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Economy and Education

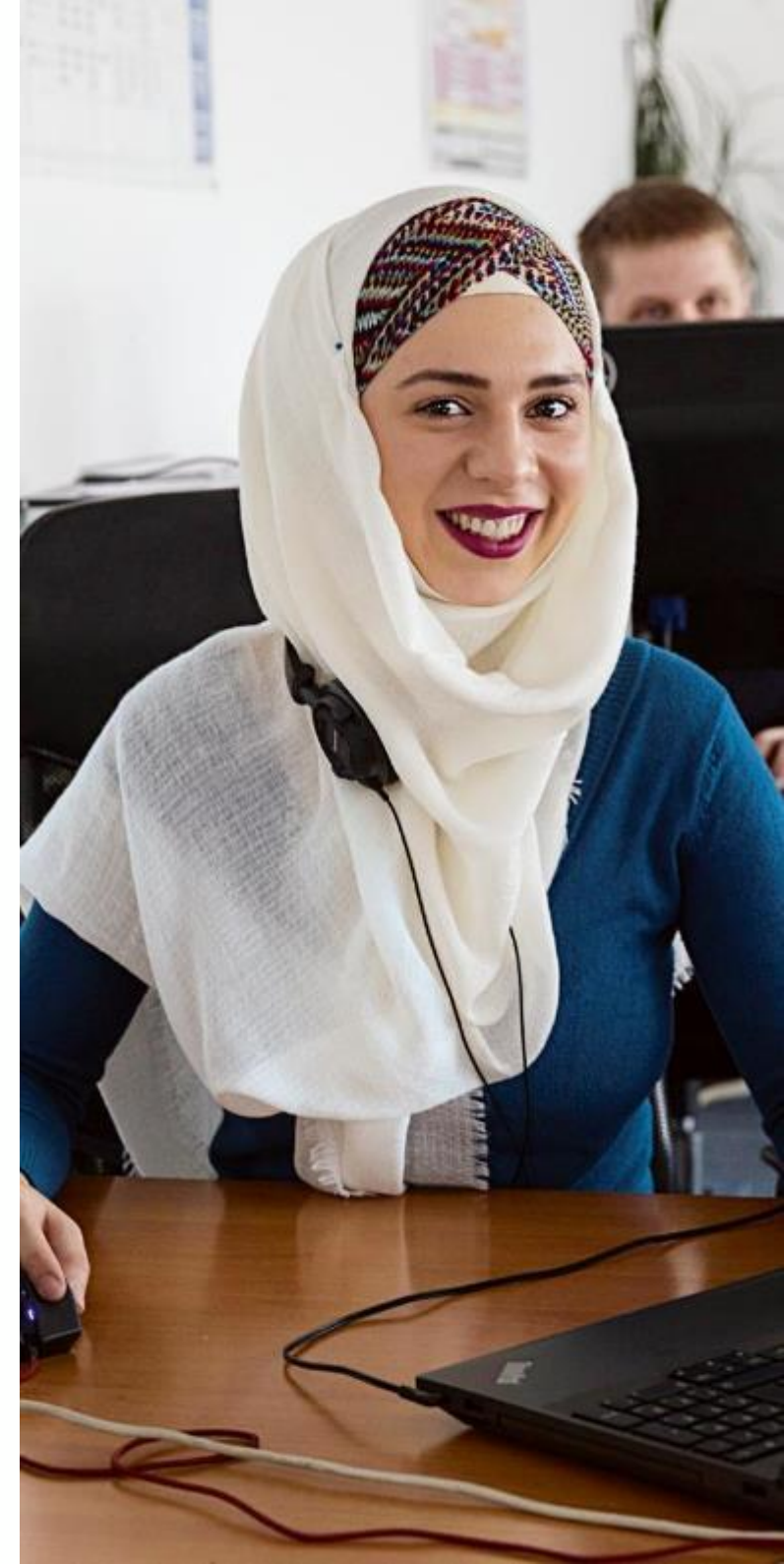
Employment

More work to be done,

because only dreaming of massive job creation doesn't work

Version 25th July 2023.

Hans Posthumus (HPC) and Roman Troxler (KEK - CDC) for the E+E section



Why this slide deck?

Too often the impact from projects is disappointing: was too much expected, or is it that challenging to achieve impact?

The answer is twice YES.

This slide deck presents an overview, insights from practice, and introduces recently developed new approaches with respect to employment.

For whom?

For those involved in the design process of projects that address employment generation, whether in Private Sector Development or Vocational Skills Development or in another domain.

How to use it?

That's up to you. Scan the slides in half an hour, or take more time and zoom in on what's new to you, diving deep where needed in any of publications that are referenced on the slides.



Executive summary

The lack of decent employment is and will remain an enormous problem. Addressing unemployment and under-employment is challenging and programmes' ambitions are often not realistic.

Addressing 'employment' means addressing the demand side, i.e. job creation, and addressing the supply side, i.e. facilitating people to become employed.

Labour market analyses are thus the entry point for any programme design that aims to contribute to 'employment': whether that results in a PSD programme aiming to facilitate the creation of jobs, or a VSD programme aiming to increase employability of youth and job seekers. Or both.

