

Thematic review: Productive employment

1. Introduction: Bringing (productive) employment back on the development agenda

During the past ten years, the theme of employment has not only re-emerged, but also gained prominence in the development agenda. This is clearly shown in a number of international meetings, statements, and reports addressing it.

The [2005 World Summit](#), for instance, saw more than 170 Heads of State and Government agree on full and productive employment and decent work for all, including for women and young people, to become a central objective of their national development strategies, as well as poverty reduction strategies, in light to achieve the Millennium Development Goals (MDGs). Following this summit, the UN Economic and Social Council (ECOSOC) called for a [Development Forum on Productive Employment and Decent Work](#) in 2006. Eminent specialists brought to the fore four issues of debate: structural reform, labour market flexibility, informal sector, and social protection. The UN Report on the World Social Situation 2007, prepared by the Department of Economic and Social Affairs (DESA), was given the illuminating title [The Employment Imperative](#). By investigating the crucial role of productive employment and decent work in reducing poverty and promoting social development, it focuses on four areas of concern: jobless growth, global informalization of the labour market, economic and social liberalization, and migration.

In 2010, the UN Research Institute for Social Development (UNRISD) flagship report [Combating Poverty and Inequality: Structural Change, Social Policy and Politics](#) encompassed the generation of jobs that are adequately paid and accessible to all (irrespective of people's class, gender, ethnicity and location) among the basic elements of a sustainable and inclusive development strategy. The UN Conference on Trade and Development (UNCTAD) Trade and Development Report 2010, [Employment, Globalization and Development](#) also recognizes employment creation as a priority in economic policy. It argues that unemployment is one of the most pressing social and economic problems of our time, which has been exacerbated by the global financial crisis, and recommends a shift in focus towards domestic-demand-led growth. Finally, the World Bank (WB) World Development Report 2013, [Jobs](#) states that development happens through jobs, but not all of them are equally good for development. The transformational character of jobs clearly depends on context-specific circumstances, but overall the report promotes the creation of productive employment and calls for government's support in enabling the private sector to do so.

Although still clearly grounded in the International Labour Organization (ILO) Decent Work approach, the notion of productive employment has undergone a major shift from being one among four components of such approach – together with workers' rights and international labour standards, social protection, and social dialogue – to becoming a major policy objective in itself. Yet, the possible meaning and implementation of productive employment are not necessarily clear and undisputed. Therefore, this review has three main objectives: first, to make clear how INCLUDE interprets productive employment and to identify the major knowledge gaps around it; second, to illustrate how the NWO-WOTRO research groups working on productive employment understand this concept and which gaps they are likely to fill; finally, to point to some critical perspectives on the risks associated with 'productivity reductionism' and to show how such risks can be reduced by integrating employment into a broader socio-economic context of development.

2. What does productive employment mean for INCLUDE?

2.1 Background

According to the ILO [World of Work Report 2014](#), global unemployment rose by nearly 4 million in 2013, reaching 199.8 million, whereas the global unemployment rate remained steady at 6%. While developed countries' unemployment rate is higher (8.5%) than the global rate due to the impact of the 2009 financial crisis, that of developing countries is lower (ca. 5.6%). This reflects the weak relationship between economic growth and employment in developing countries and is a powerful reminder of the fact that without any meaningful social security system, unemployment is not an option for the majority of workers in these societies. Since 2000, developing countries have been experiencing higher growth rates than developed ones. However, theirs has been qualified as 'jobless growth' in that it did not translate into the generation of sufficient job opportunities, especially in regions with high population growth rates, such as Sub-Saharan Africa. For all these reasons, unemployment rate alone cannot provide a full and detailed picture of the labour market in developing countries.

Rather than open unemployment, a growing issue of concern is underemployment. This term is meant to capture a number of situations, such as: 'working poor', whose wage is so little that it does not lift them above the poverty line (internationally fixed at USD 1.25 PPP per day) and forces them to work extra hours to make ends meet; workers, who cannot apply their skills, education, and previous experience to their job; and workers, who work less than what they would like to.

