

DEVELOPMENT CO-OPERATION DIRECTORATE
DEVELOPMENT ASSISTANCE COMMITTEE**EMPLOYMENT IS THE MAJOR ROUTE OUT OF POVERTY - HOW DONORS CAN HELP****Policy Guidance Note**

This policy guidance note, which was approved by POVNET at its meeting in March 2009, is circulated to the DAC for APPROVAL via the written procedure, as is its sister policy guidance note on Social Protection and Empowerment [DCD/DAC(2009)15]. Unless comments to the contrary are received by 30 April 2009, it will be deemed approved and prepared for publication.

This policy guidance note will be published together with its supporting set of background papers [see DCD/DAC(2009)16/ADD]. These have been prepared under the responsibility of their respective authors, and reviewed and approved by the POVNET Task Team on Employment and Labour Markets.

These two policy guidance notes underpin the Policy Statement on Employment and Social Protection [DCD/DAC(2009)14] which will be submitted to the DAC HLM for endorsement.

Contact: Peter Bieler - Tel: +33(0) 1 45 24 84 57 - Email: peter.bieler@oecd.org

JT03262820



TABLE OF CONTENTS

EMPLOYMENT IS THE MAJOR ROUTE OUT OF POVERTY HOW DONORS CAN HELP.....	3
I. Introduction	3
II. The dynamics and dependencies of employment and labour markets	4
III. Involving stakeholders in evidence-based policy making.....	5
IV. Employment in the formal and informal economies	7
V. Increasing the employability of poor people	8
VI. International migration.....	10
VII. Focus on youth, women and vulnerable groups	11
VIII. Employment in situations of fragility.....	13
IX. Conclusion.....	14
X. References	14

EMPLOYMENT IS THE MAJOR ROUTE OUT OF POVERTY

HOW DONORS CAN HELP

Key messages for donors

- Productive employment and decent work needs to be a key objective of development co-operation and receive greater attention in policy dialogue with developing countries. Productive employment and decent work are the main routes out of poverty, including in fragile environments, and are crucial for achieving the MDGs.
- Specific measures need to be taken to improve employment, productivity and working conditions in the informal economy, facilitate formalisation, encourage entrepreneurship and promote more, productive and decent employment in the formal economy.
- The participation of women and young people in the labour market needs to increase, including by addressing gender-based discrimination, and the constraints and barriers that women and young people face as well as by strengthening measures to improve access to demand-driven vocational training.
- Efforts by partner countries to improve the availability of reliable, sex-disaggregated statistics should be supported because these are crucial for understanding the functioning and dynamics of both the formal and informal labour markets and enhance evidence-based policy making.

I. Introduction

1. Productive and decent work¹ is the main route out of poverty for most poor people. By making better employment outcomes an MDG target for eradicating extreme poverty, the international community has highlighted the importance of promoting employment, which is also a core objective for several international organisations including the ILO, WTO and OECD. Employment performance is therefore central to the success of poverty reduction strategies and to efforts to enhance development, but it has to be productive and decent paid employment if individuals, the economy and society are to benefit fully. Both the pace and pattern of economic growth matter as well. A rapid pace of growth and increasing labour productivity are needed to generate large numbers of new and decent jobs in developing countries while a broad-based pattern of growth is needed to maximise the participation of and benefits to poor people.

2. The lack of sufficient productive and decent employment opportunities is a major bottleneck to reducing poverty and achieving the MDGs; it is also an increasing source of social and political instability. Strengthening the productive resources and capacities of poor women and men enhances their ability and likelihood of finding or creating productive employment. Increases in income, especially for women, result in greater investments in health and education that in turn increase the welfare and productive capacity of

¹ Decent work as defined by the ILO covers fundamental principles and rights at work and international labour standards; employment and income opportunities; social protection and social security; and social dialogue and tripartism.

the workforce. They also increase poor people's purchasing power which stimulates demand for goods and services, including social protection, leading to additional opportunities for wage and self employment, and contributing to more inclusive and sustainable growth.

