

# Jobs and development

## The World Bank's 2013 World Development Report

Commentary by Brendan Martin

### Introduction

No matter what your point of view -- whether informed by your beliefs or your interests -- you will find plenty to complain about in the World Bank's 2013 World Development Report, *Jobs*, published yesterday in Washington, DC.

But if that is your first instinct on reading the overview -- unless, unlike the Bank's leadership, you remain wedded to the neo-liberal development model -- you will have missed its salient point. More significant than any puzzling omissions or inclusions in its analysis is that this WDR represents a clear rejection of that discredited orthodoxy with which the Bank has so long been associated.

The WDR is the World Bank's annual flagship publication, and this year's core messages are that jobs drive economic and social development; that the nature and quality of jobs and their contribution to social wellbeing matters as much as their quantity; and that neither growth nor the market alone will provide enough good jobs.

Moreover, although parts of the overview read as though its authors are stepping gingerly through an ideological and political minefield, there are others in which its colours are nailed firmly to the social democratic mast. Indeed, in his foreword to the first WDR since he took office in July, the institution's president Jim Yong Kim sets the tone:

"The problem for most poor people in (developing) countries is not the lack of a job or too few hours of work; many hold more than one job and work long hours. Yet, too often, they are not earning enough to secure a better future for themselves and their children, and at times they are working in unsafe conditions and without the protection of their basic rights."

Would any trade unionist challenge that? But can you imagine Kim's predecessor Robert Zoellick putting his name to so clear a statement of intent? Without doubt, all around the central propositions of WDR 2013 there is plenty of room for argument, but that in itself is an important development. Once growth and markets are understood as instruments of progress rather than its aims, the serious discussion can begin.

This commentary is a first response to the World Bank's [2013 World Development Report](#), *Jobs*, which was published on 1st October in Washington DC.

The World Development Report is the World Bank's flagship annual publication, and this year's theme is expressed in the simple one-word title: *Jobs*. This commentary is based on the Overview chapter only, and is a slightly edited version of an initial commentary we published yesterday.

We hope readers will find this preliminary commentary of interest. Like all Public World publications, it is the personal view of its author, who gratefully acknowledges the valuable input of Robin Stafford.

We invite comments about it and -- more importantly -- about the WDR itself, on our blog, [here](#).

## Redefining the meaning of 'job'

The report's simple title is *Jobs*, and its definition of that word will stimulate plenty of debate. In defining jobs as "activities that generate income, monetary or in kind, without violating human rights," the overview will annoy those who believe unpaid domestic labour (most often done by women) should not be excluded. But in refusing also to extend the definition to include work in which human rights are violated the report draws a line. It not only acknowledges the existence of core labour standards -- it categorically defines a 'job' as complying with them.

Further, in its definition of the meaning of a 'good job', the report differentiates between the interests of the person whose job it is and those of the rest of society. "In everyday parlance," it states, "good jobs are those that provide greater well-being to the people who hold them. But good jobs for development are those with the highest value for society."

Taken together with the subordination of growth and markets to the proper aims of economic and social development, the inference is that society as a whole must shape the direction of job-creating development through democratic processes.

That will obviously offend the neo-liberal mindset, but it also challenges many of its opponents, because it obliges us to engage at a higher level of detail about what kind of jobs contribute most to development (which implies that some jobs have a little or even negative social value beyond the interests of those who hold them), and to grapple with the respective roles of formal and informal employment.

The overview does not deploy the International Labour Organisation's concept of 'decent work', preferring to talk about 'good jobs' from both an individual and societal point of view. This might be seen as rejection of the 'decent work agenda'. However, an alternative view, particularly in the light of the report's robust support for core labour standards, is that the notion of 'good jobs' complements that of 'decent work'.

"The Report finds that the jobs with the greatest development payoffs are those that make cities function better, connect the economy to global markets, protect the environment, foster trust and civic engagement, or reduce poverty," Kim's foreword explains, adding: "Critically, these jobs are not only found in the formal sector; depending on the country context, informal jobs can also be transformational."

Some might object that the focus on global market linkages downplays the developmental role of production for local markets. Others might argue that the productivity and earnings limitations of jobs in small and micro enterprises might be offset by other benefits of the jobs some of them provide, such as the fostering of trust and civic engagement, as recognised by the report. But the WDR's central thrust at least makes this an issue of debate rather than a matter of *a priori* assumption. Moreover, it (conditionally) accepts the legitimacy of 'targeted investments' to achieve specific developmental aims such as increasing employment opportunities for women.