There are seven key questions that need to be answered while designing programmes that target the labour market. Answering these questions is crucial, and provides direction and focus on what, why and how the programme will contribute to unemployment issues.

There are four key areas: demand, supply, services and policies & regulations.

The focus needs to be on the labour market. There is a need to bridge PSD and VSD practices. This slide deck leans on existing concepts, approaches and tools and serves as an entry point and gateway to further readings for those designing programmes.



Why employment needs to be addressed

Goal 8 of the SDG 2030:

“Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.”

Switzerland’s International Cooperation Strategy 2021–24 states:

“... to contribute to sustainable economic growth, market development and the creation of decent jobs, taking into consideration environmental impact, education and human development, peacebuilding and governance.”

The ILO estimates that some 187 million people worldwide were unemployed in 2019, of which 67 million young people. The global gender gap is 25 percent points, in some regions above 50%.

Un- and under-employment is an enormous problem

The African Development Bank estimates that up to 12 million young people enter African labour markets each year, but only three million formal jobs are created.

Un- and under-employment will continue to increase

The number of people that need a job is increasing at an alarming rate while the number of jobs becoming available is lagging behind.



Why employment needs to be decent and inclusive

A third of the global labour force are not earning enough to lift themselves and their families above the poverty line. Many job seekers are pushed into informal sectors where safe working conditions and social protection are absent.

Decent work should pay a fair income, offer secure forms of employment, safe working conditions, social protection and freedom to express and to organise. Job seekers must have equal opportunities and treatment. Decent work offers also personal development and social integration.

If employment isn't 'decent', human capital is lost and social unrest looms on the horizon!

That doesn't mean that employment that isn't 'decent' isn't valuable. Projects often combine aiming to increase employment numbers with aiming to improve degrees of decency, much depending on the context.



Policy Brief: [A systemic approach to creating more and better jobs](#), The Lab, ILO

[Addressing Decent Work in international cooperation](#), SDC Working paper, Version 2, June 2021

[The evidence is in. How should youth employment programmes in low-income countries be designed?](#) Louise Fox and Upaasna Kaul, September 26, 2017

[Full and Productive Employment and Decent Work for All - GIZ Handbook on Employment Promotion in Development Cooperation](#), December 2021



The labour market

Addressing employment means targeting the labour market.

The labour market, like any other market, is influenced by both demand and supply:

- by creating jobs, thus increasing the demand, for people to ‘fill’ these new jobs
- by improving the supply of the labour force, making people more employable, for existing and new jobs

Cyclical or seasonal unemployment relates to temporary fluctuations in demand and **frictional unemployment** occurs when people transition between jobs. **Structural unemployment** relates to fundamental labour market imbalances, between labour supply and demand. *This is the main challenge that need to be addressed.*

Jobs are created
Labour demand
Pull

People seek work
Labour supply
Push



Art Sculpture by Lorenzo Quinn



What is what: terminologies in use

Employment: productive work for women and men in conditions of freedom, equity, security and human dignity. *This is the ILO's decent work definition.* It includes both wage and self-employment.

Unemployed: people that are able, willing and actively searching for work. *Only those people are visible in unemployment statistics.*

Underemployed: people that would and could work more hours than they do, or that earn not enough with the hours they work now. *Those people are often hidden in country statistics, often termed 'the working poor'.*

The NEET rate; the percentage of the population of a given age group and sex who is **not** employed and not involved in further education or training. *A common indicator to define idle youth.*

Tip: *there are several sources with various definitions of these and other relevant indicators: select the ones that are most relevant and helpful to achieve your project goals in your context.*



Labour Market Indicators 2022 used by the [Swiss Federal Statistical Office](#)



Why addressing employment is challenging - I

The labour market is complex

There are many components and interlinkages. Supporting the growth of one sector might lead to jobs-lost in another sector. Training unemployed people to become more employable may lead to less-skilled workers losing their jobs.

It's a multi-dimensional issue.

Labour markets are affected by several measures, e.g. monetary, fiscal, and wage measures. They relate to several components, such as commercial, educational, social, industrial, enterprise development and agricultural components. They are affected by cultural norms and values as well as by regional structural policies.

It's like spaghetti and noodles: everything seems to be connected, one change leads to another, and not so much in a very linear and predictable manner.





Why addressing employment is challenging - II

It's costly to create jobs:

- but nobody knows how much it costs!

Costs vary considerably depending on the chosen sector and approach, as well as what are (and are not) considered as costs and how jobs are counted, let alone the country context. It may be as much as USD30,000 per job according to the World Bank.

- and maybe the social return of the investment is more decisive?

How important are the jobs for the future economy? What type of jobs are being created? How long does it take before jobs are created? Who is becoming employed? Are those jobs sustainable? Important questions that need to be answered when assessing the costs and the benefits.

If CHF 3 million is the budget for a project phase – depending on the context and approach – we could expect some 100 jobs to be created. That is, if employment creation is the main objective and if all goes well, which is often not the case.

This relative conservative number stands in contrast to what many projects often aim to achieve. Often that's wishful thinking.