3. Most of the world's poor people are working but have poor employment conditions and earn little. They are working in very diverse environments, mostly in the informal economy, such as unregulated factories and small workshops, on streets or in open spaces, in fields, forests and pastures, or at home. Collectively, they produce a significant share of developing countries' national income [41% in developing countries, compared to 18% in OECD countries (UN, 2005)] and make up a large untapped potential for further growth. Yet informal workers and businesses remain mostly invisible for policy makers. As a result, they lack basic social protection, are locked into low productivity activities, with scant opportunities for economic mobility, slip more easily into deep poverty and rarely benefit from specific policies targeted at their particular needs and opportunities. As a consequence, incomes earned in the informal economy, where women are over-represented, are lower than those in the formal economy.

4. Through the work of its Network on Poverty Reduction (POVNET), the OECD's Development Assistance Committee (DAC) has developed policy guidance for donors aimed at reducing poverty by increasing employment and making labour markets work better for poor people. It builds on earlier work on private sector development (UN, 2005). Recognising that poor people identify getting a job – whether through self-employment or from wages – as their most promising path out of poverty (Narayan *et al.* 2000), this policy guidance advocates making employment a central feature of poverty reduction strategies and highlights the importance of addressing both the formal and informal labour markets more effectively. This policy guidance is based on available evidence from developing countries and lessons learnt from good practices, elaborated after consideration of a series of topics: *i*) informality, *ii*) vocational training, *iii*) international migration, *iv*) social protection, *v*) youth and employment, *vi*) women and employment, and *vii*) situations of fragility. Additional work, including a conceptual framework on employment and poverty reduction and on the relationship between economic growth, employment and poverty reduction, underpinned preparation of this guidance.

II. The dynamics and dependencies of employment and labour markets

A sound macroeconomic framework is the basis for supporting growth and employment creation.

5. Macroeconomic policies can contribute to raising domestic productive activities and thus create new employment opportunities, but often need to be sustained by structural and institutional changes to be effective. While many developing countries have achieved macroeconomic stability in the recent past, leading to moderate or even fast economic growth, major challenges remain in facilitating a growth pattern that is more robust and pro-employment. Co-ordinated macroeconomic policies are key instruments for a structural anti-cyclical fiscal policy as recommended by the IMF and the OECD. They can help smooth out economic fluctuations and raise investors' confidence, but also contribute to growth and employment creation in periods of economic downturn. In many developing countries, monetary policies only include inflation targets. More attention could be given to growth and employment, without jeopardising macroeconomic stability. Moreover, in increasingly open economies, exchange rate policy is a powerful tool to influence the competitiveness of the domestic economy with all its consequences on employment.

6. The impact of growth on employment and poverty reduction varies considerably. Developing countries with similar rates of economic growth have experienced quite different levels of economic poverty reduction (Ravallion, 2004). While generally positive, its impact is often below expectations, often due to initial levels of inequality in incomes and assets. Economic growth without significant employment creation, *e.g.* based on minerals exploitation, is a phenomenon which leads to increasing inequalities in wealth and inevitably to increasing poverty. This is why POVNET promotes pro-poor growth and stresses

the importance of both the pace and the pattern of growth. Poverty reduction through faster and more inclusive growth is the target we are trying to reach by increasing the participation of poor people in the labour market.

7. The evolving sectoral pattern of growth matters for poverty reduction. Over time, economic development is associated with a move from lower to higher productivity activities coupled with a move of the labour force from the primary to the secondary and tertiary sectors. Agriculture is a key sector as that is how most poor people in developing countries currently derive their incomes and sustain their livelihoods. In agriculture-based countries (mainly sub-Saharan Africa), it generates on average 29% of the gross domestic product (GDP) and employs 65% of the labour force (World Bank, 2008). But agriculture is also a complex sector; while productivity-intensive growth in agriculture significantly reduces the incidence of poverty, employment-intensive growth in low productivity agriculture actually increases it. It is increases in productivity in activities higher up the value chain, and employment-intensive growth in the secondary sector (manufacturing, construction and utilities) that substantially reduce the incidence of poverty, when they are accompanied by increases in agricultural productivity. For example, expansions in high labour-absorbing sectors such as manufacturing and tourism have benefitted poor people. The tertiary sector can offer expansions in high productivity employment when education levels are relatively high, such as in India or Latin America.

