



Governing Body

322nd Session, Geneva, 30 October–13 November 2014

GB.322/POL/1

Policy Development Section
Employment and Social Protection Segment

POL

Date: 24 September 2014
Original: English

FIRST ITEM ON THE AGENDA

Area of critical importance: Promoting more and better jobs for inclusive growth

Purpose of the document

This document presents the main elements of the strategy for the area of critical importance (ACI) on “Promoting more and better jobs for inclusive growth” and reports on progress made on its implementation. The goal of this ACI is to support ILO constituents in their efforts to design and implement policies that help create more and better jobs and tackle inequalities. To achieve this, an integrated strategy that includes research on “what works” and the development of policy tools, policy advice and capacity building is put forward.

The Governing Body is invited to provide guidance on the strategy and its implementation (see draft decision point in paragraph 31).

Relevant strategic objective: Create greater opportunities for women and men to secure decent employment and income.

Policy implications: The guidance of the Governing Body will inform the implementation of the Office strategy concerning the area of critical importance on “Promoting more and better jobs for inclusive growth”.

Legal implications: None.

Financial implications: None.

Follow-up action required: Integration of the guidance on the strategy and workplan provided by the Governing Body.

Author unit: Employment Policy Department (EMPLOYMENT) and Research Department (RESEARCH).

Related documents: Resolution and conclusions concerning the second recurrent discussion on employment; Programme and Budget for 2014–15; GB.322/PFA/1; GB.322/INS/4/1.

I. Context and objective of the area of critical importance (ACI) on “Promoting more and better jobs for inclusive growth”

1. Recent evidence suggests that recovery from the global crisis is both fragile and uneven.¹ Globally, around 200 million people are unemployed, with nearly 40 per cent of them young women and men. Long-term unemployment, involuntary part-time and temporary employment, and job insecurity have increased. Transition from school to work is taking longer and has become more insecure and many young people are disconnected from the labour market. Although substantial progress has been made to reduce extreme working poverty, a third of the world’s workers remain poor, the majority of them in the informal economy. Gender inequality in the labour market persists. Wage growth has often lagged behind productivity gains and income inequalities are widening in the majority of countries for which information is available.
2. These developments have had adverse effects on aggregate demand while also hindering the environment for investment, enterprise creation and expansion, and job creation. Around 600 million new jobs need to be created worldwide over the next ten years to absorb those currently unemployed and expected new entrants into the labour force.
3. In addition to these employment and income gaps, the world of work is undergoing profound transformations as a result of, inter alia, rapid technological change, new globalization patterns, demographic shifts, green economy transitions, a rapid decline in natural resources, unbalanced distribution of the gains from economic growth and growing skill mismatches.
4. These developments highlight the relevance of the ACI on “Promoting more and better jobs for inclusive growth” (hereinafter ACI 1). More specifically, the aim of ACI 1 is to support ILO constituents in their efforts to design and implement strategies to respond to the abovementioned challenges.
5. ACI 1 contributes to fulfilling the ILO mandate of promoting full, productive, decent and freely chosen employment, which is a high-priority policy area for ILO constituents in all regions and is crucial to social stability and economic prosperity. This objective was reaffirmed at the 103rd Session of the International Labour Conference (2013) in its recurrent discussion on employment and its conclusions concerning the second recurrent discussion on employment.²
6. Among the eight ACIs launched as part of the Programme and Budget proposals for 2014–15, ACI 1 covers the broadest range of issues.³ Therefore, the proposed strategy, while building on ongoing work and available knowledge, identifies critical knowledge gaps and puts forward a systematic approach to tackling these gaps, through a combination of research, policy advice, capacity building and technical cooperation, as well as knowledge dissemination. This ACI is led jointly by the Employment Policy Department

¹ ILO: *Global Employment Trends 2014; World of Work Report 2014: Developing with jobs; Global Wage Report 2012/13: Wages and equitable growth.*

² ILO: *Provisional Record No. 12(Rev.)*, International Labour Conference, 103rd Session, Geneva, 2014.

³ ILO: *The Director-General’s Programme and Budget for 2014–15, Report II (Supplement)*, International Labour Conference, 102nd Session, Geneva, 2013; GB.317/PFA/1.

and Research Department and is implemented through an ILO-wide task team, including field offices.

