job. The lack of transparent and efficient labour market information and job-placement services is central to all job seekers, but it constitutes a major obstacle for workforce entrants in the transitional period between the end of their training and landing their first post.
- Young people frequently lack relevant on-the-job requirements due to inadequate education and training.

Source: BMZ (2006, p. 5); ILO (2010, p. 19)

search and have withdrawn from the labour market and society.<sup>2</sup>

Youth unemployment has an impact on young people as **individuals**, but also on a nation’s society and economy. For young people, unemployment implies a false start in their working lives since employment is crucial to personal development. In addition, unemployment at the initial phase can negatively impact employment opportunities and future income.

2 This is covered by the NEET rate (Not in Employment, Education or Training). However, data is only available for individual regions such as OECD (19.8 percent in 2008) (cf. ILO 2013), (15.8 percent in 2010) or Latin America and the Caribbean.



Vocational counselling and employment services help young people to enter the professional world (Egypt)

For **society**, youth unemployment means a greater risk of crime, drug abuse, or that the young people affected lose confidence in society (cf. Bell/Blanchflower 2011, p. 15). Thus, unintentionally and without their own fault, young people can become a burden on their families and their social environment.

For a country’s **economy**, this phase of unemployment at the beginning of young people’s careers means that investments in basic and vocational education or further training are not exploited, and their benefits for individual employability are wasted. Youth unemployment and under-employment also have a negative impact on a country’s human-capital formation and thus weaken the growth potential. Young people without an income cannot save money and do not take advantage of (governmental or private) investments in education. Furthermore, they do not pay into the social security system. Therefore, for economic reasons, it is also worthwhile for countries and societies to specifically promote youth employment.

These personal, social and economic issues lead to a pressing political problem that causes many governments to take **measures against youth unemployment**. In principle, however, greater focus should be placed on the special labour-market challenges young people face in order to facilitate their transition from school into the job market.

## BOX 2

## IDEAS COMPETITIONS FOR BUSINESS AND EMPLOYMENT PROMOTION IN CENTRAL AMERICA

The basic concept behind the Open Regional Fund for the Economy and (Youth) Employment in Central America is the flexible use of funding for innovative approaches in the area of economic and employment promotion in selected sectors with growth potential. In the project period, which lasts until 2017, the project operates in Guatemala, El Salvador, Honduras, Nicaragua, and Costa Rica. In these countries, ideas competitions serve as wellsprings of innovative schemes, and funding is provided for the winning projects.

Projects that achieve the following goals receive support:

- stimulate product and/or process innovations and thus improve the competitiveness of micro, small and medium-sized enterprises;
- improve the income and job situation, especially of women and young adults;
- establish new needs-oriented qualification and labour-market services on the market.

The project cooperates with relevant agencies and organisations to develop viable concepts for the implementation of the best approaches that emerge from the ideas competition. Particular emphasis is given to promoting partnerships among policy makers, business, and science, who should contribute to the building of alliances and inter-regional partnerships involving the various sectors.

Until 2016, three ideas competitions took place in which the submissions primarily addressed three subjects: the promotion of start-ups, the training and further education of young adults, and the establishment of labour-market services. Among the supported sectors were IT (including mobile applications and 3D animation), recycling, and renewable energies.

With the Open Regional Fund's support, by May 2016, almost 1,000 young adults (49 percent of whom are women) had improved their work situation. Over 700 had been hired as employees, and a further 40 were able to increase their incomes. More than 100 people set up their own companies that hired a total of 100 employees, who thus benefit indirectly from the project measures.

**Development cooperation measures to prevent youth unemployment** are, at the same time, an important element of poverty-reduction efforts since around 90 percent of young people live in developing countries (cf. ILO 2015, p. 4). If given the opportunity to devote their energy, ideas, and knowledge as productive members of society, they present enormous potential for economic progress and social change in their home countries.

## Measures to combat youth unemployment

Youth employment-promotion instruments must be adapted to the specific labour-market policy context. **GIZ supports an integrated approach to the promotion of youth employment** (see Module 2.2) that seeks to achieve close interlinkage and coordination among measures in the following areas: creating discrimination-free workplaces, qualification and safeguarding employability, and improving counselling and job-placement services in the labour market. Furthermore, an **economic-policy framework** designed specifically to promote employment is necessary. In terms of practical implementation, this means, for example, the expansion of various youth-promotion projects to include components in the realms of start-ups, vocational training, or labour-market services, or specifically orienting measures of sustainable economic development toward the "youth" target group and linking them with approaches for youth (social) work.



In Addis Ababa's Central Market, a young female basket weaver works on her products

### Youth-employment strategies

In order to promote the employment of young people, the target group can **specifically** be addressed in national strategies. In addition, strategies for young people's employment can be developed, or promotion of their employment can be taken into account in national development strategies or poverty-reduction plans (see Module 2.5).

According to the most recent ILO report that offers statistics on youth measures implemented in national action plans, 122 out of 198 countries (compared to 99 in 2013) have introduced targeted measures (youthpolicy.org) (ILO 2015, p. 61).

Experience demonstrates that **targeted youth-employment strategies** can effectively reduce unemployment and underemployment among young people (cf. ILO 2008a, p. 11 and ILO 2015, p. 63). The primary objective is to create and maintain jobs, taking into account the employment potential and challenges in the informal sector (cf. AfDB et al 2012, p. 129, as well as Module 3.2). The ILO has developed a guide for the preparation of

national action plans for the employment of young people, the **Guide for the Preparation of National Action Plans on Youth Employment** (cf. ILO 2008b). Here, too, it is crucial that not only all of the relevant actors be involved in the development of these strategies and plans, but the actual target group: young people themselves. National or sectoral strategies can then be derived from the national plans as required.

Almost all African countries are implementing measures for youth-employment promotion, but results of expert surveys reveal many of them to be ineffective and their degree of coverage low. A specific point of criticism is that measures are not interlinked and that the responsibility for measures is distributed among many state actors, which hinders and prevents coordination (cf. AfDB et al. 2012, p. 160). Employment strategies that pursue an **integrated approach to the promotion of youth employment** (see Module 2.2) can engender greater effectiveness.





A young worker in a clothing factory in Egypt

### Inform, orient, advise

Career information, guidance and counselling help young people make informed decisions about their (professional) future. Toward this goal, **information about training and employment opportunities** must always take young people's real-world context and life plans into account, be accessible to all, and be introduced as early as possible at school (see Box 4).

Career information, guidance and counselling are of utmost importance in the **initial choice of vocational training or a job** because without them, young people are at a disadvantage in regard to making a good start in their working life. To help them achieve this, cooperation is necessary among governmental labour agencies, schools, universities, training institutions, youth organisations, and business. There are a multitude of tried-and-tested instruments that can support young people in choosing their careers and their entry into the world of work, including support for life and career path-planning, internships, interest assessments, and evaluations.

### Vocational training

When initial and further vocational training programmes are job oriented and adapted to local labour-market needs, they improve graduates' employability (cf. BMZ 2012, p. 23). Both formal and informal economic sectors should

## BOX 3 THE YOUTH EMPLOYMENT INVENTORY

The internet-based Youth Employment Inventory (YEI) database seeks to improve the knowledge base on existing and completed youth-employment promotion projects. The YEI currently contains information on the design, implementation and effects of 1,088 projects in more than 100 countries. Continuously being expanded, it provides international development cooperation and partner countries with a basis for decision making and serves as a reference for new projects.

The objective of the YEI is to make experience collected from development cooperation in the field of youth employment accessible to the world. To this end, the Institute for the Study of Labor undertook a meta-analysis of the projects listed in the database on behalf of the Employment Promotion Sector Project. The evaluation shows that many of them pursue an integrated approach, i.e. they simultaneously promote and offer a variety of services for young people. Most of the projects (82 percent) in the database include a training component, and many include a component for the support of start-ups (44 percent) or labour-market services (32 percent). Labour-market services in particular have above-average effectiveness. The recommendation, therefore, is to plan and implement development projects that deploy the integrated approach to employment promotion in a context-specific and target-group-specific manner in order to achieve the highest possible employment impact.

Source: Eichhorst/Rinne (2015)

be taken into account. **Two-stream cooperative training models** relate operational reality to initial and advanced training and thereby improve its labour-market relevance and acceptance of the qualifications acquired through participation. They are a proven tool in the reduction of youth unemployment (cf. Quintini/Martin 2006, p. 22). Collaboration with business and industry is an important condition.

Practical experience is best gained on the job. Where this is impossible to the requisite degree, training firms or training-cum-production models (for example, on-the-job training centres) offer young people the opportunity to

#### BOX 4 CAREER GUIDANCE IN SERBIAN SECONDARY SCHOOLS

The simultaneous existence of unemployment and job vacancies in the Serbian labour market is a manifestation of a mismatch between supply and demand. In Serbia, primary education ends at 14 years of age. Afterwards, young people have the possibility to attend high school (four years) or a polytechnic (three or four years). Less than ten percent of the pupils in a given school year choose to attend a vocational school. Many young Serbians follow a traditional path after school and attend university.

A percentage of those who decide in favour of higher education, though, would supposedly have better career chances in the private sector with some type of vocational training than with their university degrees. Therefore, young people should be encouraged to make decisions about their careers on the basis of a good overview of the changing education and employment market and with awareness of their own interests and strengths.

GIZ's "Career Guidance in Secondary Schools" project supports the Serbian government in implementing its occupational-orientation strategy and in establishing a functioning nationwide in-school and out-of-school system for the career counselling of young people transitioning from primary to secondary education. Since 2011, 3,000 multipliers such as teachers, senior teachers, and school psychologists have earned appropriate qualification through participation in the project.

The trained teachers introduce career counselling concepts in their language, IT, and art classes. Lesson modules for occupational guidance and career planning are introduced in classes during the graduation year. Through the programme, some 95,000 young people have gained job-oriented experience and exposure to learning that is linked to their professional future. In out-of-school programmes, peer multipliers have earned qualifications that enable them to conduct action-oriented training measures for occupational orientation. Around 45 municipalities have established networks with companies that offer and support career counselling inside and outside school.



By providing young people with high-quality training, the Sustainable Economic Development Programme in Ethiopia contributes to the development of small-scale industry

acquire **practical competences** while still in school. Vocational training not only offers preparation for dependent employment, but also for self-employment and lifelong learning.

In many countries, vocational education and training, especially when related to skills in blue-collar professions, suffer under a **negative image**. Some young people, consequently, opt for academic training despite the fact that it does nothing to improve the prospects of their entering the (formal) labour market (see Box 4). Furthermore, firms whose activities rely on low-status occupations often find it difficult to fill vacancies. In such cases, analysis of the causes of the bad image can help. Measures in the realm of manual trades and other apprenticeship-based careers that improve the chances of finding employment, earning a living, and being promoted also have a positive impact on vocational education and training, and can thus be an important factor for economic development (cf. BMZ 2012, p. 16).

## BOX 5

## SUSTAINABLE ECONOMIC DEVELOPMENT THROUGH TECHNICAL AND VOCATIONAL EDUCATION AND TRAINING IN INDONESIA

In recent years, everything has changed in the vocational school for food processing in Cibadak, Indonesia. The initial impulse for a new daily routine in the school came from the KfW Development Bank and GIZ, acting on behalf of the German government. Among the enhancements are professional bakery and confectionery equipment, a complete laboratory for microbiological testing and quality assurance in food processing, as well as extensive training of the teachers in the operation of the new facility. The new machines, as well as counselling of the school's management and staff in new methods for the design of instructional and learning processes, have fundamentally changed the pupils' education.

Abstract theory is now a thing of the past. All students are required to develop their own product ideas, formulate a business and marketing plan, and produce their products and sell them at a profit. The school cooperates with many large and medium-sized enterprises. For instance, a food company supplies the ingredients for the school production and in return is granted access to the school bakery as a training centre for its own employees and external participants. Part of the income from training programmes flows back to the school coffers.

Furthermore, the students do not have to worry about apprenticeships. Companies flock to the school and often offer a three-month internship with a subsequent guarantee of takeover in a permanent position. Santi Mutia, the head of a bakery concession at Jakarta's Carrefour supermarket chain is enthusiastic: "We hired ten trainees from the school as apprentices and took over all of them. They have worked themselves into their jobs without great need for instruction: they know the hygienic standards, work safely and reliably, and are always on time. I'm not familiar with anything similar in regard to students from other schools."

This is but one of numerous positive episodes to emerge from the "**Sustainable Economic Development through Vocational Education and Training in Indonesia**" project and its predecessors, the "Indonesian-German-Institute (IGI) Alliance" and "Supporting Vocational Training in Aceh/Nias" since 2001. GIZ and the KfW Development Bank support the Indonesian government in its efforts to reform vocational training and improve the transition of young people from school to work – and thus into adequate employment. Promotion of innovation in cooperation with the private sector is an essential part of the project.

Source: GIZ (2012)

### Labour-market information systems

A **adequate statistical basis** is the foundation of all youth-unemployment-reduction measures. It is a *sine qua non* for analyses of the labour market, the vocational training system, and employment-policy challenges, as well as for the conception and implementation of related reforms (see Module 2.1). It also underlies monitoring of ongoing initiatives and programmes. Collecting new data is frequently unnecessary; crucial is improving how extant data is dealt with, communicating it more effectively, and using it more intensively in the design of policy measures and programmes. At the same time, **capacities for collecting, analysing, and organising labour-market information must be strengthened**. The same holds for interpreting the data and incorporating it in policy formulation and implementation (cf. ILO 2006, p. 6).

### Job placement

World Bank studies and those of other international organisations indicate that, among the active labour-market-policy measures, a comparably **favourable cost-benefit ratio** is achieved by providing career guidance and job-placement services for unemployed young people (cf. Betcherman et al. 2004, p. 24). Job placement comprises supporting jobseekers in (re-)entering the labour market and counselling potential employers in their search for personnel. In addition to individual advisement and placement, job exchanges and fairs offer a venue for bringing job seekers together with and potential employers (see Module 2.2, Box 7). These events offer both parties the opportunity to present themselves, as well as to get to know a variety of employment-service providers.

## BOX 6

## UP AND RUNNING: PROMOTING YOUNG ENTREPRENEURS IN HONDURAS

At 27 year of age, Daniel Rodríguez is 27 is a young entrepreneur. In Santa Rosa Copán, a province town in Honduras, two friends and he opened the “Bonsay” internet café. He has only the most essential knowledge of computers and networks, but his partners make up for this. He knows how to keep a shop up and running, and his shop is just that.

He acquired this knowledge at a three-month course for young entrepreneurs in the “UTIL” of Santa Rosa Copán. “UTIL” is a Spanish abbreviation that stands for “Technical unit for job placement”. Six UTILs were set up in Honduras in 2010 with the support of the now-defunct German agency GTZ (see Box 8 in Module 2.2).<sup>3</sup>

The small town in southern Honduras has about 40,000 inhabitants; there is no industry, but it boasts five universities. The programme attracted a lot more young people than the extremely limited local labour market could absorb as employees. “It was clear that we were dealing with a situation mainly related to business start-ups and self-employment,” says Bayron Flores, former UTIL project consultant. Ten business plans were developed in the first course alone. From these, six new companies emerged, and twelve former participants are now successfully self-employed.

Source: Toni Keppeler (latinomedia) on behalf of PROMYPE (Honduras)



Young entrepreneurs in Honduras open an internet café

There are already about a dozen internet cafés in Santa Rosa Copán, but these are mostly small places that are full of computers. Rodríguez’s café is different: it is spacious and bright, and there’s enough place to actually sit at a small table and have something to drink. The special thing, however, is the computers, which are in small cabins rather than standing exposed. No one can see what is on the monitor or hear what’s going on inside. The privacy is what makes it worth the money. “I charge twice as much as my competitors,” says the young businessman, “but my shop is almost always full. We’ve just increased the number of computers from twelve to twenty.” He is now thinking of opening a second location.

Especially for young people, who usually still lack a network of professional contacts and experience with job applications, job placement – individual or in the course of job exchanges and fairs – is an important tool in the search for employment. Successful job placement is based on current labour-market information, but also on systematic information exchange with potential employers. Many countries still have no institutions that offer systematic

nationwide employment services, which require an appropriate level of development in terms of both organisation and capacity.

### Promotion of start-ups

A variety of instruments can be deployed to educate young people to open their own business and then support them once it is operational. **Imparting entrepreneurial skills** can be achieved in an extended training programme or through dedicated courses. For young people without work experience in particular, the introduction to business knowledge and skills is crucial in preparing them for self-employment. A successful approach is CEFE (Competency based Economies through Formation of

<sup>3</sup> UTILs are the smallest, local-level governmental employment offices. They mainly concentrate on three areas (with each UTIL having its own focus): job placement, career and labour-market orientation, and business start-ups. The UTILs were set up under GTZ’s “Economic and Employment Promotion” (PROMYPE) programme. When it ended in 2010, the effort was handed over to a non-profit foundation that took over the establishment and coordination of new UTILs.

## BOX 7

## YOUTH EMPLOYMENT PROMOTION IN EUROPE IN RESPONSE TO THE FINANCIAL AND ECONOMIC CRISIS

Europe's economic development after 2008 highlighted young people's dramatic situation in the labour market. This, however, is not a new phenomenon: youth unemployment in Europe has been above adult unemployment for years. A danger of the current ongoing crisis is that the high rate of youth unemployment threatens to assume a long-term character.

Almost all of the EU's Member States have implemented labour-market policy measures for youth in recent years. An analysis based on the European Employment Observatory's quarterly reports showed that subsidies to private enterprise with the goal of either stimulating employment or the creation of trainee positions were the most common measures during the period from 2008 to 2012. Often the grants for job creation were supplemented by training programmes that sought to impart practical knowledge in the form of internships. Labour-market services such as increasing young people's information about job and training opportunities, more intensive career counselling, and job placement have also been widely used. In contrast, the evaluation showed that employment measures were implemented comparatively rarely in the public sector.

In some countries, youth-specific labour-market policies were no longer implemented individually, but were bundled in an integrated programme for young people. Examples are youth guarantees in Austria, Sweden, Finland, the Netherlands, Great Britain, and

Luxembourg and the "New Deal" programme in Great Britain. In these programmes it was possible to combine a number of individually tailored measures such as career guidance, short training courses, and internships and to supplement them with wage subsidies in such a way that upon completion of formal training or when unemployed, young people quickly received offers of a (state-guaranteed) job, further training, a trainee position, or start-up financing.

The effects of the individual measures in the overall context of the financial and economic crisis have not yet been adequately investigated. There are, however, indications of successful youth-specific programmes that combine several measures on the basis of individual needs analyses. In addition, they differentiate among the members of the "young people" target group and are focused on particularly vulnerable young people, allowing early intervention and individual profiling of those affected.

For German development cooperation, these results provide signs of the necessity to consult with cooperating countries in regard to the introduction of employment programmes. However, it is necessary to examine the country-specific context in order to assess whether ideas that function well in Europe have potential to succeed if transferred.

Source: Lutsyk (2013)

Entrepreneurs).<sup>4</sup> Business skills include market analysis, project development and management, financial planning, marketing and accounting.

Prior to opening their own business, would-be youth entrepreneurs need advice and coaching. In order to reduce the risk of failure, the very first step is to explore whether they actually have the inclination or aptitude to run a business. Young entrepreneurs should be provided with systematic mentoring and support for a period of at least one year. In contrast to adult entrepreneurs, who usually

have a network of contacts in place to consult, **systematic coaching** from the outset is frequently the only access young people have to professional advice. Training firms are a way for this advice and guidance to be provided.

**Business development services** include training, consultation, and contacts in the areas of bookkeeping, taxes, cost calculation, investment, management, marketing, developing new markets, export, quality and standards, as well as networking. Since only limited exposure to these topics is provided during initial vocational training, young people need these services in particular.

<sup>4</sup> More information at [www.cefe.net](http://www.cefe.net).

A decisive factor for young entrepreneurs is **access to credit**: microcredit loans are usually granted by micro-finance institutions and sometimes by banks. They are specifically for young people who intend to found their own business, i.e. small and micro entrepreneurs, for whom procuring loans is problematic. Banks are reluctant to grant credit to young people due to the latter's lack of financial reserves and work experience.

German development cooperation is especially involved in the **founding of innovative enterprises** since they have the potential to increase partner countries' competitiveness and economic growth (cf. BMZ 2013, p. 13).

