DAC Network on Poverty Reduction

PROGRESS REPORT BY THE POVNET TASK TEAM ON EMPLOYMENT AND LABOUR MARKETS

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I. Background

1. Employment, both formal and informal, is a key route out of poverty for women and men. To help move issues related to creating more, better and more productive jobs towards the centre of the debate on promoting pro-poor growth, POVNET has set up a task team to address employment and labour market issues. The overall objective of this work stream is to help donors better understand employment and labour market dynamics in developing countries, especially how policies and institutions can deliver more, better and more productive jobs and sustainable livelihoods, especially for the poor.

II. Progress with implementing the terms of reference [DCD/DAC/POVNET(2007)6/REV1]

2. At its meeting in November 2006, POVNET agreed that this work should yield two major outputs: i) a conceptual framework that describes how employment is a crucial connection between growth and poverty reduction; and ii) evidence-based good practice papers which highlight and provide concrete examples of donor experience and lessons learnt. To help prepare these outputs, the Task Team decided to carry out an initial stocktaking of donors’ approaches and interventions related to employment and labour markets. The Task Team is consequently developing three major outputs.

Output 1: Review of donors’ policies and approaches related to employment and labour markets

3. The stocktaking exercise [see: DCD/DAC/POVNET(2007)15] highlights that donors generally recognise that creating more productive jobs is central to achieving the Millennium Development Goals but only a few place employment at the centre of their strategies and have comprehensive policy packages on promoting employment. Bilateral donors have addressed supply and demand constraints to employment creation through various programmes that support skills improvement, agriculture and private sector development without exploring the synergies between these areas and how they could collectively have a greater impact on employment outcomes. For these reasons, knowledge about employment and labour market issues is spread across various units within development agencies and donors’ harmonisation and co-ordination is not as advanced as in other areas of intervention.

4. Drawing on past lessons, the reviewformulates possible ways to enhance the employment outcomes of donors’ interventions. A clear area requiring improvement is the measuring of employment outcomes through indicators that integrate both the quantity and quality of jobs created. Understanding better the interplay between the formal and informal economies is important. Donors should also take account of the role of institutions, both formal and informal, in shaping labour market functioning in developing countries.

5. The coverage of the review is currently limited to Task Team members. To expand the coverage, other POVNET members are invited to provide information on their approaches and interventions related to employment and labour markets.
Output 2: Conceptual framework

6. The objective of this work is to provide an advocacy tool that gives greater centrality to employment issues in efforts to reduce poverty.

7. Discussions on this output have already highlighted important points to take into account:
   a) Reducing unemployment and improving the conditions of the working poor are preconditions for achieving sustainable poverty reduction.
   b) Addressing underemployment and promoting transition from low-productivity to high-productivity jobs is a key issue for improving employment outcomes in developing countries.
   c) Productive employment cannot be considered an automatic consequence of growth and donors can improve the employment outcomes of their interventions. Employment should consequently be a main area of focus pursued through a more coherent approach.
   d) For poverty to be reduced, productivity and earnings must increase sufficiently to increase the incomes of the poor. However, empirical evidence shows that there are potential trade-offs in the short and medium-term depending on whether the objective is more jobs or increasing productivity.
   e) The informal economy employs a disproportionate number of poor people, especially women and youth, but informal jobs are not a long-term solution to poverty reduction.
   f) There is both a demand and a supply side to achieving more, better and more productive jobs. On the supply side, the employability of the poor can be improved through increased investment in health and education. On the demand side, greater availability and access to technologies that increase productivity and assets for the poor will help unleash their entrepreneurial potential.
   g) Most workers in developing countries are active in agriculture and rural areas. Emerging empirical evidence suggests that employment-intensive growth in the primary sector is associated with increased levels of poverty. Therefore, to alleviate poverty in rural areas, the productivity of agricultural workers has to increase and the surplus labour has to shift towards rural non-farming activities in the secondary and tertiary sectors.

Output 3: Good practice papers

8. The objective of this work is to provide evidence-based examples of how donors can assist governments and other stakeholders in partner countries to shape labour market policies and institutions to create more, better and more productive jobs. So far, the Task Team envisages preparing seven good practice papers related to: i) informality, ii) fragile states, iii) labour-intensive growth, iv) migration, v) corporate social responsibility, vi) women and youth employment, and vii) public sector reforms and privatisation.

9. These topics were selected because donors need to understand better how development interventions in these areas can help create more, better and more productive jobs and thus contribute to reducing poverty. Some good practice papers aim to revise past donors’ approaches (e.g. public sector reform and privatisation and employment for women), whereas others focus on issues that have not yet been extensively studied (e.g. creating sustainable employment opportunities in fragile states and promoting employment through corporate social responsibility). Table 1 indicates individual responsibilities for leading work on specific topics, along with possible support agencies, and the status of implementation of each good practice paper.
Table 1. Good practice papers’ matrix

<table>
<thead>
<tr>
<th>Topic</th>
<th>Lead agency</th>
<th>Co-operating agencies</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Informality</td>
<td>SIDA</td>
<td>AFD, OECD Development Centre</td>
<td>Draft outline</td>
</tr>
<tr>
<td>Fragile states</td>
<td>Netherlands</td>
<td>Norway, AFD</td>
<td>Draft outline</td>
</tr>
<tr>
<td>Labour intensive growth</td>
<td>DANIDA</td>
<td>World Bank</td>
<td>Draft paper</td>
</tr>
<tr>
<td>Public sector reforms and privatisation</td>
<td>Netherlands</td>
<td>Switzerland</td>
<td>Draft outline under preparation</td>
</tr>
<tr>
<td>Migration</td>
<td>Germany</td>
<td>OECD Development Centre, AFD</td>
<td>Draft outline</td>
</tr>
<tr>
<td>Corporate Social Responsibility</td>
<td>DANIDA</td>
<td>Norway</td>
<td>Draft paper</td>
</tr>
<tr>
<td>Youth employment</td>
<td>DANIDA</td>
<td></td>
<td>Draft outline under preparation</td>
</tr>
<tr>
<td>Promoting employment for women</td>
<td>DANIDA</td>
<td>AFD</td>
<td>Draft paper</td>
</tr>
</tbody>
</table>

10. The good practice papers will follow a similar structure that includes: i) an introduction that explains the relevance of the topic for creating more, better and more productive jobs; ii) a section that synthesises main facts and figures and current knowledge about the issue; iii) key issues and debates; iv) examples of good and bad practices; and v) policy recommendations for donors.

III. Synergies with the POVNET Task Team on Social Protection and Empowerment

11. Developing synergies with the Social Protection and Empowerment Task Team is important for the POVNET. Synergies have been promoted through overlapping membership and regular exchange of information between the Chairs of the two Task Teams. In addition, on 4 September 2007, the two Task Teams held a joint meeting that helped identify concrete opportunities for connecting up the two agendas and collaborating in specific areas. For example, social protection schemes can improve the employability of the poor whereas having a decent job protects the poor from risks by reducing their vulnerability. Three potential overlapping themes of interest for both Task Teams were also identified: informality, fragile states and gender.

IV. Conclusion and next steps

12. Overall, the work programme is advancing well. The activities currently underway are expected to be completed during 2008. To disseminate and promote the Task Team’s work within development agencies and the DAC, it will be important to enhance the policy relevance of the outputs that are being produced. Moreover, to test the value and relevance of the work under preparation, the Task Team will strengthen linkages with other processes related to its work programme and organise consultations with partner countries’ representatives, including from business and civil society.