Outline

1. Why jobs?
2. The big picture about jobs
3. What is productive inclusion?
4. Productive inclusion...for whom?
5. Different agendas in different context
6. Some examples:
   • A differentiated approach in rural and urban areas: Brazil sim Miseria
   • The CGAP model
   • Youth employment interventions: a taxonomy and some examples
   • Working with Public Employment Services
7. Conclusion
1. Why jobs?

Labor income is the key channel for sustainable poverty and inequality reduction

Source: World Bank staff calculations based on HICE, TUIK.
2. The big picture of jobs

**JOB CREATION (LABOR DEMAND)**
- Structural transformation
- Diversification
- Urbanization
- Agricultural productivity
- Investment climate reforms
- Innovation and productivity upgrading to value chains
- Entrepreneurship
- Public Works

**LABOR SUPPLY**
- Migration
- Aging
- Youth employment
- Female labor force participation
- Labor market transitions
- Skills of the stock of existing workers
- Low (formal) work incentives and labor mobility
- Skills formation in the education system

**LABOR MARKET**
- Institutions and Social Protection
  - Reforming Employment protection legislation
  - Minimum wage setting
  - Social security rules and contributions

- Matching and jobs allocation
  - Improving labor market information
  - Reducing skills mismatches and geographical mismatches
CLICKER QUESTION: What is productive inclusion?

A. Improving income capacity through strengthened participation in labor markets;
B. Increased productivity in household activities
C. Better access to markets (credit, inputs).
D. “All of the above”
3. What is productive inclusion?

**JOB CREATION (LABOR DEMAND)**
- Structural transformation
- Diversification
- Urbanization
- Agricultural productivity
- Investment climate reforms
- Innovation and productivity upgrading to value chains
- Entrepreneurship
- Public Works

**LABOR MARKET**
- Institutions and Social Protection
  - Reforming Employment protection legislation
  - Minimum wage setting
  - Social security rules and contributions
- Matching and jobs allocation
  - Improving labor market information
  - Reducing skills mismatches and geographical mismatches

**LABOR SUPPLY**
- Migration
- Aging
- Youth employment
- Female labor force participation
- Labor market transitions
- Skills of the stock of existing workers
- Low (formal) work incentives and labor mobility
- Skills formation in the education system
4. Productive inclusion for whom?

- The inactive - to decrease their distance from labor markets
- The unemployed - to support transition to jobs
- The working poor – to increase their productivity

- Social safety nets beneficiaries - to promote their graduation

- Youth
- Women
- Older workers
4. Productive inclusion for whom?

Labor demand

- Education / credentials
- Basic skills (literacy, etc)
- Job specific skills
- Behavioral skills

Employability barriers

Tax and Benefit Disincentives
- Disincentives to formal work from the interaction of taxation and benefit rules

Participation constraints
- Care-taking duties
- Lack of empowerment
- Distance from markets
- Information deficit
5. Different agendas in different contexts: income levels and urban/rural

Agglomeration/access to production technology
5. Different agendas: demographic trends

SSA: Half of the population is under 25 years of age. Each year between 2015 and 2035, there will be half a million more 15-year-olds than the year before” WB (2014)

Population dynamics as life expectancy grows, fertility rates decline, and net emigration continues
5. Different agendas in different context: Social Protection systems

- **Low capacity contexts**
  - Few or no functional formal 3P programs
  - Goal: Building the "nuts and bolts" sub-systems to provide one or more 3P functions

- **Emerging capacity contexts**
  - Existing systems often fragmented, with limited capacity to coordinate
  - Goal: Improving efficiency and efficacy of each program, improving coordination across programs

- **Better capacity contexts**
  - Well-functioning programs with aligned incentives and clear institutional roles
  - Goal: Policy coordination to ensure efficiency, equity and incentive compatibility
5. Different agendas in different contexts

- OECD/Europe: Activation into work – reduce or eliminate welfare dependency (traps)
- LAC/EAP: Graduation and productive inclusion strategies – emphasize program “exit”
- Africa: Productive safety nets - focus on moving out of vulnerability and extreme poverty into resilient livelihoods
6. Different agendas in different contexts - income levels and urban/rural

Brasil sim Miseria

Agglomeration/access to production technology
6. Investing in the most disadvantaged: Brazil without poverty plan (“Brasil sem Miseria”)