8. A conducive investment climate is essential to underpin development of the private sector and to mobilise more productive investment. Governments can improve their investment climate by reducing the risks and costs (for example, through infrastructure investment and reducing excessive costs to comply with regulations) of investment, improving efficiency and encouraging innovation by removing imperfections in land, commodity and financial markets and developing the capacities of government institutions that regulate and monitor the performance of labour markets (such as occupational health and safety inspectorates).

Key areas for donors' attention include:

- *Supporting the development and implementation of macroeconomic policies that lead to sustained pro-poor growth as well as policies and public interventions that improve the competitiveness of the private sector and create decent employment.*
- *Helping increase attention to employment outcomes in the design of sectoral policies including through ex ante analysis of sectors with high potential for employment and value addition (quality, quantity, specific group of workers, age, gender, specific geographic regions facing employment challenges).*
- *Supporting efforts to increase agricultural productivity and the development of rural enterprises, thus reaching many poor people.*

III. Involving stakeholders in evidence-based policy making

a) The role of government, workers and employers

It is the responsibility of governments to facilitate provision of labour market institutions and a business environment that fosters productive and decent work.

9. Improving poor people's access to the labour market and decent employment requires concerted efforts by governments, civil society, trade unions and the private sector. Businesses can complement these efforts by adhering to corporate social responsibility (CSR) standards. To have the greatest impact on reducing poverty, all interventions aimed at labour market development, private sector-led growth and

employment promotion need to take account of the constraints and opportunities in the informal economy and not just those found in the formal economy.

10. Effective policy development processes have to be forward looking and include planning of their implementation and the provision of means to monitor and evaluate them. Governments often develop policies or define laws relatively easily, but lack the right means and adequate human and institutional capacities to implement and enforce them.

Incentives are needed to develop a multi-stakeholder approach to support socially responsible employment practices, to regulate labour markets to extend basic worker rights and benefits to informal wage workers and to make governments more accountable.

11. Representatives of the private sector in both the formal and informal economies, social partners and communities, as well as women and youth, need to be involved in policy formulation processes and their implementation. Organisations that represent the interests of workers and employers need to enhance their capacity to engage in such political dialogue, create businesses and so improve employment outcomes. Poor people in particular, if included in the debates on labour market policies, stand to benefit from better representation and a voice in decision making.

12. It has been shown in South Africa that including professional and social partners in designing policies for vocational training resulted in a better response to the needs of the labour market. Such policies have to target the informal as well as the formal economy, women as well as men, and young people as well as adults, in order to have a wide impact. Organising workers around social protection can be a way of empowering them. A key objective is to better integrate employment creation and the social protection of informal workers into poverty reduction and other development strategies. In the formal economy, companies are expected to set an example and take responsibility in promoting good business practices and decent work according to legislation, but also going beyond as part of their corporate social responsibility.

13. Individual and institutional capacity development of governments, workers and business organisations is a vital contribution to a well-functioning labour market. Unions not only have to become a competent partner but also need to be granted access to a well-structured and functioning policy dialogue.

b) The importance of better statistics

Access to reliable, sex-disaggregated statistics is crucial for understanding the functioning and dynamics of both formal and informal labour markets and to support evidence-based policy making.

14. Detailed and up-to-date information on the structure and dynamics of the labour market is needed to underpin policy making, but also monitoring and evaluation. In developing countries, the labour market is often not well understood or standard concepts (e.g. “unemployment”) difficult to apply. Viable statistics, analyses and evaluations are needed to address the labour market effectively, to compile and understand the country-specific evidence and the potential constraints to finding adequate and adapted solutions that will reach poor people and address the specific constraints faced by youths, women and people with disabilities. To ensure transparency in policy making processes, the information emanating from such sources should be publically available.

