



The forgotten billion? Improving job quality in developing countries

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4 key messages

- Job crisis affect the poor disproportionately as labour is often their only asset
- Informal sector only partly acts as a “buffer” - risk to “forget” billions of workers
- Crisis as chance to now start building universal and comprehensive social protection schemes
- Crisis shapes today’s jobs, shifting wealth is shaping the jobs for the decades to come



The forgotten billions? Improving job quality for the poor

1 Crisis and jobs

2 Looking back: a missed opportunity?

3 Policy responses to the crisis: good intentions, meager outcomes?

4 Looking forward



Crisis impact on jobs through complex channels

- Trade, Finance, Remittances
- From macro shocks to impact on households -> first round effects
 - Unemployment (formal export manufacturing, mining)
 - Wages, earnings
 - Working days
- Second round effects: risk of further deterioration of job quality
 - Multiplier effects (long term damage: skill loss, ...)



Job losses in developing countries: some examples

- In Zambia, 25% of **mining workers** lost their jobs during 2008
- In Kenya, the **labour-intensive horticultural industry** has suffered a 35% drop in exports of flowers, with inevitable knock-on effects for workers
- More than 20% (ca. 63,000) of jobs within the Cambodian **garment** were lost by March 2009 (Source: ODI, 2009)
- In China, around 700,000 **labor-intensive small-and medium-sized** firms closed down in the cities of Guangzhou, Dongguan and Shenzhen, total job losses of up to 3 million (Source: World Bank, 2009)



What jobs after the crisis?

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1

Motivation

2

Looking back: the missed opportunity of the last 20 years

3

Crisis and policy responses: good intentions, meager outcomes

4

Looking forward: harnessing innovations from the south

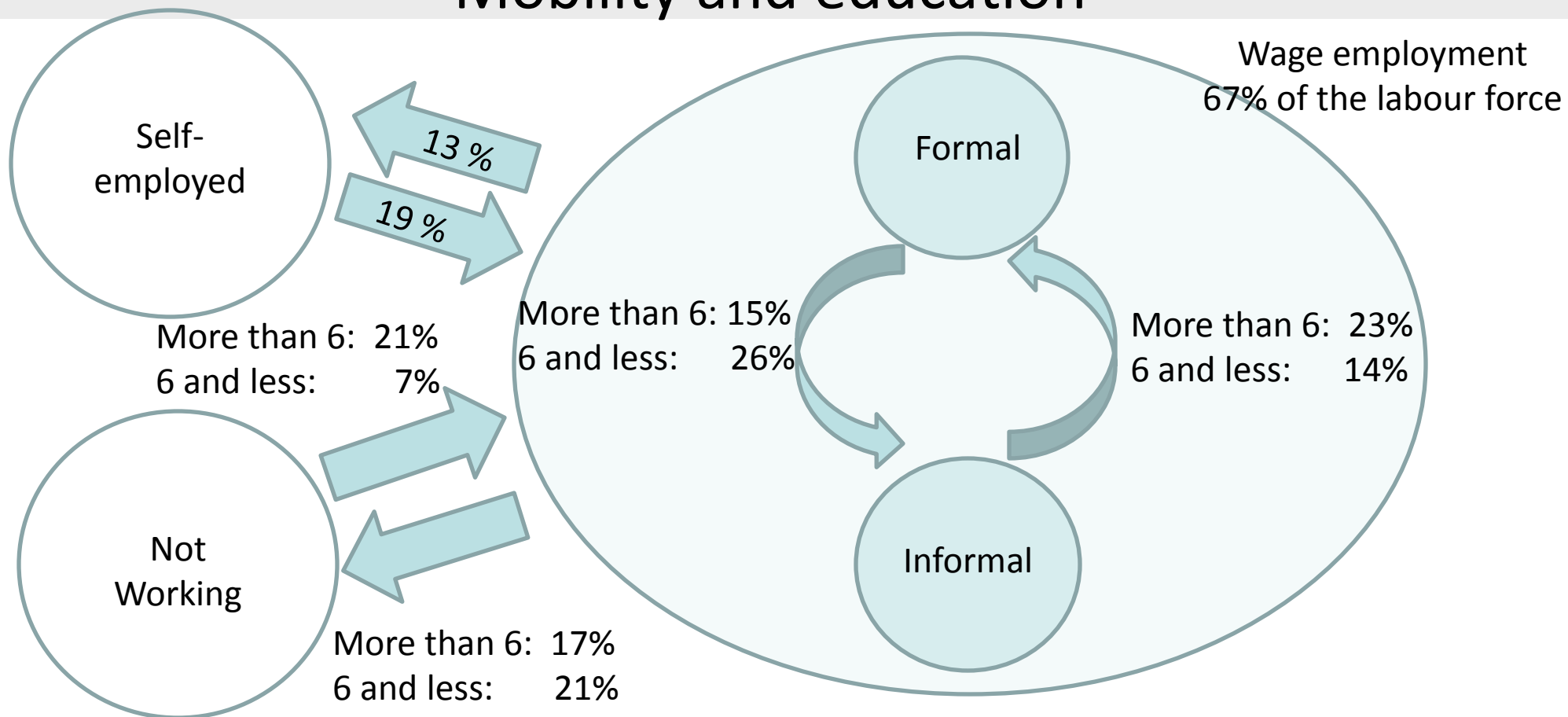


Last 20 years – missed opportunities?