### Subsidising internships and jobs

In European countries' efforts to reduce the impact of the international financial crisis on youth employment, public funding for work, training, and internships became one of the principal instruments (see Box 7). The aim of such measures is to create **incentives for companies** to hire or train young people or to offer them internships. Various financial measures, such as job vouchers, can help to achieve this. The young employees or trainees receive the vouchers from governmental job centres or public social-service agencies and then submit them to their employer. The participating firms, who have created new jobs especially for the young people, then exchange the vouchers at the issuing agency for credit notes. Another subsidisation model is governmental financing, which may include various types of mandatory insurance, of internships for young people who are in trainee positions or unemployed.

Subsidised internships and jobs can help to facilitate **young people's entry into the labour market** by enabling them to gain their first professional experience. Nevertheless, these instruments should only be used for a limited time to alleviate specific regional and/or sectoral problems. Co-financing and opportunities for a considerable amount of training during internships or temporary employment increase the chances of subsequent regular employment and minimise **the risk of deadweight and displacement effects** (cf. BMZ 2006, p. 15).



Vocational training in the metalworking industry in Lebanon

### Further development-policy challenges

The transition from school to working life is pivotal to young people's future development, as well as to their economic and social integration. What happens during this crucial period of a young person's life also has ramifications for society as a whole. As a result of global population growth, the number of young women and men who will be thronging into the labour market in the coming years will grow immensely. Providing them with a decent job that helps secure their livelihood, and thus helps forge a personal and social perspective, is an **imperative component** of the struggle to reduce poverty.

Facilitating young people's entry into the workforce requires labour-market and employment-policy instruments that **specifically target the obstacles to their finding jobs**. In the context of promoting employability, only when job-placement and job-creation measures consider "young people" in all their diversity can the fight against youth unemployment and underemployment be effectively undertaken.

The immense numbers of young people seeking their way into the labour market are often cited as a "burden" for partner countries' development and as a "major development problem" in general. However, when young people are given the opportunity to apply and transfer their energy, strength, ideas, and knowledge as active members of society in the context of the necessary prerequisites and framework conditions, especially in the economic and educational realms, they offer **enormous potential for innovation, creativity, economic progress, and social change**. These opportunities must be made available – and development cooperation must play an important role in the process.

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## LINKS

**Competency Based Economies Through Formation of Enterprise (CEFE):** [www.cefe.net](http://www.cefe.net)

**Youth Employment Inventory (YEI):** [www.youth-employment-inventory.org](http://www.youth-employment-inventory.org)

**Youth Policy.org – the online hub for youth policy:** [www.youthpolicy.org](http://www.youthpolicy.org)

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On behalf of



Federal Ministry  
for Economic Cooperation  
and Development





## Gender Equality in the Labour Market – Promoting Women’s Employment

□ □ ■ Module 3.4

**Module 3.4 is part of the publication “Full and Productive Employment and Decent Work for All – Handbook on Employment Promotion in Development Cooperation” in Section 3: “Special Challenges”.**

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Abbreviations	
ACCI	Afghanistan Chamber of Commerce and Industries
BMZ	Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung / German Federal Ministry for Economic Cooperation and Development
DC	Development cooperation
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
MENA	Middle East and North Africa
UN	United Nations

# Gender Equality in the Labour Market – Promoting Women’s Employment

- Women are underrepresented in labour markets worldwide and subject to disadvantages. In the partner countries of Germany’s development cooperation efforts, the female employment rate is usually much lower than men’s. Furthermore, working women frequently work under poorer conditions, earn less, and perform many hours of unpaid work in the household.
- German development cooperation addresses gender equality in the labour market on the basis of the principles of gender mainstreaming, empowerment and policy dialogue. In the framework of employment promotion, the focus is on women’s self-determination through earning an income from productive and decent work.
- This objective is implemented in the sense of the integrated approach to employment promotion by creating and improving jobs for women, securing and improving their employability, and matching labour supply and demand. At the same time, German development cooperation promotes social acceptance and recognition of women’s work, as well as improved institutional conditions for gender equality in the labour market.

## Discrimination in the labour market

Gender-based discrimination limits the individual and collective possibilities for all people to fulfil their roles as stakeholders in a human rights-based, ecologically sustainable and socially just future. Therefore, Germany’s development cooperation (DC) not only strives to strengthen equal rights for women and men, but also to **change hierarchical gender relations**. By altering women’s and men’s awareness, equitable distribution of representative participation and responsibility, as well as access to resources and employment, can be achieved (cf. BMZ 2014). Due to discrimination, women are disadvantaged in all the world’s countries, particularly in labour markets, albeit with varying regional intensity.

- Worldwide, the **women’s employment rate**<sup>1</sup> is lower than men’s, and this ratio has been stable in most regions for decades. Whereas globally around 70 to

80 percent of men over 15 years of age work or are looking a job, only around 20 percent of Middle Eastern and North African women are involved in gainful employment, though in East Asia they make up 63 percent of the labour force (cf. World Bank 2015).

- Many employed women are faced with disadvantages. On average, they earn less than men in all regions of the world (see Box 1). The average **gender pay gap** is about eight percent in the MENA region, 34 percent in Sub-Saharan Africa and 22 percent in Europe (cf. N’opo et al. 2011).
- The lower incomes lead to the fact that many women, especially in developing and emerging economies, are dependent on their husbands’ responsible and equitable allocation of their higher income to cover the expenses of the entire household. Furthermore, more women than men are engaged in informal work. This means they are subject to both lower incomes and **inferior working conditions**. There are usually no regulations for health and safety at work or social safeguards. Many working women are double burdened, as they have to cope with housework and child care alongside their jobs.

<sup>1</sup> The female employment rate is the percentage of all women of working age who work or are seeking jobs.

## BOX 1 IDENTIFYING DISCRIMINATION – INDICATORS FOR MEASURING GENDER INEQUALITY

Discrimination is a complex, multi-dimensional phenomenon whose detection is a challenge for research and policymaking. The most important indicator of gender inequality in the labour market is the **gender pay gap**. This indicator demonstrates the difference between the average income of women and men who are fully employed as a percentage of men's income<sup>2</sup>. The method is relatively easy to apply since gender-disaggregated data on middle income is available in many countries. However, it does not distinguish among varying qualifications and is therefore considered unclear. When only women and men with comparable profiles in terms of education, age, and work experience are compared, this is a type of “adjusted” gender pay gap and is generally lower than the unadjusted version. In Germany it amounts to about seven percent (cf. Federal Statistical Office 2014). The calculation requires a comprehensive data set, which is not always available for developing and emerging countries.

The World Economic Forum attempts to address the complexity of the various dimensions of discrimination by applying a more comprehensive indicator – the **global gender gap index** – comprising components of discrimination in business, health, education, and politics. The pay gap between women and men is only a partial element of this index. In 2014, the highest values, and thus the highest degree of gender equality, were achieved in Iceland and Finland, with the lowest values, and thus the greatest inequality between women and men, appearing in Pakistan and Yemen (cf. World Economic Forum 2014).



Women working at their market stands

## Gender equality in the labour market – human rights and growth engines

There are several reasons why German DC increasingly strives to promote equality between women and men in the labour market. Equality is defined as the **practical actualisation of formal equal rights for both genders**. In addition to the adaptation of statutory provisions, measures include the inclusion of gender perspectives in a broad range of policies as well as targeted support measures (see Boxes 2 and 3).<sup>3</sup> Gender equality in the labour market is a human right and can drive economic growth while reducing poverty.

- Of primary relevance is the political-ethical consideration of **gender equality as a human right**. In the Universal Declaration of Human Rights of the United Nations (UN), Article 2 states that “Everyone is entitled to all the rights and freedoms set forth in this Declaration, without distinction of any kind, such as race, colour, sex [...]” (UN 1948, p. 2). Almost all the world's countries have also ratified the “UN Convention on the Elimination of All Forms of Discrimination against Women”. These documents include the labour

2 This method of calculation conforms to the Definition of the Organisation for Economic Co-operation and Development (cf. OECD 2015).

3 <http://abo.bmfsfj.de/BMFSEJ/Gleichstellung/frauen-und-arbeitswelt.html>.  
<https://www.bmfsfj.de/bmfsfj/themen/gleichstellung/gleichstellung-und-teilhabe/strategie-gender-mainstreaming/strategie--gender-mainstreaming-/80436?view=DEFAULT>.

## BOX 2

## GENDER MAINSTREAMING, EMPOWERMENT AND POLICY DIALOGUE – CORE CONCEPTS OF GENDER EQUALITY IN GERMANY'S DEVELOPMENT COOPERATION EFFORTS

**Gender mainstreaming** is a central strategy of German DC in the country's endeavour to establish the guiding principle of gender equality in all social and political projects. Against the conceptual background that "there is no gender-neutral reality" (BMFSFJ 2014), the needs of women and men should be taken into account in all fields of action. Since 1997, the European Union has committed itself to introducing the principle of gender mainstreaming as a cross-cutting task in all policy areas.

**Empowerment** originally described an action concept in the field of social work that assesses people's strengths and helps them to recognize and use them. Empowerment strategies in DC strive to expand the

scope of action and render people capable of determining their own lives. Personal empowerment strengthens individuals, social empowerment promotes the formation of collective identities, political empowerment fosters political participation, and economic empowerment strengthens economic independence.

**Policy dialogue** complements gender mainstreaming and empowerment in that strengthening women's rights and the achievement of gender equality are anchored in bilateral and multilateral policy dialogue, in sector-policy dialogue, and in policy consultations in the context of DC.

market as an area of social activity that is free from discrimination.

- Various scientific publications demonstrate that low participation of women in the workforce constrains **economic growth**. There is a negative correlation between the degree of discrimination against women and the gross domestic product (cf. Bandiera/Natraj 2013, Cavalcanti/Tavares 2016, Klasen/Lamanna 2009). This means that countries that actively promote gender equality can significantly increase their macro-economic growth over the long term.
- At the same time, equality of women in the labour market can contribute to **poverty reduction** because of the growth potential described above and distribution of resources that is possibly more productive. Women are more inclined to invest their own income in their family's nutrition, education and health (i.e., human capital) than men (cf. World Bank 2012, p. 164f., Dufflo 2012). These investments can raise families' incomes in the medium to long term.

The analysis of women's employment and the selection of possible solutions are of great relevance for international cooperation:

- The Millennium Development Goals identify gender equality as an explicit goal of the international development agenda (cf. Objective 1B, UN 2008). Objective 5 of the 1915 **Sustainable Development Goals** also stipulate the equality of women and men in the labour market: "Achieve gender equality and empower all women and girls" (UN 2015, p. 15). The sub-goals explicitly emphasise women's access to economic resources, participation in economic life, and access to leadership positions, as well as the recognition and esteem of unpaid housework. (UN 2015, p. 16) stresses the relevance of women's employment and the significance of equal pay for work of equal value.
- The **2012 World Development Report** on Gender Equality and Development points out the pertinence of gender equality to development. It also shows how development can aid in decreasing gender differences (cf. World Bank 2011 and 2014).
- **German DC's gender strategy** is characterized by the three approaches gender mainstreaming, empowerment, and political dialogue (cf. BMZ 2014 and Box 2). A gender analysis is required for all development cooperation projects sponsored by the Federal Ministry for Economic Cooperation and Development (BMZ). Its task is to identify the specific needs of women and men in the area of the project and recommend appropriate measures.

## Promoting equality in the labour market by means of DC measures

In its furtherance of employment, German DC pursues an integrated approach (see Module 2.2). This encompasses four employment-promotion intervention areas: labour demand, labour supply, matching in the labour market, as well as economic and labour market policy conditions. In order to advance women's employment, this approach creates context-specific links to concepts of gender mainstreaming, empowerment, and policy dialogue (see Box 3).

### Strengthening self-employed women

Worldwide, **women own about a third of all enterprises**. Women's businesses differ from those of men in that, inter alia, they are smaller on average and more frequently involved in the informal sector (cf. ILO-WED 2014). As a rule, women in German DC's partner countries are micro-entrepreneurs with few or no employees. In part, they undertake self-employment simply because they have few alternatives that allow them to secure a livelihood. This applies more to women than to male self-employed individuals.

Many self-employed women are confronted with **challenges** that inhibit growth opportunities and create inefficiencies. In many countries, they face disadvantages in regulations that govern ownership and property rights and are therefore structurally excluded from access to financial services. Due to family obligations or social norms, women are also restricted in their spatial mobility and are exposed to the double burden of domestic activities and childcare. The various dimensions of discrimination lead to increasingly unfavourable reciprocal effects for micro-enterprises. The empowerment of self-employed women can have a powerful effect on the promotion of a productive economy.

- An important tool in this context is **gender-sensitive promotion of start-ups**. This includes both gender-sensitivity in the development of a political-legal framework for entrepreneurial activity as well as the facilitation of access to financing opportunities and the creation of consulting services and training for women who are self-employed or want to be. The programmes must be adapted to meet the everyday needs of women and female micro-entrepreneurs. Beginning integrated entrepreneurship education for young women in school can motivate them to think economically.

### BOX 3

#### TOOLS FOR GENDER EQUALITY AND WOMEN'S RIGHTS – INSTRUMENTS BASED UPON GERMAN DC PRACTICE

Measures to promote gender equality must be geared toward specific needs on the ground and can thus be very different in their design. The toolbox called **“Promoting equal participation in sustainable economic development”** (cf. GIZ 2015) offers practitioners and their partners orientation in the selection of possible instruments, as well as suggestions for the design and implementation of approaches to empowerment and gender mainstreaming. In addition to central questions for gender analyses as well as references to data sources for gender issues, the Toolbox systematically presents 25 concrete approaches, points out steps for their application and possible effects, and illustrates those using examples from GIZ's portfolio. The approaches cover the following areas:

- overcoming gender-specific segmentation,
- promoting gender equality in policies and institutions,
- private-sector development and economic policy,
- vocational training and labour markets,
- development of the financial system.

Germany's online resource, the **Gender Knowledge Platform**, contains comprehensive information on gender equality in DC based upon the country's extensive experience. It presents background information and examples and includes a Consultants Pool with the names of gender experts from all over the world. In addition, the study entitled **The promotion of women's employment in development cooperation – Challenges, trends and approaches to solutions** provides detailed description of gender approaches in the labour market (GIZ/Widmaier 2015 – English version 2016).

The Gender Knowledge Platform:  
[www.gender-in-german-development.net](http://www.gender-in-german-development.net).

## BOX 4

## PROMOTING FEMALE ENTREPRENEURS RUNNING SMALL BUSINESSES IN AFGHANISTAN

Few women run businesses in Afghanistan, and even those who lead a successful small or medium-sized firm are confronted by an oppressive maze of discrimination. To combat this hydra, the **Afghan Chamber of Commerce and Industry (ACCI)** and GIZ have developed a programme to promote women in leadership roles in private sector businesses in Kabul and the north of the country, prior to which (in 2013), a survey was conducted among female entrepreneurs registered in the Chamber. This research confirmed that many self-employed women are subject to cultural or religious restrictions. Afghan women are still responsible for housework and childrearing and care, and are disadvantaged in matters of inheritance. There were few services available that support female entrepreneurs, and these were often unknown to the target group. Public opportunities for marketing, such as trade fairs, have also hardly been exploited by women.

Based on these findings, the **Female Entrepreneurs Empowerment Unit**, an institution within the ACCI that performs many tasks to support the country's female entrepreneurs, was created. These include ensuring gender-equal access to the ACCI's services, providing training opportunities specifically for self-employed women, and organising political representation for women and female entrepreneurs. This took the form of a national network comprising 65 women, and today it serves as a platform for the exchange of knowledge, as well as for the development of areas for cooperation. Furthermore, courses in business management have been offered especially for women. These comprehensive measures have already brought about effects, and a follow-up questionnaire among women entrepreneurs in ACCI revealed that 76 percent now feel their interests are being represented, an increase of 20 percent compared to the previous survey.

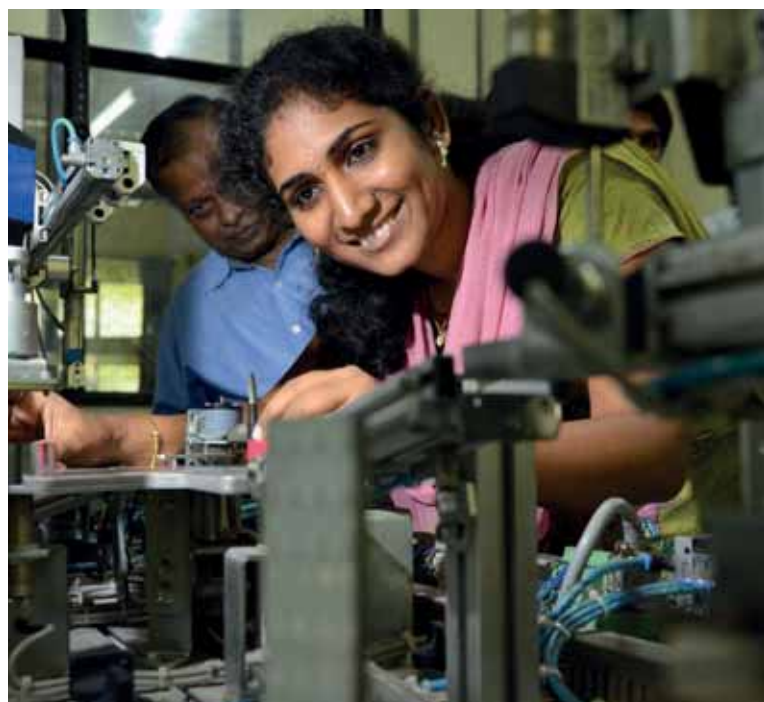
- Access to credit is a prerequisite for a company's founding and growth; hence, the **development of gender-sensitive financial products and services** that work toward overcoming structural disadvantages is crucial. These include microfinance products, bank accounts, and savings opportunities with low-threshold access such as lending and savings groups, alternative guarantees for loans, or savings accounts via mobile banking. Such instruments have proven particularly successful when women are simultaneously provided with both credit and appropriate education and training for business development.
- **Business Development Services** help self-employed women develop their companies. Training programmes that address the specific needs of women with regard to capacities, networking and finance can help secure an enterprise's sustained profitability and gradually tap into its growth potential. Establishing networks among women who are self-employed or imparting best practices of successful women can also be helpful in this process (see Box 4).
- **Gender-sensitive value chain analysis** offers a comprehensive tool for accurately identifying the needs of women in their roles as entrepreneurs, employees or consumers, and it can also provide important evidence of discrimination. Agricultural production, in which women in developing countries are over-represented, presents particular potential for rapid productivity increases.
- Since many women are engaged in informal employment, training programmes, financial services, and other support endeavours must be designed in such a way that all women can benefit from them (see Module 3.2). Both low-threshold access to the services and support for the specific difficulties faced by women in the informal sector are of relevance and importance here. Furthermore, specific offerings should address the topic of how to **move a business from the informal into the formal sector**. For self-employed female entrepreneurs, it can be beneficial to join with other women in forming simply structured cooperatives, thus pooling their power and spreading risks.



### Promoting women in dependent employment and improving working conditions

For most women, finding a dependent-employment relationship is not only more difficult than it is for men, but they are also often exposed to poorer working conditions, lower wages, and more limited workers' rights in the workplace in both the informal and formal sectors. This is attributable to the fact that more women than men work in areas that offer poorer conditions (**horizontal labour market segmentation**). Moreover, in many branches, the higher the functional level and responsibility – and concomitantly better working conditions – the fewer the women who occupy the positions (**vertical segmentation**). In order to improve women's employment conditions, the empowerment of female workers must be a factor in the equation.

- **Professional training** for female employees can enhance their employability, secure their position in the company, and open up career chances. Equipping them with soft skills and life skills raises their self-confidence and competence to position themselves in the labour market and to emphasise their own strengths. Training in employee rights and promoting workers' self-organization in trade unions strengthen the rights and representation of women in their companies.
- DC can foster **gender-sensitive corporate policies** through training programmes that sensitise managers to be mindful of the fact that women and men differ in their workplace needs. At the same time, prejudices about women's productivity can be overcome. This begins with the hiring process and continues with opportunities for advancement; it applies to equal pay, as well as to the compatibility of family and career for both women and men.
- In its effort to improve working conditions, German DC is committed to the **implementation and enforcement of health and social standards**. The promotion of employee self-organisation in works councils or trade unions and the support of non-governmental organisations that advocate for workers' rights are of relevance in achieving this. This effort must be undertaken in an intensive dialogue with policymakers and the private sector. In particular, employers have to be convinced in regard to applying standards in their processes and working conditions, as well as of the benefits of a social dialogue with organised workers. Compliance with minimum standards is often not expensive and can also be striven for in the informal sector.