In Sub-Saharan Africa, underemployment is rampant especially in agriculture and in the informal sector. While agriculture remains the largest employer, it offers vulnerable jobs, meaning long hour shifts, casual contracts, and lack of social protection. Moreover, given the low levels of productivity, it usually manifests into small-holder and subsistence farming. The informal sector is a typical urban phenomenon (contemporary demographic theories have shown in fact that urbanization is not necessarily driven by economic growth and industrialization), which is now taking roots also in rural areas. It often takes the form of self-employment and family business for the provision of services, which represent the fastest growing sector within the region. Jobs are vulnerable here as returns are uncertain and relationships between employer and employee may violate basic workers' rights. There is however a large and skewed variation in the informal sector, with a minority of workers and entrepreneurs showing potential and a majority of workers that merely manage to survive.

2.2 Definition

The [INCLUDE concept note on productive employment](#) (by Szirmni et al. 2013), on which the NWO-WOTRO call for proposals on Productive Employment was based, states that productive employment is composed of three dimensions: remuneration, stability of employment and working conditions. It also provides a more precise definition as "employment yielding sufficient returns to labour to permit workers and their dependents a level of consumption above the poverty line". Productive employment as quality jobs rests therefore on the measurable indicators of workers' income and expenditure.

Other indicators for productive employment are provided by the ILO MDGs employment indicators introduced in 2009, namely: growth rate of labour productivity (GDP per person employed); employment-to-population ratio; proportion of employed people living below the poverty line; proportion of own-account and contributing family workers in total employment (vulnerable employment rate). The notion of decent work is understood in the concept note as separate from, but complementary to that of productive employment. Putting working conditions centre-stage, decent work is defined as absence of coercion, equity at work, security at work, and dignity at work.

2.3 Issues of debate and knowledge gaps

In order to understand the causes of and possible solutions to the lack of productive employment in developing countries in general and Sub-Saharan Africa in particular, it is essential to take into consideration a number of cross-linked themes. Here, we highlight three major issues of debate, based on the [background document](#) for the INCLUDE concept note on productive employment in Sub-Saharan Africa by Szirmni et al. (2013) and the introduction to the edited volume [Towards Full and Decent Employment](#) by Jomo (2007).

Structural change

It is now recognized that trade liberalization and financial liberalization, namely the core of structural adjustment policies since the early 1980s, did not produce sufficient economic growth, but rather increased economic inequality and generated only a limited number of decent jobs. The need for a structural change, understood as a major shift of the bulk of the workforce from one sector of employment to another, is perceived as pressing. Agriculture seems unable to absorb the increasing number of people in search of jobs and raising the productivity of this sector (via industrialization) has traditionally involved reducing the quantity of labour as a factor of production. Nonetheless, non-traditional exports, such as flowers, vegetables and brand coffees seem to offer an opportunity for economic diversification, whose specific impact on productive employment generation is still to be explored.

Within the context of developed countries, it is the secondary sector (mining, construction, and manufacturing), which has supported full employment policies. Industrialization in Sub-Saharan Africa was severely constrained by the focus on trade (based on the idea of comparative advantage) imposed by international donors and the efforts required to catch-up are now massive. Another issue of concern is that industrialization is mostly driven by transnational corporations, integrated in global production networks, which do not contribute to processes of national accumulation. Moreover, in terms of knowledge gaps, too little is known about the effects of public investments in construction on productive employment creation.

Informal sector

Services represent the fastest growing sector in Sub-Saharan Africa. These include not only formal, but also informal (i.e. non-registered) activities, responding to a reconfiguration of social needs in contexts of urban (and now rural) poverty. The informal sector in Sub-Saharan Africa is large, heterogeneous, and employing large numbers of people, especially among women and the youth. The debates in the literature vary too, ranging from what its defining features are to whether it should be formalized or rather supported as an engine for economic growth. [Chen \(2007\)](#), for instance, shows how the initial definition of informal sector has recently been replaced by that of informal economy. The aim is to focus not only on the characteristics of the enterprise as not legally regulated, but also of the employment relationships, which can similarly be not legally regulated and protected, especially for the working poor and in a context of increasing labour market flexibility. This perspective has the merit of pointing out that formal and informal economic activities are better conceptualized as a continuum, rather than in strict dualistic terms, and that there are linkages between the two, such as in the case of wage workers with no social protection employed by formal firms. The major issues of concern here refer to how to guarantee workers' rights, expand social protection, and reduce the costs of participating in the formal economy.