- Despite sustained growth and job creation, informal employment is today:
 - pervasive
 - persistent even in countries with adequate growth
- The share of informal workers is strongly correlated with poverty rates (700 million informal poor workers)
- Informal workers lack access to adequate social protection
- High mobility, but benefitting few...



Mobility and education





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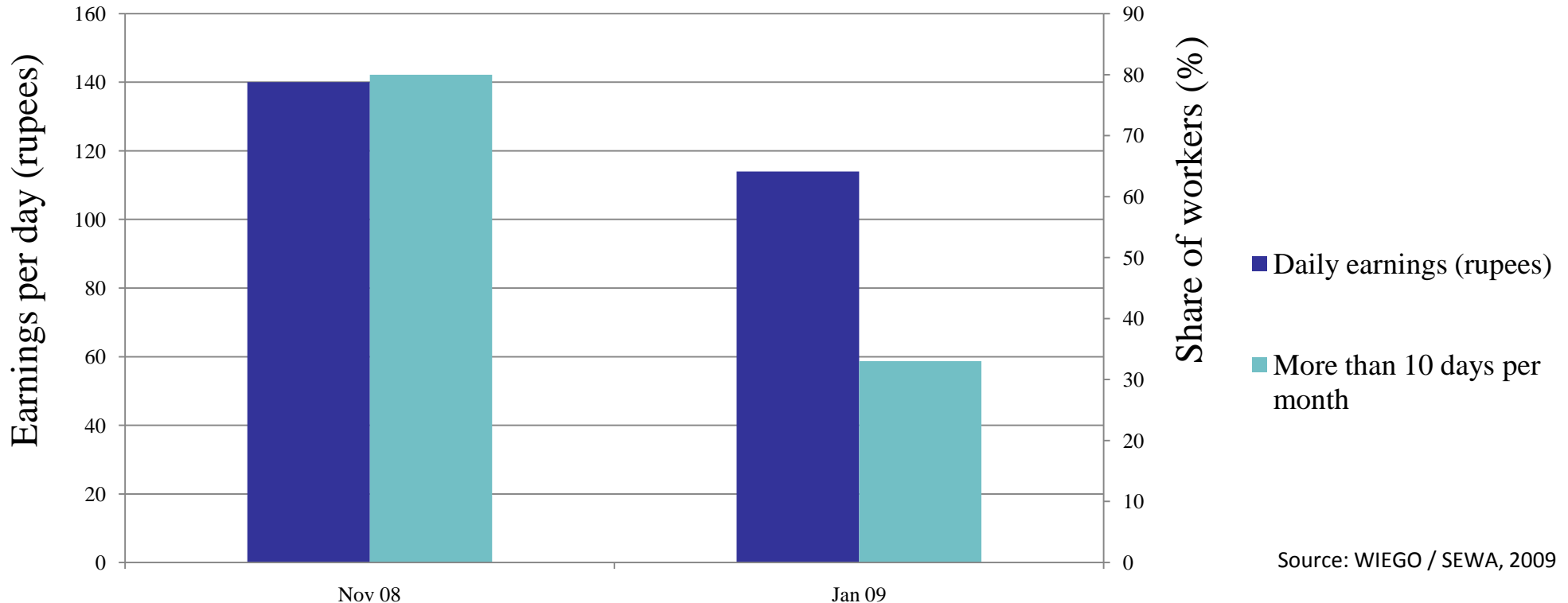
Responses to the crisis: Why a labour response?

- In many countries, unemployment has risen modestly, but the share of informal and casual jobs has risen
- The poor cannot *afford* to be unemployed
- Risk of persistence, similar to unemployment in OECD countries
- Informal work is a very imperfect buffer: income for self-employed has also decreased and hours for informal employees have been reduced.



Impact in the informal sector – example India

Women construction workers in Ahmedabad



Source: WIEGO / SEWA, 2009



Responses to the crisis: temporary versus structural interventions

- Stimulus packages were large in many countries but a lot of diversity:
 - 1.3% of GDP in India, 1% in Viet-Nam, but 12% in China
- Mainly focused on infrastructure spending (60-70% in the case of Asia)
- Much of the social response through social assistance
 - Channelling funds requires instruments (e.g. Progresá's birth after the peso crisis)



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- Job quality is increasingly high in the agenda:
 - ILO global jobs pact
 - G20 commitments to “[implement] recovery plans that support decent work”, and “structural reforms to create more inclusive labour markets”



...missing agenda items

- Unemployment remains the main metric used to evaluate the labour market impact of the crisis
- Viable strategy to increase job quality taking into account the specific labour market characteristics of developing countries
 - Informality
 - Innovations from the south



Employment Guarantee Scheme

- Pioneer program: Maharashtra Employment Guarantee Scheme
- Guarantee of certain number of working days each year
- Wages set at low level (self-selection)
- Similar to unemployment insurance (cash for work)
 - short-term poverty alleviation
- Jobs create productive assets/infrastructure
 - long-term development



Looking beyond the crisis: shifting wealth

- Emerging giants:
- Development strategies
- Export led growth
- Smart subsidies?



OECD Development Centre Publications

- **Is Informal Normal – Towards More and Better Jobs in Developing Countries (March, 2009)**
- **Global Development Outlook 2010 : Shifting Wealth and it's implication for poor countries (June, 2010)**