7. This document presents the vision and strategy for implementation and reports on progress made.⁴

II. Focus and strategic areas of intervention of ACI 1

8. The work of the ILO suggests that achieving more and better jobs and ensuring adequate distribution of the gains from economic growth crucially depend on the coherence between economic and labour market policies, as well as the extent to which labour markets are inclusive.⁵ One of the factors behind the current economic slowdown and weak labour conditions is the growing disconnect between the macroeconomic, employment and equity agendas.
9. Therefore, the objective of ACI 1 is to expand knowledge, evidence and experience on improving these linkages by focusing on four policy areas: (1) macroeconomic frameworks; (2) sectoral policies and structural change; (3) labour market institutions; and (4) country-level coherence and effectiveness of a policy mix – including the abovementioned three taking into account the specific needs and circumstances of each country.
10. Research, policy advice and tools, capacity building and dialogue are the main interconnected means of action of ACI 1. Research is required both at the national and global levels in order to identify strategies that work under different circumstances and levels of development. This research should support evidence-based policy advice and advocacy in individual countries as well as in regional and global policy forums. It is essential to ensure that the acquired knowledge be developed into practical policy tools to strengthen the capacity of governments, employers and workers to engage in social dialogue on policy design, implementation and monitoring of more and better jobs for inclusive growth.
11. Given its breadth, the strategy for ACI 1 is to promote synergies with all other ACIs through an integrated and coherent implementation by ILO headquarters and field offices. This work is cross-cutting in nature, thereby calling for strong collaboration and coordination among policy departments, the Research Department and Statistics Department, the Bureau for Workers' Activities (ACTRAV) and the Bureau for Employers' Activities (ACT/EMP), as well as relevant field units and departments under the Deputy Director-General for Field Operations and Partnerships.

Area 1: Employment-friendly and inclusive macroeconomic frameworks

12. More and better jobs for inclusive growth cannot be achieved unless macroeconomic policies are supportive of this goal, while preserving macroeconomic stability. The work in this area is organized around two main interventions:

⁴ Progress as of 10 September 2014.

⁵ ILO: *Studies on Growth with Equity* series.

- building an ILO knowledge base for the assessment of the labour market and distributional impacts of macroeconomic policies;
- policy analysis, guidance and advice on pro-employment and inclusive macroeconomic frameworks, with special emphasis given to capacity building for constituents.

Area 2: Structural change and sectoral policies to promote more and better jobs

13. In order to provide the basis for policies that work at the sectoral level and for structural change through innovative research, development of policy tools and capacity building, the main expected outcomes from this work include:
- strengthened ILO knowledge base on “what works” to make structural change (through trade, industrial, investment, green, skills and enterprise policies) job friendly and inclusive;
 - a better understanding of inter- and intra-sectoral dynamics for more and better jobs through in-depth analysis of specific sectors and best practices regarding linkages between employment and productivity as well as identifying skill requirements to foster structural change;
 - tools on employment impact assessment of sectoral strategies, especially in infrastructure, and new evidence on the environmental impacts of labour-based technologies.

Area 3: Labour market institutions to promote more and better jobs for inclusive growth

14. Certain types of labour market reforms are fundamentally changing the legal and contractual basis of existing labour market institutions and regulations. To better understand and react to these changes, work in this area includes:
- assessing the effectiveness of existing labour market, collective bargaining and social policy institutions through qualitative and quantitative methodologies, including cross-country analysis, empirical evidence and national case studies on selected countries;
 - identifying policy packages, in different country contexts and at different levels of development, that combine labour market institutions, labour market regulations and social protection in ways which support the goal of more and better jobs for inclusive growth, and strengthen capacities of constituents in this respect.

Area 4: Country focus: Integrated policy mix for more and better jobs

15. What works at the country level is the outcome of policy mixes including macroeconomic, sectoral and labour market policy interventions that have to be combined into coherent packages. The aim of this area, which will be applied in six countries (Cambodia, Morocco, Nepal, Paraguay, Rwanda and Zambia) during the biennium, is to assess the policy mix that works best in each country, based on the different circumstances that exist.