Realism is needed when defining targets



[How much does it cost to create a job?](#) David Robalino; Blog in Jobs and Development, WorldBank, 15 Feb 2018



Why addressing employment is challenging - III

Another Inconvenient Truth

While private sector development (PSD) projects focus on increasing sector productivity and competitive-ness, they often reduce the demand for labour.

While vocational skills development (VSD) projects focus on making graduates more employable for a stalling sector, they don't lead to more people being employed.



[The evidence is in. How should youth employment programmes in low-income countries be designed?](#) Louise Fox and Upaasna Kaul, September 26, 2017

[Report on Effectiveness - Swiss International Cooperation in the Field of Employment](#), 2017 (page 7)

If there is a huge over-supply of labour, the answer lies in stimulating more demand for labour. That requires structural transformation: for most countries searching for an alternative to their agrarian, subsistence mode. Easier said than done.

One study (SDC) concluded that job creation is difficult to achieve and sometimes hard to measure. Another study (USAID) concluded that 2/3rd of the youth employment programmes had no effect at all.

The displacement or re-distribution effect is the real bummer: some gain and therefor others loose. What matters is the net gain.



Why addressing employment is challenging - IV

Simply assuming that increasing competitiveness of sectors and increasing employability of people probably leads to more employment in the far future is not enough. If employment is what you wish to address, employment becomes the leading objective and compass for all strategies and all intervention decisions.

No silos
look at labour
markets, not at
PSD or VSD



**No diverse
objectives**
Focus is needed



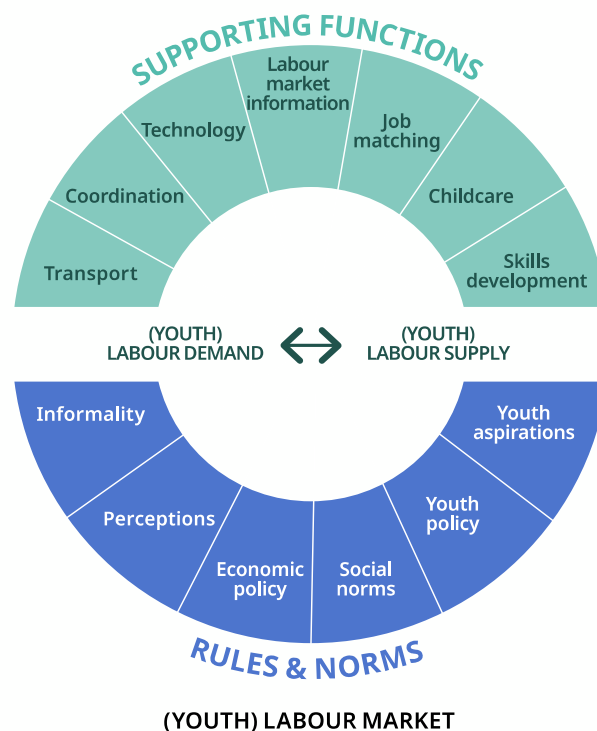


Labour market diagnostics - I

The starting point.

No programme can be designed to address employment if there is insufficient understanding how the labour market functions.

This also applies to PSD projects designed to strengthen certain economic sectors and to VSD projects that aim to strengthen the vocational training system.



Example taken from A rough guide...

The core of the labour market is where demand for labour and supply of labour come together.

This demand-supply mechanism is influenced by several supporting functions, such as information about job opportunities and the availability of childcare services.

The demand-supply mechanism is also influenced by rules and norms, such as national policies, sector regulations and aspirations and perceptions.



Labour market diagnostics - II

There are several tools that help to analyse labour markets:



[A Rough Guide to the MSD approach...](#)

(DCED/BEAM, 2022)

[Compendium of Tools for Labour Market Assessment](#)