Similarly, the overview's treatment of the role of the informal economy is a challenge to the idea that only a formal employment relationship can produce a good job. The acknowledgement that informal employment can be good while formal employment can be bad frames the debate in a way that more clearly addresses developing country realities, and opens up the question of how to extend social protection to workers outside formal employment relationships. Moreover, this is done without resort to the more extravagant claims sometimes made for the potential job creation and

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poverty alleviation roles of informal employment and individual entrepreneurship. The overview recognises that these are more typically inadequate coping strategies than the products of choice by people with the capacity to grow strong businesses. At the same time, it insists that informal is normal.

In exploring what makes for a good job from a developmental point of view, the report states: “Jobs that empower, build agency, and respect rights are associated with greater trust and willingness to participate in civil society. Jobs that create economic and social ties may build incentives to work across boundaries and resolve conflict. And if people believe that job opportunities are available to them either now or in the future, their trust in others and their confidence in institutions may increase. Ultimately, jobs can influence social cohesion through their effects on social identity, networks, and fairness.”

The overview talks more about social cohesion than inequality, and explores neither the intrinsic nor instrumental benefits of the latter, despite growing evidence about the corrosive collective as well as individual effects of widening wealth and income disparities. In addition, the overview’s discussion of the growth of intermediated employment relationships, through agencies and labour brokers, and of outsourcing as a systematic element of global business models, is seriously under-developed. The overview’s references to the scale and durability of these trends suggests their implications for good jobs -- or at least their widespread association with bad jobs -- deserves fuller consideration. Yet the problematic nature of the growth of ‘precarious’ employment -- despite its growing salience in international labour markets -- is not addressed at all in the overview (which is as much as many will read).

This could be (generously!) construed as a downside of the report’s otherwise welcome point that, while labour policies do affect the balance of quantity and quality of jobs, they matter “less than assumed” and “the main constraints to job creation might lie elsewhere”. As the 10th anniversary of the Bank’s dubious and highly controversial annual *Doing Business Report* (DBR) approaches, that point has some significance, because of the DBR’s encouragement of less regulated labour markets. Moreover, it implies that not only labour policy but all areas of economic and social policy should be designed with regard to their potential to increase and improve jobs as well as other development outcomes in mind.

To the extent that it does focus on the role of labour policies *per se*, the overview uses an appealing two-dimensional metaphor of a plateau (rather than the one-dimensional spectrum) to explore the range of policy positions. It states: “Labor market rules that are too weak or programs that are too modest or nonexistent can leave problems of poor information, unequal power, and inadequate risk management untreated. In contrast, rules that are too stringent and programs that are too ambitious can compound market imperfections with institutional failures. The focus on good jobs for development offers some insights to assess where the edges of the plateau, the cliffs, may lie.”

It is possible that, in their determination to cover both their left and right flanks, the report’s authors have exposed themselves to attack from both, but one important inference of the the plateau metaphor is that it throws over the edge of the cliff any ‘job’ in which fundamental rights at work are denied. In other words, for all the relativity in its discussion of labour policies, the report’s rejection of work that denies fundamental rights as qualifying even for the description ‘job’, much less ‘good job’, is absolute.

It is curious, however, that the overview refers to ‘voice’ rather than ‘social dialogue’ in description of the right conferred by the core labour standard of freedom of association, much though it insists on the application of that standard and its extension to workers in the informal

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economy. While 'voice' implies the right to be heard, 'dialogue' implies the right to a response and deliberation. In terms of the power relationship between employer and worker this is an important difference.

The distinction is, perhaps, especially significant in the context of the reality, acknowledged by the report, that there are losers as well as winners in the dynamic of structural change, and that millions of jobs have been destroyed in the current economic crisis. The difference between voice and dialogue in shaping the responses to those situations is clearly fundamental.

On the other hand, the report's insistence that freedom of association and other fundamental rights are the absolute entitlement of all workers, in the informal as well as formal sectors, and at all points along value chains, is important. This leads the report to acknowledge the legitimacy of including labour clauses in trade agreements and to take a more restrained view of the potential of voluntary codes of conduct than is sometimes taken in over-excited claims for 'corporate social responsibility' measures.

