Employment and Development - What the donors do

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### Classical thinking in development cooperation

- Strong focus on growth + trickle down in early years
- Shift towards extended concept of human development including education, health, social security and employment

### Employment: new on the agenda?

- No and Yes: Employment has (implicitly) been on the agenda, but new issues emerging
- However, donor approaches often fall short of
  - clear focus (donors have few explicit employment promotion programs)
  - data to verify employment effects
The MILES-approach

- **M**acro and policy stability
- **I**nvestment climate, institutions and infrastructure
- **L**abor market regulations and institutions
- **E**ducation and skills
- **S**ocial protection
‘Getting the basics right’

- Financial sector development
  - Microfinance
  - Support to build up viable local banking system
  - Other financial products such as private equity
- Supporting productive sectors
  - Irrigation in agriculture
- Social infrastructure
  - Provision of basic health services, education, work specific training, drinking water, social security
- Economic infrastructure
  - E.g. electricity, transport, communication
- Systemic interventions to improve business environment
- Crisis response
  - Employment-intensive project implementation, e.g. road construction
Stylized results chain
Example: road construction

Donors support road construction

Direct effects

Indirect effects

Short-term
- Construction firm implements project
- Firm hires workers

Long-term
- Authorities resp. for maintenance
- Authorities hire maintenance workers
- Existing firms reduce transport cost
- Firms hire workers

Productivity eff.
- New business opportunities

Induced activity
- New businesses hire workers

Cycle effects
- Workers earn incomes

Value chain eff.
- Firm demands inputs
- Input supplier hires workers
- Local traders earn more/hire workers

Demand for local products
Set up

- Measure to build up infrastructure and to re-integrate ex-combatants in post-conflict areas
- Focus on stabilization and depending on the area focus on poorest strata
- Employment-intensive project implementation, e.g. road construction in rural areas

**Intervention specific employment effects**

- Direct employment creation
- Temporary employment

Experiences

- Direct employment effects relatively easy to measure and well demonstrated
- Low income effects
- Few qualification effects
- Low quality of the built infrastructure
Example: long results chain
Support financial intermediaries

• **Goals**
  - improve access to finance and support private sector development
  - Several approaches: Political consulting, funds, mezzanine capital etc.

  **Intervention specific employment effects**
  • Limited direct effects
  • Indirect effects dominate: firms receive credits and potentially hire workers

• **Experiences:**
  - project success can be measured in terms of number of credits, repayment rate etc.
  - employment effects more difficult to measure
Lessons learnt and open questions

- **Different approaches needed for different kinds of employment**
  - Wage employment versus self-employment
  - Temporary versus long-term employment
  - Creating new jobs versus reducing hidden unemployment
  - Decent employment versus survival strategy

- **Employment promotion towards specific groups**
  - Women: need for innovative approaches
  - Youth: matching problem – too much education for too few jobs
  - Minority groups: focus on minorities may increase objections of dominant groups
  - Poor: low paid jobs in employment programs do not increase incomes; few qualification effects

- **Sectoral focus**
  - Excluding or complementary: structural change or fostering employment in rural areas
  - How do sectors such as the financial sector, economic infrastructure, social infrastructure interact? Is there a focus necessary?
Most donors base their measurement on fairly rough approaches, because

- indirect effects, difficult to measure, but assumed to be much larger compared to direct effects
- long-term employment
- gross versus net effects (workers entering the labor market may drive others out)
- unintended effects (promotion of capital- rather than employment-intensive development)

are difficult and costly to measure.

Uncontrollable confounding factors render evaluations difficult.
Conclusions and the way forward

- Obviously: **no blue-prints** for employment promotion available as contextual factors vary significantly

- Better understanding of **complex relationships** needed

- Employment promotion requires **comprehensive and integrative approach**

- **What can we expect? How do we deal with confounding factors?**

- **What next?**
  - Standards (DCED) and innovative evaluation approaches (Randomized Control Trials) are being discussed
  - Which **innovative approaches** are available?