Jobs drive development. They should not be an afterthought of growth.

Some have greater development payoffs. It is not just the number of jobs.

One size does not fit all. Jobs challenges vary across countries.

The main constraints to job creation may lie elsewhere. Labor policies matter less than assumed.
A job does not always come with a wage

![Bar chart showing the share of total employment in different regions.](chart.png)
South Asia, Africa, and East Asia and the Pacific face significant youth bulges.

Alarming levels of youth idleness and unemployment.

Source: WDR 2013 team based on ILO data

Source: WDR 2013 team
I. Jobs are transformational
Jobs get better with development

- **Average wage**: As GDP per capita increases, the average wage also increases. There is a positive correlation between the two, indicating that better economic conditions lead to higher wages.

- **Social security coverage**: The percentage of total employment that is covered by social security programs also increases with GDP per capita, suggesting that wealthier countries provide more comprehensive social security benefits.

*World Development Report 2013*
Jobs drive development
Jobs take households out of poverty

Source: Inchauste and others 2012 for the WDR 2013
Some jobs do more for living standards

• **Earnings of others.** Discrimination and uneven bargaining power can lead to distortions.

• **Household allocations.** Female employment can change bargaining power, increase investments in children.

• **Poverty reduction.** Jobs that reduce poverty can benefit society as well as individuals.
Job creation and destruction happen everywhere

Source: WDR 2013 team based on Bartelsman, Haltiwanger, and Scarpetta (2009), and Shiferaw and Bedi (2010).
The employment share of microenterprises is greater in developing countries
Some jobs do more for productivity

- **Agglomeration economies.** Learning and imitation happens in *cities*, through knowledge spillovers, exchange of ideas and better matching; and in *industrial clusters*, through specialization, sharing of common services and coordination.

- **Global integration.** Knowledge spillovers occur through international trade and participation in global value chains.

- **Environmental impacts.** Some jobs impose a greater toll on natural resources.
Jobs are correlated with civic engagement

Active membership and lack of a Job

Active membership and motivating Job

Source: Wietzke and McLeod 2012 for the WDR 2013
Jobs influence collective decision-making processes

- not working in 2000, working in 2007
- working in 2000 and 2007
- not working in 2000 or 2007
- working in 2000, not working in 2007

% change in community participation, 2000–07
Some jobs do more for social cohesion

- **Social identity**. Jobs can affect the well-being of others by influencing values and behavior.

- **Networks**. Jobs connect people. They may contribute to tolerance by increasing direct knowledge between people of different social and ethnic backgrounds.

- **Fairness**. A perceived absence of fairness in access to job opportunities, beyond one’s own job, can undermine having a stake in society and create tensions.
II. What are good jobs for development?
Individual and social valuations of jobs often differ
Some jobs do more for development

Jobs in functional cities
 Jobs connected to global markets
 Jobs that are environmentally benign

DEVELOPMENT

LIVING STANDARDS

PRODUCTIVITY

SOCIAL COHESION

JOBS

Jobs for the poor
 Jobs that empower women
 Jobs that do not shift burden to others

Jobs that give a sense of fairness
 Jobs that link to networks
 Jobs that shape social identity
A typology of jobs challenges

- **Agrarian economies**
  - More productive smallholder farming
  - Urban jobs connected to global markets

- **Conflict-affected countries**
  - Jobs demobilizing combatants
  - Jobs reintegrating displaced populations
  - Jobs providing alternatives to confrontation

- **Urbanizing countries**
  - Jobs providing opportunities for women
  - Jobs moving the country up the export ladder
  - Jobs not leading to excessive congestion
  - Jobs integrating rural migrants

- **Resource-rich countries**
  - Jobs supporting export diversification
  - Jobs not subsidized through transfers

- **Small island nations**
  - Jobs connected to global markets
  - Jobs not undermining fragile ecosystems

- **Countries with high youth unemployment**
  - Jobs not supported through rents
  - Jobs not allocated on the basis of connections

- **Formalizing countries**
  - Jobs with affordable social benefits
  - Jobs not creating gaps in social protection coverage

- **Aging societies**
  - Jobs keeping the skilled active for longer
  - Jobs reducing the cost of services to the elderly
III. Policies through the jobs lens
Three distinct layers of policies are needed

- **PRIORITIES**
  - Know your jobs challenge
  - Remove or offset the constraints

