Jobs challenges are huge

And open unemployment is only one of them

Jobs are center stage across the globe—in developed and developing countries alike. Worldwide, 200 million people, a disproportionate share of them youth, are unemployed and actively looking for work. An estimated 620 million youth, the majority of them women, are neither working nor looking for work. Just to keep employment rates constant, around 600 million new jobs will have to be created over a 15-year period.

However, in many developing countries, unemployment rates can be low. Safety nets are modest at best, and only a minority of workers are wage earners. More than 3 billion people are working worldwide, but almost half of them are farmers or self-employed. Most of the poor work long hours but simply cannot make ends meet. The violation of basic rights at work is not uncommon.

Demographic transitions, urbanization, technological progress, and the migration of people and jobs across countries are rapidly changing the world of work. Yet a majority of jobs in developing countries remain in very small firms and farms, often of low productivity and modest potential for growth. Their success matters not only for their impact on livelihoods. In countries where large firms are born large due to connections and state support, the success of microenterprises can break cycles of privilege. And success is possible: in industrial countries, many innovating firms started in garages.

Jobs drive development

They are not just a by-product of economic growth

Jobs—even informal jobs—can be transformational along three dimensions:

- **Living standards.** Poverty falls as people work their way out of hardship, especially in countries where the scope for redistribution is limited.

- **Productivity.** Efficiency increases as workers get better at what they do, as more productive jobs appear, and less productive ones disappear.

- **Social cohesion.** Societies flourish as jobs bring together people from different ethnic and social backgrounds and create a sense of opportunity.

Jobs are thus what we earn, what we do, and even who we are. The World Development Report 2013 looks at jobs as drivers of development—not as derived labor demand—and considers all types of jobs—not just formal wage employment.

It is not only the number of jobs that matters

Some do more for development than others

Individuals value jobs for the earnings and benefits they provide, along with their contributions
Main Messages of the World Development Report 2013

Labor standards reject forced labor, harmful forms of child labor, discrimination, and the suppression of voice among workers.

**JOBS CHALLENGES VARY ACROSS COUNTRIES**

*The jobs with the highest development payoffs are not the same everywhere*

The ways in which jobs contribute to living standards, productivity, and social cohesion vary with a country’s level of development, demography, endowments, and institutions. A typology of jobs challenges across countries can be constructed by combining the various features of an economy:

- **Agrarian countries.** Most people still work in agriculture and live in rural areas. Making smallholder farming viable matters because of high poverty rates. Higher agricultural productivity also allows the development of off-farm employment. At the same time, urban jobs connected to world markets set the foundation for cities to become dynamic.

- **Conflict-affected countries.** The most immediate challenge is to support social cohesion. Employment for ex-combatants or young men vulnerable to participation in violence has particular importance. Construction can help, as it is labor-intensive and can thrive even in poor business environments.

- **Urbanizing countries.** Productivity growth in agriculture frees people to work in cities. Jobs for women, typically in light manufacturing, can have positive impacts for households. Avoiding urban congestion and allowing the country to move up the value added ladder are top priorities.

- **Resource-rich countries.** These countries may have substantial foreign exchange earnings, but the abundance may undermine the competitiveness of other activities and encourage the creation of jobs supported through transfers. Jobs that lead to a diversification of exports can have large development payoffs.

- **Small island nations.** Because of their size and remoteness, they cannot reap the benefits from agglomeration and global integration except through tourism. But outmigration can improve living standards, while return
migration and overseas communities can boost business opportunities among locals.

- **Formalizing countries.** Countries where a large fraction of employment is already in the formal sector can aspire to broader social protection coverage. This requires making formal social protection affordable and reducing the divide between the workers who benefit from formal institutions and those outside.

- **Countries with high youth unemployment.** Young people often lack the skills needed by the private sector. However, the problem can be more on the demand than the supply side of the labor market. In these settings, removing privilege in business entry and access to jobs is likely to have large development payoffs.

- **Aging societies.** These societies face a shrinking working-age population and increasing costs of providing and caring for a growing number of elderly. Policies for active aging, especially for the most productive members of society, can keep participation rates high. Jobs making long-term care for the elderly more affordable can help as well.

**A THREE-LAYERED APPROACH TO POLICY IS NEEDED**

... and there is scope for global coordination on jobs

The private sector is the source of nearly 90 percent of jobs in the world. This is not to say that public sector jobs do not matter, whether it is teachers building skills, agricultural extension agents improving farm yields, or urban planners designing functional cities. But countries that relied systematically on public sector employment have generally faced serious difficulties, from queuing for jobs by educated youth to insufficient dynamism in state-owned enterprises.

The role of government is to ensure that the conditions are in place for strong private-sector-led growth, to understand why there are not more good jobs for development in a particular country, and to remove or mitigate the constraints that prevent the creation of more of these jobs. This implies a three-layered policy approach.

- **Fundamentals.** Because jobs improve with development, it is necessary to create a policy framework that is conducive to growth. That requires attending to macroeconomic stability, an enabling business environment, human capital accumulation, and the rule of law—including respect for rights.

- **Labor policies.** Labor policy should avoid the distortionary interventions that clog the creation of jobs in cities and in global value chains, and the lack of mechanisms for voice and protection for the most vulnerable workers regardless of whether they are wage earners.

- **Priorities.** Because some jobs do more for development than others, it is necessary to understand where good jobs for development lie, given the country context. Policies should remove or offset the market imperfections and institutional failures that prevent the private sector from creating more good jobs for development.

In addition to national policies, there is a global agenda for jobs. Compliance with rights and standards remains partial, and international pressure only goes so far. But corporate social responsibility can have an impact when it also builds the management capacity of local firms. The liberalization of trade in services has been slow, making developing countries miss out on opportunities to connect to world markets. But international collaboration can help design adequate domestic regulatory reforms

![Diagram](source: World Development Report 2013 team)
to support inclusion, extend access to voice and
rights, and improve transparency and account-
ability in the labor market can contribute to
social cohesion.

• Skills or jobs—which comes first? The conven-
tional wisdom often attributes high unemploy-
ment and skills mismatches to shortcomings
in education and training systems. Basic skills,
both cognitive and social, are necessary for
productive employment. Skills are also criti-
cal for countries to move up the value-added
ladder. But in between, much learning can
happen through work.

• A targeted investment climate? The conven-
tional wisdom is that a level playing field is
preferable because governments do not have
enough information to pick winners and tar-
geting can be captured by interest groups.
However, targeting may not necessarily be
aimed at industrial sectors. For example, sup-
porting job creation in sectors with high rates
of female employment may have high develop-
ment payoffs depending on the context.

• Competing for jobs? The conventional wisdom
is that, in the medium- to long-term, the level
of employment is roughly determined by the
size of the labor force, not by policies abroad.
But jobs with high development payoffs may
migrate. Whether this happens depends on
the type of policy. Improving compliance with
rights or poverty reduction should benefit
everybody, but industrial policy may not.

• Protecting workers or protecting jobs? The con-
ventional wisdom is that policies that protect
people are preferable, because they support the
process of creative destruction. However, there
are times when many jobs are lost or threatened
at once and few are created. There are also via-
ble jobs whose disappearance may affect entire
regions. Protecting jobs may be justifiable in
those cases—if credible sunset clauses are in
place.

• How to accelerate the reallocation of workers?
The conventional wisdom is to focus policy
on removing the labor market rigidities that
keep workers in firms or areas with low pro-
ductivity. But when reforms are not politically
feasible, policies that actively take advantage of
productivity spillovers from jobs in industrial
clusters, dynamic cities, or global value chains
can make the regulations less binding.