### **The roles of private and public sectors**

If there is a residue of the prejudices that were associated with the discredited neo-liberal development agenda it is revealed in the report's attitude to public sector employment, which is almost wholly negative. It does acknowledge: "Public works programs can facilitate community participation and engagement between citizens and local authorities. Policies can thus focus not only on the number of jobs, but on expanding job opportunities for excluded groups."

Beyond that, however, the WDR sees a very limited public sector role in job creation. Noting that 90 per cent of jobs are created in the private sector, it refers to "bloated public utilities" that "often offer a range of privileges to their employees even if the utilities themselves provide only limited coverage and unreliable services and are obstacles to economic growth and poverty reduction." And it adds: "Such jobs may look appealing from an individual perspective, but are less so to society."

The truth of those points would be more readily digested if the overview offered the more obvious example of casino banking, which has provided grotesque individual rewards for doing great social harm, and if it referred also to well-run, efficient public service organisations that combine good developmental outcomes with good jobs. They do exist, and, more to the point, more of them will be needed to deliver even the rather narrow role for the state that is envisaged in the overview, which states: "The role of government is to ensure that the conditions are in place for strong private-sector-led growth, to understand why there are not enough good jobs for development, and to remove or mitigate the constraints that prevent the creation of more of those jobs."

You need not deny the report's insistence about the primacy of the private sector's role in job creation to accept at least three additional responsibilities of government that are neglected in that formulation.

Firstly, while the overview refers to the importance of infrastructure development in creating more favourable conditions for job creation, it stops short of accepting that it also provides employment opportunities directly. But surely it is a logical application of the report's key message that infrastructure investments can be designed both for their wider developmental benefits and to provide jobs immediately? In fact, the logic of the report's argument is that the design of infrastructure development projects can be predicated on

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the optimal mix of those objectives, which might suggest a preference in some circumstances for labour-intensive options.

Secondly, if the overview chapter is any guide, the report implicitly accepts the importance of public services in development without explicitly exploring how they can themselves provide as well as facilitate employment. Yet even in the least developed countries the importance of health care, education and other public services for the kind of development the report itself advocates cannot be overlooked, and the private sector will not provide those services and the jobs they demand in a way that enables equitable outcomes.

Thirdly, even if the report's authors believe that the record of state-owned enterprises in developing countries is so woeful that they should not risk a more nuanced presentation of the subject, this does not explain why they also neglect the potential role of public procurement to provide public goods in ways that promote the additional developmental benefit of good job creation. In the context of the Bank's own procurement rules, and the status they give to promoting good labour standards, that is a puzzling omission.

### **Jobs and the Bank's own policy and practice**

While conditionally accepting the legitimacy of government-directed targeted investment to secure specific employment outcomes (such as more jobs for women), the overview neglects some promising concrete scenarios for such targeting. Possibilities include investment in small scale and renewable energy supply, small scale freight and passenger transport services (as opposed to infrastructure), strengthening of climate change resilience, and disaster risk reduction.

Perhaps the report's authors consider these such obvious candidates for investment in job creation that they saw no need to directly engage with the specific policy debates involved. That would be understandable, given the limited scope of the report and the external and internal institutional politics involved in its production. However, it produces the danger of insufficient exploration of concrete circumstances in which the report's general arguments could be tested and developed in practice through deliberate use of the Bank's own investment capacity. Moreover, more detailed exploration of such scenarios would suggest the need to develop and systematically apply employment impact assessment methodologies in the design and evaluation of the Bank's policies and investments.

For example, with the Bank marking the 10th anniversary of *Doing Business Report* with a research conference in November, there will be widespread interest in the extent to which the WDR's analysis informs redesign of its highly contentious indicators. It is surely crucial that, having outlined the vision of this WDR, the Bank should consider how to apply its logic to its own policy advice, project design and evaluation.

But perhaps that is for another day. For today, we return to the point with which we began: that while there is plenty in this WDR, and its omissions, to reward a critical examination, this should be placed in the context of its core messages: that more and better jobs should be a central *goal* of development policy; that some jobs have more developmental impact than others, while those that deny rights to their holders don't deserve to be called jobs at all; that, while the fundamentals of economic policy remain important in enabling jobs, neither growth nor the market is sufficient to create as many good jobs as are needed; and that different contexts require their own application of these core principles. The WDR may not provide all the answers, but it raises many of the right questions.

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