

Job Creation, Core Labor Standards, and Poverty Reduction

A project proposal by the World Bank to the German Government

Economic and social transformations in many low-income countries have put their economies on more sustainable development paths. In too many cases, however, these reforms do not seem to be leading to improvements in the labor market (job creation, higher incomes, better working conditions) that are essential for poverty reduction. For this reason, the World Bank is now focusing on how labor market policies and institutions – including core labor standards -- can contribute to poverty reduction. We are seeking to partner with the German Government to initiate a major contribution to this effort. We also intend to work closely with the International Labour Organization.

The proposed project focuses on the needs of low-income countries in Africa where job creation has been slow and much of it has been in low-productivity, low-earnings work, most often in the informal sector. The project will examine the role of labor market regulation and institutions in contributing toward increasing productivity, earnings, and social protection for workers. It will examine how core labor standards – internationally agreed as minimum regulation applicable to countries at all levels of development – can be meaningfully implemented in countries with large informal sectors and very low incomes.

The proposal is for a two-year program that would include applied research and analysis, implementation and evaluation of pilot projects, and capacity-building within the World Bank and in client countries (governments, research institutions, trade unions, and employers). The project would focus on three African countries (Ghana, Zambia, and Benin are the initial proposals, but confirmation will require discussions at the country level). The lessons learned from the work would be generally relevant to the region and to low-income countries elsewhere. Different aspects of the project will require many partners: within the Bank, including anchor, regional, and country units and WBI; with the ILO; with German research institutions and other interested organizations (e.g., FES); and with local research institutes, governments, and social partners.

The main objectives of the project will be to (1) understand the role of labor market institutions and regulation, including core labor standards, in contributing to job creation and poverty reduction in low income countries and (2) develop operationally relevant approaches to labor market policy (including for poverty reduction strategy papers). The project has three key phases: research and analysis; implementation; and dissemination and evaluation. Capacity building activities would feature prominently in every stage. This proposal outlines the main activities in each phase and the planned capacity building events, followed by a timeline and proposed budget.

Phase I: Research and Analysis

The initial phase of the project will consist of taking stock of existing work in this area and commissioning original research and analysis. The World Bank will seek partnership with German research institutions and, in turn, African research institutions to conduct research. The ILO will also play a key role in this phase. The following is a provisional list of research areas. For each topic it will be important to identify both international experience and country-specific factors.

- Review of the labor market trends in Africa, including employment outcomes, job creation/destruction, wages, informal and formal employment trends by sector and gender, etc.
- Review of existing labor market regulatory regimes and degree of compliance in Africa, with attention to the enforcement capacity and including analysis of the labor market outcomes associated with various types of regulation.
- Rural labor markets including the regulatory regime, relationship to poverty and child labor, barriers to job growth in non-agricultural work, and policy options.

- Labor market discrimination and employment outcomes for women, youth, ethnic minorities, the disabled, and other members of protected classes that may be particularly vulnerable.
- The role of trade unions and collective bargaining in poverty reduction in low-income countries.
- Institutions for social dialogue in the countries, examining current practice, including among informal and rural workers, small and medium employers, and exploring good practice from other countries.

The background research will be discussed at a workshop bringing together government representatives, and employers and workers organizations, research institutions, as well as relevant NGOs from each country, plus ILO, Bank and BMZ staff and outside resource people. The workshop will provide ample opportunity for discussion of country-level application of the research, including through pilot projects aimed at addressing informality and improving conditions and opportunities for vulnerable workers. Participants will provide input on the design of pilot projects and the procedures for implementation. Project partners (Bank, ILO, and BMZ) will use this input to develop terms of reference for pilot projects.

Phase II: Implementation of Pilot Projects

Pilot projects will provide an opportunity to test innovative approaches to addressing poverty within the context of labor market policy. As discussed above, with input from workshop participants, project collaborators will develop terms of reference for pilot projects to be implemented in each of the countries. A competitive process will determine the executing organization for project implementation. Priority will be given to proposals which include trade unions and employers organizations in implementation.

Procedures for disbursing, monitoring, and supervising the pilot projects will be established among project collaborators. (Procedures are likely to include hiring part-time project coordinators within each country who will provide technical assistance and regularly monitor implementation). Pilot projects could include, for example, testing the use of basic labor contracts in certain sectors of the informal economy. Another possibility would be supporting trade unions to develop skills training or microcredit services for rural workers. Pilot projects would run approximately one year. A final joint country workshop will be held at the end of the pilot project phase to synthesize lessons learned.

Proposed Project Timeline

Activity	2004												2005												2006								
	J	F	M	A	My	J	Jl	A	S	O	N	D	J	F	M	A	My	J	Jl	A	S	O	N	D	J	F	M						
Research	Stocktaking; research																																
Workshops													Joint												Final Joint								
Training													DL 1			Turin															DL 2		
Pilot Projects													Pilot Projects												Eval*								

* Ex-post evaluation to be funded by WB.

Phase III: Dissemination and Evaluation

Wide dissemination of the research and experience gained in this project is critically important. A report will be prepared from each workshop and published jointly by the World Bank and ILO. Documents from both workshops, research papers, pilot project documents, and the final synthesis report will be available on a project website with prominent links from the World Bank and ILO websites.

A particularly important channel for mainstreaming the findings of this project will be the Poverty Reduction Strategy Papers (PRSP) of each country. The government officials responsible for PRSPs, in

addition to staff from the appropriate line ministries will be actively involved throughout the project, possibly through participation in a steering committee. Trade unions, already active in the participatory processes associated with the PRSPs (at least in the countries currently under consideration) will also be an important means of integrating the findings of this project into the PRSP. There will also be a chapter on labor market policy added to the PRSP Sourcebook which incorporates the findings of this project.

Finally, a rigorous evaluation of pilot projects will be undertaken by the World Bank, with the assistance of the government representative(s) and pilot project managers. The results of evaluations will be widely distributed. A final report on the project will be delivered to the German government by July 2006.

Capacity Building. Capacity building will be a major priority throughout the project, including in the research and evaluation phases. The following training opportunities are envisioned, though further needs assessment may reveal different priorities or the need for more targeted interventions for specific stakeholders (e.g. government, trade unions, researchers).

- Labor market research and analysis. It is hoped that African research institutes and/or universities will participate in the preparation of papers commissioned during the research phase of the project, possibly jointly with German research institutes or consultants. Project partners may provide additional support to train local researchers in the theoretical and methodological groundings of labor economics and labor policy analysis through the use of distance learning technology.
- Distance Learning modules of the Labor Policy Core Course. Appropriate modules from the WBI-HDNSP labor policy core course will be offered by video conference to relevant stakeholders in each country. This may be conducted via 4 half-day sessions, each focusing on a particular topic area (e.g. informal labor markets; program monitoring and evaluation, etc.). The target audience would be labor ministry staff, trade unions, employers organizations, NGOs, and researchers.
- Core Labor Standards training at the ILO Training Center in Turin. Selected stakeholders could participate in an in-depth training on country-level implementation of the core labor standards, designed specifically for project participants.