Training on the use of machines for product development in small and medium-sized enterprises

### Opening opportunities through gender-sensitive education and training

**Education is the basis for women's employability.** The higher a job's educational and qualification requirements, the better the income and working conditions usually are. However, the educational level of many women in developing countries is often too low for them to work in the formal sector. Educational opportunities are often already denied to women in childhood and at school age. This is often the result of poverty and restrictive social norms that see no need for women's schooling because of their predetermined roles as housewives and mothers. Using a variety of approaches that address diverse needs and particular life stages, DC can contribute to women's empowerment.

- Measures to combat gender inequality in education are most effective and efficient when deployed in childhood. Individuals who acquire certain skills at the youngest possible age will be able to acquire new ones more easily later on (cf. Cunha and Heckman 2007). Hence, measures that **promote girls' participation in basic education** and improve the quality of primary schools augment women's chances for employment in the long term.



In a vocational school in the Jordanian city of Irbid, Syrian refugees are being trained as plumbers

- Education and training activities achieve their desired impact when they are tailored to women's needs so that the target group can participate effectively and grasp the learning content. Due to domestic obligations, many women are not in a position to participate in formal training courses that demand full-day attendance. In this case, **non-formal, modular training** serves women better since it can be integrated into their daily routines more easily. The prerequisites for women's training programmes should be kept low in order to reach poorly qualified individuals.
- Many women choose to work in typically female occupations like healthcare and childcare, but also as cleaners and seamstresses. These industries often afford low pay and comparatively poor working conditions. **Initial and further training opportunities** for women, including in traditionally male-dominated fields **in the technical and natural science realm**, can help reduce the gender pay gap (see Box 5). It is important to undertake a detailed investigation in the planning stages of vocational training programmes as to whether women actually can and will take advantage of them. Women who do not seek employment in technology or the natural sciences or are prevented from doing so by norms that are immutable in the short term should also have access to good professional training in traditionally female professions.

- In a rapidly changing labour market, women's training programmes should focus solely on professional knowledge transfer. In particular, the abilities to acquire knowledge independently, to communicate, and to present knowledge are key success factors in any job search, in being more productive, and in pursuing lifelong learning. Therefore, **promoting soft skills and life skills** as integral components of both vocational training and non-formal training and further education is an important building block of women's empowerment.

### Sensitising through career consultation, media campaigns and mentoring

Women often grow up with a traditional image of social roles based on gender that do not envision employment outside the home, which leads to them not actively following up on potential work prospects. Since working women often give up their jobs when they get married, some do not look for long-term employment that corresponds to their qualifications. For the same reason, many employers are reticent about investing in women's careers. Hence, in addition to creating and improving jobs for women and enhancing their employability, **matching supply and demand in the labour market** and sensitising employers, workers, and society in regard to issues that relate to working women play an important role in promoting women's employment.

In developing countries, people are often hired based upon personal contacts among families and friends, which makes it particularly difficult for women, whose mobility may be restricted, to acquire information about job openings. Establishing efficient and accessible **career counselling and placement services** that have an eye toward labour-market demand and reach female job seekers is a possible approach.

- There should be ample job-application training, **peer-to-peer vocational guidance**, and other similar programmes that are specifically addressed toward women. These schemes reduce access barriers and increase social acceptance. In this protected environment, women can concentrate on the challenges and issues that they face in career choice.
- Since local career-counselling opportunities rarely exist for rural women, mobile services can facilitate access, as ad-hoc mobile consulting centres can also visit remote locations at regular intervals. **Mobile job plat-**

## BOX 5

## PRACTICAL TRAINING FOR FEMALE MOTORCYCLE MECHANICS IN NORTH GHANA

GIZ's Sustainable Economic Development Programme supports the Ghanaian government's efforts to strengthen its vocational training system. As in almost all the world's countries, the percentage of women who work in skilled manual jobs and technical professions is low. Reasons for this include prejudices against women's abilities of in these fields. In the past, the Ghanaian education system promoted a **division into putative "typical" women's and men's professions**. Vocational training institutes for women and girls generally offer only courses for service staff in restaurants, as seamstresses, hairdressers, beauticians and secretaries. In cooperation with Ghana's government, GIZ has now designed non-formal training programmes in the production and maintenance of motorcycles, bicycles and photovoltaic equipment. The aim is to increase the proportion of female workers in technical-mechanical occupations.

As part of the programme, **women are trained as bicycles and motorcycle mechanics** – a segment that also has many female customers. The non-formal, modular courses include training in sales, service, and repair and maintenance of the wheels and place a strong focus on imparting entrepreneurship, customer orientation, and communication skills. Within the framework of the training, the women can obtain a motorcycle driving license. With the skills they acquire, they are qualified to open their own workshop or find a job as a mechanic or saleswoman and thus generate an income for themselves and their families.

**forms and informational offerings**, e.g. by means of newsletters that can be accessed via the Internet or SMS reach women with little effort.

- Job-placement endeavours for women need to consider both the seekers' professional desires and their abilities. **Even though job placement appears more feasible in typically feminine or gender-neutral professions, it should also be supported in typically male professions** if this corresponds to the clients' skills and wishes. Many new job fields, such as information and communication technology and "green economy", have no gender linkage.

In order to motivate women to take up employment, to show them prospects, and to dispel prejudices against working women, individual counselling and job-mediation measures are inadequate because of the long time span required alter women's and men's social-role stereotypes. These **social transformation processes** are of crucial importance for the long-term successful integration of women into the labour market and can be supported by targeted measures.

- Because the media strongly influence opinions, **media campaigns** such as film series, radio adverts, or social media campaigns can call prejudices into question and stimulate debate. Close cooperation with local partners

can help select innovative and appealing formats that are appropriate in the specific national context (see Box 6 and Module 2.6).

- **Mentoring programmes** that establish contacts between professional women and students or trainees can grow women's motivation to take their own professional path by presenting concrete examples of positive role models. This also provides mentors with valuable insight into the younger generation's hopes and assessment of their chances.

### Anchoring gender equality institutionally

For women to have the same opportunities as men in the labour market, beyond the necessity to end both legal and prejudicial discrimination, **institution-based discrimination must also be eradicated**. This condition for equal opportunity is not only inadequately fulfilled in developing countries, but also in some industrialised lands.

For example, discrimination against women in inheritance and property laws makes running their own business more difficult. Furthermore, the guarantee of paid maternity leave, health care, and job security are highly relevant for employed persons as well as self-employed persons. In



Students in teaching with information and communication technologies

#### BOX 6

### ANA HUNNA – FILMS TO STRENGTHEN WOMEN'S POSITION IN THE LABOUR MARKET

The GIZ regional project *Economic Integration of Women in the MENA Region* (EconoWin) seeks to increase women's employment prospects in Egypt, Jordan, Morocco and Tunisia. Since the participation rates of women in economic life in the Middle East and North Africa (MENA) region is the lowest in the world, one of the project's fields of action relates to **changing societal attitudes toward and perceptions of women in employment**. In all four countries, media campaigns on the subject of women and work entitled *Ana Hunna* / I Am Here were organised in close cooperation with civil society institutions. In this framework, a film competition was launched in which ten out of 120 productions were selected and awarded prizes. In addition, nine new short films were produced that were specifically designed to illustrate the everyday life of working women in the region and thus stimulate debate about the challenges they face. The films attracted great interest and were shown by NGOs at universities, schools, workshops, and national and international film festivals. Over 300 events related to the Ana Hunna campaign have been held, resulting in broad effectiveness.

Ana Hunna Initiative: <http://ana-hunna.org>

addition, in many countries, physical and psychological violence against women in public spaces pose a grievous problem that restricts their freedom of movement. Safety – both on the job and on the way to work – is therefore an important prerequisite for the employment of women. In many countries there is also a lack of institutional support for the employment of parents, for example through child-care facilities.

By **providing consultation directed specifically at the reform of relevant legislation**, German DC is able to provide assistance in project design and can also raise the issue within the framework of its work with relevant stakeholders.

- Promoting the **political representation of women** contributes their interests being taken into account in legislation.
- If government is not willing to guarantee an acceptable legal or institutional framework for women's employment, the country's private sector can nonetheless become involved in the process in a limited way. By putting **gender-sensitive corporate policies** in place, enterprises can, in some cases, qualify for support through DC programmes to help create better conditions for women. This is certainly in their interest, as it helps attract and retain qualified employees.

## BOX 7

## MEN – CHANGE AGENTS ON THE ROAD TO GENDER EQUALITY, IN THE LABOUR MARKET AND ELSEWHERE

Gender mainstreaming is not a women-specific issue, but a process that **involves society as a whole**. Both genders are affected by discrimination and advantages, albeit in varying degrees. Women's promotion is imperative because, in fact, discrimination and prejudice aggrieve women more than men. In general, males are distinctly less deprived in shaping their own lives.

As stakeholders on the road to gender equality, men are as significant as women; men can serve as **change agents**. If they come to recognize the benefits of an equal role for women in all areas of life and actively demand these advantages both privately and publicly, gender equality will become possible. Since executives – and hence employers – are still predominantly men in many sectors, they, in particular, should be sensitised to women's important role as working people – including the challenges they face in their working lives on a daily basis.

In the German DC framework, **the perspective of men is also taken into consideration** in the gender-perspective analyses that are obligatory as part of every BMZ-funded project. As there is generally a greater need for action to promote women, projects often continue to focus on this area. Nonetheless, greater attempts are being made to raise awareness among the husbands and families of women involved in the promotion programmes. This small effort can go a long way toward reducing the female participants' reservations and thus raising their motivation.

German DC also strives to stimulate the process of overcoming men's labour market-related prejudices. This can be achieved, for example, by means of vocational orientation programmes such as a "Boys' Day" – parallel to the "Girls' Days" – designed to arouse young men's interest in what are putatively typical female occupations, especially in the social field.

## Further challenges to development policy

Gender inequality in the labour market is not only a global human rights issue and related to justice, but also stifles economic potential. Gender-role stereotypes are tenacious and often transmitted unconsciously (see Box 7). Gender discrimination goes hand in hand with other forms of discrimination, which results in people being disadvantaged on several grounds: being a woman, a migrant, disabled, etc.). Gender discrimination, e.g. in the realms of nutrition, health, and education, can also undermine women's employment chances. This demands that the various **dimensions of discrimination also be deemed in context and in terms of their interaction**. German DC therefore strives to take an interdisciplinary approach toward the improvement of women's lives and closely coordinates projects in all areas in which discrimination occurs so that positive interactions can come into play.

In many of the countries with which GIZ cooperates, rapid population growth is a critical factor in the development process. In regard to women, studies show a direct correlation among higher educational levels, increased labour market participation, and declining birth rates (cf. Jensen

2012). **Gender-equality policies thus demonstrate demographic effects** and can bring double benefit profit to a country where decreasing the birth rate is desired. In this context, cross-generational processes must also be considered: When a family has fewer children, they are usually better provided for, including the daughters, raising their chances of a good education, and pursuing employment that offers an adequate income.

In the context of DC projects, greater use of other social-innovation processes for gender equality in the labour market can also be made. The rapid spread of **information and communication technologies** such as the Internet and smartphones and the accompanying platforms for digital learning, banking, and communications platforms in the partner countries can expand the women's opportunities for participation in working life. DC should recognize these opportunities at an early stage and put them to work in the process of working toward gender equality.

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**BMFSFJ on gender equality at work:** <http://abo.bmfsfj.de/BMFSFJ/Gleichstellung/frauen-und-arbeitswelt.html>

**BMFSFJ on “Gender Mainstreaming”:** <https://www.bmfsfj.de/bmfsfj/themen/gleichstellung/gleichstellung-und-teilhabe/strategie-gender-mainstreaming/strategie--gender-mainstreaming-/80436?view=DEFAULT>

**BMZ / GIZ Gender Knowledge Platform:** [www.gender-in-german-development.net](http://www.gender-in-german-development.net)

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On behalf of



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for Economic Cooperation  
and Development



# International Migration – Opportunities and Risks for Labour Markets in Developing Countries

□ □ ■ Module 3.5



**Module 3.5 is part of the publication “Full and Productive Employment and Decent Work for All – Handbook on Employment Promotion in Development Cooperation” in Section 3: “Special Challenges”.**

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<b>Abbreviations</b>		
ANDI	National Association of Industrialists	
BA	Bundesagentur für Arbeit / Germany's Federal Employment Agency	
GDP	Gross Domestic Product	
BMZ	Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung / Federal Ministry for Economic Cooperation and Development	
CIM	Centre for International Migration and Development	
DC	Development Cooperation	
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit	
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit	
MITOS	Migration Tools – Options for Sustainability	
ODA	Official Development Assistance	
OECD	Organisation for Economic Co-operation and Development	
MDP	Migration for Development Programme	
WHO	World Health Organization	
ZAV	Zentrale Auslands- und Fachvermittlung / International Placement Services – a sub-section of Germany's Federal Employment Agency	

# International Migration – Opportunities and Risks for Labour Markets in Developing Countries

- When creating employment and migration policies in developing countries, the manifold interdependencies between the two policy areas have to be taken into consideration. A coherent set of policies requires an excellent understanding of the relationships and the interactions among employment, migration and development.
- Coherent policies should be developed in the context of a partnership between the home country and the host country, with particular attention paid to the issues of brain drain and circular migration.
- Migrants' remittances only contribute to employment promotion in the country of origin when policies create incentives to increase savings and investment there.

## The relationships between employment and international migration

Approximately 231.5 million people – slightly more than three percent of the world's population – are emigrants who live outside their country of birth (cf. United Nations, 2013). The **labour market situation in the country of origin** is frequently an important reason for international migration since many people are not able to earn living wage for their families and themselves in their country of origin. In addition to a lack of employment opportunities, poor working conditions also contribute to people feeling that they have no professional perspective in their home country. At the same time, migration also has repercussions for the labour market in the country of origin. If people from developing countries leave their homeland in search of work, the labour market and employment in these countries are affected in the following ways:

- Economic adaptation processes in the countries of origin,
- brain drain (loss of human capital),
- remittances (emigrants' financial transfers),
- charitable and private sector activities of the diaspora as well as
- return migration and circular migration.

In the following, these channels of influence are discussed in more detail and suitable approaches for development cooperation (DC) illustrated.

The dynamics between migration and employment are closely related to the **poverty situation** in developing countries. According to a World Bank study, a ten-percent rise in migration can reduce poverty in the total population by 1.6 percent. A ten-percent growth in remittances can lead to a reduction in poverty of 1.2 percent, but the concomitant positive employment effects, which are an important indicator of long-term poverty reduction, are indirect and generally poor (cf. Page / Adams 2003). Return and circular migration, in contrast, can prove to be an important impetus for job creation and economic development. Emigration, though, can also have negative effects on the country of origin, e.g. through the significant loss of highly skilled workers (brain drain).

To better understand the **complex relationship between migration and labour markets**, more – and more meaningful – data has to be gathered and methods developed that will make it possible to measure and analyse the effects of migration on the labour market and employment. Due to the prevailing features in a developing country such as underemployment or informal employment, the functioning of its labour market may still not be sufficiently understood, creating the need for this additional research. Moreover, migration policy should be coherently designed and coordinated with policies related to education and training, economic development, the labour market, etc. Development cooperation can support partner countries in this effort in an advisory capacity.

This module examines the relationship between international migration and labour market in the country of origin without scrutinizing the other numerous effects migration can have on the country's development.<sup>1</sup> Furthermore, neither phenomena related to internal migration nor the effects of international migration on the labour market in the host country (both the North and the South) are discussed here.

## Employment-related challenges and potentials of migration and appropriate approaches in DC

### Economic adjustment in countries of origin: labour supply, labour demand, wages

In general, labour markets in developing countries are characterised by poorly qualified and poorly paid workers, high unemployment, underemployment, and inhumane working conditions. The impacts of emigration on these markets are complex. There are studies that attest the migration of low-skilled workers as having **great benefit** for the migrants themselves, their families, and the countries of origin recommend it as an important component of development policy. This migration is seen as an instrument for improving the alignment of labour market supply and demand in such countries and injecting large sums of remittances into the national economies. The migration of highly skilled workers, in contrast, leads to **the loss of professionals, whom these countries sorely need**, and thus hinders, for example, technical progress in the industrial and service sectors.

Distinctions must also be made in regard to the reaction of **wage levels**. These depend significantly on whether the labour supply in the country of origin actually falls as a result of emigration or whether the so-called hidden reserve (e.g. the unemployed, women, and the elderly) winds up entering the labour market, thus increasing the labour supply (producing underemployment). In the medium term, the exodus of migrants can be offset by technology and higher-skilled workers or by migrants from other regions of the country itself or from other countries. If the aggregate labour supply remains unchanged, wages would not be expected to rise. The same holds true when



People accept the traversing of long distances in the search for work (Nepal)

an economy is highly integrated into global commerce and the reduced domestic production is replaced by imports. If emigration is so high that both the country's output and demand are reduced, it is even possible that the wage level would sink.

In the long term, an **economy's goods and labour markets** adjust structurally to the changes caused by migration. In many countries, historical observations show that automation of agriculture has taken place as a result of emigration – a reaction to the reduced availability of low-skilled workers. Changes in local production techniques and workers' skills engender adjustments in the wage structure and the types of jobs available. A similarly mixed picture emerges empirically: Whereas in some cases (e.g. Pakistan, the Philippines, Mexico, Malawi, and Mozambique) emigration has led to higher wages in certain sectors of the economies of the countries of origin, wages in other countries (e.g. Sri Lanka) have remained unchanged (cf. OECD 2007).

Both the **reduction of unemployment and wage increases** are good news for poorer workers who are not able to emigrate. Through the indirect promotion of employment, migration contributes to reducing poverty,

<sup>1</sup> See, for example, the study "Migration and Sustainable Economic Development" (GIZ/CIM 2013) or the GIZ Expertise page "Migration and Development" ([www.GIZ.de/migration](http://www.GIZ.de/migration)).



The exodus of doctors and nurses has left painful gaps in Africa's health care (Uganda)

even for non-migrants. Here it should be noted that the effects are not always verifiable at the national level. Wage increases and the reduction of unemployment are often only visible in local labour markets that are exposed to high migration. Since wage rises increase employers' production costs, their long-term effects ultimately depend on how the economies adapt to migration.

### Labour markets and brain drain

The emigration of highly skilled people can potentially have **both positive and negative effects** on the economy of the country of origin. For example, brain drain in developing countries can severely jeopardize the availability of key services, especially in the educational and health sectors, with commensurate negative effects on poverty. It is estimated that twenty percent of all African doctors and ten percent of all African nurses work in an industrialized country (cf. Clemens/Petterson 2007).

Two factors are particularly important in regard to the labour market. One is that poor **working conditions** in their home countries lead to the emigration of highly skilled workers. Associated issues are the low wages in the home country compared to the host country, dissatisfaction with the facilities and equipment, and the poor

prospects for promotion and professional development. The second factor relates to a possible brain drain impact that is referred to as the "**foreman effect**", which occurs when a production technology requires a minimum number of higher-skilled employees or a certain ratio between higher and lower-skilled workers. When a highly qualified foreman leaves the team, it can reduce the productivity of the colleagues who remain teammates. The foremen in this sense are key figures since some enterprises would have to reduce the breadth and depth of their activities without them. The economy needs time to adjust to this loss. Meanwhile, the working conditions and income of the low-skilled workers who stay can worsen. An example is nurses in hospitals where there are no more doctors.

To limit brain drain due to the emigration of highly skilled workers from certain sectors, DC has to work toward **improving working conditions**. Offering more training programs in their countries of origin could make it more attractive for highly skilled workers to stay, thus helping to limit the outflow of knowledge. Furthermore, the dialogue between the home and host countries in regard to implementing ethical recruiting criteria can be supported. Promoting **circular migration** through on-the-job training and improvement of migrants' employability can contribute to increased knowledge transfer and thus reduce the negative impact of brain drain.