- **Government’s objectives:**
  - promote economic growth that translates into more and better jobs;
  - productive inclusion: foster the inclusion of the poor into the economic arena through employment or income-generating activities
  - Access to public services

- **How?**
  - Broaden the scope of Bolsa Familia
  - Expand coverage by identifying and registering people entitled to BF in remote areas but who are not in the Single Registry
6. Diverse implementation arrangements

- **Rural Areas**
  - Technical assistance
  - Promotion and seeds
  - Water for all
  - Green grant
  - Food Purchase Program

- **Urban Areas**
  - Map of opportunities
  - Training: technical schools and other systems
  - Entrepreneurship

Source: Translated from MDS (2013)
6. The CGAP graduation model

CGAP and Ford Foundation have piloted this approach since 2006 in 8 countries (Ethiopia, Ghana, Haiti, Honduras, India, Pakistan, Peru and Yemen) building on initial Bangladesh experience, with rigorous evaluations in 6 countries.
6. RCT evaluations over 2 years show significant impacts on many wellbeing domains...

This figure summarizes the average treatment effects in each country for the 10 primary outcomes. All treatment effects are presented as standardized z-score indices and 95% confidence intervals.

(Banerjee et al, 2015, Science 348)
...and largely substantial returns to investment (Banerjee et al, 2015, Science 348)
6. Different contexts: youth programs

Joventud y empleo
Dominican Republic
CLICKER QUESTION:
What is the percentage of female NEET youth (16-29) in South Asia?

A. 15%
B. 30%
C. 22%
D. 39%
6. Beyond employment the challenge is often about productivity

Source: Youth Employment in Sub-Saharan Africa
6. Youth and Employment Program in the Dominican Republic

1. **Who?** → Disadvantaged (poor) youth out of work, age 16-29, incomplete high school

2. **What and How?** → Classroom-based training (225 hours)

   A. **Vocational training** (150 hours) tied to needs of local employers

   B. **Socio-emotional skills training** (75 hours): Self-esteem, communication, conflict resolution, goal-setting, time management, team work, decision making

3. **What and How?** → Apprenticeships in private companies (240 hours):

   - **On the Job Learning: 6 hours per day** during 8 weeks
   - **Counseling** with the training provider: 4 hours per week (8 weeks)
   - National training agency pre-certified private training providers and competitively selected with Ministry of labor

   ◦ **Scope → Coverage and costs:**
   "About 75k youth trained
   "Stipend: 2 dollars daily (now raised to US$ 3) to avoid drop outs
   "Average cost per participant: US$ 400. Duration 5/6 months"
Youth Skills Training in Dominican Republic boosted earnings and formal employment over long term

• **Short-term (1-2 years) impacts:**

  Earlier evaluations indicate negligible impacts on overall employment, but positive impacts on earnings and formal employment, arising from SE skills

• **Impacts over longer term (6-7 years):**

  ↑25% of formal employment for men (was ↑17% in the two-year follow-up)

<table>
<thead>
<tr>
<th>Increased Formal Employment</th>
<th>All</th>
<th>Men</th>
<th>Santo Domingo</th>
<th>SD women</th>
<th>SD Men</th>
</tr>
</thead>
<tbody>
<tr>
<td>18%</td>
<td>25-27%</td>
<td>31-39%</td>
<td>33-60%</td>
<td>35%</td>
<td></td>
</tr>
</tbody>
</table>

| Higher Earnings | SD women | 25-31% |
Key Lessons

• Good intentions are not enough – a good design and effective implementation of youth training programs are essential for positive results

• Need modest expectations – labor market outcomes depend on many supply AND demand factors. Need to go beyond overall employment as a metric of success in populations where no work isn’t an option and informality prevails

• Need to track impacts over the long term and focus on multiple skills (basic cognitive, socio-emotional and technical)

• Need strong link with employer needs to achieve results, and:
  • Combine classroom instruction with internships or apprenticeships (on-the-job experiences)
  • Design incentives for training providers to focus on employability results not just on the number of youth trained
Diverse Youth Employment interventions

- Institutions & Activation
- Supply Side Interventions
- Beyond income generation
- Demand side Interventions
- Comprehensive programs
Supply Side Interventions