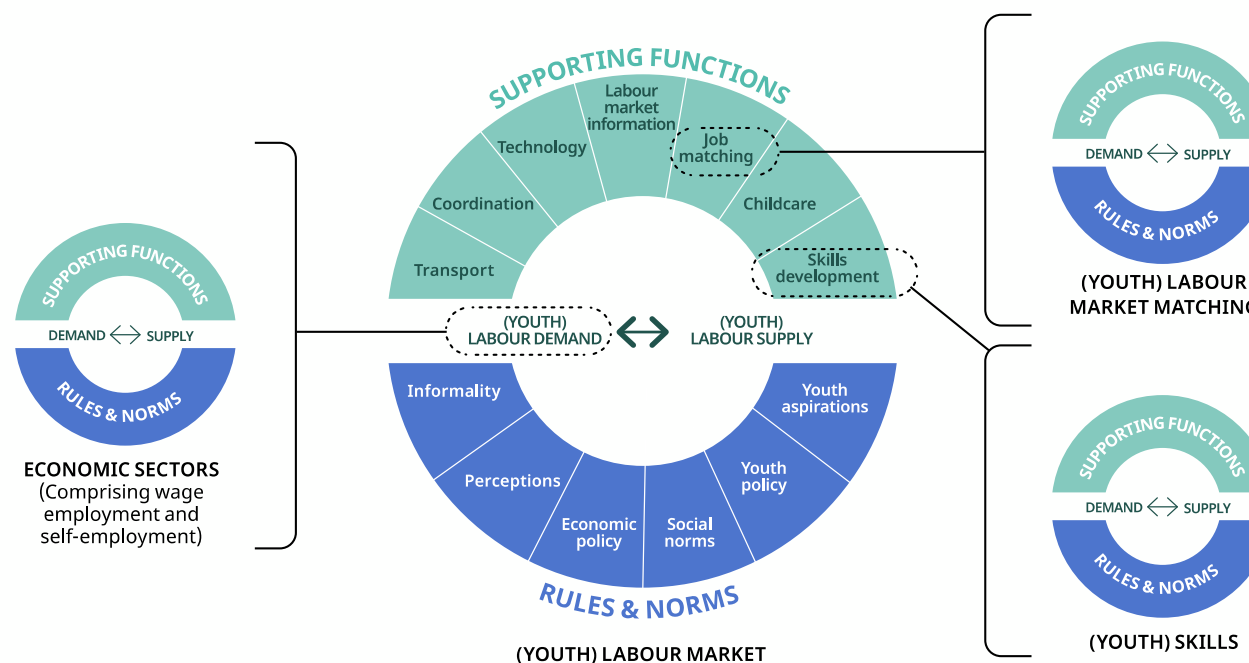
(GIZ / EU, 2020)

[Guidelines for an Employment and Labour Market Analysis](#)

(GIZ, 2016)

[The Employment Diagnostic Tool](#)

(ILO, 2012a)



Example taken from A rough guide....



Labour market diagnostics - III

Tough decisions need to be made:

- to guide the labour market diagnostics and
- to develop the key objectives for the project.

Seven key questions need to be answered.

1. Focus on present or future labour markets?
2. Improving system performance or disrupting systems?
3. Target overall labour markets or focus on specific markets?
4. Stimulating job creation (demand) or skills training (supply)?
5. Focus on more jobs, or better jobs, or more inclusive jobs?
6. Focus on formal or informal sectors, on rural or urban markets?
7. Focus on wage-employment or on self-employment?

There are no good or bad answers to these questions. But if they remain unanswered, projects are likely to produce no significant impact.

The facts should be the starting point, and only then can preferences be considered and choices be made.

Have a look at the next slides for inspiration to answer the seven questions.



Question 1: Focus on present or future labour markets?

To focus on supporting innovation in emerging sectors and scaling promising modern sectors for economic transformation, with the expectation that this new demand for labour will absorb future job seekers (much later)?

Or to focus on supporting economic livelihoods in more traditional sectors where people in poverty are currently engaged, increasing productivity and diversifying employment opportunities (now)?



[Promoting Economic Transformation through Market Systems Development.](#) DCED / BEAM Market systems development working group, 2019

[The Future of Work - Effects of technological change and digitalisation on the world of work and learning.](#) SDC Working paper, 2021

To focus on adapting VET systems to equip youth with *skills for the future* such as learning and innovation, digital literacy skills, career and lifelong learning skills, thereby creating a dynamic labour force for the future (much later)?

Or to focus on quick wins, supporting today's unemployed to become more employable and more productive, thus increasing their income opportunities, while contributing to competitiveness of the traditional sectors (now)?



Question 2: Improving system performance or disrupting systems?

Are there needs and feasible options to address inefficiencies in existing labour markets?

For instance, making functioning VET systems more demand driven, or making them more inclusive?

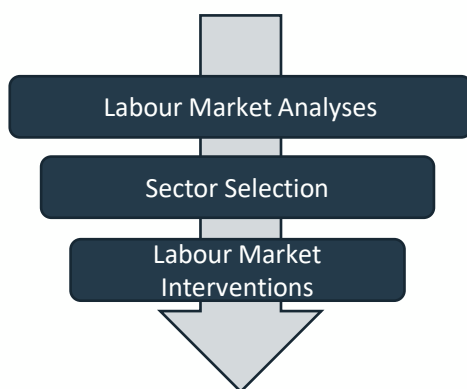
Or is there a need to disrupt the existing system to address challenges in labour markets?

For example, introducing private sector labour market information and placement services when those public services are and likely will remain dysfunctional?

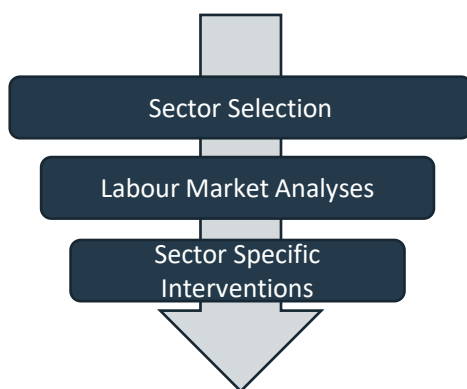
Or bypass formal VET systems and directly provide trainings to the unemployed (e.g. through NGOs or other non-formal training providers in a crisis situation)



Question 3: Overall labour markets or (sector-) specific labour markets?