BOX 1  
FROM THE NOVEL “LEAVING TANGIER”  
BY TAHAR BEN JELLOUN

“As a result, Abdeslam became an advocate for staying in the country and a fierce opponent of the people smugglers. He went everywhere, explaining to those seeking to leave that only one in ten would arrive in Europe [...].

But what could he answer to those who said, ‘One out of ten? Well, it’s at least something! It’s a poker game, insanity. But if we stay in this café, nothing will happen, absolutely nothing. In ten years we’ll still be sitting here, drinking the same coffee with warm milk, smoking hash, and waiting for a miracle. Work, that’s the miracle: proper, well paid, respectable, secure, decent work ...’

Abdeslam would have loved to perform miracles, but he was a mere bricklayer, a man who had lost his brother and suffered day and night as a result.

When he looked for arguments to present to the men in the café, he started to stutter. They made fun of him.

‘Yes, you’re going to deliver another one of your sermons about how our country needs its children and that we can’t leave because if we all go away, our land will disappear. Well, we love our land, but it doesn’t love us! Nobody does anything to give us a reason to stay. Haven’t you noticed how things work? Whoever has enough money corrupts, bribes, hands it over, pretends to understand, and then it works! As long as things go on like this, how are we supposed to love our homeland?’”

Unofficial translation from Ben Jelloun (2009)

### Effects of migrants’ remittances on the labour market

Migration, or more specifically, the remittances emigrants send to their families in their homeland, can affect employment. According to the World Bank, these transfers totalled **435 billion** US Dollar in 2014, making them about three times greater than official development

assistance (ODA) (cf. World Bank 2014). Here, however, it must be noted that remittances and ODA funds do not necessarily flow into the same countries. In fact, it is primarily countries that receive little ODA which benefit from the transfers sent by workers abroad. The largest recipients of remittances as a percentage of GDP are Tajikistan (42 percent), Kyrgyzstan (32 percent), Nepal (29 percent), Moldova (25 percent), and Lesotho (24 percent) (cf. World Bank 2014, p. 5). On average, remittances amount to ten to twenty percent of the recipient countries’ GDP. In contrast to other flows of foreign capital, they are not only more stable but also usually anti-cyclical (cf. Mohapatra/Ratha 2011, p. 11). Remittances can make a significant **contribution to poverty reduction** and provide a major source of foreign exchange for the country.

For the most part, emigrants’ remittances have **indirect effects on employment**. Studies on the use of these transfers in a number of countries suggest that a significant portion goes to consumption, although a more productive use would be advantageous for economic development. The situation is complicated by the fact that the recipients often do not have the possibility or incentives to expend the remittances productively. Nonetheless, due to multiplier effects, the consumptive use of remittances can still have a positive effect on employment. Remittances can stimulate the local economy and create jobs if the increased demand is met by local products and services.

In addition to everyday consumption, remittances are also expended for **investment in human capital**, particularly in health and education, thus increasing the receivers’ employability. Investments in technical equipment (such as a mobile phone or refrigerator), vehicles (such as a motorcycle or car), and real estate can make economic activity possible or less complicated. Emigrants’ remittances also fulfil an important **insurance function** for family members at home, permitting them to be willing to take risks and undertake entrepreneurial activity.

When remittances are saved, the ability of financial institutions to lend to local entrepreneurs is strengthened. This can also have indirect positive employment effects, but a prerequisite is the existence of trusted financial institutions that offer the transfer recipients security and financial returns.

Remittances can also **negatively affect local labour markets** by lowering the incentive to seek work (rent-seeking behaviour), thus reducing the labour supply. This is the case when job opportunities are unproductive and are poorly paid (e.g. in agriculture).

## BOX 2

## TRIPLE WIN – RECRUITING SKILLED EMPLOYEES RESPONSIBLY

In the “**Triple Win**” joint project, the German Federal Employment Agency’s International Placement Services (ZAV) and GIZ are developing new approaches for recruiting skilled workers abroad. The pilot project’s main task is to balance the divergent interests of the German labour market, the country of origin, and the professionals so that all benefit. Healthcare givers from Serbia, Bosnia and Herzegovina, the Philippines, and Tunisia are placed in vacancies in German health-care-sector enterprises. For the professional, this type of migration means a chance for improved life opportunities for themselves and their families. In countries with high unemployment, it can also reduce pressure on the labour markets. Furthermore, German firms gain qualified employees. When choosing the partner countries, the focus is on those countries that have an oversupply of skilled professionals to assure the obviation of brain drain.

In cooperation with the partner countries’ employment services and ZAV, caregivers are personally selected; prepared linguistically, professionally, and interculturally; and placed in an appropriate job. Transparent processes for placement, selection, and departure procedures that are based on the WHO Global Code for the international recruitment of health professionals prevent corruption, irregular migration, trafficking,

wage dumping, and the excessive migration of talent – and also facilitate integration. The accompaniment of the emigrating professionals begins in the home country and continues through the arrival and the duration of the residence in Germany. GIZ supports the process with its international external structures, and after arrival in Germany, helps foster the caregivers’ acquisition of German-language qualifications, the technical preparation for their jobs, and the process of integration. Moreover, the “Triple Win” project coordinates the procedure for securing recognition of foreign professional qualifications, thus enabling the nurses to work in Germany in positions commensurate with their training and to be able to develop professionally during their sojourn.

Other German government initiatives are testing alternative approaches to reducing the shortage of skilled workers in the German market, taking the “Triple-Win” concept into account. These include training Vietnamese personnel as caregivers for the elderly, an online “welcome portal” for international professionals that contains a wide range of information about living and working in Germany, and promoting the legal mobility of female and male Tunisian engineers.

Source: GIZ (2013a)

**Development cooperation measures in the realm of remittances** can support and reinforce the indirect positive impact on economic development and employment that have been mentioned. One effort seeks to **reduce the cost of money transfers** and hence makes sending funds via formal channels more attractive,<sup>2</sup> which will allow more money to arrive safely to the emigrants’ families. Another activity attempts to **improve conditions for the productive use of remittances**. For more remittances to be invested or saved, incentives must be created in the environment of a positive business and investment climate. Financial products are also necessary to better fulfil the needs of the migrants and their families (cf. GTZ 2009).

### Activities of the diaspora and effects on the labour market

Emigrants often make a significant contribution to the improvement of the employment situation in their countries of origin through direct engagement. Many become involved in community-oriented, social-service activities in the context of **migrant associations** (cf. Box 4). When, for example, they support the establishment or expansion of a vocational school, it improves the local population’s employability. Through training programmes, they transfer the know-how they have acquired abroad to local employees and enterprises. In the short term, infrastructure projects such as the construction of a bridge or road create employment and constitute the basis for future economic growth. However, in such cases, the local population often contributes their (unpaid) labour input to the project. Other forms of projects provide long-term income

<sup>2</sup> For example, the consumer information at the German-language [www.geldtransfair.de](http://www.geldtransfair.de) seeks to increase transparency in the German remittances market.

### BOX 3 THE MITOS TOOL SET

MITOS (Migration Tools – Options for Sustainability) is a tool set developed by German development agencies to help the private sector improve utilisation of the potential of migration. MITOS is aimed at actors in DC and the private sector, NGOs working with migrants and their families, and diaspora organisations. The collection currently contains sixteen instruments that link migration and the development of the private sector. There are tools like the migrant opportunities website, idea generation for investment opportunities, business creation, and cash-flow management. All instruments are classified according to five criteria such as the type of impacts intended, costs, complexity, necessary expertise, and place of implementation (country of origin or destination country). It contains information on the types of tools that can be deployed for the various types of migration. Approaches presented in the MITOS tool set are applied in numerous German DC projects. GIZ's Migration and Development sector project serves in an advisory capacity for questions regarding their application and integration in projects. MITOS was conceived as a “living” tool set that will be supplemented and updated continuously.

Source: GIZ (2013b)

and employment. In such cases, the employment effects usually remain limited to the local level, but when these result in durable success, they can be quite significant for the region.

In addition to their community-oriented activities, emigrants' **private-sector activities** contribute to creating jobs in both their home country and the host country. It is estimated that in China in 2000, half of the foreign direct investment – amounting to 41 billion US Dollar – stemmed from the Chinese diaspora (cf. Wei 2004). The Indian diaspora in Silicon Valley has also made a significant contribution to the development of India's software industry. In addition to direct investment and outsourcing, migrants establish companies, which create more jobs. Migrants are also active as commercial middlemen. They have contacts in their home and host countries and are familiar with both (business) cultures. They are either personally involved in commercial trade agencies, or they serve



These young people have managed to secure their first jobs: Young lab technicians deep in discussion (Morocco)

as employees as the basis for their firm's import or exports of goods from their homeland. The diaspora also creates a demand for certain services and “nostalgic products”<sup>3</sup> from the country of origin. In countries in which emigration plays a major role, these can account for a large share of exports. For example, it is estimated that about ten percent of El Salvador's exports are nostalgic products (cf. Orozco et al. 2005). This helps to develop new markets and creates jobs.

**The actual potential of emigrants' social and private-sector commitment** always depends on the nature and cause of migration: For example, are the emigrants unskilled or highly qualified, do they emigrate to seek work or an education, or are they refugees? Other factors relate to the conditions in their country of origin: the labour market situation, the business and investment climate, and the government's attitude toward the diaspora. Also relevant is the situation in the countries in which the migrants plan to seek their fortunes: Will they be granted legal residence status? Will they be able to integrate into the labour market? Not all countries offer propitious circumstances, with the result that the diaspora community is not always in a position to contribute to economic development and employment.

3 “Ethnic” or “nostalgic” products are goods purchased by migrants in the host country because of their special relationship with their country of origin. They include regional foods, traditional clothing and jewellery, and special tools.





Many migrants find seasonal work in agriculture (Madagascar)

Migrants' socially oriented activities can be promoted by **matching-funds programmes** in which the projects of migrant organisations are augmented with public funds. The employment effects of projects can be enhanced by appropriate parallel consultation (cf. GIZ 2013b). In order to promote direct investment and the establishment of enterprises by migrants in their country of origin, an attractive commercial and investment climate is especially important. Furthermore, attention should be paid to the extent that existing enterprise services actually meet migrants' needs. Another approach is the establishment of information and contact structures targeted at the diaspora. These can be used to create investment programmes, primarily in labour-intensive sectors, and to engender cooperation with local entrepreneurs. Moreover, attempts can be made to try to win emigrant entrepreneurs as *business angels*.

### Return migration, circular migration and employment

When their experience has been positive and they make the decision to return to their countries of origin, migrants are frequently in a position to bring **capital and know-how** back to their homelands. They have better employment opportunities and found their own companies more often than their countrymen who remained behind, thus contributing to growth and job creation. However, if **deskilling** (brain waste) took place in the host country, it is difficult for the returnees to find jobs whose skill requirements are commensurate with their original qualifications.

## BOX 4

## HONDURAS – USING SUCCESSFUL EMIGRANTS’ KNOWLEDGE FOR THEIR COUNTRY OF ORIGIN

Carlos Campos is a common name in Honduras and this particular thirteen-year-old boy was like one of the thousands, who bear this name in the Central American country: small, thin and poor. As a child he worked in his parents’ small tailor shop in the provincial town of El Progreso. He didn’t have much more to which he could look forward. Tailors are not only starvelings in German children’s stories; it is also the case in Honduras. This Carlos Campos, however, wanted more.

In 1986, when he was thirteen, he left home. “I went from one city to another, from one train to another.” After a few months, he was in New York. He found work, first in fast-food restaurants and later in a tailor shop. He worked during the day and learned at night.

Carlos Campos now has his own design studio in New York and about a dozen employees. He clothes pop musicians like Ricky Martin and works for large fashion houses. “My raw material comes from Honduras,” he adds, referring to himself and his strong-willed nature.

“These are precisely the people we were looking for, Honduran emigrants who ‘made it’ in their host countries,” says Lisa Feldmann, a GIZ consultant who advised the **Honduras Global** programme on behalf of Germany’s BMZ. With their help, the goal is now to prove that migration from poor to rich countries can have greater significance for the emigrants’ countries of origin than the money they transfer to family members at home. In fact, it is not only poor young men with little formal education who seek their fortune in the North: Honduras also loses about a third of its university graduates due to emigration. Feldmann specifically looked for the successful ones.

Together with the Ministry of Planning, the National Association of Industrialists (ANDI), and the Salvador Moncada Foundation, Feldmann invited twenty of these expatriate Hondurans to create an identity for a new idea. The GIZ consultant summarizes the goal



Carlos Campos has become successful as a designer in the USA – and now shares his know-how back in Honduras

of “Honduras Global” by fusing two terms. The brain drain – the loss of the best minds – should evolve to become brain gain – the repatriation and economic application of knowledge acquired or deepened abroad. As of December 2013, the network had grown to include 55 members. Honduras Global is based in the US and Europe. Its members develop and implement their own projects, such as the establishment of a research and innovation centre and laboratories for research into various genetic diseases. Overall, the work of Honduras Global focuses on three specific goals: (1) promoting economic development and Honduran entrepreneurship, (2) providing support through know-how transfer, and (3) strengthening national identity and image enhancement in Honduras.<sup>4</sup> Carlos Campos also has big plans: He wants Honduras to become a trademark in the fashion world. He says, “We can achieve the same level of aesthetics and quality as Italian fashion.” Everything is available: a textile industry and design students, advertising and marketing, photographers, and models. They only have to be brought together, but Campos adds, “I can’t do that alone.” Honduras Global helps him search for partners.

Source: Keppeler (2011)

4 For a detailed description of “Honduras Global” see the handbook entitled “Diaspora Knowledge Networks Experience of Honduras Global” (Sedding/Sabillón 2014).

## BOX 5

## GOING HOME WITH NEW BUSINESS IDEAS

The “**Business ideas for development**” (*Geschäftsideen für Entwicklung*) programme, a joint effort of the Centre for International Migration and Development (CIM)<sup>5</sup> in cooperation with the Frankfurt business incubator “Compass”, supports migrants living in Germany who want to start their own enterprise in their home country in order to boost the local economy and encourage innovation. With their know-how and business ideas, these aspiring entrepreneurs can help their native lands advance by stimulating economic growth and creating new jobs. They primarily establish knowledge transfer and create new perspectives for their countries of origin, but also for Germany.

Returning home, though, is not an absolute requirement for the migrant to receive support. The crucial point is that the company to be founded contributes positively to the progress of the country of origin’s development policy. The programme does not provide support of a financial nature. Rather, potential entrepreneurs from Morocco, Cameroon, Georgia, and Indonesia<sup>6</sup> are offered seminars, coaching in regard to individual business plans and their implementation, and establishment of contacts. The young entrepreneurs can also turn to a CIM consultant on site in difficult situations.

The organisations supported are diverse. Since 2012, 25 CIM-sponsored start-ups have been created in Morocco in various areas such as software development, industry, and food processing. So far, up to thirty new jobs have been created per business. For example, through the establishment of a company that manufactures high-quality olive oil for the European market, there has been a conversion of olive oil production to environmentally friendly methods, new jobs have been created, and the income of local olive farmers has improved.

“Business ideas for development” is part of the CIM’s “Migration for Development” (PME) programme, undertaken on behalf of Germany’s BMZ. PME supports people in Germany with immigrant backgrounds who want to improve living conditions and social development in their home country by promoting the development-policy commitment of migrant organisations, creating programmes for returning experts, and providing migration-policy consultation to partner governments.

Source: [www.geschaeftsideen-fuer-entwicklung.de](http://www.geschaeftsideen-fuer-entwicklung.de)

Subsequent re-entry into the labour market of the host country is also difficult if it cannot absorb the returnees, if their networks and essential (linguistic) knowledge have deteriorated after a long absence, or if problems arise in regard to recognition of qualifications they have acquired abroad. For some returnees, **starting their own business** is a concrete alternative (cf. Box 5). To make sure that start-ups are growth-oriented and opportunity-based, the return must be voluntary. Moreover, like the return to the labour market, there have to be incentives for this option to be attractive to migrants.

A migrants’ return can be either permanent or temporary. **Circular migration** is a form of migration where migrants move back and forth between the home and host countries, making it difficult to measure the extent of return migration. Circular migration is currently being discussed as a model from which the country of origin, the destination country, and the migrant all benefit. By introducing incentives and attractive working conditions, the countries of origin can attract returnees who possess qualifications that are missing in the labour market. Through cooperation between home and host countries, circular migration can be facilitated, for example, through the mutual recognition of qualifications in qualification frameworks. A number of donors have also attempted to promote circular migration or permanent return through targeted programmes. Further examination of how these programs are designed and what conditions must be present is required so that they achieve a strong development-policy impact.

<sup>5</sup> CIM is a consortium composed of GIZ and the German Federal Employment Agency’s ZAV.

<sup>6</sup> “Business ideas for development” has launched pilot projects in four countries: Morocco, Cameroon, Georgia, and Indonesia. Expansion into other countries is currently under discussion (as of December 2014).

## Further challenges to development policy

There is a tight link between migration and employment, so the **multifaceted interdependencies** between the two have to be taken into consideration when designing pertinent policies. By deploying appropriate instruments, developing countries can use labour migration proactively toward sustainable economic growth and the improvement of the domestic employment situation. Particularly suitable **starting points for DC counselling** are the promotion of more productive uses of remittances, the creation of a favourable environment for the diaspora's private-sector activities, and the promotion of return and circular migration. Moreover, developing countries have to pay particular attention to the domestic labour market situation. Improved working conditions, targeted training programs, and dialogue with destination countries can create incentives for highly skilled workers to stay home, limiting the loss of knowledge and skills.



The engagement of migrants in their countries of origin helps promote the development process (Malawi)

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## LINKS

**GIZ / CIM:** Price-comparison portal GeldtransFAIR.de, [www.geldtransfair.de](http://www.geldtransfair.de).

**GIZ / CIM:** Business ideas for development, [www.geschaeftsideen-fuer-entwicklung.de](http://www.geschaeftsideen-fuer-entwicklung.de).

**GIZ Fachexpertise:** Migration and development, [www.giz.de/migration](http://www.giz.de/migration).

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On behalf of



Federal Ministry  
for Economic Cooperation  
and Development



## Green Jobs – Achieving Employment Effects from Green Economy Strategies

□ □ ■ Module 3.6

**Module 3.6 is part of the publication “Full and Productive Employment and Decent Work for All – Handbook on Employment Promotion in Development Cooperation” in Section 3: “Special Challenges”.**

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## Abbreviations

BMZ	Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung / German Federal Ministry for Economic Cooperation and Development
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
ILO	International Labour Organization
OECD	Organisation for Economic Co-operation and Development
SE4JOBS	Sustainable Energy for Jobs

# Green Jobs – Achieving Employment Effects from Green Economy Strategies

- Structural change towards a green economy can provide employment potential in environmental innovations, including for developing countries. To fully exploit the employment potential and mitigate negative social impacts of environmental policy in existing industries, it is necessary to use employment policy instruments to support this structural change.
- In addition to so-called “green” economic and employment policy advice, private sector development, labour market services as well as vocational training and qualifications must be designed to be ecologically sound and “green” to promote more and better employment in the course of green structural change.
- Studies on the overall economic effects of green economy strategies in emerging and developing countries show relatively low positive overall economic employment effects. However, the studies do suggest that green jobs contribute to improving workplace quality – in part because they are generally linked to higher qualification requirements.

## The concepts of green economy and green jobs

In recent years, and especially in the context of the UN Rio+20 Conference, various reform concepts for a more environmentally friendly economy have been discussed. The keywords “green new deal”, “green economy”, “green growth” and “green development” are just a few of these concepts.<sup>1</sup> Nearly every goal and target of the 2030 Agenda addresses green economy issues.<sup>2</sup> In SDG 8 on sustainable economic growth and decent employment, Target 8.4 includes the call to: “endeavour to **decouple economic growth from environmental degradation**”. Not only is this reform necessary to conserve global ecosystems via resource-conserving economies, it is also necessary to minimise the scale and thus the cost of adaptation to environmental changes such as climate change. Studies show that developing countries – and particularly their poor population groups – will be more affected by the effects of climate change (cf. IPCC 2014, pp. 19 ff.).

