Jobs as Pathways to Ending Poverty and Boosting Shared Prosperity

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World Bank Labor Core Course 2013
Renewed World Bank Group Goals

End extreme poverty: the percentage of people living with less than US$ 1.25 a day to fall to 3 percent by 2030

Promote shared prosperity: foster income growth of the bottom 40 percent of the population in every country

Sustainability, an overarching theme
Achieving these goals require promoting environmental, social, and fiscal sustainability
The poverty target of 3% by 2030
Most household income is generated through jobs

Source: Covarrubias and others (2012) for WDR 2013
So jobs are critical for both the goals.

- **Inclusive Growth**
- **Job Creation**
- **Infrastructure, Human Capital Investments**
- **Taxes**
- **Transfers**

**Private Sector**

**Public Sector**

**Poverty Reduction, Growth of Incomes**

So jobs are critical for both the goals.
But there are huge challenges ...

1. Insufficient demand for formal labor, and low participation – especially for youth
2. Low productivity of self-employment
3. Inadequate skills
4. Fragmented programs
1. A world at work, but not a world of wage earners

Work status:

- farmers
- self-employed
- wage earners

**East Asia and the Pacific**

- Self-employed: 23%
- Wage: 43%
- Farmers: 34%

**Europe and Central Asia**

- Self-employed: 8%
- Wage: 87%
- Farmers: 5%

**Latin America and the Caribbean**

- Self-employed: 24%
- Wage: 66%
- Farmers: 10%

**Middle East and North Africa**

- Self-employed: 27%
- Wage: 47%
- Farmers: 26%

**South Asia**

- Self-employed: 21%
- Wage: 50%
- Farmers: 29%

**Sub-Saharan Africa**

- Self-employed: 33%
- Wage: 19%
- Farmers: 48%

Source: WDR 2013 Calculations
1. Unemployment but also idleness for youth

The chart shows the percent of youth population not in school or labor force and unemployed for various countries. The source of this data is WDR 2013.
2. Poverty and the prevalence of (low productivity) informal work

![Graph showing the relationship between the share of informal employment in total non-agricultural employment and the share of the population living below 2 USD (PPP) a day.](image)

2. Women often over-represented in informal employment

<table>
<thead>
<tr>
<th>Country</th>
<th>Men</th>
<th>Women</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>82.9</td>
<td>85.7</td>
</tr>
<tr>
<td>Indonesia</td>
<td>78</td>
<td>77.2</td>
</tr>
<tr>
<td>Philippines</td>
<td>70.8</td>
<td>73.4</td>
</tr>
<tr>
<td>Kenya</td>
<td>59.1</td>
<td>83.1</td>
</tr>
<tr>
<td>South Africa</td>
<td>51</td>
<td>64.9</td>
</tr>
<tr>
<td>Thailand</td>
<td>49.1</td>
<td>54.3</td>
</tr>
<tr>
<td>Brazil</td>
<td>50.2</td>
<td>52.3</td>
</tr>
<tr>
<td>Mexico</td>
<td>47.8</td>
<td>53.5</td>
</tr>
</tbody>
</table>

Source: OECD Development Centre, 2009
3. Employers complain about the lack of job-relevant skills

Sources: IFC Jobs Study, World Bank STEP study
3. But *ALMPs need complementary steps to build Skills*
4. Programs for labor opportunities need to work together across the life cycle

Example: SPL programs across the life cycle

Old age
- Old-age pensions, disability insurance

Employment services, entrepreneurship, training and skills

Unemployment, disability insurance

Pregnancy, Early childhood

School age
- CCTs for (girls’) education
- Nutrition/ECD, CCTs for pre-school, health

Working age

Youth
- Youth employment programs, skills training
Towards answers 1: Three distinct layers of policies are needed (WDR 2013)

**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

Source: 2013 World Development Report on Jobs
Towards answers 2: Building social protection and labor systems (connected “portfolios” of programs to address various challenges)

**Administration level:**
Aim: Building basic subsystems to support one or more programs for security, equity or opportunity

**Program level:**
Aim: Improving design of existing programs and harmonizing across portfolio of programs

**Policy Level:**
Aim: Ensuring overall policy coherence across programs and levels of government

Source: Robalino, Rawlings and Walker (2012)
Towards answers 2: Building social protection and labor systems: Examples

- e.g., connect beneficiary databases across training and unemployment benefit programs
- e.g., ensure that there is a smooth connection from beneficiaries going from welfare to work
- e.g., promote coherence between taxation incentives and employment objectives

Source: Robalino, Rawlings and Walker (2012)
Towards answers 3: Different countries have different 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

Source: WDR
For further information, visit

www.worldbank.org/spstrategy

go.worldbank.org/TM7GTEB8U0
(WDR on Jobs)

www.jobsknowledge.org