The role of entrepreneurs, particularly female and young, within the informal sector is usually assumed to bring dynamism and higher productivity rates within the economy as a whole. Innovation, intended as the creative selection and adaptation of internationally available technologies to the needs of developing contexts (resulting in the upgrading of production

processes or new products) is key in this regard. However, the impact of small and micro enterprises (SMEs) on productive employment needs to be further investigated.

Policies

The sustainability of productive employment clearly depends upon the conditions defining the economic environment at the international level. At the same time, however, it is first and foremost a responsibility of national governments to devise national development strategies conducive to quality job creation. ILO classifies policies aimed at generating employment in two categories: those addressing the economic environment in general (industrial, trade, innovation, employment) and those intervening specifically in the labour market (entrepreneurship, skill match, social protection). Also, governments can intervene with population policies (demography and migration).

Here, topics on which knowledge is still limited include: the role of foreign direct investments for export and of standards and quality control (trade policy) and that of public work programmes (employment policy).

3. Research projects on productive employment

In 2013, the Netherlands Organisation for Scientific Research NWO-WOTRO Science for Global Development issued a call for proposals on the theme of productive employment within the programme Research for Inclusive Development in Africa. The call asked applicants to focus on one or more of the following sub-themes: dynamic entrepreneurs, sectors driving growth, and policy environment. In 2014, five research groups were awarded funding to conduct their research projects. Each group consists of the following parties: a research organization from across the globe and a research organization from one of the seven focus countries of INCLUDE (Ghana, Benin, Mozambique, Ethiopia, Kenya, Uganda and Rwanda). Also, each group involves both academics and practitioners and actively engages with policy-makers. Based on the original research proposals submitted to NWO-WOTRO and the kick-off meetings of their projects, how do the selected research groups understand productive employment and which knowledge gaps will they fill in?¹

3.1 Multipliers for Employment Creation: The IT industry in Kenya

- Country focus: Kenya
- Consortium led by Prof. Harry Barkema, Erasmus University, The Netherlands; London School of Economics and Political Science (LSE), United Kingdom
- Productive employment is defined here as stable, better paid, and under better conditions work in the formal sector.
- The focus is on small informal enterprises in the IT sector and their ability or lack thereof to develop into larger and formal firms (so-called 'multipliers organizations').
- By looking at both success and failure cases, the project aims to identify the key-factors, which allow productive employment generation within such context (how? why? for whom?). Overall, it will generate new insights onto organizational innovation promoting social goals.

3.2 Productive Employment in Segmented Markets of Fresh Produce

- Country focus: Kenya
- Consortium led by Dr. Bekele Shiferaw, Partnership for Economic Policy (PEP), Kenya

¹ Note that project descriptions were allowed a maximum of 1500 words in the proposal and that project designs are likely to be adjusted in the course of the actual research.

- Productive employment is defined here by the following features: decent pay, stable and good working conditions.
- The focus is on the insertion of local horticulture producers into global value chains as a venue for structural transformation alternative to industrialization.
- By looking at the avocado production as case study, the project aims to study the labour market conditions in the horticultural sector. The latter is now segmented into two sub-sectors, according to the inclusion in or rather exclusion from global value chains. Furthermore, farmers' situation vis-à-vis the marketing of their produce varies across the two sub-sectors. The project asks what the working place reality is in both of them.

3.3 Multinational Businesses, the Dutch Government and the Promotion of Productive Employment in Sub-Saharan Africa: A Comparative Study of Kenya and Nigeria

- Country focus: Kenya and Nigeria
- Consortium led by Dr Chibuike Uche, African Studies Centre (ASC), The Netherlands
- The project does not provide a clear definition of productive employment. However, it refers to the development of skills and entrepreneurship.
- The focus is on the relationships between multinational businesses (in the energy and horticulture sectors) and their host and home governments.
- The project aims to study the policies of all three stakeholders in order to identify those that create enabling conditions for multinational businesses to employ local labour, enhance its skills, and ultimately integrate local entrepreneurs into global value chains. Overall, it will generate new insights onto the operationalization of the Dutch cooperation's shift of focus from aid to trade as engine for growth.