In a narrow sense, key **concepts of the green economy** refer to companies and industries that produce individual environmental technologies<sup>3</sup>; in a broader sense they comprise environmentally friendly and efficient technologies, goods and services in all economic sectors.<sup>4</sup> The transition to a green economy is associated with costs, but also with a variety of opportunities for employment and economic growth. These opportunities result from the avoidance of costs due to the overuse of natural resources, from environmentally friendly technologies, products and services, as well as from the sustainable management of national resources, for instance.

The related **employment potential** is at the heart of the discussion about green jobs. Whether or not and to what extent the transition to a green economy is reflected in overall job growth depends on the conditions and capacities of the given country. Furthermore, substitution effects as a result of structural change, including job losses in other industries, as well as labour productivity and

1 In the module, the term “green economy” is used as a generic term for a series of related approaches. Bär / Jacob / Werland (2011) provide an overview of the concepts.

2 For instance, SDG 7 on renewable energies, SDG 12 on sustainable consumption and SDG 13 on climate action.

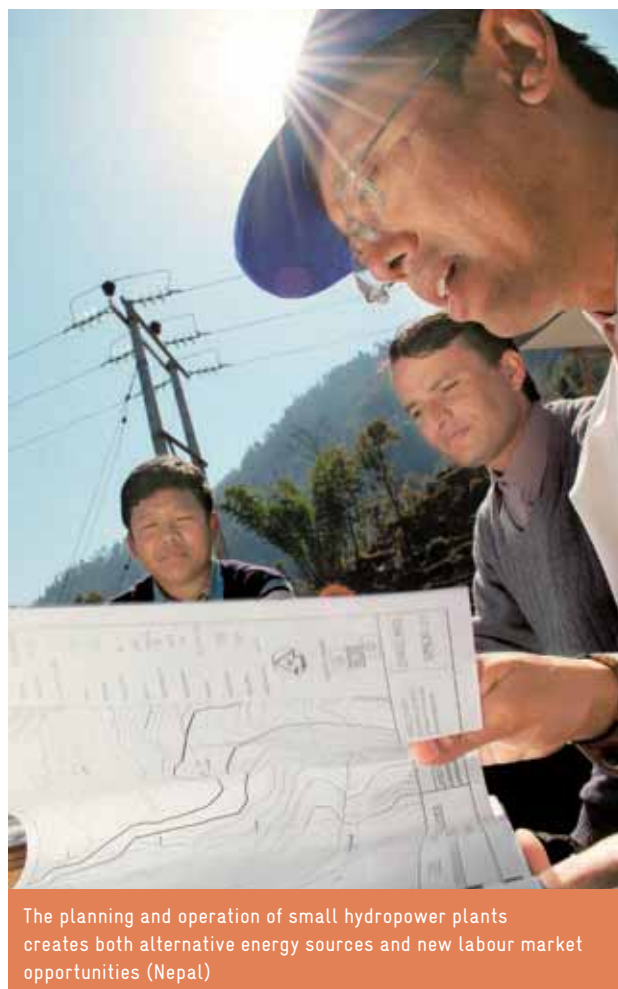
3 Examples of such environmental goods and services are filtering, measuring, cleaning and recycling technologies.

4 Examples include the GreenTech Atlas from the German Federal Ministry for the Environment or the British Low-Carbon Goods and Services initiative.

intensity in various sectors, also play a role. The flexibility of the labour market has an influence on how quickly an employee can or must change jobs; environmental and innovation policies can promote new technologies as well as stimulate new industries or employment in the sustainable use of natural resources. These factors have both positive and negative effects on employment and can vary depending on the country.

The term “**green jobs**” refers to jobs created as part of the green economy. Analogous to the green economy, the term “green jobs” could also be understood to refer to employment in certain sectors of the economy, or, in a broader sense, also to jobs that contribute to improving efficiency in non-green sectors. In addition, a distinction is made between an output perspective and a process perspective. For instance, the US Bureau of Labor Statistics defines “Jobs in businesses that produce goods and provide services that benefit the environment or conserve natural resources” (output perspective) and “Jobs in which workers’ duties involve making their establishment’s production processes more environmentally friendly or use fewer natural resources” (process perspective) (Bruvoll et al. 2012, p. 19).

**Employment effects of green economy strategies** have both a quantitative and a qualitative dimension. This includes both labour productivity issues and the corresponding pay levels as well as the objectives of broad-scale success and decent work (cf. Module 3.1). Broad-scale success implies that all citizens have access to the labour market and education, and that structural change is accompanied by labour market, employment and social policies that alleviate its negative consequences. Decent work in the sense of the corresponding International Labour Organization (ILO) agenda refers in particular to linking ecological sustainability with work standards.



The planning and operation of small hydropower plants creates both alternative energy sources and new labour market opportunities (Nepal)

## Policy instruments for employment promotion in the green economy

In order to achieve the objectives of more and better employment, the German development cooperation is pursuing an integrated approach<sup>5</sup> that strives to coordinate measures in the following areas:

- **Economic policy**, in particular to make conditions more **conducive to employment**;
- **Creating and maintaining jobs**, especially via a competitive private sector;
- Improving **employability**, through professional training and skills;
- Improving **coordination mechanisms** such as counselling and access to the labour market.

<sup>5</sup> Cf. Module 2.2 for a detailed presentation of the integrated approach to employment promotion.

## BOX 1

## EMPLOYMENT PROMOTION THROUGH RENEWABLE ENERGIES AND ENERGY EFFICIENCY IN THE MENA REGION

The expansion of renewable energies is increasingly being pursued in the MENA region in order to reduce the environmental impact in the future and improve the security of supply. This should increase local value creation and create new jobs. On behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ), the RE-ACTIVATE project in Morocco, Tunisia and Egypt provides support at the interface between promoting sustainable energy and developing the local economy and local employment.

The RE-ACTIVATE project will initiate measures in the target countries involving employment promotion through renewable energies and energy efficiency in the farming and food processing sectors. Together with partners, awareness and capacity-building measures, as well as pilot and demonstration systems will be implemented at a local level on the basis of market and potential analyses. Decentralised energy generation by means of photovoltaics, solar energy and wind energy as well as energy efficiency in buildings in particular will be promoted.

The Sustainable Energy for Jobs (SE4JOBS) network of experts was also set up as part of RE-ACTIVATE. Models for the successful use of the employment and income-promoting effects of energy efficiency and renewable energies were identified and prepared on the basis of good practice country studies. Based on the study results and an exchange with experts within as well as outside of *Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH*, an application-oriented collection of instruments was developed on the *Energypedia* internet platform: “SE4JOBS Toolbox – How to Foster Local Value and Employment: Good Practices and Tools for Optimizing Socio-Economic Benefits of Sustainable Energy Technologies in Developing and Emerging Countries” (GIZ 2016). Through various decision-making options, it identifies the issues that are relevant for designing employment-oriented green economy strategies and the analysis instruments that are available to find answers to specific country contexts.

Accordingly, **policy instruments** for an employment-intensive green economy can be subdivided:

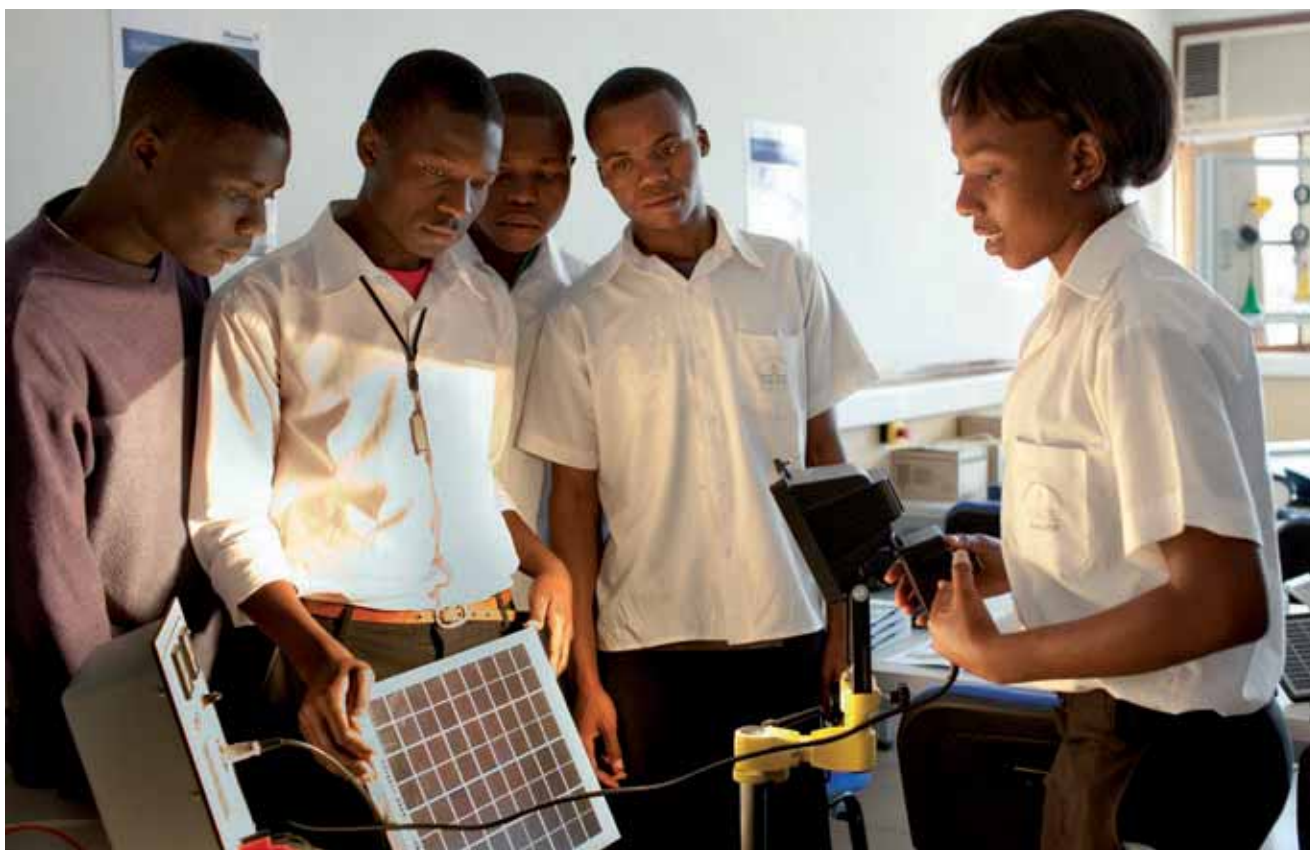
### Green economic and employment policy

In order to support employment-oriented green structural change with economic and employment policies, the formulation and implementation of an overall strategy is recommended. To this end, development targets for a **green economy**, including green jobs and a corresponding regulatory framework, should be set. This also includes a green structural policy that promotes the corresponding green sectors with employment policies as well as monitors the transfer of jobs to these sectors and social cushioning for job vacancies in shrinking sectors.

Resource-saving and low-emission production can be promoted via various instruments that **correct market failures**<sup>6</sup> and provide incentives for environmentally sound production.

- **Market-based instruments** have an economic incentive effect by placing a price on emissions or the use of natural resources. Examples include tradable rights (e.g. emission allowances), environmental taxes (e.g. taxes on CO<sub>2</sub> or petroleum), charges (e.g. congestion tolls, deposit systems), as well as the phasing-out of environmentally-damaging subsidies (e.g. energy price subsidies, tax breaks).
- **Regulatory intervention** (e.g. environmental restrictions and prohibitions such as maximum emission limits) can also correct market failures.

<sup>6</sup> The market fails in the environmental sector in particular because the use of many environmental resources, such as the atmosphere, oceans or certain forests is free, resulting in their overuse.



A training course on renewable energies was set up in this institute in Mozambique

- **Supply-side measures** (e.g. promoting the development of green technologies, promoting green investments and companies, or the development of green infrastructures) can provide targeted incentives for green economic development.

It is of crucial importance that these instruments are designed and applied in an **employment-oriented manner**:

- Environmental restrictions and prohibitions, especially when they are announced and implemented with sufficient lead time, can make an important contribution to innovation, **increasing competitiveness**, opening up new domestic and foreign markets, thus creating additional jobs.<sup>7</sup> However, some of these effects can be offset if other countries catch up with developments in the field of environmental technologies and industries or if industries with a negative environmental impact migrate to countries with lower environmental standards.
- Environmental taxes and emissions trading could have a short-term negative impact on economic growth and employment as a result of higher prices, especially of fossil fuels. However, there is the possibility of a so-called **double dividend** if the income from environmental taxes and emissions trading is used to reduce income taxes and work-related social security contributions or for additional public investment with positive employment effects.
- Environmentally friendly subsidies can push the **introduction of new technologies**, products and services. However, it is important to avoid piggy-backing on a large scale; overall costs should remain within reasonable limits and subsidies should be steadily phased out as soon as the market-creating effect is felt.
- Among supply-side measures, **payments for ecosystem services** in particular offer considerable employment potential. These include, for example, using and remunerating the local population for sustainably managing soils, forests and water catchment areas. An example of this is in Costa Rica, where since 1997, owners of selected forest areas have received payment from a national fund sourced from revenue generated by a national

<sup>7</sup> This corresponds to the so-called Porter hypothesis which states that environmental policy regulations may increase the competitiveness of companies (cf. Porter / van der Linde, 1995).

fuel tax. Work in the field of ecosystem services can be organised in the form of public work programmes (cf. Module 2.7). In particular, reforestation work is often undertaken in the context of these employment programmes.

### Employment-oriented green private sector development

In order to increase demand for green jobs, various employment-oriented private sector development instruments can be used (cf. also Module 2.3). In addition to the **promotion of green start-ups**, the promotion of green businesses, the promotion of innovation and value chains, as well as the promotion of green financial systems development are of particular importance.

**Green business services** include advising companies on the development and marketing of green products and services, improving competitiveness by increasing energy and resource efficiency, as well as implementing and complying with environmental and social standards as a matter of principle and as a prerequisite for opening up markets. Green business services are relevant to employment since they are in many cases the prerequisite for creating new jobs by opening up new markets and improving competitiveness. Compliance with environmental and social standards leads to positive qualitative employment effects.

A distinction must be made between product and process innovations when **promoting green innovations**. The development of new products (e.g. photovoltaic solar installations) can open up new markets. Improving and increasing the efficiency of production processes make companies more competitive and allow them to expand their share of the market. In this respect, positive employment effects can be expected from green product innovations as well as green process innovations.

With the promotion of **green value chains** (e.g. organic foodstuffs), the employment effects depend on the labour intensity of the production, processing and services operations on the one hand and the market potential of the respective value chain on the other. The greater the labour intensity and the market potential, the greater become the quantitative employment effects. The promotion of green value chains can, however, also refer to the ecologically and socially sustainable design of other value chains. Respecting, enforcing and complying with environmental and social standards make it possible to achieve qualitative employment effects, such as compliance with labour standards as well as improved working conditions and earned income. The Decent Work Agenda and the ILO's core labour standards (cf. Module 3.1) are particularly relevant in this context.

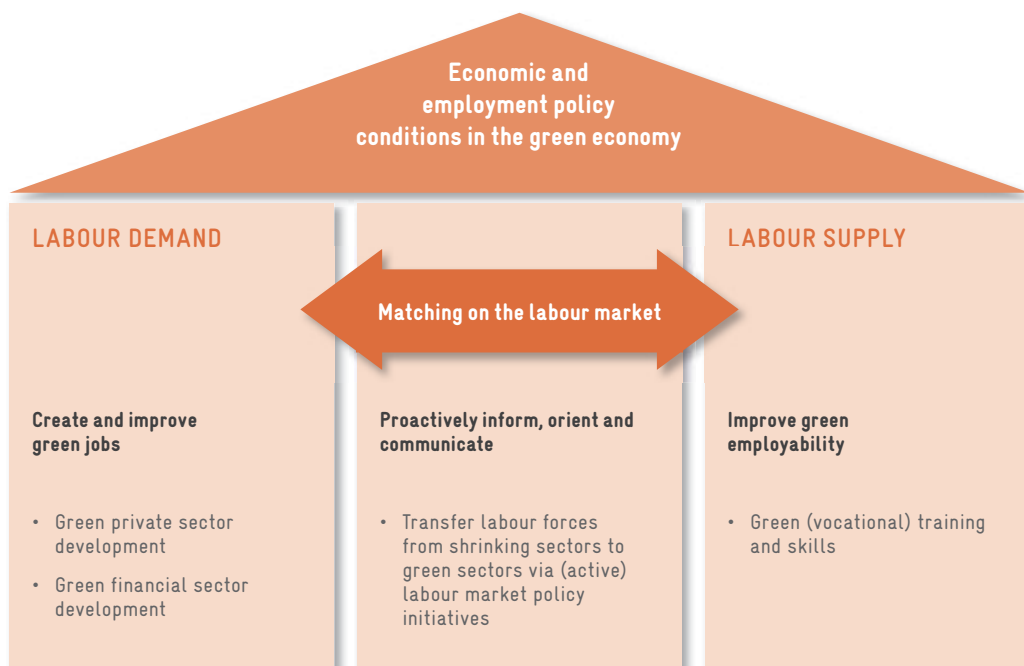


Figure 1: The integrated approach to promoting employment in the context of the green economy



The installation of new plants in the field of renewable energies creates jobs (Nepal)

The aim of developing **green financial systems** is to finance green investments, products and services (e.g. energy efficiency measures in companies, energy-related residential redevelopment, and the installation of regenerative energy systems). This leads to direct and indirect employment effects in production, installation and maintenance, e.g. energy-efficient plants and regenerative energy systems. Since installation and maintenance jobs in particular are relatively labour intensive, this mobilises a significant employment potential. Furthermore, banks and other financial institutions will also finance green start-ups and companies as well as comply with ecological and social criteria.

### Green (vocational) training and skills

The transition to the green economy leads to the creation of **new professional profiles** (e.g. in the area of renewable energies), the decline in demand for other professional profiles, (e.g. in the field of fossil energies) and the adaptation of existing professional profiles (e.g. installers, electricians, metal and construction workers). Ecological structural

change is therefore associated with new demands on worker qualifications (green skills).

This is a structural change that, like comparable processes that came before, requires extensive change and adaptation in the professional qualifications of the labour force. It must be ensured that the **demand for qualifications** is anticipated at an early stage. This monitoring of qualification requirements and their integration into education and further training programmes and courses must be understood as a function of policy management (cf. OECD 2011, p. 20). It should be supported by coordination between the government, companies, business organisations, professional and academic institutions, universities and civil society stakeholders (cf. Mertineit, 2013).

**Green vocational training** includes the integration of green qualifications into existing vocational training programmes, the development of specific vocational training programmes for new green jobs, the corresponding qualifications of the teaching and training staff, and the orientation of how vocational training institutions as well as the entire vocational training system are managed to meet

the requirements of the green economy. Successful green vocational training is an important prerequisite for the successful transition to a green economy from the labour supply side. Labour released from shrinking sectors will find jobs in green sectors where they can perform mostly skilled, productive and well-paid jobs. Studies on the countries in the Organisation for Economic Co-Operation and Development (OECD) show that the demand is often not about completely new requirements and job profiles, but rather about adapting and supplementing existing education and further training courses.

### Coordination mechanisms for the green labour market

It is necessary to draw upon a variety of coordination mechanisms to match supply and demand in the labour market. Improved matching in the green economy includes the timely and effective provision and communication of labour market information on jobs and qualifications required in the green sectors. In addition, graduates receive professional orientation support in the changing sectors. Likewise, employment counselling and services help

jobseekers find jobs. In this context, **active and passive labour market policies** play an important role: to reduce the cost of job losses for those affected and support their reintegration into the labour market. Furthermore, a socially acceptable dismantling of conventional industries can reinforce social acceptance of an ecological structural change.

In addition to the provision of **job placement services**, a number of other labour market policy instruments facilitate ecological structural change and can influence the effect on the employment situation. Thus professional (re)orientation and retraining programmes and measures are necessary for those affected by job losses due to structural change. Income-supporting transfers and social protection instruments are a suitable instrument in developing countries, especially for poor population groups.