Key areas for donors’ attention include:

- *Supporting participatory approaches for capacity development on employment policy design. Involvement of public sector, private sector, trade unions, CSOs as well as groups facing specific barriers (e.g. youth, women, ethnic groups) including those in the informal economy.*

- *Promoting the development and access to national multi-stakeholder institutions for social dialogue on employment, social protection and pro-poor and pro-employment macro-economic policies: i.e. a tripartite approach.*
- *Providing support for the systematic and sustainable development, collection and treatment of national sex-disaggregated data related to the formal and informal labour markets, to enhance evidence-based policy making that draws on nationally owned information.*

IV. Employment in the formal and informal economies

Policy makers need to recognise the importance of the informal economy and help to improve productivity, working conditions and social protection in the informal economy while easing and encouraging formalisation.

15. Achieving a dynamic formal economy with decent employment conditions is undoubtedly a main goal of any government's economic strategy. It underpins the provision of services, including social protection, the implementation of rules and regulations and the collection of revenue by the government to fund the provision of public goods. However, in most developing countries, the informal economy is very large and the global persistence of poverty is connected to the size, durability and conditions in the informal economy. Informal employment is very high (Table 1) and even increasing worldwide (OECD, 2008) and, contrary to what had been expected, it does not necessarily decline as a country develops.

Table 1. Trends in employment in the informal economy

Region	Informal economy employment as a percentage of non-agricultural employment	
	1980-89	1990-99
North Africa	38.8	43.3
Sub-Saharan Africa	68.1	74.8
Latin America	52.3	56.9
Asia	53.0	63.0

Source: Charnes, 2000

16. By paying greater attention to the informal economy, donors can help developing country governments to unveil a large and unfilled potential to generate growth and reduce poverty. Governments can do this through policies that: *i)* increase productivity and earnings in the informal economy, especially through a focus on skills development, *ii)* reduce the risks to those working in the informal economy, and *iii)* reduce barriers and provide better incentives to promoting and creating more productive and decent formal jobs.

17. Traditionally, measures related to informality and informal employment have aimed at their formalisation. Often, formalisation policies have had more negative connotations and have taken the form of stressing the illegality of certain informal activities, thus making it more difficult for informal economic actors to carry out their activities. In many countries, the costs of formalising become prohibitive and encourage employers to continue to operate in the informal economy. By pushing already vulnerable groups of people into even more difficult situations, badly designed formalisation policies can contribute to increased poverty and vulnerability rather than to poverty reduction.

18. Instead, governments should address the drivers for informality, particularly:

- i) *Exclusion*: a low capacity of the formal private and public sectors to accommodate rapid labour force growth, resulting in a mismatch between demand and supply of labour.
- ii) *Entry barriers*: unreasonable regulations, costly/hostile legal environments and increased use of subcontracting can make entry into a formalised labour market difficult or impossible.
- iii) *Exploitation*: changes in formal labour regulations or their implementation can increase informal units and the number of workers in informal businesses.
- iv) *Exit*: informalisation of once-formal jobs as a strategy to lower costs and deal with competition.

19. The informal economy is structured very diversely and can only be described in a country-specific context. Governments and donors therefore have to plan their interventions based on sound knowledge of how the informal economy actually works.

Key areas for donors' attention include:

- *Increasing the voice of informal workers and businesses in decision-making processes with special attention to women and youth (e.g. through representation of informal workers in employers' and workers' organisation, the role of the CSOs).*
- *Assisting micro enterprise development and self-employment in urban and rural areas by improving working conditions and productivity through access to financial resources, business development, skills development programmes and basic infrastructure.*
- *Supporting labour market reforms and promoting legal approaches (including enforcement and/or incentive measures) to formalise informal businesses and work arrangements of wage workers (e.g. domestic workers or informal workers of formal enterprises).*

V. Increasing the employability of poor people

20. A rapid pace and a more inclusive pattern of growth will increase employment opportunities for poor people. But, to take advantage of these opportunities, poor women and men need to increase their ability to participate productively in the growth process so as to benefit more from it. A skilled labour force and an ability to move flexibly between jobs and types of occupation are key attributes of a dynamic labour market. A shortage of skilled labour can severely influence prospects for sustainable growth. Barriers to access and to the movement of the labour force across occupations, sectors and regions can prevent them from benefiting from increased employment opportunities. Social protection enhances the productivity and participation of poor people in the labour market by reducing their livelihood risks.

a) Vocational training

The productivity and employability of poor people can be significantly increased with well-tailored and recognised (certificated) vocational training, especially for workers in the informal economy.

