

Employment and Development

What Do We Know and What Can We Do?

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Presentation by Dr. Holger Seebens

“Labour Market Institutions, Policies, and Programmes: What are Donors doing?”

Summary

Holger Seebens is an economist at KfW with special expertise in growth theories and employment. His presentation was mainly based on extensive research on donors' approaches for the promotion of employment, and on an in-house study conducted at KfW. Seebens pointed out that donors pursued a huge array of different strategies that are conceived as being employment-creating. He mentioned, however, that assessing donor approaches for creating and promoting employment is an extremely complex task due to very multifaceted relationships within very different environments. Given this complexity, employment promotion is frequently approached indirectly, which means that it often emerges at the end of the results chain and materialises only after other goals have been met.

Seebens focused on a number of general issues and lessons learnt. Among others he introduced the World Bank MILES approach, which came about through a multi-donor trust fund which identified five key areas for creating employment: macro and political stability, investment climate, labour market regulations and institutions, education and skills, and social protection.

Seebens highlighted that donors today often do not engage directly in creating employment, but instead emphasise the creation of a functional infrastructure to lay the foundation to create jobs. Only few approaches include employment promotion as a direct outcome. That is why donors usually face a number of problems specific to the creation of employment. These difficulties may be best understood by resorting to the concept of results chains. According to the OECD definition, a results chain describes a 'causal sequence for a development intervention that stipulates the necessary sequence to achieve desired objectives'. As Seebens pointed out, donors can directly support the creation of an economic

infrastructure. Job creation, however, comes about as a rather indirect result of donor interventions.

Emphasising the importance of distinguishing between direct and indirect employment creation, Seebens explained that direct employment creation is comparatively simple to achieve and to verify, but often also limited in scope (e.g. workers hired by a construction firm to build a road). The potential for indirect job creation on the other hand can be much more versatile. Indirect effects refer to jobs that do not immediately result from the project (e.g. jobs that emerge out of the usage of the road). Seebens explained that indirect effects were therefore hard to measure, which poses a problem for evaluating the long-term success of projects. He asserted that since it is too difficult and too costly to attain a complete account of jobs created as a consequence of a particular intervention, most donors base the measurement of employment effects on fairly rough approaches.

Short term crisis response approaches do evidently achieve job creation on a large scale. Programs like the labour intensive construction of basic infrastructure typically created a huge number of jobs – which could be monitored easily. This form of employment generation does not come without a cost, however. The generated incomes are often very low, while there are only few qualification effects. Finally, the jobs created are only temporary and are lost again after the project has ended.

These findings indicate that result chains are very diverse across different approaches. Meanwhile, Seebens clearly demonstrated that the goals of employment promotion are context dependent. The existence of different target groups with different needs adds to this complexity. Further, he emphasised that

donors need to think about the promotion of decent jobs in the sense of the ILO-definition.

Seebens concluded that efforts to promote employment need to be seen in the light of a broader strategy that considers employment as a cross-cutting issue requiring a country-specific strategy. Additionally he recommended integrating employment creation into efforts to reduce poverty or to promote environmental sustainability. Lastly, he emphasised that expectations needed to be managed carefully. Apart from many efforts that are being undertaken, much remains to be done.