Studies show that conditional income transfers to poor population groups can be used, i.e. their employment must contribute to preserving or improving ecosystems. In this sense, both **environmental and employment policy goals** are pursued to the same degree. Practical examples of this can be found in India, South Africa, Brazil and

## BOX 2

### TVET AND THE PROMOTION OF INNOVATION FOR GREEN EMPLOYMENT IN SOUTH AFRICA

The South African government and parts of the private sector have recognised that solar thermal energy is an efficient and decentralised option for the production of hot water. The technology could benefit families in townships who have often been unable to afford electrically heated water, as well as middle-class families for whom electrical energy supply bottlenecks are a challenge. Proper planning and installation are required for the efficient use of environmentally and climate-friendly technology. This goes hand in hand with a need for skilled specialists. However, there is still a lack of national implementation strategies – as well as of education and further training of solar installers.

On behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ), GIZ has been cooperating with public partners and the private sector since 2015 in the Skills for Green Jobs project to educate and train skilled specialists for renewable technologies. To achieve this, technologies must be provided; demand for these technologies must be promoted and, at the

same time, the necessary skilled specialists must be made available. The latter takes place at selected state vocational training institutions. To this end, teachers from various provinces received continual further training on photovoltaics, solar thermal energy and wind energy.

Since damage to solar systems or damage caused during their installation is frequent, thus often negating the advantages of these systems, the primary demand for qualified skilled specialists to install and maintain solar thermal energy plants in South Africa comes from the insurance industry. At the moment, untrained installers receive further training on weekends in public vocational training institutions in tailor-made programmes; the plumbing guild provides them with specialist support on the job. The Skills for Green Jobs project has raised awareness for these measures among public and private stakeholders. The project can now successfully utilise partnerships for other renewable technologies and for energy efficiency.



the Dominican Republic (cf. ILO et al., 2012). Specific employment programmes for green jobs were implemented in the 2008 economic and financial crisis in many OECD countries. However, their effectiveness is not yet clear. With regard to developing countries, investing in infrastructure and maintaining ecosystems is expected to produce greater employment potential than investing in green innovations.

### Employment effects of the green economy

The measurement of the employment effects of green economy strategies is complex and is carried out in a variety of ways in practice.<sup>8</sup> Sector-based green job concepts make it possible to count jobs in these areas. When ascertaining **gross employment effects**, a distinction is made between direct, indirect and induced effects<sup>9</sup>, which are assessed using a variety of methods (cf. Box 3).

From the perspective of employment promotion, studies based on macroeconomic models are more meaningful than the above-mentioned methods. Not only do these cover the jobs created in green sectors, they also take into consideration job losses in other sectors, i.e. they measure **net employment effects**. This assessment is then compared to a business-as-usual scenario, using either equilibrium or system dynamics models (cf. Box 3). It is of crucial importance for policy makers to distinguish between the short-, medium- and long-term employment effects, since these can vary greatly.

So far, only a **few empirical studies** have looked at the employment effects of a green economy in developing and emerging countries. Overall economic modelling of the employment effects of environmental policy in developing and emerging countries do not form a uniform picture. Whether the net effects are positive or negative depends on supplementary measures, such as the issue of whether or not income from environmental taxes is reinvested. Overall, employment effects are considered to be low.



The promotion of green jobs often also implies improving workplace quality, such as with the processing of solar cells (Morocco)

Most studies that calculate green jobs deal with the expansion of renewable energies – mostly in the form of estimating the gross employment effects. Some studies only assess direct employment effects, others only indirect and induced employment effects – both for individual technologies and sectors as well as for integrated scenarios. When **estimating direct employment effects**, the study by Lehr et al. (2012) should be highlighted. This study used surveys to determine employment factors (cf. Box 3) of the individual stages of the value chain in an ex-post analysis in Tunisia. The analysis showed that the majority of the jobs in renewable energies arose in the installation of the plants.

In interpreting the results, it is important to **take into account the assumptions made**, which have a significant effect on the extent of the estimated employment effects. Surveys on the net employment effects due to the expansion of renewable energies are not yet available for emerging and developing countries. Two studies from China attempt to assess the net employment effects by

<sup>8</sup> An ILO guideline is explicitly concerned with the challenges of collecting data on green jobs in developing countries (cf. Jarvis et al., 2011). For overall challenges and methods for measuring employment effects at the programme level, cf. also Module 2.4.

<sup>9</sup> Direct employment effects refer to jobs that can be attributed directly to a measure or a sector; indirect employment effects are additional jobs created in the upstream or downstream stages of the value chain and through interconnections between the two; induced employment effects also include jobs that arise due to the additional demand of workers.

## BOX 3

## METHODS TO ASSESS THE EMPLOYMENT EFFECTS OF THE GREEN ECONOMY

With the **employment-factor approach**, data for the expansion of renewable energies in megawatts or megawatt hours is multiplied by the calculated averages of associated labour used. These estimates are referred to in the literature as employment factors. In an ex-post analysis, this approach enables an estimate to be made of jobs created through a measure or the development of an economic sector. In practice, very high variation in the employment factors determined has led to the resilience of the results being questioned. In addition, this only takes into consideration the direct effects of an investment.

An **input-output approach** makes it possible to calculate the direct, indirect and induced employment effects that arise from the increase in demand for goods and services. Input-output tables record the goods and service flows in an economy that are triggered by additional demand for goods and services. However, input-output tables are available for some countries only, they seldom show environmentally sound sectors separately, and only partially cover informal economic activities.

**Computable general equilibrium models** as well as econometric models supplement static input-output tables by mapping relationships within the economic system through behavioural equations. Unlike input-output tables, these models make it possible to substitute goods and adjust the models depending on different sizes, such as price ratios or volume restrictions. While econometric models serve the empirical estimation of parameters, the testing of hypotheses, and predictions, equilibrium models are originally theoretical in nature, but can be used to make econometric estimates. Econometric models place higher demands on the data, because they require time series. Equilibrium models can be constructed using less data, but this has a negative effect on their accuracy.

**System dynamics models** make it possible to study the coupling of economic systems with non-economic (e.g. ecological) systems. These models can be non-linear (as opposed to econometric models). Like some econometric models, they include feedback loops that can strengthen or weaken initial effects with a certain time delay.

Source: Jacob / Quitzow / Bär, H. (2015)

comparing the employment effects of a green scenario with the business-as-usual scenario and to interpret the difference as a net employment effect. The studies by Cai et al. (2011) on the expansion of renewable energies and Wang et al. (2013) on the evaluation of projects under the clean development mechanism in China each use employment factors and combine this approach with an input-output model to survey the direct employment effects. Both studies show clearly positive net employment effects for the green scenarios.

Only a few of the studies so far investigate **workplace quality** in the new green industries. Studies on China and Bangladesh indicate that the quality of green jobs is higher on average than the quality of regular jobs in these countries. Nevertheless, many of these green jobs do not fulfil the decent work criteria. In Bangladesh, for instance, less than a quarter of the 3.5 million green jobs are classified as green and decent (cf. GHK 2010, p. 2). Studies on other countries address the changing demands for worker qualifications in these sectors. The only modelling on this issue comes from Europe and highlights that green jobs tend to be associated with higher qualification requirements – and thus with higher employment quality (cf. Cambridge Econometrics et al., 2011).

## Further challenges to development policy

The issue of employment in a green economy provides the German development cooperation with a platform to address environmental and employment policy objectives to the same extent, as well as to support cooperating countries in developing a coherent **strategy to promote structural change** towards a green economy, the development of green skills and the improvement of labour market policy instruments. Sustainability and development strategies should anticipate the changing demands on employment in order to react in time and maximise the domestic employment effects. Dialogue between government and civil society stakeholders can support this.

Policy instruments for the transition to a green economy must be adapted to the respective economic, institutional and social context. Moreover, the employment effects depend not only on the use of individual instruments, but also on the interplay and **coordination of a variety of different instruments** and measures. Due to tight government budgets and limited implementation capacities, especially serious environmental problems should be given priority. For all the approaches presented, continuous monitoring and the evaluation of measures are important to evaluate the effects of current instruments and to undertake on-going adjustments.

In order to **avoid negative consequences for the economy and employment**, strategies should be developed that incorporate approaches for dealing with sectors particularly affected by shrinking. A tried and tested approach to this is the implementation of Poverty and Social Impact Analyses in the context of policy development in cooperation with governments and affected stakeholders in the cooperating countries. This makes it possible to identify possible social consequences as well as sector-specific employment effects at an early stage and to develop corresponding supplementary measures. However, in many emerging countries, it should also be assumed that the need for energy, for instance, increases so rapidly that there are hardly any displacement effects in the fossil energy sectors, thus allowing renewable energies to be virtually optimally effective.

An **adaptation to the respective national contexts of countries** is indispensable for both choosing policy measures and with regard to the assumptions that are based on certain models to estimate the employment effects, since these assumptions are of key importance for the modelling results. Demonstrating the employment effects of a green economy not only affirms the basic compatibility of an environmental outlook of the economy and better working standards, but can also strengthen the legitimacy of such a strategy. Modelling makes expected changes transparent and identifies areas where labour market, employment and social policy measures will be necessary so that ecological structural change achieves employment effects.

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On behalf of



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for Economic Cooperation  
and Development



# Employment Promotion in Contexts of Conflict, Fragility and Violence

□ □ ■ Module 3.7

**Module 3.7 is part of the publication “Full and Productive Employment and Decent Work for All – Handbook on Employment Promotion in Development Cooperation” in Section 3: “Special Challenges”.**

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<b>Abbreviations</b>		
BMZ	Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung / German Federal Ministry for Economic Cooperation and Development	
CFV	Conflict, fragility and violence	
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit	
UNDP	United Nations Development Programme	



# Employment Promotion in Contexts of Conflict, Fragility and Violence

- Whereas employment promotion in contexts of conflict, fragility and violence has the potential to actively contribute to overcoming fragility and conflict (working on conflict, fragility and violence), employment approaches face particular challenges in these settings (context-sensitivity/working in conflict, fragility and violence).
- Especially in fragile settings, it is necessary to perform a thorough conflict, fragility and violence-specific context analysis as well as an employment and labour market analysis to harness the peacebuilding potential of employment promotion and obviate negative or adverse effects.

## Engaging in conflict-affected, fragile and violent contexts

Engaging in contexts of conflict, fragility and violence (CFV) is highly relevant to development cooperation. Over 1.5 billion people live in countries that are affected by the consequences of conflict, fragility and violence. Fragile and conflict-affected states have lagged behind in achieving the United Nations Millennium Development Goals, and fragility is likely to be a major obstacle to the implementation of the United Nations Sustainable Development Goals. Directing development cooperation towards **resolving conflict, fragility and violence**, as well as working according to certain principles so as **not to aggravate the situation** and to obtain envisaged development objectives are crucial for engagement in fragile states.

It is generally assumed that peace and security can only be achieved if the economic foundations of a country allow for a prosperous life for all groups. **Employment and sustainable growth** present key components of economic foundations and, hence, peaceful development. German development cooperation applies an **integrated approach to employment promotion** that rests on the assumption that the causes of employment problems not only stem from deficits in the labour market itself, but – especially in contexts of CFV – also from external conditions that influence supply and demand. Therefore, employment measures have to take the supply and demand sides of the labour market into account as well as matching them (cf. Module 2.2).

Unemployment and economic disparities are generally not considered a root cause of conflict but rather a reinforcing factor that can contribute to the perception of inequalities and injustice and lead to social segregation, frustration, and the marginalisation of certain groups of people. The lack of opportunities and prospects often presents a major driver of CFV. German development cooperation therefore strives to promote employment in these contexts with both short and long-term goals. The reduction of acute conflict and violence potential, the rehabilitation and improvement of livelihoods, the inclusion of marginalised groups, and the reduction of disparities contribute to the **permanent transformation of economic conditions**. They also create opportunities to build up capacity and offer alternatives to violence – and in the long term redound to peaceful development.

Nonetheless, in contexts of conflict, fragility and violence, employment-promoting measures need to be designed and implemented carefully since diverse challenges have to be taken into account. The **difficult circumstances** in which action or collaboration with certain stakeholders take place need to be regarded, and there is a higher prevalence of risk. Hence, the room for manoeuvre is likely to be limited for employment promotion programmes. Such challenges need to be addressed, and context sensitivity is required to effectively promote employment in such environments.

## Definitions and key concepts of conflict, fragility and violence

Both the causes and the consequences of conflict, fragility and violence have diverse aspects. Therefore, engagement in these contexts needs to identify them when implementing measures to promote employment.

**Conflict** is conceptualised as the relationship between two or more mutually dependent parties where at least one of the parties perceives this relationship in a negative sense or has interests and needs that conflict with those of the other party(-ies) (cf. BMZ 2013). **Fragile** contexts can be distinguished by substantial shortcomings in one or more of the three classic dimensions of statehood: monopoly on the use of force, legitimacy, and the delivery of basic governmental services (cf. BMZ 2013). **Violence** is understood as the intentional use of physical force or power against an individual, a group or a community (cf. GIZ 2015).

## Innovative approaches and findings for development cooperation

The following innovative ideas and approaches of international and German development cooperation have proved promising in generating long-term economic opportunities under difficult circumstances (**working in contexts of CFV**)<sup>1</sup> and/or in directly addressing the dimensions of conflict, fragility and violence at stake (**working on CFV**). This was achieved by explicitly taking into account the basic principle of “do no harm” (cf. Box 1).<sup>2</sup>

1 The distinction between working in/working on conflict goes back to Grossmann et al. 2009

2 The proposed approaches are based on the study “Employment Promotion in Contexts of Conflict, Fragility and Violence: Opportunities and Challenges for Peacebuilding” by Anette Hoffmann (Clingendael Institute) in cooperation with the SP Employment Promotion in Development Cooperation and the SP Peace and Security on behalf of BMZ (cf. GIZ 2015).



Barbed wire surrounds a military installation in Senegal

## Employment promotion in contexts of fragility

### WEAK STATE LEGITIMACY AND CAPACITY

Weak state legitimacy and capacity is one of many factors that are routinely found to cause, trigger or reinforce fragility. The lack of economic opportunities for job creation is both a cause and a consequence of weak state legitimacy and capacity.

The perception of state institutions as illegitimate seriously restricts the room for manoeuvre (*working in fragility*) on any employment promotion effort. In the worst-case scenario, when an illegitimate government comes to power, donors may have to consider withdrawing their support altogether. If donors decide to deal with a government's unwillingness or limited political will to reform, their approaches to employment promotion should avoid direct cooperation with government and institutions. Instead, they should concentrate on supporting non-governmental actors and organisations from civil society and the private sector. Feasible approaches include **cooperation with the private sector**, e.g. through enterprise-based training and bottom-up approaches in value chain development. Embedding employment promotion in more **holistic local economic development initiatives** can help identify decentralised entry points, such as community-based organisations that can deliver skills training and placement services.

In practice, working with public institutions proves to be generally more successful / efficient **at the local level** than the national level. However, transparency and information

## BOX 1 THE PRINCIPLE OF “DO NO HARM”

A key element in the German approach to development cooperation in fragile contexts is the “do no harm” principle, which targets the prevention of negative or adverse effects of development cooperation (BMZ, 2013). External interventions in local contexts should be designed in a conflict-sensitive manner and should avoid exacerbating conflict, fragility and violence. Negative effects are often unintentional and can be provoked, for instance, if donors or the international community are too dominant, thus undermining local ownership and the legitimacy of local elites. Often, external measures that target only one group or community unintentionally result in the further marginalisation of already disadvantaged groups or strengthen the benefiting group disproportionately. More difficulties can arise when local elites in the partner countries exploit development activities or aid for their own purposes. Applying the “do no harm” principle to all interventions in fragile states, even if their direct target is not related to peacebuilding or state building, is therefore

a key principle of German development cooperation. When reflecting on employment promotion measures, the following aspects in particular need to be taken into account to minimise potential adverse effects:

- Avoid undermining state legitimacy and overburdening capacity;
- Avoid creating unrealistic expectations and short-term planning;
- Avoid reinforcing stigmatisation and frustration;
- Avoid conceiving organised crime solely as a security issue and the propensity to engage in crime as merely a lack of economic opportunities;
- Avoid exclusive focus on lingua-franca speaking entrepreneurs.

for state authorities is indispensable in preventing a vicious circle, which can result from further weakening already deficient capacity and legitimacy at the national level through collaboration that concentrates on local authorities. Privately owned or church-run institutions offer good entry points for effective interventions as long as these non-state institutions enjoy widely shared legitimacy.

Moreover, employment promotion has the potential to contribute to rebuilding government legitimacy and capacity (working *on* fragility) by improving an enabling environment for private sector development. This can be seen as a sign of the government’s growing ability to attract business activity, hence fostering state legitimacy in the eyes of entrepreneurs and citizens. **Public-private dialogue** has proved to be a successful tool, not only to develop effective laws and regulations for an enabling business environment, but also to strengthen state legitimacy in the eyes of the private sector. Furthermore, employment promotion can include measures to encourage and guide tripartite dialogue among government, employers, and employees. An emphasis on local content legislation has become a means for fragile states’ governments to build their own legitimacy.

## SOCIETAL FRAGILITY, MISTRUST AND STRUCTURAL DISCRIMINATION

Fragile societies are generally characterised by deep levels of mistrust and frustration. Discrimination against religious minorities weakens non-violent conflict resolution mechanisms and encourages violent clashes and deaths. Inflicted losses, persistent insecurity, fear of new waves of violence and the lack of prospects are likely to severely undermine people’s confidence in a stable future and damage the social capital that is critical for rebuilding the social fabric. Indicators that account for such endemic discrimination include **political representation at the local and national levels and socio-economic participation**. A thorough conflict analysis to understand the structural underpinning of discrimination is required to reveal entry points in order to avoid potential harm. In general terms, employment programmes, whether targeted at the supply or the demand side of the labour market, or at the matching of both elements, will heavily rely on and influence the level of trust within society and the willingness of adverse groups to cooperate.



Women in Afghanistan generate their own income

As far as working *in* fragility is concerned, approaches to employment promotion that neither require a strong network of trust, nor rely on close collaboration among actors have better chances of yielding positive results in the short run. These include ‘cash-for-work’, ‘food-for-work’ (cf. Module 2.7), ‘cash-transfer’ programmes, and **short-term skills training**.

Furthermore, employment promotion programmes can help restore social cohesion (working *on* fragility) at various levels. On an individual level, jobs provide self-esteem and social prestige. Economic **interaction among stakeholders from different identity groups** can help restore trust among (former) conflict groups. To foster inter-group interaction and trust at enterprise level, cooperation across clan boundaries, conflict-sensitive employment and procurement strategies, and the promotion of events and conferences that facilitate interaction and trust have proved to be successful approaches. Within an economic sector, the **value chain approach** lends itself to reconciliation and trust building, as it relies on the incremental intensification and expansion of vertical and horizontal linkages. **Tripartite dialogues** cultivate mutual respect and trust between government and firms, as well as between employees and employers. A thorough understanding of

the political economy should form the basis for any intervention, as it provides the necessary background information to understand both the roots of mistrust and potential entry points for reconciliation.

#### EXTREME ECONOMIC AND SOCIAL DISPARITIES

The link between poverty and the risk of conflict has repeatedly been stressed. Employment promotion programmes always influence the **distribution of income**, be it by offering access to jobs to some (and not to others) or by increasing the income level of certain households (and not of others).

Common employment approaches in fragility and conflict settings (working *in* fragility), such as **livelihoods approaches, community-based development, and public employment schemes**, will attempt to redress inequalities by focusing the support on vulnerable groups. To anticipate the temporary character of these programmes and increase the chances of longer-term employment opportunities, public works programmes can be combined with contractor-training programmes, small enterprise up-grading, and cooperative development (demand side);



Protesters demanding jobs in Quezon City (Philippines)

additional skills training (supply side); career preparation, development and transition; and continuous analysis of market demands and skills needs (matching in the labour market). Public works should evolve into safety-net programmes or employment-guarantee schemes with compensation rates that are low enough to allow for self-targeting of those not able to directly integrate into the first labour market (cf. Module 2.7).

Employment approaches that seek to address the structural underpinnings of poverty and inequality (working *on* fragility) relate to, e.g. **labour rights and regulations**, as well as **social protection programmes**, for example by supporting workers in the informal economy. The value chain approach also offers ample room to influence unequal power relations along the chain, with small producers usually holding the least bargaining power and therefore experiencing the worst working conditions.