21. A primary asset and resource of poor people is labour. Improving and extending vocational training to develop appropriate skills is crucial to facilitating transitions to more productive jobs and therefore improves the employability of the work force.

22. Many existing vocational training systems need to be reformed. They are generally inadequate in size, concentrated on the formal economy, not very effective and not very relevant to the needs of the

labour markets in poor countries. They need to be truly demand driven by the private sector. By focusing on the formal economy only, technical and vocational education and skills development systems fail to address the needs of the full labour market. Introducing recognised professional certificates allows individuals to prove their skills. Attempts to restructure technical vocational education, apprenticeships and training systems remain small-scale. Vocational training thus needs to be scaled up and has to become a part of an overall employment and education policy.

23. Vocational training needs to build on basic education systems. Only about 60% of students who enter basic education in sub-Saharan Africa actually complete it (UNESCO). Basic education and life skills development is vital for supporting the economic development process because it improves agricultural productivity and can facilitate the transition of workers from agricultural jobs to work in the secondary or tertiary sectors.

24. Helping employment seekers become entrepreneurs who create jobs (for example through self-employment, micro-enterprise creators) can be a neglected path to entering the labour market. An employment and education policy should therefore include entrepreneurship training. Together with mechanisms that provide start-up capital, businesses can be created in a sound economic context.

Key areas for donors' attention include:

- *Providing advice and support with a view to making vocational training cost-effective and demand-driven, gender neutral, decentralised and involving the private sector and labour market organisations with innovative approaches, such as through public-private partnerships.*
- *Supporting cost-effective policies that facilitate the upgrading of training in the informal economy, including apprenticeships.*
- *Promoting the setting-up of vocational training in the informal economy and nation-wide recognised certificates.*

b) *Social protection and empowerment*

Social protection and empowerment increases the access of poor people to the labour market and the productivity of workers and thus helps to break the vicious circle of poverty.

25. The productive potential of poor people can be unlocked through active social protection mechanisms. Poor people generally adopt risk coping strategies to adapt to frequent or continuing economic stress. When under economic stress, poor people may respond by consuming less, taking their children out of school, reducing expenditures on health care or selling their productive assets. The provision of social protection can break this vicious circle of poverty by easing risk coping strategies, while empowering poor people to better access productive employment opportunities and giving them an important incentive for formalisation. It also helps them take the decisions and make the adjustments to put them on more sustainable paths out of poverty.

26. Access to social protection is often related to work in the formal economy. Workers in the informal economy, where 70% to 95% of the labour force in developing countries (including agriculture) is employed (ILO, 2002), are therefore excluded from contributory schemes and may not be able to afford private insurance or get access to community-based schemes. But the creation of separate social protection institutions and systems for the informal economy are not needed. Instead, the formal social security administrations need to adapt and expand to include informal workers. Risk pooling among larger populations will ultimately increase the sustainability of these systems for all. In addition, countries with substantial and long-standing social protection programmes know that their effectiveness has not been just risk management, or response to crises, but rather a long-term investment – with high rates of return – in a

productive economy and society. Progress towards sustainable social protection measures thus requires the inclusion of informal workers in formal social protection institutions.

27. Social cash transfers can effectively promote engagement in labour markets and there is evidence to suggest that they need not create work disincentives (Posel *et al.* 2004) or give rise to moral hazard issues. Studies from South Africa shows that working age adults in poor households that receive a social pension are more likely to look for work and more likely to find employment than comparable adults in households that do not receive a social pension. Productive safety nets provided through public work programmes can temporarily ease economic stress from unemployment and facilitate access to the labour market.