Targeting the overall labour market helps to identify challenges and opportunities in labour markets across many economic sectors and creates space to search for labour market solutions. But this requires an in-depth understanding of most sectors and may lead to a certain diffusion of resources and impact spread out across many sectors.



Zooming in on a few sectors helps to design sector specific solutions and leads to overall changes in sector performance. How much potential there is for addressing significant labour market constraints depends very much on the sector selection criteria and selection process. Labour market-related objectives are then often not a primary objective of a sector strategy.

Consider ‘repackaging’ of sectors: rather than targeting individual economic sectors such as horticulture or tourism, focus on clusters of sectors that share similar (labour market) characteristics, for example ‘marketing’.



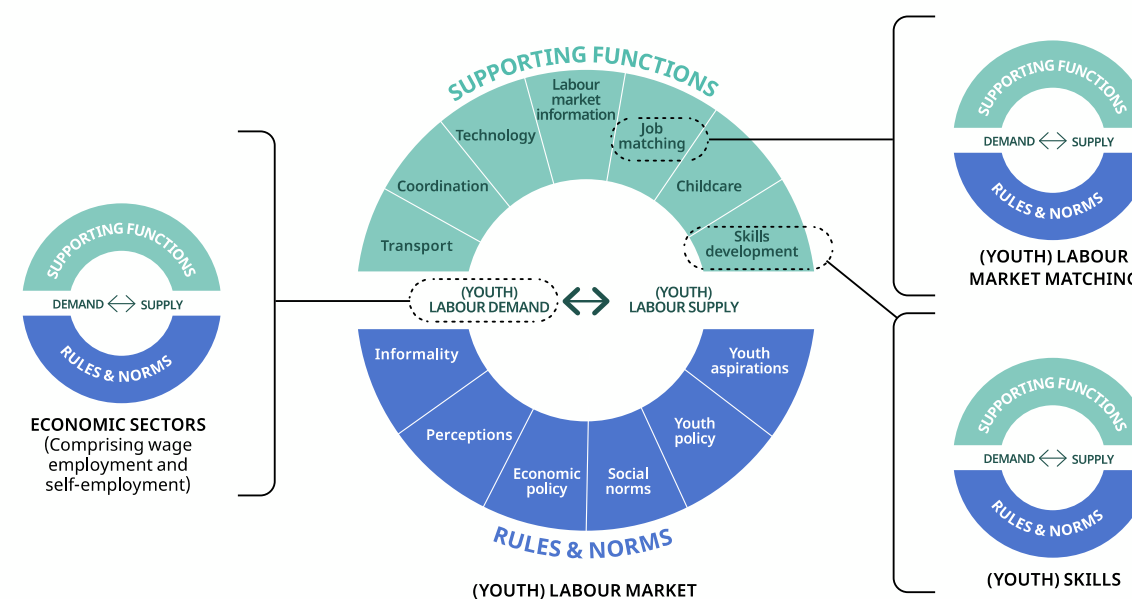
[A ROUGH GUIDE to the MSD approach...](#)
(DCED/BEAM, 2022),
page 13

Question 4: Stimulating job creation (demand) or skills training (supply)?

The answer should follow from the analyses, right?
It should not stem from our siloed background: PSD creates jobs (a demand-side issue), and VSD improves employability (a supply-side issue).

And it's not assessing demand and supply only:

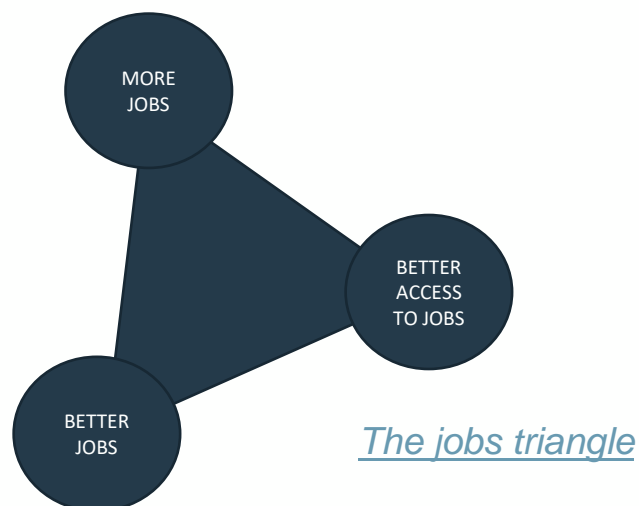
- are there missing supporting functions that hinder labour market matching? *Is there a need to work on functions such as career orientation and guidance, or child care services?*
- are rules and norms hampering the labour market? *Are they gender sensitive? Is there a need and opportunity to change perceptions, or to adjust certain policies or regulations?*



Example taken from A rough guide....



Question 5: More jobs, or better jobs, or more inclusive jobs?



This is a strategic choice, that is based on the labour market analyses (facts) and that matches with the vision and objectives of the donor (SDC)

- is there room to create many more jobs for many more people, even if the jobs are ‘not so decent’?
- is there room to create better quality jobs in terms of better working conditions, social protection and higher earnings?
- is there room to improve access to labour markets, directly or indirectly, for women, for minorities and the more vulnerable (*the Leave no One Behind principle*)?



