

DCED Global Seminar 2024

Breakout 1A

**Reaching scale in job creation: convenient
theory and inconvenient practice**

1st October 2024

The backstory

> Why is job creation important?



The importance of good jobs

Earnings, benefits, job security, working conditions



A 'Missing jobs' challenge

Large 'jobs gap' – not enough good jobs being created. Widespread informality and underemployment.



Debate on 'what works' in job creation

Challenge well recognised but different ideological 'camps' and evidence gaps

> A recent timeline

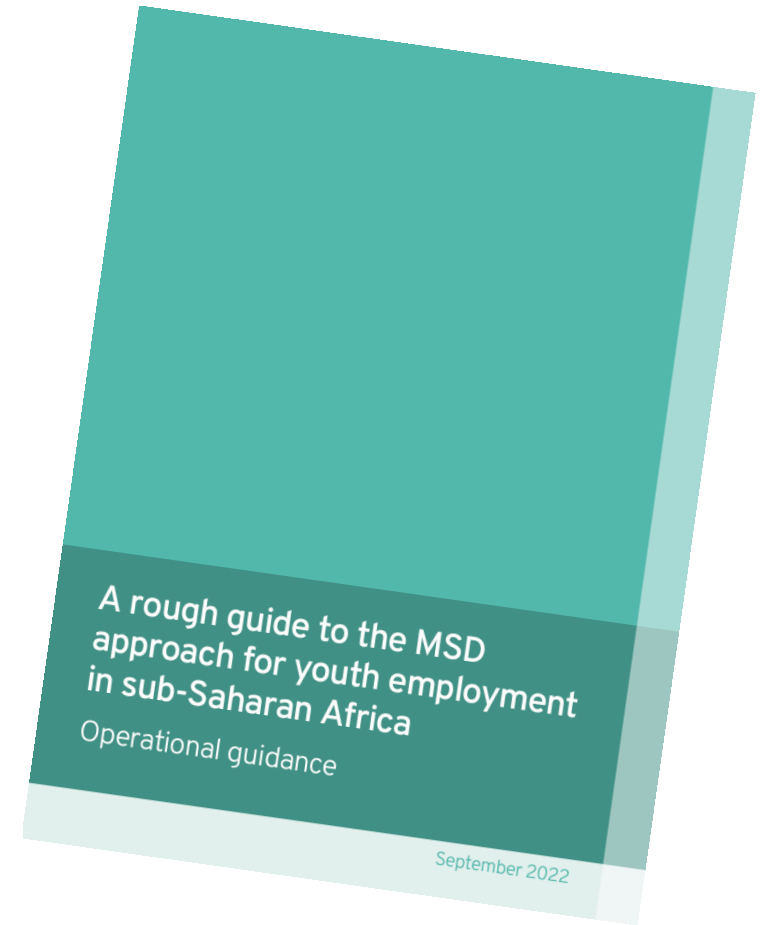
2022: Rough Guide

2023: Market Systems Development for
Employment (MSD4E) Community of Practice

2023: Market Systems Symposium job creation
breakout

2023-24: MSD4E Landscape Assessment

2024: ILO job creation research (underway)





What have we seen so far?



1

A different beast to income change

Step change vs. incremental. Growth in product and service markets not enough.

2

A range of interpretations

Individual vs. opportunity. Jobs created, supported, matched. Wage vs. self-employment.

3

Different strategies in play

Sector-based approaches and MSME support. Jobs now vs. jobs in the future.

4

Are we hitting scale yet?

No clear benchmarking. <1000 wage jobs, <10,000 self-employed people.

5

Is the 'classic' MSD toolbox fit for purpose?

Investment, industrial policy, engaging with national governments as a scale agent.



The Tension and Tradeoff

With a Focus on Sub-Saharan Africa and LDCs

> Where are the youth in Sub-Saharan Africa

- **By 2050, LDCs in SSA** will have **371+ million youth** (currently, in 2024, it is ≈ 252 million); **SSA**, over **half a billion** (currently, ≈ 348 million) – UN DESA (2024).
- **53% of youth in LDCs (SSA) are inactive**, and around **31% of youth fall in the NEET category**, i.e., neither employed nor engaged in education or training
- Most employed youths are **self-employed (71%)** & in the **informal sector (96%)**
- Majority are in **Agro-Fisheries (62%)** and **Retail Trade (10%)**, not transformation friendly
- Young youth (15-19) are engaged in agriculture, while older youth transition to non-farm MSMEs in the wholesale and retail trade sector (25-29)



Key Constraints: Individual Capabilities

Access to Resources & Capital:

- Struggle to access capital, land & technology.
- More acute for young farmers, entrepreneurs, & women

Education & Skills Mismatch:

- Gap between training & market demand (Soft/digital/financial).
- Results in both overskilling and underskilling among youth.

Info Gap & Market Coordination:

- Limited info about job opportunities and market needs.
- Gap leads to inefficient job matching.

Regulatory Barriers:

- Complex business registration & restrictive labor laws.
- Gender-based legal constraints further restrict women's participation.



> Key Constraints: Structural

Social Norms & Discrimination:

- Societal norms limit employment options for youth, particularly women, confining them to low-paying jobs.
- Discriminatory practices in the workplace and unequal access to resources amplify these challenges.

Slow Structural Transformation:

- Slow transition from agriculture to more productive sectors limits formal employment opportunities.
- May need industrial and innovation policies.

Informality & Job Insecurity:

- Prevalence of informal employment offers little security and benefits.
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> Two Approaches to Job Creation

1. Structural Transformation

Objective: Restructuring economies from low productivity and labor-intensive activities to higher productivity and skill-intensive ones

Economy Grows → Productive Jobs are Created (Top Down)

2. Active Labor Market Programs

Objective: Targets individual employment outcomes via activities like training, entrepreneurship, employment services & subsidies.

Empower individuals → Jobs are Created (Bottom Up)





Trade off and Tensions



Scale and Scope: *Structural transformation* aims for broad economic shifts capable of generating high number of jobs but at the cost of complexity and slow progression. In contrast, *ALMPs* offer more immediate results but on a smaller scale, often without fundamentally changing employment structures.

Systemic Impact vs. Individual Gain: The broad impacts of *structural changes* contrast sharply with the individual-focused benefits of *ALMPs*, which may not cumulate to significant economic restructuring.

Economic and Political Navigation: *Structural transformation* requires navigating complex political landscapes and economic policies, compared to the relatively more straightforward implementation of *ALMPs*.



> In a Nutshell

**MSD approach can
be applied to both!**

But...

**May require different
Skill sets**

Structural Transformation

High
Investment,
High Return,
High Risk

Medium to
Long term
Commitment

ALMPs

Lower
Investment,
Lower Return,
Lower Risk

Short to
Medium Term
Commitment

Annex: Constraint Tree