- Training programs for technical & socio-emotional skills and on the job training
- Internships
  - Example: Dominican Republic Juventud y Empleo
    - Workplace training (e.g. internships, on-the-job training schemes),
    - Soft skills training (in classroom and at the workplace),
    - Enterprise-based technical and vocational training
    - Financial support to trainees through training subsidies and access to credit (e.g. training vouchers)
- Several ongoing examples in Africa

Nigeria YE and Social Support Operation: 3-month demand-driven training (technical, socio-emotional and entrepreneurship skills) plus 6-month internship/apprenticeship
Demand side Interventions

- **Start up grants**
  - Subsistence entrepreneurship: small grants: 100-400 (Uganda, Kenya)
  - High potential entrepreneurs: 15,000-50,000 (Côte d'Ivoire, Nigeria)

- **Entrepreneurship training** Liberia, Kenya, Zambia

- **Other activities often joint with T&C**

- **Business incubation** (e.g. Tunisia: High skills -partnership with higher education)

- **Connecting to markets**

- **Fostering savings for productive investments**
  (e.g. Madagascar: using behavioral nudges to increase savings and investment from wages in public works)

- **Public works**
  - Third Northern Uganda Social Action Fund
  - Burkina Faso Youth Employment and Skills Development Project: Public works plus technical and entrepreneurship training
  - Liberia Youth Opportunities Project: public works plus life skills
- **Approach in some regions (mainly ECA)**
  - Linked to DPLs (labor regulations in competitiveness DPLs like in the Western Balkans)
  - Employment subsidies (Macedonia)
  - Activation (Croatia), including information, profiling, program design, M&E
  - Kazakhstan: (not youth only)
    - Intermediation through public employment services
    - Capacity building of trainers

- **Approach in Africa**
  - **Graduation approaches**
    - Linking public works and CCTs with skills training or entrepreneurship interventions: Nigeria YE and Social Support Operation (public works with life skills; other: forming cooperatives; participating in savings schemes; networking); Liberia Youth Opportunities Project (public works plus life skills)
    - Sahel safety nets
  - **Service delivery and systems**
  - **Gender Innovation Lab - Intermediation**
    - South Africa: alternative methods of skills signaling, and job counseling program aimed at increasing job search intensity among unemployed youth
    - South Africa: impact of information on employment outcomes and job search behavior of young job seekers, and impacts of improving firms’ screening ability.
Comprehensive programs

- **New wave of projects, especially in youth employment**
  - **Liberia Youth Opportunities Project**: On-the-job apprenticeships, formal vocational training, tools/equipment, basic business management training, and start-up grants
  - **Kenya Youth Employment and Opportunities Project**
    - **Supply**: in classroom training (technical, socioemotional, and entrepreneurship) + on the job training (formal and informal)
    - **Demand**: start up grants (both for subsistence and high-end entrepreneurship), plus business development services
    - **Matching**: labor market information system
Beyond income generation

- **Post-conflict and fragile states**
  - Africa at the forefront of this agenda
  - **Liberia Youth Opportunities Project**: Psychosocial support for conflict-affected youth (e.g. emotional regulation, concentration), including elements from cognitive behavioral therapy and group interpersonal therapy.
  - Forced displacement and the intersection with the jobs agenda: DRC, Northern Nigeria

- **Gender-specific constraints**
  - AGI in Nepal, Liberia and Jordan
  - **Zambia Girls Education and Women’s Empowerment and Livelihood**: Importance of time and bargaining power within the household for women’s economic opportunities
    - Context-specific training (life, business, saving skills), mentoring, and peer support, productivity grants, and help with setting up savings clubs.
  - **Liberia Youth Opportunities Project**: Sexual and reproductive health as part of pre-employment support
6. Evidence on what works for YE:

- Context makes the difference - no single type of intervention category is associated with greater outcomes with statistical significance

- Interventions with multiple types of services see better results

- Profiling participants to provide services that meet individual constraints are a driver of greater impacts

- Mechanisms to improve participant engagement - through providing incentives or emphasis on supervision/monitoring - leads to greater outcomes

- Programs working in low and middle-income countries have had greater outcomes

- In any case, impacts are modest if we only focus on the supply side

Source: forthcoming systemic review “Interventions to Improve the Labor Market Outcomes of Youth” (World Bank, ILO, RWI-Berlin)
6. Different contexts: systems

- **Low capacity contexts**
  - Few or no functional formal 3P programs
  - Goal: Building the "nuts and bolts" sub-systems to provide one or more 3P functions

- **Emerging capacity contexts**
  - Existing systems often fragmented, with limited capacity to coordinate
  - Goal: Improving efficiency and efficacy of each program, improving coordination across programs

- **Better capacity contexts**
  - Well-functioning programs with aligned incentives and clear institutional roles
  - Goal: Policy coordination to ensure efficiency, equity and incentive compatibility

Effectiveness of Public Employment Services
CLICKER QUESTION:
How many countries in the world have PES?

