Creating Good Jobs: The Policy Environment Matters

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Outline

✓ Growth and Employment in SSA: Levels vs Trends
✓ Entrepreneurship as proxy for private sector development, self-employment or promotion of sustainable enterprises?
✓ Do business and entrepreneurship training programs work?
✓ Going beyond training programs: why the policy environment matters
SSA and MDG 1b: Levels vs Trends

✓ Good growth
✓ MDG 1b indicators suggest huge challenges in terms of levels, but moderate progress in terms of trends
✓ Graphs>>>>>
GDP per Capita based on Purchasing-Power-Parity in Sub-Saharan Africa and Other regions (in Current US$)‡

Annual Output per worker Growth in Sub-Saharan Africa and Other regions‡

Note: *Projections from 2013 onwards| calculations are based on linear extrapolation of recent trends
Source: ‡ILO, Trends Econometric Models, October 2013| †International Monetary Fund, World Economic Outlook Database, April 2014
Note: *2013 are preliminary estimates | calculations are based on averages over time and regions
Source: ILO, Trends Econometric Models, October 2013
Vulnerable Employment Shares in Sub-Saharan Africa and Other regions (percent)

Working Poor Indicators as a share of Total Employment (US$2 a day) in Sub-Saharan Africa and Other regions (percent)

Note: *Projections from 2012 onwards| calculations are based on averages over time and regions
Source: ILO, Trends Econometric Models, October 2013
Entrepreneurship as Proxy for Private Sector Development, Self-Employment or Promotion of Sustainable Enterprises?

✓ Private enterprises create over 90% of jobs in low and middle income countries
✓ But... need to distinguish between private sector and sustainable enterprises (SEs) (ILO, 2007, 2014)
✓ Sustainable enterprises create productive jobs, pay living wages, provide acceptable working conditions, respect workers’ rights, respond to environmental concerns
✓ SEs a small subset of the private sector in low and middle income countries
✓ Do not conflate between self-employment and SEs
✓ Self-employment is a component of vulnerable employment under MDG1b
✓ Stable wage employment a popular aspiration (McKinsey, 2012, Banerjee and Duflo, 2011)
Do Business and Entrepreneurship Training Programs Work?

<table>
<thead>
<tr>
<th>Impact on</th>
<th>Nature of Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business practices</td>
<td>‘Often not significant’</td>
</tr>
<tr>
<td>Business profits or sales</td>
<td>‘Few studies have detected significant impacts’</td>
</tr>
<tr>
<td>Employment</td>
<td>‘ Extremely minimal’</td>
</tr>
</tbody>
</table>

Source: McKenzie and Woodruff (2012), 13 studies, 17 countries (4 SSA)
Going Beyond Training Programs: Why the Policy Environment Matters

✓ What do enterprise surveys tell us?
✓ What matters as binding constraints are:
  ▪ Quality of governance, access to finance, lack of infrastructure, lack of skilled work-force
  ▪ Based on more than 130,000 firms in more than 100 low and middle income countries
  ▪ Responding to those concerns much more important than seeking to ‘create entrepreneurs’ through training programs or other initiatives (e.g. micro-credit)
  ▪ Need appropriate policy interventions to alleviate binding constraints, create new opportunities
**Results from Enterprise Surveys:**

**Major Constraints Faced by Firms (in %)**

- Inadequately educated workforce: 27.4%
- Labour regulations: 12.3%
- Customs and trade regulations: 18.4%
- Business licensing and permits: 14.8%
- Tax administration: 21.9%
- Transportation: 22.3%
- Electricity: 36.3%
- Access to finance: 30.8%
- Crime, theft and disorder: 26.5%
- Corruption: 36.8%

Source: WBES | Simple average of the following years 2009-2014