The knowledge developed under the three above policy areas will be systematically applied, drawing on a number of well-established and new diagnostic methodologies and policy packages. The work will be organized around the following activities:

- country-specific research and advisory services, sharing knowledge of best practices on policy packages and developing, in cooperation with constituents and other relevant partners, an integrated labour market diagnostic;
- validation of research, tools and policy packages at national and regional levels;
- capacity building, tools and information sources to foster and strengthen informed policy dialogue and support countries in the implementation of the policies.

III. Implementation strategy, progress made and lessons learned

16. The strategy and focus of ACI 1 has been developed through an intra-Office process of consultation since mid-2013. This process was launched at a knowledge-sharing and planning retreat in December 2013 where around 50 experts from all departments and seven field offices jointly defined the strategic areas of focus and outputs, resulting in a workplan.
17. Implementation is under way and the resources of the first tranche of the Regular Budget Supplementary Account expenditure for ACI 1 (a total of US\$3,307,833) have been allocated (74 per cent to countries and regions, and 26 per cent to headquarters) with an emphasis on countries less endowed by ILO extra-budgetary resources. In addition to the two lead departments, five policy departments as well as ACTRAV and ACT/EMP, 15 country offices and all regional offices are working together on the implementation.
18. Consultations and joint monitoring will continue throughout the implementation phase through the intra-Office community of practice, with a view to evaluating outputs as well as learning from the process. Conditional on additional resource allocation, a final evaluation event will be held at the end of the biennium. It should be borne in mind that in the Director-General's Programme and Budget proposals for 2016–17, substantive areas covered by ACI 1 and ACI 2 on "Jobs and skills for youth" are included under outcome 1.⁶

IV. Progress made in the four areas of ACI 1

19. With respect to policy area 1 on **employment-friendly and inclusive macroeconomic frameworks**, a series of country-level analyses aimed at deepening policy-oriented research on the linkages between macroeconomic frameworks and employment outcomes were undertaken, and a workshop on "The role of Central Banks in meeting development and employment challenges" was organized on 17–18 July 2014 in Geneva. The workshop improved the understanding of the crucial role that Central Banks can play in meeting development and employment challenges. More than 30 in-house and external experts in the fields of employment, macroeconomics and development as well as high-level representatives of Central Banks participated in the workshop. The insights gained from it will be applied to the ILO's future national employment policy technical assistance in developing countries. The results will feed into the development of capacity-building and

⁶ GB.322/PFA/1.

policy tools that strengthen the integration of pro-employment macroeconomic frameworks with employment policies, and identified research gaps will be further filled.

20. In addition, the new ILO flagship report entitled *World Employment and Social Outlook* explores the interactions between tax systems and labour market dynamics, and key socio-economic challenges arising from the slowdown in global growth.
21. In policy area 2 on **structural change and sectoral policies to promote more and better jobs**, research has progressed both at the country and global levels regarding productivity and job-friendly structural change. With respect to the former, concept notes were prepared jointly by country offices in Brazil, China, Indonesia and Turkey and relevant policy departments in headquarters to ensure that all country case studies have a common structure. Following this, research has begun with an emphasis on policies to support firm-level productivity and job-friendly structural change.
22. At the global level, several papers have been commissioned that delve into issues related to the productivity effects of the business environment and working conditions.
23. Employment impact assessments of sectoral and infrastructure investment and of trade policies have been undertaken and/or are under way in approximately ten countries. This work is reinforced through new technical cooperation and collaboration agreements with the European Union and the European Investment Bank as well as with development banks, enabling an increase in the number of participating countries.
24. In April 2014, the Office drafted an analytical note on challenges and opportunities for infrastructure investment in low-income countries (LICs) and a policy brief on addressing the skills gaps in infrastructure investment in LICs. Anticipating skills needs and integrating skills development within infrastructure projects and related policies is important in terms of enabling investment projects to be completed, and in terms of realizing the job growth potential of such investment by training the local workforce in the skills required in the infrastructure and construction sectors. The note and policy brief were presented in the discussion on infrastructure investment in LICs held by the G20 Development Working Group in May 2014 in Hobart, Australia. In 2015, further examples will be added to this policy brief and it will be translated for dissemination and use in technical cooperation project proposals.
25. Regarding policy-oriented research on service-led growth paths and their impacts on more and better jobs, a paper entitled *The manufacturing–services dynamic in economic development* has been produced and submitted to an academic journal. Similarly, an analysis of the implications of vertical trade specialization is in progress and will address the potential for services-led growth.
26. In policy area 3 on **labour market institutions to promote more and better jobs for inclusive growth**, research has been launched on the determinants of new forms of work and the impacts of recent policy initiatives and reforms on labour markets and income security. The latter work has focused on four country case studies (Argentina, China, Ghana and Indonesia), for which concept notes were prepared. In addition, the abovementioned *World Employment and Social Outlook* 2015 edition will include analysis of the diversification of employment and work patterns, as well as on policy implications.
27. In policy area 4 on **country focus: integrated policy mix for more and better jobs**, detailed workplans have been developed jointly by field offices and headquarters. Emphasis is placed on understanding policy interactions and the policy mix that will best deliver on more and better jobs in the six countries, in specific and diverse national contexts. The labour market diagnostics in these countries were expanded to include new