A. 55
B. 10
C. 80
D. 135
6. Public Employment Services

Around 110 countries in the world have Public Employment Services contributing towards matching supply and demand in the labor market through the provision of information, counseling, placement services, and active labor market programs. Some PES are responsible for providing training to jobseekers and/or managing unemployment benefits. Around 80 countries have unemployment benefit schemes.
Bulgaria

Portraits of Labour Market Exclusion: Presentation to EC SPC Indicator Subgroup, Brussels, 19-June 2014
The essence of activation is based on the principle of “mutual obligations.” The principle states that, in return for receiving income support (unemployment benefits and other related entitlements or social safety nets) and being offered a range of (re-)employment services, individuals must commit and comply with a set of eligibility requirements (for instance, active job search behavior) and participate in training or other (re)employment programs. So, in order to ensure effective assistance, income support should be accompanied by an appropriate set of rights and duties.
6. How does activation work?

- **Mutual obligations principle**

- **Enhanced responsibilities of the unemployed**
  Active job search and availability for work in return for income support

- **Provision of income support**
  Access to income support and to public employment services

---

**Key elements of effective activation**

- Individualized action-planning
- Focus on high risk prioritization
- Service integration between Employment Service and Social Assistance
- Enhanced performance-based sub-contracting

**Operationalizing legislation through 4 main elements of activation**
6. PES: Profiling beneficiaries

- Vulnerable work-able population
- Distance from labor market
  - HIGH
  - Middle risk group
  - High risk group
  - Low risk group
- Level of prioritization by caseworker
  - HIGH
  - Referral
- Interventions
  - Intensive counseling and special ALMPs
  - Vocational training
  - Self-service and job matching
- Client segmentation
  - Targeting
  - Resource planning

Redistributing resources based on severity of profile
6. PES and profiling: What countries do

<table>
<thead>
<tr>
<th>Approaches</th>
<th>Description</th>
<th>Pros/Cons</th>
<th>Country examples</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Caseworker-based segmentation</strong></td>
<td>Profiling and referral done primarily by the caseworker</td>
<td><strong>Pros:</strong> individual needs</td>
<td><strong>Cons:</strong> subjective assessment</td>
</tr>
<tr>
<td><strong>Time-based segmentation</strong></td>
<td>Segmentation based on threshold in length of unemployment spell</td>
<td><strong>Pros:</strong> straightforward</td>
<td><strong>Cons:</strong> resource waste, ignores heterogeneity.</td>
</tr>
<tr>
<td><strong>Demographic segmentation</strong></td>
<td>Segmentation based on eligibility criteria</td>
<td><strong>Pros:</strong> straightforward</td>
<td><strong>Cons:</strong> ignores heterogeneity</td>
</tr>
<tr>
<td><strong>Statistical segmentation</strong></td>
<td>Segmentation based on statistical analysis using MIS data</td>
<td><strong>Pros:</strong> ex-ante equal treatment, early interview, resource rationing</td>
<td><strong>Cons:</strong> misidentification</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
7. Summary

1. Why jobs?
2. The big picture about jobs
3. What is productive inclusion?
4. Productive inclusion...for whom?
5. Different instruments in different context
6. Some examples:
   • A differentiated approach in rural and urban areas: Brazil sim Miseria
   • Youth employment interventions: a taxonomy and some examples
   • Working with Public Employment Services
7. Conclusion: Many dimensions of interest, no silver bullet

- **Targeting**
  - Which set of beneficiaries
  - Outreach

- **Bundle of services**
  - What to offer
  - How to offer it and role of case worker

- **Institutional and stakeholders coordination**
  - Across ministries
  - With the private sector

- **Policy design**
  - Benefit and labor contract design
  - Taxation policy
Thank you!

rgatti@worldbank.org