3.4 Changing the Mindsets of Ugandan Entrepreneurs: From Muppets to Gazelles

- Country focus: Uganda
- Consortium led by Dr Henny Romijn, Eindhoven University of Technology, The Netherlands
- The project does not provide a clear definition of productive employment. However, reference is made to dynamic entrepreneurship as boosting productive employment generation.
- The focus is on innovative female entrepreneurship in rural areas as conducive to economic growth, by means of higher productivity rates and the creation of new markets.
- The project aims to investigate what are the barriers preventing small and micro enterprises from adopting innovation and therefore becoming thriving businesses. A concrete example of a barrier, which needs further insight, is that of networking opportunities that in rural contexts are usually limited to family relations.

3.5 Ethiopia Feeder Road Development for Inclusive Productive Employment

- Country focus: Ethiopia and Kenya
- Consortium led by Dr Maggi Leung, Utrecht University, The Netherlands
- The project does not provide a clear definition of productive employment. However, references are made to labour safety and empowerment.
- The focus is on public investment for road construction and its multiple impacts on employment generation, local economic conditions, and natural resource management.
- The project aims to study how and for whom road construction generates productive employment along three main lines: direct employment in infrastructure development; employment generation/change due to improved access; and employment change due to different natural resource management.

3.6 Knowledge gaps matrix

The following matrix aims at summarizing the major issues of debate around the notion of productive employment and the corresponding knowledge gaps, as captured by the research sub-

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themes presented in the NWO-WOTRO call for proposals, and at visualizing which ones will be filled by the awarded research groups.

One must note that overall a key challenge seems to remain in the way the notion of productive employment is fully understood and operationalized as something different from job creation.

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Knowledge Gap/Research Group	Multipliers for Employment Creation	Productive Employment in Segmented Markets of Fresh Produce	Multinational Businesses, the Dutch Government and the Promotion of Productive Employment in Sub-Saharan Africa	Changing the Mindsets of Ugandan Entrepreneurs	Ethiopia Feeder Road Development for Inclusive Productive Employment
Sectors driving growth					
Non-traditional exports		x	x		
Manufacturing			x		
Construction					x
Dynamic entrepreneurs					
Entrepreneurship	x			x	
Innovation	x			x	
SMEs	x			x	
Women and youth employment				x	
Policy environment					
Skill mismatch					
Industrial					
Trade			x		
Employment					x
Population					

4. Social value of labour

In order to avoid the risks associated with 'productivity reductionism', it is important to assess both the notion of productive employment and that of inclusive development against social values and human development. Indeed, beside productive employment, INCLUDE is based on two other pillars: strategic actors (i.e. the politics of policy making) and social protection.

In a 2014 [UNDP Occasional Paper](#), Fischer cautions against the limits of a neoclassical economics reasoning applied to employment and argues that it is highly problematic to conflate the value of labour with its productivity and provide a monetary valuation of it. This is especially true in those economies that are increasingly based on services, as it is extremely difficult to measure productivity in this sector. Instead, the author argues that the valuation of labour is a social process, which is driven by power relations, social stratification, and differentiation. Consequently, the social value of labour does not simply equal the sum of the value of a job for an individual and its spillover effects in society (intended as an aggregation of individuals), but it depends on the job's ability to respond to social needs, which in a context of social and economic transformation (that is, development) change continually.

The paper maintains that redistributive mechanisms such as universal social policies (providing health, education, public sector employment) are needed in order to channel the wealth produced through increased productivity in the primary and secondary sector into services and here generate employment that is secure, well paid, relatively productive, and socially valuable. The redistributive imperative is conceived of as a counter-movement à la Polanyi that is meant to bring employment back in the domain of social relations and counter the vulnerability traditionally associated with development.

This viewpoint is echoed in a recent contribution by [Islam and Islam \(2015: 3\)](#), who note that "it would be unrealistic to keep the perspective of inclusive development narrowly confined to employment", whereas social protection has a key role to play in strategies aimed at reducing poverty and inequality.

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Weblink: <http://includeplatform.net/bringing-productive-employment-back-on-the-development-agenda/>