Key areas for donors' attention include:

- *Providing advice on how to design and fund safety net programmes.*
- *Supporting and developing capacity in national ministries of labour and social affairs, which have the responsibility for national social protection strategy development – as well as in the social security administrations that manage the pension, health insurance and other social security schemes.*
- *Providing financial support or subsidising through other means contributions by the self-employed and informal sector workers to pension, health insurance and other social security schemes.*

VI. International migration

More coherent policies for the promotion of development through migration should be pursued by means of stronger partnerships between origin and destination countries -- with special attention to brain-drain and circular-migration issues.

28. Policies toward international migration, employment and investment in developing countries must be more coherent, given the many interactions between those phenomena. But more coherent policies require a much better understanding of the links and impacts between mobility, jobs and development. However, empirical evidence does exist and this suggests that the labour markets in sending countries adjust to emigration in different ways, depending on the scale and type of migration and the country's general socio-economic condition. As in many other areas, grasping the variety and complexity of these relationships requires the collection of more data and the development of appropriate analytical tools.

29. The effects of migration on employment have many facets. For example, the migration of low-skilled workers might result in rising wages or, in areas with high rates of emigration and an oversupply of labour, a relaxation of local labour market pressures. For some, overseas work experience might provide opportunities to improve skills and acquire further knowledge while others, whose qualifications are not adequately recognised in their receiving country, may see their skills diminish while abroad.

30. The promotion of "circular migration" can be an effective response to brain drain, which often deprives developing countries of their human capital and has serious consequences on the delivery of key services, *e.g.* education or health care. This can take the form of re-entry visas for migrants on renewable short-term contracts, portable pensions and other social benefits. "Ethical recruitment" practices and measures to improve working conditions, infrastructure and career opportunities for high-skilled personnel in developing countries should parallel/accompany the acquisition of professionals from sectors exposed to brain drain. On-the-job training and skill acquisition schemes affecting migrants' employability and knowledge transfer can also support circular migration. Diaspora networks play an important role in

reducing the costs of brain drain by fostering co-operation and the conveyance of knowledge and skills as well as collective and business investment.

31. Remittances will contribute more to job creation if policies help create stonger incentives to save and invest in migrants' countries of origin - including, notably, in community-development projects and small-scale labour-intensive business. Migrants abroad often remit savings to their families at home. Families generally use these for consumption and for investments in education, health and better housing. Policies could seek to create incentives to use more of the remittances for productive investments. Expanded access to money transfer institutions, a reduction in transaction fees and improved safety of money transfers should also be promoted. Remittances can counterbalance the deficiency of local insurance systems and function as social safety nets. Remittances are however likely to fall drastically in times of recession and increase unemployment in destination countries.

32. Considering the manifold links between migration and employment, migration policy has to be coherent (and complementary) with policy fields of education and vocational training, the labour market and private sector development, social development/security; all of which should be aware of the situation of potential migrants.

Key areas for donors' attention include:

- *Promote greater analysis and understanding of the impacts of migration on employment and investment.*
- *Increase the opportunities and reduce the challenges of migration sending and migration receiving countries by helping to promote partnerships between countries, especially regarding the reduction of brain drain effects and the promotion of circular migration.*
- *Supporting efforts to create a more conducive environment for remittances that are profitably invested, saved or used.*

VII. Focus on youth, women and vulnerable groups

Special attention to women, young people and other groups facing specific barriers in the labour market improves their access to the labour market, enhances social cohesion and promotes more sustainable growth.

33. Sustainable development is built on social cohesion as well as sound economic management. Policies for high economic growth need to be accompanied by social, employment and other policies to ensure that poor people share the benefits of growth. Women, young people and people with disabilities can be disadvantaged and may need special measures to help them access the labour market better.

a) Youth

The integration of youth in the labour market should be promoted by adjusting existing employment policies accompanied by more targeted interventions.

34. The failure of the formal economy to generate sufficient employment opportunities for young people raises the spectre of social disaffection, rising crime and political instability. Developing country populations are becoming increasingly younger and about one third of the youth is unemployed or part of the working poor. In sub-Saharan Africa, 65% of the population is below 25 years of age. There is an urgent need to target youth employment.