[ABC of MSD..Y is for Youth employment, Justin van Rhynn, Blog on Beam, Jan 2023](#)

[Addressing Decent Work in international cooperation](#), SDC Working paper, Version 2, June 2021

[Leave no One Behind](#), SDC, Working Paper, 2018



Question 6: Informal versus formal sectors, urban versus rural markets?



“Weighing the arguments”

The informal sector is often less productive than the formal sector. It offers poor working conditions, little social security and low earnings. Yet, entry barriers are low and flexibility is high, thus offering employment opportunities to many people. There may be options to address productivity, improving safety conditions and reducing underemployment.

BABY STEPS



“Changes take time, step by step”

Urban areas are often more dynamic than rural areas: there are more economic activities, more job seekers, more diversity, and more opportunities. Yet, changing predominantly agrarian rural economies into diverse vibrant rural economies offers wage and self-employment alternatives for subsistence farming households. But it takes time.



Question 7: Wage employment or self-employment?

Making people more employable leads to more competitive sectors and more decent wage-employment. Most of the unemployed people aim to become wage-employed.

But if the job offer is limited, what are alternatives?
Training for self-employment?

Distinguishing between opportunity and necessity entrepreneurs helps in defining objectives and approaches.



Fairlie & Fossen: [Opportunity versus Necessity Entrepreneurship, Two Components of Business Creation](#), IZA Discussion paper, 2018

Opportunity entrepreneurs. Start-ups that are innovative and add value to the economy: thriving entrepreneurs that seek opportunities in the market. They will create employment for others (later).

Focus on entrepreneurship and enterprise development.

Necessity entrepreneurs. Self-employed people that earn a living with their activities. Training for self-employment requires 'a market' and 'comprehensive support'. If there is no real market for them, productivity and peoples' earnings will be low and displacement will be high.

Support should entail not only skills training, but also entrepreneurial and business training, coaching services and access to finance.



Focus area 1: Policies and Regulations

Labour markets are sometimes covered in a single labour market policy, but more often they are integrated in other policies; economic, educational and social policies. In any case, many other policy areas do impact the labour market.

Influencing policy changes requires a long breath, but if changes are achieved, they have a systemic effect.

These roles are often played by several donors and development partners at different levels. Ideally they are complementary: some focus on regulatory aspects at national levels, others trigger and support those changes with innovative projects.



Graph from: [Full and Productive Employment and Decent Work for All - GIZ Handbook on Employment Promotion in Development Cooperation](#), December 2021



Focus area 2: Matching services - I

To address a mismatch between existing labour demand and labour supply:

- help employers to recruit motivated and qualified staff: *how to define what is needed, how to communicate that, how to search for potential applicants, how to screen, and how to contract them?*
- support the employability and career prospects of young people and job seekers; *to understand labour markets, to become 'fit' for the job, how to search for jobs?*

Matching services can be provided by:

- the public sector and/or,
- private agencies and/or,
- civil society organisations.

The context defines what the most suitable solutions and institutions could be.



[Full and Productive Employment and Decent Work for All - GIZ Handbook on Employment Promotion in Development Cooperation, December 2021](#)



Focus area 2: Matching services - II

Matching or employment services can (besides supporting employers HR systems) be categorised as professional orientation, preparation and placement services:

Professional orientation services

- Inform on existing career options (labour market information);
- Provide orientation and support learning about personal strengths and weaknesses (career orientation);
- Advise students and job seekers on their professional development (career guidance).

Preparation services

Improve preparedness for the labour market and facilitate job matching. They include:

- technical training and re- training;
- promoting life skills such as teamwork;
- on-the job learning and mentoring.

Placement services

Bring job seekers who offer a certain set of skills together with employers who seek to hire an appropriate candidate. They include

- job fairs with companies;
- web-based matching platforms



[Full and Productive Employment and Decent Work for All - GIZ Handbook on Employment Promotion in Development Cooperation](#), December 2021



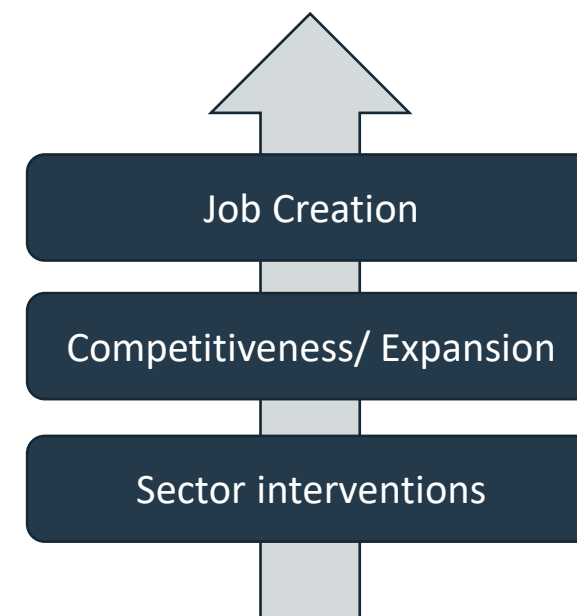
Focus area 3: Demand side interventions

There is a lot of guidance and experience with private sector development and market systems development.