## YOUTH UNEMPLOYMENT AND CONFLICT DYNAMICS

Unemployment, and youth unemployment in particular, is often portrayed as a trigger of social upheaval and armed rebellion. In response, youth employment promotion in fragile settings has become an urgent priority in international policies aimed at promoting stability and sustainable economic growth. Moreover, young people usually show more **innovative capacity**, are more easily influenced in a positive or negative sense, and are potentially more readily able to overcome persisting conflict lines because of their less deep-rooted involvement in historically grown conflicts.

With regard to working *in* fragility, **unsupervised and unconditional cash transfers to unemployed young people** have displayed the potential to alleviate capital constraints in stimulating economic growth and employment among conflict-affected young adults (cf. Box 2). Other promising approaches include wage subsidies to (micro) enterprises willing to hire low-skilled workers, mostly young people.

## BOX 2

## UGANDA'S YOUTH OPPORTUNITY PROGRAMME

In 2008, the north of Uganda had been facing decades of civil strife. To promote perspectives when the situation abated, the government of Uganda set up the North Uganda Social Action Fund. With resources from this fund, the **Youth Opportunities Programme** in Northern Uganda was set up by the Ugandan government and timed until 2013 as a cash-transfer programme aiming at poor and unemployed young adults aged between 16–35 years of age. Applicants self-selected into the programme; one third were women. They were asked to organise themselves into groups to apply for a grant from the programme, which should be used to finance training as well as tools and materials to start a business.

The objective of the programme was to expand skilled employment, reduce poverty and decrease the risk of social unrest. Through this programme, one key constraint for poor youth to establish a business was addressed, namely the lack of affordable longer-term finance.

The unsupervised one-time paid group-grant led to impressive results: investments, work, and income increased substantially and persistently, not only among the group members but also for other people since some of the artisan businesses that were set up during the programme were even able to employ additional staff. For governments, such programmes are not only investments but in the long run, also a source of revenue since the artisan start-ups supported by the programme were shown to be more likely to register their business and pay taxes.

Source: Blattman et al. 2013

There is little evidence on the ways youth employment programmes have mitigated **factors that contribute to fragility** (working *on* fragility), such as the risk of social upheaval or the tendency among youth to take up arms or join a rebellion. Youth employment approaches will need to address or be combined with other approaches that respond to the political and social factors that cause youth violence, particularly social inequality and political exclusion. In other words, employment promotion for young adults in fragile settings needs to be embedded in an integrated multi-sector approach, as jobs alone may fail to alleviate political and social marginalisation.

## ORGANISED CRIME

High crime and violence rates discourage both domestic and foreign business investment and stifle economic growth by inflicting high costs on the private sector. To cope with a context of urban violence and crime in relatively stable developing countries (working *in* fragility), firms have been found to **adjust security measures**, e.g. by interrupting operations at nightfall, and thus incur significant additional investments in protection, and training employees in crime prevention.

Firms have also been found to proactively address violence and crime (working *on* fragility), for example through **internship programmes for at-risk youth**, public-private micro-finance, and public-private forums / cluster initiatives. The media, particularly **web-based social networking and mobile apps**, have proved to be an effective tool, not only to achieve a better image for investors, but also to increase accountability of local authorities. Successful examples include zero-tolerance campaigns against criminal activities and tools to report crime.

Employment promotion in the context of **transnational organised crime** in post-conflict settings often forms part of alternative livelihoods approaches that have somehow been successful in generating additional income, but much less successful as a tool to prevent young men from engaging in illegal activities. As a prerequisite, employment promotion in such contexts should seek to be aware of underlying power networks and criminal organisations and promote the diversification of agricultural production, rural development, and the introduction of alternative high-value crops.

## Employment promotion in contexts of high degrees of insecurity and violence

Fragile contexts present a **higher risk environment** (working *in* insecurity and violence) than non-fragile environments both for the people who live there as well as for external development actors. In some cases, high levels of insecurity might impede any form of external support. However, conventional wisdom, which demands a minimum level of security before supporting economic development can begin, has been challenged by recent thinking. Over the past few years, there has been increased awareness of the fact that the risk associated with not engaging tends to outweigh the risks of engaging in the first place.

The safety of personnel, partners and target groups should receive highest priority. **Mobile cash transfers** can be used to pay for emergency or temporary employment in rural areas in order to minimise risk and avoid exposing beneficiaries to insecurity. Civil Military Cooperation can offer a structure for employment promotion in environments that remain highly insecure. The effects that insecurity has on the private sector should be considered and addressed, for example through a balanced distribution of risk along the value chain.

Employment promotion is also used as a tool to foster short-term and long-term security (working *on* insecurity and violence), either by removing the threat or by improving protection. **Temporary employment** (e.g. labour-intensive public work schemes) can serve as a tool to improve security in the short run both by drawing the population away from insurgent activity and by directly improving security, e.g. through keeping streets clean. However, it is questionable whether short-term security can translate into longer-term stability if employment opportunities remain temporary. Government ownership makes local programme implementing agencies less vulnerable to attacks and enhances the image of the nascent government.

An integrated approach to economic development that combines **business and financial management training** for small and medium-sized enterprises with **access to finance**, trade and employment fairs, as well as business-environment reforms can also be useful to create more long-term employment for stability. Moreover, ongoing market analysis and close collaboration with powerful allies in government and the private sector have been highlighted as success factors of broad-based interventions.

## Employment promotion amidst the consequences of armed conflict and violence

### WEAK PHYSICAL INFRASTRUCTURE

Violent conflict leaves profound traces in a country's physical infrastructure, which represents a fundamental constraint on business (working *in* conflict and violence). In conflict-affected countries, transaction costs are extremely high, and trade and business activities are seriously limited, which prevents employment growth. Approaches that do not rely on physical infrastructure, such as **community-based approaches and mobile training units**, are therefore more likely to be successful. Special Economic Zones can be of particular interest in a country where the general business environment and infrastructure are extremely weak and where reconstruction will take years before investment promotion can take off.

Apart from the above-mentioned issues, the objectives of employment creation and reconstruction can be easily combined (working *on* conflict and violence). **Emergency employment programmes** have also proved effective in rehabilitating basic infrastructure in a short period of time, as their primary objective is to create immediate temporary employment for large segments of the population. Larger companies often overcome the lack of infrastructure by developing their own facilities. Economic development actors could serve as mediators between these companies and the state in order that the community and local entrepreneurs can benefit from these facilities. Furthermore, remittances can play a key role in rebuilding infrastructure, as they provide a more stable income than most other external flows. Initiatives have emerged that seek to harness the economic and social potential of these flows.

### WAR-AFFECTED POPULATIONS

Whether they were actively involved in armed struggle as ex-combatants or passively affected as refugees and internally displaced persons, war-affected populations are generally found to be the most vulnerable groups in conflict-affected environments. Specific needs of former combatants and displaced persons, as well as the challenges posed to their socio-economic reintegration (due to issues of legal status and social stigma), need particular attention.

**Economic activities of refugees** are generally heavily restricted by legal constraints (working *in* conflict and violence), including limitation on movement, no or only partial labour market access, or denial of financial and



People in South Sudan wait on the road while demining activities take place

non-financial services for entrepreneurs. These restrictions also have political implications for development organisations' decisions to support longer-term solutions that could either prepare displaced persons for a return to their place of origin or help them to establish a more long-term existence in their places of presumably temporary residence. Approaches to employment promotion among displaced populations risk having negative effects in terms of conflict if they fail to understand the political context or prioritise effectiveness over inclusiveness.

Conventional approaches to economic empowerment of refugees and internally displaced persons include a mix of temporary cash and in-kind assistance, education and training, micro-business start-up services, and referral to healthcare and psychosocial services (see Box 3). A new approach includes **micro-franchising through private sector partnership**, which has proved particularly appropriate for vulnerable population groups. Experience from skills-training programmes emphasises the importance of connecting refugees to a broader network that encompasses the private sector, banks and local officials. Furthermore, skills training should be combined with broader life skills, awareness creation, networking/matchmaking activities, and rights-based approaches.

To work *on* conflict and violence, skills training is commonly promoted as a means to **improve the employability of ex-combatants** in order to increase their chances

of either finding wage-employment or establishing their own business. To avoid a typical training-job mismatch, interventions should be based on labour market assessment and ensure community buy-in and high-quality training and business support. To avoid grievances among the host communities, programmes should not exclusively target former combatants, but adopt an inclusive approach by extending support to those communities into which ex-fighters are to reintegrate.

### Recommendations along the project cycle

Apart from the above-mentioned specific approaches of employment promotion in contexts of conflict, fragility, and violence, more general recommendations along the project cycle help minimise the risks of doing harm and unleash the potential of employment promotion to contribute to more resilient societies. An approach is needed that departs from a thorough understanding of the conflict dynamics at stake, recognises the interaction of the planned engagement and conflict dynamics, and acts upon these insights.

During **analysis and project design**, employment and labour market analyses should be combined with a conflict, fragility and violence-specific context analysis. With regard to the definition of objectives, peace-building should be incorporated as a secondary goal to employment promotion in fragile settings. The design of interventions



## BOX 3

## EMPLOYMENT OPPORTUNITIES IN AGRICULTURAL VALUE CHAINS IN SIERRA LEONE

Due to the civil war over several years, a lack of perspectives for the population in Sierra Leone constitutes a major problem. The GIZ project “**Employment promotion for marginalized youth in Sierra Leone**” (2006–2013) focused on employment possibilities through rural value chain approaches and labour-intensive rural development. Many companies were facing a lack of skilled employees after years of civil strife. These problems have been addressed by the project, which supports the Ministry of Labour and Social Security in Sierra Leone. The project-run literacy campaigns, many involving women, supported the repatriation of young ex-combatants and civil war refugees. In districts where the poverty rate, but also the employment potential, is high, and with a focus on the value chains of cocoa and coffee, rice and livestock, the project intervened with a multilevel approach:

- Staff member of governmental institutions, like the Ministry of Labour and Social Security, the Ministry of Youth Affairs, and the Ministry of Agriculture, were advised and trained to elaborate a National Employment Policy with a particular focus on youth.

- National and local state and non-state service providers were supported to work with target groups on activities like good agricultural practice and vocational education and training, as well as to encourage small enterprises.
- Farmer groups were assisted in organisational and technical matters and through the provision of agricultural inputs.
- Through public-private development partnerships, the project and private companies supported young unemployed to get secured access to land and acquire the necessary knowledge to produce coffee and cocoa that was bought by exporters.

Since 2005 around 2,500 young people have returned to their home communities in rural areas to work in agricultural value chains. Female farmers were given specific focus in the project to support their raising of goats. These employment opportunities have improved their family income, which is now around 800 euros per year. Through this project, with its diverse actors, social cohesion and trust have been enhanced between the generations at the local level, and confidence in the government has been supported.

should involve all relevant stakeholders and be embedded in or linked to more holistic approaches and longer-term employment prospects. The exclusive targeting of certain groups as well as sectors that are dominated by one particular group should be avoided.

During **project management**, projects should avoid enticing skilled personnel away from government or private companies. Reliable, realistic and regular information about employment prospects can help manage expectations. Employment promotion programmes should actively promote transparency and accountability and systematically ensure that all relevant stakeholders have been consulted.

In contexts of conflict, fragility, and violence, there is a need for a broader and more complex **monitoring and evaluation** scope to assess the impact of employment programmes on conflict/peacebuilding dynamics and its systematisation. Monitoring the inclusiveness of the

participatory process is as important as recording their actual results, with quality and distribution of employment being as important as the number of jobs created. The focus in measuring should move from de jure outputs to de facto outcomes. Monitoring and evaluation will therefore require a higher percentage of programming costs than routinely allocated for interventions in non-fragile settings.

### Further challenges to development policy

Employment promotion does not take place in a vacuum. As the cases presented in this Module demonstrate, any effort to promote employment, such as enhancing people’s skills level, stimulating the market, creating employment opportunities, or facilitating the matching between labour

#### BOX 4 EMPLOYMENT PROMOTION FOR REFUGEES AND HOSTING COMMUNITIES

Employment promotion also plays an important role in contexts of displacement. First of all, creating and improving jobs is vital to reducing the structural causes of conflict, fragility, and violence; improves livelihood; promotes social cohesion; and is therefore an important means for preventing the escalation of conflicts and concomitant refugee crises. Moreover, productive employment and decent work open up future perspectives.

Around 86% of the refugees worldwide are hosted in developing countries (cf. UNHCR 2015), which are often characterised by weak infrastructure and labour markets, with refugees creating even more pressure on both. Promoting employment in these situations, both for the population in hosting communities and, if the legal situation allows for it, for refugees, helps to alleviate pressure on the labour market and prevents conflicts and resentment between refugees and local residents. The need for infrastructure and job creation can be jointly addressed, for instance by setting up public works and cash-for-work programmes (cf. Module 2.7)

Finally, employment is a central aspect of (re-)integration into a society. Labour market integration of refugees and internally displaced persons, be it in the host country or region or after return to their home countries, is consequently another relevant area for development cooperation.

In the context of the Syrian refugee crisis, German development cooperation is putting special emphasis on creating jobs and enhancing employability both inside Syria and in refugee hosting countries such as Jordan, Lebanon, Turkey, and Iraq, e.g. through its special initiatives “Tackling the Root Causes of Displacement – Reintegrating Refugees” and “Partnership for Prospects (P4P)” (cf. BMZ 2016). Descriptions of concrete project examples can be found in Module 2.6 and Module 2.7.



Refugees in Kenya attending TVET class in the Kakuma refugee camp

demand and supply, affects and is influenced by the broader political and socioeconomic environment. Particularly in the context of CFV employment creation, measures will probably always create winners and losers and affect the distribution of much-needed services and resources. Thus, the following factors are always to be considered:

- Neglecting the multifaceted dimensions of conflict, fragility and violence is likely to undermine the effectiveness of any development policy or programme.
- Interventions that are not designed in a conflict-sensitive manner can exacerbate tensions and have repeatedly done so in the past.
- A comprehensive approach that moves away from a purely technical approach and is based upon thorough understanding of the conflict dynamics at stake recognises the interaction of the planned engagement and conflict dynamics and acts upon these insights (cf. OECD 2007).

**Conceptual groundwork and empirical evidence** on the link between employment promotion on the one hand and peace and stability on the other remain limited. Therefore, it is highly recommended to further evaluate, synthesise and aggregate individual project experiences in the field of employment promotion in fragile contexts with the aim of systematising correlations and distilling a robust conceptual framework that can serve as a reliable basis for development cooperation in this field.

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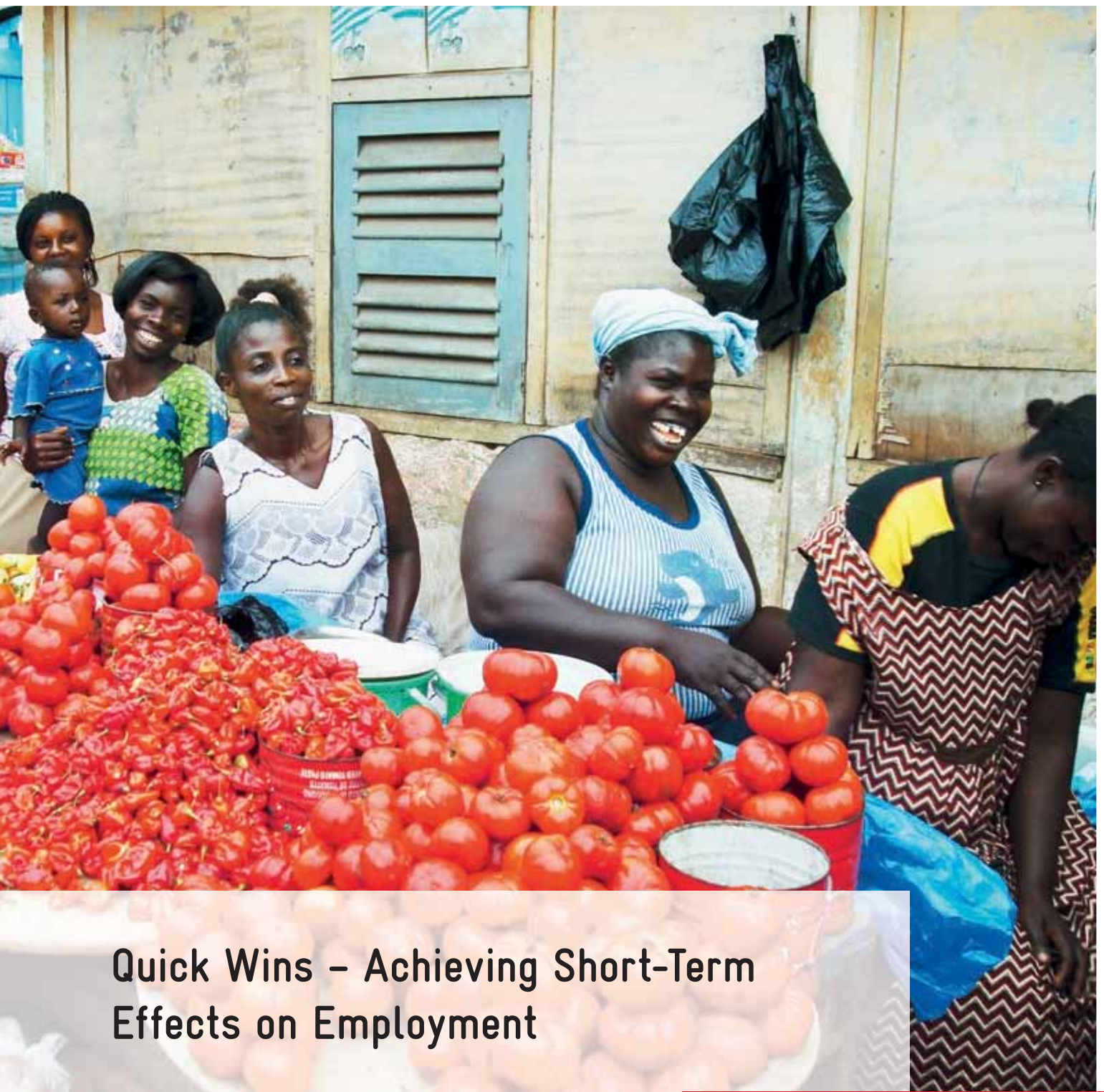
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and Development



## Quick Wins – Achieving Short-Term Effects on Employment

□ □ ■ Module 3.8

**Module 3.8 is part of the publication “Full and Productive Employment and Decent Work for All – Handbook on Employment Promotion in Development Cooperation” in Section 3: “Special Challenges”.**

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## Quick Wins – Achieving Short-Term Effects on Employment

- In keeping with an integrated approach, employment promotion requires instruments operating in the medium to long term. However, the need for jobs is acute in most countries, and thus also requires the use of an approach that works in the short term.
- Such approaches that work in the short-term (sometimes referred to as “quick wins”) include employment agencies, public works programmes and the encouragement of mobility. To bridge temporary economic crises, measures such as wage subsidies and short-time working can be used where the necessary institutions exist.
- “Quick wins” should support and not impede structural processes for the creation of employment-promoting framework conditions. Some measures involve a risk of dead-weight or displacement effects. These can be forestalled by planning exit strategies and embedding these measures in structural economic and employment-promotion strategies.

### Prospects and limitations of quick wins in the promotion of employment

Quick wins in the promotion of employment aim to get people into jobs as quickly as possible, even if these are only temporary, or to save jobs in crisis situations. With short-term employment effects, a **demonstrable effect within one to three years** can be assumed. A variety of political measures relating to the economy, employment and the job markets may be used in this context. They may be designed to fill existing positions quickly, conserve them or create new ones.

Quick wins in the promotion of employment are often designed to **avoid the immediate impoverishment** of people after crises or natural disasters. In this way, they make a contribution to preserving the human capital of an economy. But even in regions suffering from high rates of youth unemployment, short-term employment measures can exert a positive influence on social cohesion and the stability of a society and thus give an important boost to development.

Despite the opportunities offered by quick wins, these measures are not uncontested. For one thing, they may cause significant **dead-weight and displacement**

**effects.** That is to say, the people affected might have found work even without these measures, or may displace others from their jobs. Furthermore, many of these measures are relatively cost-intensive and can represent a significant temporary burden on partner countries.