- **LABOR POLICIES**
  - Stay on the efficiency plateau
  - Avoid misguided interventions
  - Provide voice and extend protection

- **FUNDAMENTALS**
  - Macroeconomic stability
  - An enabling business environment
  - Human capital
  - Rule of law and respect for rights
# Fundamentals

<table>
<thead>
<tr>
<th>Constraint</th>
<th>Firm size</th>
<th>Income level</th>
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<tbody>
<tr>
<td></td>
<td>Small</td>
<td>Medium</td>
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<tr>
<td>Access to finance</td>
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<td>Power shortage</td>
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<td>Lack of skills</td>
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<td>Informal competition</td>
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<td>Tax rates</td>
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- **most severe**
- **second-most severe**
- **third-most severe**
Labor Market Institutions Revisited

- Within a reasonable range labor market regulations have little impact on employment or productivity.
- But the limits of the “plateau” are not well established and vary with country institutional characteristics.
- More than half of the people at work are not wage earners, implying that new forms of voice are needed in their case.
- Productivity externalities happen in cities and clusters, implying that spatial negotiation can enhance coordination.
Active Labor Market Programs

- Can bring about ‘good jobs for development’ – but appropriateness and success vary by country challenge
- Overall, can have positive impact but can only be part of the solution
- Job search: high impact – but requires large wage sector and job availability
- Wage subsidies: both actual but even more hidden costs can be substantial – need to be targeted very well
- Public works: seldom are a bridge to permanent jobs – but new forms exist and can have important social cohesion impacts
- Training: mixed record, especially if provided self-standing
Active Labor Market Programs – Training alone often has limited success

Combined work and training increases the success rates of programs
Social Insurance

• Managing risks both outside (health, old-age) and inside (job transitions, disability from work) the labor market

• Coverage often linked to labor market status – hence under-coverage is huge. Last financial crisis: only 15 percent of unemployment received insurance payments

• Core question: how can coverage be expanded without creating disincentives – universal tax financing; expanding to informal sector on voluntary basis etc
Coverage of Social Insurance Programs Remains Low

Source: WDR 2013

MAP 8.1 Coverage of social insurance remains low in many countries


Note: Coverage refers to number of people who have contributed (at least for one month in the reference year) to an earnings-related mandatory pension scheme, measured as a percentage of the labor force.
Key policy questions addressed through the Report

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<tr>
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<th>Question</th>
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<td>Growth strategies or jobs strategies?</td>
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<td>Can entrepreneurship be fostered?</td>
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<td>Can policies contribute to social cohesion?</td>
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<td>5</td>
<td>Skills or jobs – what comes first?</td>
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<td>A targeted investment climate?</td>
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<td>Competing for jobs?</td>
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<td>8</td>
<td>Protecting workers or protecting jobs?</td>
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<td>9</td>
<td>How can job reallocation be accelerated?</td>
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But the 1st question is: **what is a job?**  And the answer is not trivial
Skills or Jobs – What Comes First?

- Skills linked to all three transformations
- Skill mismatches abound, especially for the dynamic entrepreneurs
- Often, straightforward response: heavy investment in skill building, including technical training

Relative to other obstacles, managers of registered firms judge skills to be a growing constraint during the 2000s

![Graph showing change in relative skill constraint]

Source: WDR 2013
Skills or Jobs – What Comes First?

- **The caveats:**
  - Mismatches can stem from somewhere else
  - Successful delivery of pre-employment and TVET difficult. Accountability and governance systems often Achilles heel
  - What is taught, matters: social skills (non-cognitive) tremendously important

- **Skill Building through Jobs**
  - Sizeable returns
  - Apprenticeships high returns (transfer?)
  - Knowledge spillovers important

- **Jobs need skills, pull skills, build skills**
- **In certain circumstances skills boost jobs**

*Source: WDR 2013*
Can Entrepreneurship be Forstered?

- Often, micro- and small enterprises in developing countries are characterized as forms of survivorship, with limited chances to grow.
- Distinction made between ‘innovative (transformative) and subsistence/survival entrepreneurs.
- But: potentially successful micro-enterprises (and observable characteristics) exist.

Source: Gindling and others (2012) for the WDR 2013

Share of high-potential own-account workers

Source: Gindling and others (2012) for the WDR 2013