35. Young people face particular barriers and biases concerning their employability, access to and participation in economic growth. A growing number of qualified young people are trying to integrate into the labour market but are often unable to do so. While higher and more sustained rates of economic growth will help, not enough jobs are being generated for young people and not enough young people have the necessary education and skills required by the increasing demand for skilled labour. As a result, growing numbers of young people are unemployed or part of the working poor, thus raising the spectre of social disaffection, rising crime and political instability. It also adds to the vicious circle of intergenerational poverty transfer.

36. There is no “magic bullet” to increasing youth employment, but a combination of approaches should have a mutually reinforcing impact. While there is little hard evidence on cost effectiveness, there is evidence that all approaches (*e.g.* specific skills training, multiple service interventions, such as job placements, or wage subsidies, and promotion of entrepreneurship) have similar impact potential. The potential to strengthen youth employment can be increased by combining various approaches in an integrated manner (*e.g.* vocational training, apprenticeships, job sharing, work experience schemes, etc.) to exploit their synergies. Also, when designing vocational training policies, it is important to differentiate between the specific backgrounds of life-skills and the amount and quality of primary, secondary and tertiary education. However, while labour-intensive public works programmes can have their merits, their long-term impact on educated youth is not necessarily significant. More attention is also needed on employment creation in new sectors that are particularly attractive for youth (*e.g.* ICT and the environment).

Key areas for donors' attention include:

- *Advocating inclusion of youth employment considerations within support for public investment programmes (in particular infrastructure and construction) and support the creation of incentives for enterprises to hire more young people.*
- *Voices of the youth: Supporting existing labour policies, but adjusted to specific youth needs, or through targeted interventions in a specific environment.*
- *Supporting youth, where they face special barriers, for example by linking increased entrepreneurship of the youth with access to financial services, incubators and start up support.*

b) Women

Achieving women's economic empowerment and gender equality in the labour market requires targeted action and makes economic sense for the whole of society.

37. We still have not achieved anything near gender equality, in spite of decades of discussions, conferences, and political agreements on gender equality. Women (estimated to make up 60% of the working poor) face particular barriers and biases concerning employment, assets, access and participation in economic growth. Promoting the employment of women makes sound economic, social and political sense, and is all the more important in economic downturns which impact even more severely on women. In terms of economic empowerment, women currently face three major challenges:

- i) The gender gap in employment: Women are less likely to have a (paid) job than men. An increased awareness is needed for women of their constitutional and legal rights, and on the importance of girls' access to primary and secondary school enrolment and attendance.
- ii) Women's jobs are more likely to be concentrated in the informal economy and in low value-added activities. Efforts are thus needed to increase women's representation in higher

value-added sectors, including by making the formal economy more accessible and attractive for women.

- iii) Women are more likely to be in low-wage jobs with poor working conditions or in unpaid work in the family and community (e.g. care of children and elderly and sick people). There is thus a need to reduce women's decent work deficit through labour market policies and legislation, involving public and private employers and trade unions.

Key areas for donors' attention include:

- *Targeting more interventions at women, including addressing and benchmarking gender equality in regulatory reforms, access to finance, access to other business services, entrepreneurship and start up through incubators and activities in which women can and do get productive and decent work.*
- *Supporting women's organisations that promote women's economic empowerment (entrepreneurs, labour rights, voice), but also sensitisation of men and society to create awareness and understanding of the need of specifically targeting women.*
- *Promoting greater awareness of the double burden women face: unpaid reproductive, personal family work and productive paid work. Programmes should help reduce unpaid work and translate women's labour into paid work, and their paid work into higher, more secure incomes.*
- *Expanding the basis for gender-sensitive policy formulation through greater collection of data disaggregated by sex and indicators that measure processes which either lead to diminishing barriers to gender equality (e.g. law on land entitlement excluding women) or measure processes which lead to growing opportunities to promote women's empowerment (equity measures, involvement of women in decision-making).*

VIII. Employment in situations of fragility

More, more productive and decent jobs in fragile situations contribute to stability, economic recovery and growth.