Apart from their application in crisis situations, quick wins can only address the causes of long-term barriers to employment to a limited extent. They are therefore no substitute for comprehensive, effective reforms of the labour market, employment and economic policies. The objective of German development cooperation is to create sustainable, productive and decent jobs. This is generally achieved more successfully by implementing a plan that targets a comprehensive, **integrated approach to the promotion of employment**, designed for the medium to long term, which will create an employment-friendly economic environment (cf. Module 2.2).

Quick-win measures should support these structural processes and not prevent necessary change. It is therefore important to conduct an in-depth ex-ante analysis of the employment situation in the country (cf. Module 2.1) and of the partners’ capacity. Quick-win measures should include exit strategies adapted accordingly and be embedded in the medium- to long-term stabilisation



processes of the job market. In this context, the concept of “**decent work**” should be the guiding principle (cf. Module 3.1).

## Quick-win approaches for more and better jobs

### Job placement

Many development cooperation partners display the apparently paradoxical situation in which many people are unemployed while employers continue to seek staff without success. This situation may arise when job-seekers are insufficiently or unsuitably qualified, or from a lack of knowledge of existing vacancies. **Provision of job-market information** and aid with job-seeking can help people to find employment. In parallel, it helps employers to extend the pool of suitable applicants and thus fill vacancies rapidly and with the right people.

A particularly effective medium-term expedient seems to be employment agencies. These “**one-stop shops**” serve as contact points for both businesses and job-seekers and offer the most comprehensive job-market services possible. To secure participation from both parties, passive labour market policies can be useful, such as paying a minimum income to unemployed people who register, or offering incentives or vouchers for taking on long-term unemployed people.

Quick wins can also be achieved, by setting up short-term local employment-agency structures, if the partners have the capacity. As permanent job centres are usually only found in urban areas, people in rural areas can be reached more effectively through **mobile employment agencies**. This can be done using small buses, for example, or by regular, decentralised events.

The effectiveness and breadth of impact of such measures can be significantly improved by **information and communication technology**. Online databases, on which both employers and job-seekers can register, or newsletters reach even the more remote areas. If fixed information or placement structures cannot be set up due to lack of resources, temporary measures to bring employers and job-seekers together can be taken. These include, for example, organising **career and job fairs**, or providing application training and career guidance in schools.

### BOX 1 PROMOTING YOUTH EMPLOYMENT IN KOSOVO THROUGH JOB FAIRS



Young Kosovars at one of the job fairs organised by GIZ and YEPIK

In Kosovo, one in two young people between 15 and 25 are unemployed. It is difficult for young people to find a job, especially in rural areas. There is often not enough information available about the qualifications required and current vacancies. To remedy this lack of information, GIZ is working with the Kosovar Ministry for Employment and Social Services on the “Youth Employment Promotion in Kosovo (YEPIK)” project. Its purpose is to help young people position themselves on the job market through informal training, and advisory and placement measures.

In the three rural regions of Ferizaj, Gjakova and Vushtrri, job fairs were organised for the first time in the framework of this project. Participants included 80 companies and 20 institutions, such as youth centres, vocational training centres, the Kosovar Chamber of Commerce and others. The exhibitors presented training opportunities and offered 1,200 vacancies or practical trainings. In parallel, job interviews were conducted on-site and workshops were held on drawing up application documents. Other regions are now showing an interest in putting this form of career guidance and job placement into practice. In addition, it enabled the creation of a network of job-seekers and companies that is now used for a practical training programme. The 6-month training periods are financed directly by the companies.



Job-sharing and short-time working represent quick ways of safeguarding jobs in the short term

Placement and information services provide work and can thus reduce the short-term frictional unemployment of people seeking work. As a rule, however, these services are unable to create new jobs. It must also be remembered that significant **dead-weight effects** can arise. Job-market information services are especially effective when they are used by many people and kept up-to-date. It is thus sensible to scale the measures and an appropriate supporting structure in collaboration with the partners. Close links with private enterprise are indispensable here.

### Subsidising employment

Wage subsidies can take on many different forms. They may consist of tax rebates or reductions in social security contributions, as well as **direct subsidies**, placement vouchers, or combination-wage models. These subsidies reduce wage costs to employers, thus increasing the demand for staff and, in turn, preserving existing jobs or helping to create new ones. These measures can also act as an incentive to accept a job in a low-wage sector and thus increase the supply of jobs.

In times of crisis, these measures make it possible to contribute to the conservation of human capital, and where unemployment rates are high, to establish **employment incentives**. These measures can be put into practice quickly using existing political and institutional capacity and can be tailored to the needs of specific vulnerable groups such as low-paid workers or young people who are difficult to place or are threatened with redundancy.

However, like all state subsidies, wage subsidies are a controversial subject. They can lead to inefficiency in the job market and delay necessary structural reforms. They are expensive and – depending on the form they take – can display serious dead-weight effects. The **burden on the state budget** can be considerable. It must also be noted that, in general, it is only employees in the formal sector who benefit from wage subsidies.

To avoid these negative effects, wage subsidies should only be used within a limited timeframe. An **exit strategy** needs to be planned when the policy measure is being developed. Long-term wage subsidies, such as the combination-wage model, should only be set up in exceptional cases and after precise analysis of the jobs market.

### Job-sharing, reduced working hours and short-time working

Jobs can be safeguarded by temporary cuts in working hours and pay. With **job-sharing** measures, the work-load of a position is shared between two or more employees. **Reduction of working hours** usually means shortening daily or weekly working hours. **Short-time working** is a special form of reduction in working hours and is often complemented with a state compensation for the loss of wages. Measures for the reduction of working hours can comprise the following elements: a reduction in working time, a corresponding reduction in wages, a wage subsidy, the introduction of a timeframe for the implementation or creation of a work-sharing programme linked to basic and further training during lost working-time.

The purpose of these measures is to avoid lay-offs and retain **staff**. It also avoids the costs of lay-offs and re-employment, boosts morale within the workforce and avoids the social exclusion consequent on unemployment. Burdens are shared, not just among employees, but also between employees, companies and the state. Although quick wins of this sort are used primarily in industrialised countries, in the most recent economic crisis, emerging and developing countries, especially in Latin America, have attempted to implement mechanisms for reducing working hours.

The use of these quick-win instruments is **costly** for companies and governments, but the costs can be lower than those engendered by mass redundancies or long-term unemployment. It should be noted, however, that employees in the informal sector do not usually reap any benefits from short-time working or wage subsidies.

And for those workers affected, the foregone wages often represent a serious loss of income, especially if they were already on a low wage. Thus these measures are essentially more appropriate in countries with some degree of state resources, a relatively high proportion of jobs in the formal sector and adequate job-market controls and regulations (cf. World Bank 2014, p. 104).

## BOX 2 SUCCESSFUL CASH TRANSFERS IN UGANDA

In Uganda, only a handful of companies create jobs. For this reason, the national Northern Uganda Social Action Fund gave young Ugandans the opportunity to begin self-supporting through cash transfers. In 2008, the Youth Opportunities Programme distributed financial aid to groups of young men and women to be invested in programmes aimed at acquiring qualifications and financial independence. Applicants were invited to form groups with people who had similar career interests and entrepreneurial ideas. The selected groups received a lump sum transfer to a joint account averaging approximately 7,500 US Dollars.

There was immense interest in this programme, which allowed a randomised reference group to be constituted and used for a comparative study with the groups of people receiving support. The results of the study showed that the groups invested the greatest part of their capital in acquiring qualifications, long-term assets, materials and savings. Almost 80 percent of the people in the programme took vocational and further training courses.

In addition, the programme had significant effects on jobs and income. Two years after the cash transfer, about two thirds of the participants were self-supporting or in salaried employment, mainly in the field of handicrafts. Men and women both increased their number of working hours outside the home, the men by about 25 percent and the women by about 50 percent. The income of the participants was on average 38 percent higher than in the reference group, and savings were 57 percent higher.

Source: Blattman / Fiala / Martinez 2012, pp. 3 ff.

## Cash transfers

In many developing and emerging countries, there is no adequate social security system to protect people from loss of wealth if they lose their jobs. It can therefore be helpful to give financial support to job-seekers. “**Unconditional cash transfers**”<sup>1</sup> are monetary payments that are free from active constraints on the part of the government or non-governmental organisation. Their immediate aim is to minimise poverty in affected households and to provide social security. In recent years, direct payments in response to crises have gained in importance.

A measure of this kind does not directly target the promotion of employment, but it has been shown that it can exert a **positive influence on the employment of those affected**. A range of studies have shown that people from financially advantaged households look for work more intensively and thoroughly and are more successful in finding it than those from unsubsidised households (cf. Samson and Williams 2007). The explanation of this link is that financial support reduces social risks and liquidity crises in poor households, and thus facilitates migration and the search for work. Furthermore, the additional income is partly invested in vocational or further training, so that long-term effects on employment can be reaped.

Direct payments are **cost-efficient** because they do not generate transport costs, for example, and an uncomplicated disbursement may ensue. Payment can be carried out through banks, post offices, retailers or companies that execute money transfers. Those concerned are independently and flexibly responsible for their expenditure. At the same time, long-term effects favouring the empowerment of women can arise, as they are strengthened in their right to joint decision-making when it comes to the household’s resources. To give such measures a form that ensures that they are effective on employment, they are best used in combination with other instruments, such as job placement.

1 There are basically two kinds of direct financial support: conditional and unconditional cash transfers. Conditions for monetary payments may be work (public works / cash-for-work) or social requirements, such as the duty to send children to school.

## Public works programmes

Public works programmes (also known as **cash-for-work-programmes**) (cf. Module 2.7) can be understood as conditional cash transfers, and are even more closely linked to the goal of promoting employment. They include the creation of jobs through public works orders or publicly financed projects and investments. The purpose of most programmes is to produce public goods and services in the domain of physical or social infrastructures. They also focus to some degree on the direct creation of jobs. Participants in the programmes are remunerated for their work financially or in kind. Governments either manage these programmes themselves or commission NGOs or firms in the private or public sector.

Public works programmes can be designed flexibly with regard to target groups, time scales, remuneration and the specifications and quality of jobs. These measures are often linked to **employment-intensive infrastructure schemes**. For operations such as laying cobblestones in streets, it is possible to train large numbers of unemployed people quickly and get them working. Such schemes can unburden the job market and offer a short-term social safety-net. They are also used temporarily in reconstruction phases or to provide infrastructures in refugee camps or communities welcoming refugees. In the framework of employment programmes, some states also offer a guarantee of work that is not project-oriented, but which guarantees, for example, a certain number of days of work per year.

The obvious advantage of public works programmes is that they reach the people concerned directly, enabling them to earn a minimum income while generating important services, in infrastructure for example. As regards impact on employment, public works programmes can also be useful over the longer term. This is because infrastructure investment often creates a foundation for long-term, sustainable growth, generating **high levels of forward and backward linkages with other sectors**. Vitaly important for implementation designed to strengthen local value creation is the employment of the local workforce and the use of local qualifications and materials.

However, employment programmes also generate temporary **distortions in the local market**, which can prove problematic on the job market in the longer term and may cause higher costs. Furthermore, there is no guarantee of the sustainability of the jobs created after the measures come to an end. Programmes designed to match the context can be used in an effort to minimise these

negative effects (cf. Gherkin/ Hartwig 2015). As a general rule, however, countries lacking in the implementation structures for a corresponding programme have a poor success rate in building up a functional system in the short term (cf. World Bank 2014, p. 99). Because of their high costs, such programmes, financed by the state (and also frequently supported by donors) should have exit scenarios built into their initial plans.

## Quick qualifications

Quick qualifications can help people to improve their existing qualifications or **obtain new ones**. For example, after a natural disaster, quick qualifications can play an important part in assembling the necessary capabilities for clearance and reconstruction works. For target groups with low levels of education, quick qualifications can be useful for imparting life skills or, for example, extending a driving licence. In regions where job-seekers already have a high level of qualifications that do not meet the demands of the job market, quick qualifications can contribute to matching supply to demand in the job market. In this case, quick qualifications can be promising as they provide the practical skills required for the vacancies at hand. Where there is no prospect of employment for a job-seeker, quick qualifications can also provide the basic knowledge required for setting up one's own business.

The advantages of quick qualifications are their flexible implementation, their high level of acceptance by both employers and employees, and their potential to reach even those **in the informal sector**. At the same time, quick-qualification measures are generally good value for money in comparison to other quick-win instruments. To introduce quick qualifications to maximum effect, their content must be clearly matched to the demands of private enterprise. Ideally, the measures must be introduced in collaboration with businesses.

Where no existing training or job-market structures can be used, quick qualifications are nevertheless costly to implement. Even the use of quick qualifications can have its limitations, as offers are often weak in quality, supply-driven and do not react sufficiently to demand. In a nutshell, job-seekers risk finding themselves faced with the same problems immediately afterwards. It is advisable to inform quick qualifications participants of their **prospects**. These may include other vocational fields that may be rendered accessible by quick qualifications, extension courses for obtaining further qualifications in the same field, or funding possibilities for self-employment.



Many cash-for-work programmes concern employment-intensive infrastructure schemes

### Start-up support

Start-up support endeavours to improve **incentives for self-employment**. Starting up a business or self-employment is fraught with personal and financial risks. Reducing these by funding possibilities, start-up training and counselling is the aim of a number of development-cooperation measures.

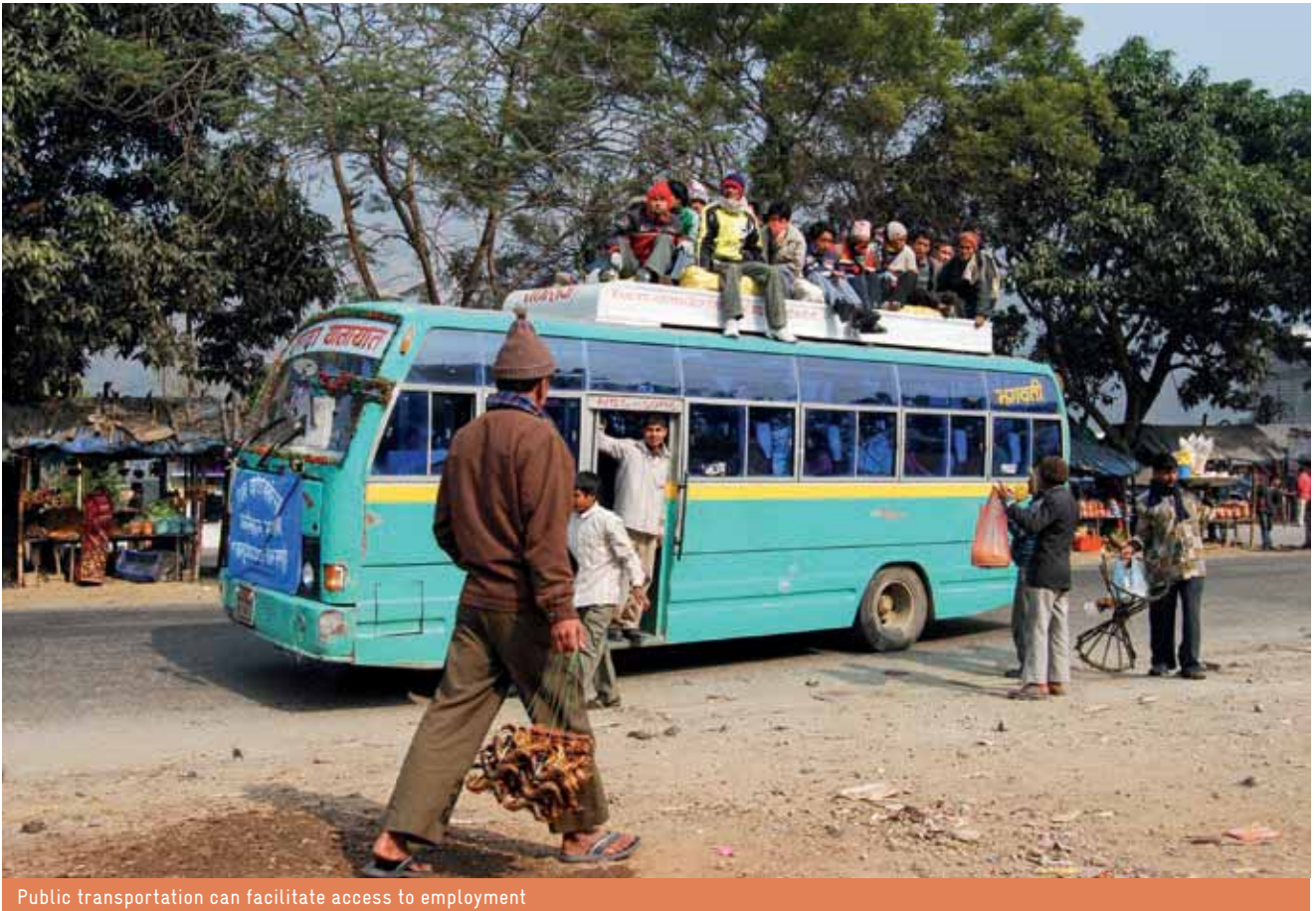
In regions with low labour demand from private enterprise, self-employment is a particularly **important mean of earning income**. In developing countries, due to the lack of formal jobs, many people are already self-employed as informal micro-entrepreneurs. Funding micro-enterprises also provides potential jobs. This is because, as a rule, smaller enterprises generate more jobs per output-unit than relatively larger ones (cf. GIZ 2013, p. 22).

A widespread, tried and tested instrument for start-up support is **micro-financing**. It can serve as a stimulus to the local economy and also as income support in crisis situations. Micro-credit programmes based on personal warranties or group responsibility have proved successful in some countries. For the short-term implementation of new

micro-finance programmes or subsidised conditions, it is helpful if existing micro-finance institutes, well-networked banks or NGOs can be encouraged to implement and promote the measures.

Training courses and **entrepreneurship education** in schools, vocational schools, youth centres and employment agencies can boost a job-seeker's motivation to start up a business. During the process of starting up a freelance business or in the stages leading to independence, advisory services, coaching and monitoring programmes can help with drawing up a sustainable business concept. Even dealing with the administrative procedures for entry into the formal job market often requires the guidance and support of competent advisers.

In situations of acute crisis, promoting entrepreneurial independence takes on special importance. On a local level, small businesses can react to supply gaps in raw materials and services more flexibly than large production plants. However, the sustainable promotion of business start-ups requires framework conditions that are **favourable to competition and entrepreneurship**. Unfortunately, these are often absent in many cooperation countries and can



Public transportation can facilitate access to employment

rarely be decisively improved in the short term. Greater employment effects resulting from the growth of start-ups therefore arise in the medium term.

### Promoting internal mobility and labour migration as a quick win for employment

In contexts of strong regional disparities in the job market, the promotion of internal mobility can help promote employment. It is worth addressing **hindrances to mobility** such as transport and accommodation facilities, as well as cultural hindrances to mobility for women, for example. While investments in the provision of corresponding infrastructures generally become effective only in the medium term, very short-term effects may also be achieved through subsidies. These can include transport grants for job-seeking, travelling to work or moving house, or housing-aid for accommodation in the vicinity of the workplace.

In the long term, properly planned and implemented **migration partnerships** and circular migration between countries can ease the strain on job markets in countries with high unemployment or underemployment. However, the possibility of creating problematic effects, such as a brain-drain, in source countries must not be overlooked. In this area, promotion of training and studying abroad as well as circular migration represent possible gains for both sides.

## Further challenges to development policy

In many contexts, measures to achieve short-term employment effects are urgently necessary and can display **positive signals** for the entire social and economic development of a country. In order to achieve these effects, however, development cooperation faces some special challenges, which must be taken into account at the planning stage and with regard to managing expectations:

- Achieving short-term employment effects is problematic, as job-market constraints often have deep-seated structural causes, and resources to implement them are scarce. The widespread use of quick wins in the promotion of employment must not be allowed to fuel false hopes regarding the elimination of basic job-market problems.
- The framework conditions and existing structures for implementing rapid employment measures are inadequate, both institutionally and financially, in most cooperation countries. This makes the widespread use of many such measures only theoretically possible.
- The short-term effects of quick wins in the promotion of employment often do not last long and, in some instances, can even run counter to sensible medium- and long-term employment strategies. It is therefore crucial that local quick wins should be linked to structural reforms in economic and employment policy and to the **strengthening of national and decentralised institutions**. Urgent measures frequently open the way for the construction of long-term governance structures for cross-institutional social dialogue.

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