areas, including social protection, labour market institutions and labour market regulations, depending on their specific needs and priorities. In addition, broad-based dialogue, including the tripartite constituents, the authorities responsible for economic policy and other relevant stakeholders, will be fostered. Capacity-building initiatives will accompany the process, tailor-made to the needs of constituents and other specific stakeholders, including activities to promote ownership of the process of developing a national employment policy.

V. Conclusion

28. A total of 15 countries, covering the ILO's five regions, will participate and benefit from ACI 1 activities (see appendix). The ambition of this ACI is to: improve support to constituents with innovative and up-to-date policy tools; deepen research and provide more evidence in related areas; further build the capacity of constituents; and strengthen dialogue. With additional resources, lessons learned could be extended to include more countries, given the high demand for ILO support regarding more and better jobs for inclusive growth.
29. Furthermore, this ACI will contribute to achieving a better understanding of the effectiveness of economic, employment and social policies. It will help constituents make informed policy decisions based on "what works" with respect to improving labour market outcomes and making growth more inclusive. The tools of evidence-based analysis and impact assessment methodologies, along with country and global analyses, will be instrumental in achieving these goals.
30. The consultations carried out in preparation for this ACI and the lessons learned throughout implementation have helped the formulation of the strategy of outcome 1 in the Programme and Budget proposals for 2016–17. The 2014 International Labour Conference conclusions concerning the second recurrent item on employment clearly reaffirmed the importance of this ACI and provided guidance on future work in this area.⁷

Draft decision

31. *The Governing Body requests the Director-General to take account of its guidance in implementing the strategy for the ACI on "Promoting more and better jobs for inclusive growth".*

⁷ ILO: Resolution and conclusions concerning the second recurrent discussion on employment, op. cit.; and GB.322/INS/4/1.

Appendix

Country-specific activities under ACI 1

Areas	Output	Country/region
1. Employment-friendly and inclusive macroeconomic frameworks	1.1.2. Case study of four countries on the impact of job-friendly macroeconomic strategies on the level and quality of employment.	Algeria, Colombia, Ghana, Turkey
	1.2.1. Cross-country analysis, country studies, dialogue and capacity building on elements of an employment-friendly macroeconomic framework.	Indonesia, Rwanda, Turkey
	1.2.2. Country and cross-country analysis on pro-employment budgeting and development of a pro-employment budgeting guide for Africa.	Zambia
	1.2.3. Special tools and capacity-building strategies on employment policies (including macroeconomic policy frameworks) for workers and employers.	Africa, Arab States, Asia, Europe, Latin America
2. Structural change and sectoral policies to promote more and better jobs	2.1.2. Firm-level analysis of the productivity effects of the business environment (macro level) and working conditions (enterprise level), including four case studies on the drivers of and obstacles to the improvement of working conditions in small and medium-sized enterprises.	Brazil, China, Indonesia, Turkey
	2.2.2. Skills for structural transformation and sectoral policies.	Indonesia, Turkey
	2.2.3. Policy brief on inclusive business practices in extractive industries (mining).	Mozambique, Zambia
3. Labour market institutions to promote more and better jobs for inclusive growth	3.1.2. Four case studies of countries that have implemented successful institutional changes in recent years.	Argentina, China, Ghana, Indonesia
4. Integrated policy mix for more and better jobs	4.1.1. Integrated country analysis and policy development (six countries) based on specific country needs.	Cambodia, Morocco, Nepal, Paraguay, Rwanda, Zambia