38. Employment issues are very relevant for “fragile states”, where about one-third of the world's poorest people live. In addition, employment and welfare strategies that focus on reducing inequalities and on increasing access to (public and private) productive resources and services reduce the likelihood of conflict and enhance the legitimacy of government. This helps respond to the challenge in fragile states of restoring the confidence of people in their governments, rebuilding sustainable livelihoods and repairing the damage done as a result of conflict, neglect and abuse of power.

39. Short-term employment creation is an essential component of post-conflict strategies, alongside longer-term investment in creating the conditions for the private sector to flourish. Where young people have no employment or access to productive resources, they are more likely to be recruited into armed militias or criminal activity. Short-term employment creation through labour-intensive public works, micro-finance programmes or public-private partnerships to provide basic services is therefore a key response in the transition from humanitarian assistance towards structural development. Focusing on youth and women is particularly important in fragile situations as they are more at risk than in other countries.

40. Employment generation depends on the emergence of a flourishing private sector. But reviving and redesigning an economy after conflict, including reviving the private sector, is a complex task that has received insufficient attention from policy makers. Consequently, governments and donors need to engage

in more of a dialogue with the private sector (both formal and informal) in order to promote economic growth and employment.

Key areas for donors' attention include:

- *Giving higher priority to employment and social protection as operational areas of post-conflict assistance.*
- *Supporting governments in fragile states to design and implement employment policies that promote equal opportunities and welfare systems that allow marginalised groups to benefit from economic growth, linking government and the private sector.*
- *In post-conflict situations, ensuring that there is a smooth transition from humanitarian assistance to structural economic development by creating short-term employment which is conducive to economic recovery, focusing also on women and youth. At the same time, steps need to be taken to create an enabling environment for structural economic growth and equal access to productive resources and employment.*

IX. Conclusion

41. Achievement of the MDGs will require donors to give greater attention to employment outcomes in their policy dialogue with developing country governments. This relates not only to dialogue on promoting economic growth but also discussions about a range of related sectors including education, rural development and governance. More productive work and decent employment is not only an objective in “good performers”, it may also be the key to promoting a more inclusive and sustainable development path in post-conflict situations.

42. To date, many efforts related to employment have focused on the formal economy, on the understanding that poor people, who are predominantly operating in the informal economy, will have the skills to take up new opportunities that arise. We now know that such a strategy is likely to have limited impact because poor people need to have their skills up-graded, because greater attention needs to be paid to the dynamics and realities within the informal economy and because women and youth face specific barriers when trying to access the labour market and so need special measures to help them overcome these barriers.

43. The objective for donors should remain to increase the number of decent jobs in the formal economy. However, in parallel, efforts should expand to promote entrepreneurship, to build up capacity for public-private dialogue and policy implementation and to increase productivity in the informal economy, including in rural areas, while helping informal firms move along the continuum towards a greater degree of formality.

X. References

UN: Report on the World Social Situation, 2005

OECD (2006), *Promoting Pro-Poor Growth – Private Sector Development*, OECD, Paris.

Narayan, D. *et al* (2000), *Voices of the Poor: Crying Out for Change*, Washington, D.C., World Bank

Ravallion, M. (2004), “Pro-Poor Growth: A Primer”, The World Bank, Policy Research Working Paper No. 3242.

World Bank (2008), World Development Report 2008

OECD Development Centre (2008) Working Paper No. 266, Informal Employment Re-loaded, by Johannes Jütting, Jante Parlevliet and Theodora Xenogiani

UNESCO Global Monitoring Report.

ILO (2002). Men and women in the informal economy: a statistical picture. Geneva: International Labour Office.

D. Posel, J. A. Fairburn and F. Lund, (2004)'Labour Migration and Households: A Reconsideration of the Effects of the Social Pension on Labour Supply in South Africa', Economic Modelling, vol. 23, , pp. 836-53.

Charmes (2000), "Size, Trends and Productivity of Women's Work in the Informal Sector", paper presented at the Annual IAFFE Conference, Istanbul, 15-17 August.