Most crucial for employment creation is the selection and definition of the sectors: matching the jobs triangle (more jobs - better jobs - accessible jobs) with relevance, opportunity and feasibility.

Tip: understanding the aspirations of women and men graduates, the under- and the unemployed helps to define what jobs are needed.

Tip: always assess whether interventions contribute to only sector development objectives or also contribute to employment creation!



[A ROUGH GUIDE to the MSD approach...](#) (DCED/BEAM, 2022), particularly page 9

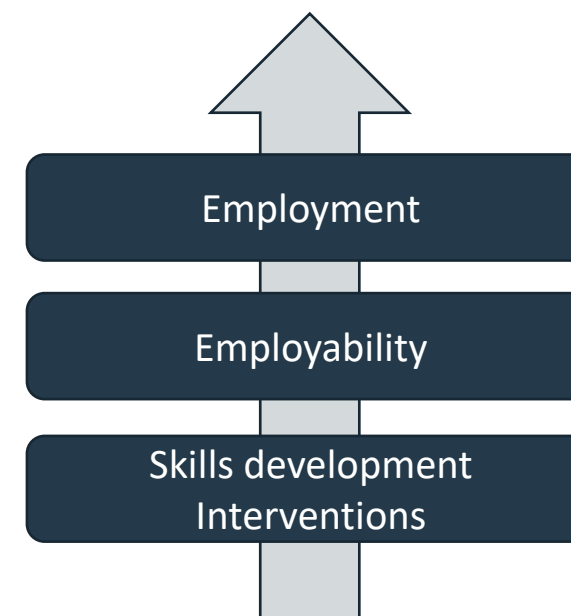


Focus area 4: Supply side interventions

The labour market analysis informs on what needs to be done on the supply side:

- Improving the formal (mostly public) VET system, which often also implies aligning VET to labour market needs (e.g. dual VET) and ensuring its more inclusive - or
- Supporting private sector actors to invest in their own skills training, either in-house / dual or as a commercial provider (could be formal and non-formal) - or
- Supporting the integration of specific (disadvantaged) groups into the labour market (often via matching services)

Careful: Supply-side challenges do not always need VSD solutions. There might also be a need for quality basic education or other support functions (see slide 18).



[A ROUGH GUIDE to the MSD approach...](#) (DCED/BEAM, 2022)

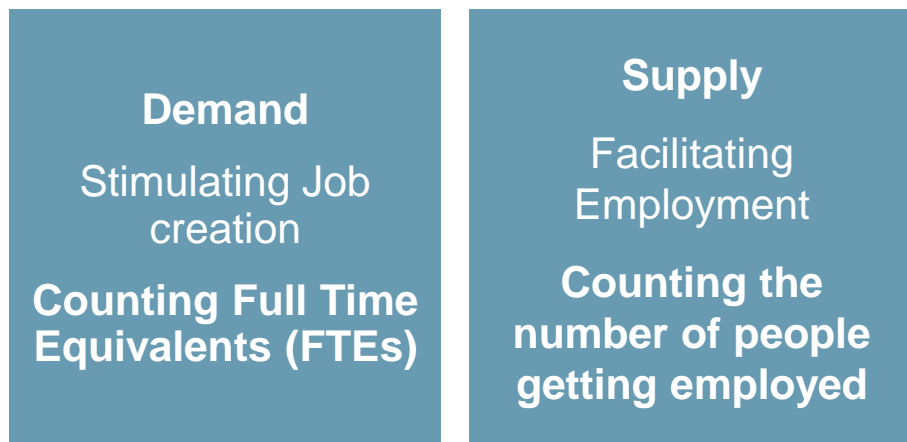
[Full and Productive Employment and Decent Work for All - GIZ Handbook on Employment Promotion in Development Cooperation](#), December 2021

[VSD Typology](#), SDC, 2019



Monitoring and Learning - I

Monitoring to understand what and why things are changing (or are not changing) and to learn if and how to adapt interventions and strategies to become more effective.



Define your indicators early on:

ILO, GIZ and DCED offer a menu of indicators, but do take note that their definitions vary.

Select what is appropriate for your programme:

- a mix of quantitative and qualitative indicators
- indicators to express reach and depth,
- indicator to express decent work and inclusion.

Ensure your selection meets SDC's aggregate and thematic reference indicators



SDC [Working Aid Results Indicators in FSD and PSD](#)

SDC [Working Aid Results Indicators in VSD programmes](#)



Monitoring and Learning – II

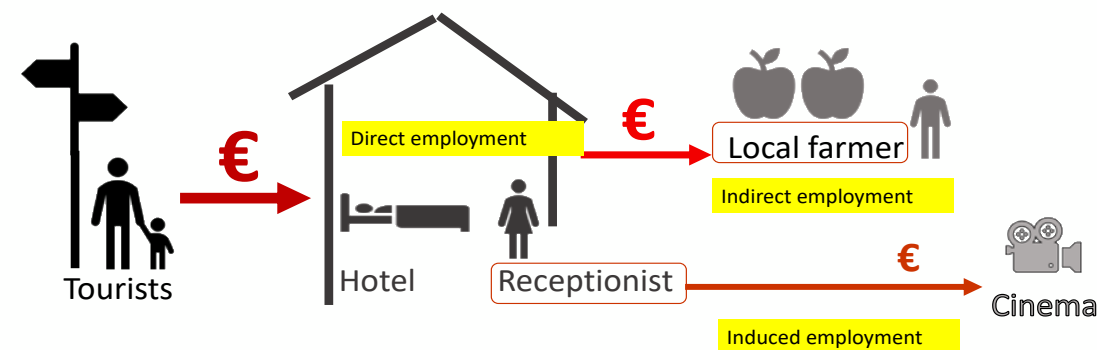
If the programme's objective is to create jobs for the programme's target group, that needs focus:

Focus on how jobs are created – and if that is attributable to the programme's interventions. That is challenging but necessary to assess real impact. Results chains and their indicators inform best on what, when and how to assess job creation.

Focus on the programme's target group: any other job created for others are simply 'bycatch': – don't spend resources to assess if and how sustainable they are.



[3. Measuring Attributable Change - Implementation Guidelines for the DCED Standard](#)



Example of Direct, Indirect and Induced employment. Source: SwissContact

Projects may create indirect employment, and sometimes even induced employment. Assessing these is challenging and resource intensive. Multipliers may help, but they are often not appropriate for the programme's context. That means developing them.

First assess how significant and important the effect may be, then decide if to invest and allocate resources.



[Using Multipliers to Estimate Impact - Practitioners' Notes on Monitoring and Results Measurement - Based on the Advanced Training Workshop in Results Measurement for Private Sector Development November 2017](#)

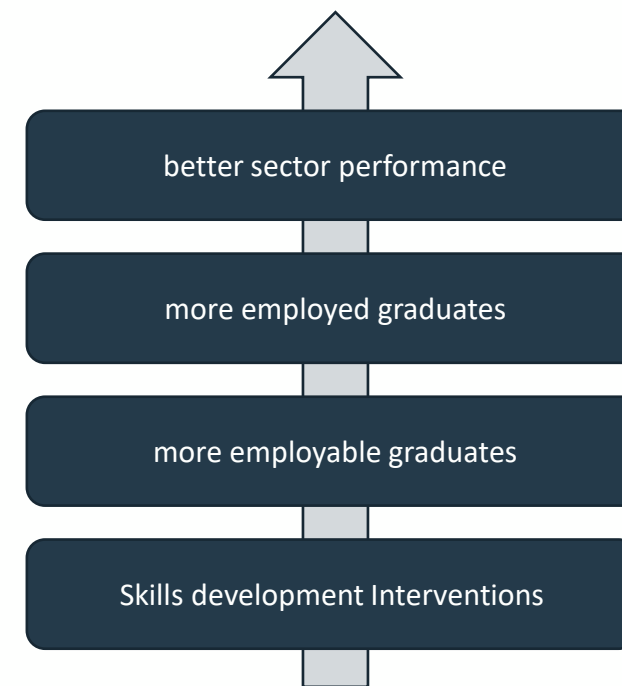


Monitoring and Learning – III

If the programme's objective is to help people finding employment, that needs focus:

Focus on why people are getting employed, and if that is attributable to the programme's interventions. That is challenging but necessary in understanding how interventions lead to male and female graduates being more employable and getting employed because of that.

Tracking and tracing studies are often a first step for educational institutions: maintaining contact with the alumni, being able to contact them in order to understand if, why and how male and female graduates are getting employed. Information from their employers is often crucial to understand why graduates are getting employed.



Don't forget: decent jobs, inclusive jobs!



[Launching and developing an apprenticeship system in Albania](#) Case study that explains how S4J monitored and assessed impact September 2021



Recommended further readings

- DCED / BEAM: [A Rough Guide to the MSD approach for youth employment in sub-Saharan Africa](#), 2022
- DCED / BEAM: [Promoting Economic Transformation through Market Systems Development](#). Market systems development working group, 2019
- Fox Louise and Upaasna Kaul: [The evidence is in. How should youth employment programmes in low-income countries be designed?](#) September 26, 2017
- GIZ: [Full and Productive Employment and Decent Work for All - Handbook on Employment Promotion in Development Cooperation](#), December 2021
- ILO: Policy Brief: [A systemic approach to creating more and better jobs](#), The Lab, ILO
- ILO: [The gender gap in employment: What's holding women back?](#) ILO 2017, updated 2022
- Robalino, David: [How much does it cost to create a job? Blog in Jobs and Development](#), WorldBank, 15 Feb 2018
- SDC: [Addressing Decent Work in international cooperation](#), SDC Working paper, Version 2, June 2021
- SDC: [Report on Effectiveness - Swiss International Cooperation in the Field of Employment](#), 2017.
- SDC: [The Future of Work - Effects of technological change and digitalisation on the world of work and learning](#). SDC Working paper.
- SDC: [VSD Typology](#), SDC Working paper, 2019



Thank you!



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