

Notes on
EMPLOYMENT PROMOTION

Activities by the:

ILO
WORLD BANK
GTZ

Note in preparation of a mission for GTZ assessing the employment project component in the present German Assistance by GTZ to the Vocational Education and Training Authority (VETA) in Dar Es Salaam, Tanzania.

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Table of Contents

Introduction

1. ILO

1.1 Jobs for Africa

1.2 More and Better Jobs for Women

1.3 ILO's new concept of "Decent Work"

1.3.1 InFocus Programme on boosting employment through small enterprise development

1.3.2 InFocus Programme on skills, knowledge and employability

1.4 ILO-ARTEP (Asian Regional Team for Employment Promotion) approach in Thailand, the Philippines and Vietnam

2. The World Bank

2.1 Employment "Sketch" of World Bank Activities in Fiscal Year 1999

2.2 Africa Region Strategies for Development of Micro and Rural Finance

2.2.1 Micro Finance Strategy in Africa

2.2.2 Rural Financial Markets

3. GTZ

3.1. ISTARN - The Informal Sector Training and Resource Network in Zimbabwe

3.2. Integrated Employment Promotion in the Informal Sector - A working paper taking a vocational training perspective

Introduction

This note provides information on some major activities in employment promotion. Activities were selected with reference to one or more of the following criteria.

Criteria for Selection of Activities:

- employment generation/creation
- generation of additional income
- higher productivity and better utilization of capacities
- improved working conditions
- NGO involvement
- monitoring and evaluation system being an integral part of the project
- employers and workers collaboration in the design of the project
- technical cooperation among developing countries (TCDC) as project component
- economic demand aspects
- cost-effectiveness
- benchmark figures
- women in development issues
- consultation with local government in designing the project.

This note places emphasis on the intersection between vocational training and employment promotion, since this is the intended focus of future cooperation between the VETA and the GTZ.

Due to time, it has not been possible to provide balanced coverage of all activities. Literature on some of the most relevant activities of three major international organizations involved in employment promotion has been reviewed: the ILO, the World Bank and GTZ. Other bilateral agencies and non-governmental organizations also have some considerable experience in this area, which is not covered in this note. There are also some interesting experiences in industrial countries, including Germany. Given its importance, it seems surprising that no comprehensive review has been written on this topic in recent years. Such a review of past experience would be helpful in providing a better picture for moving forward with employment promotion activities, not only for the Tanzanian project, but for other governments, and also for donors.

1. ILO¹

The ILO has a long history of employment promotion, and has repeatedly drawn attention to this issue in its World Employment Review (WER). In the most recent WER (1998-99), the ILO deals with employment promotion and employability in the global economy and how training matters there. Particular emphasis is given to training activities that can lead to employment in the urban and rural informal sector. Some of the more important ILO activities are described below.

1.1 Jobs for Africa²

The Jobs for Africa Programme is an ILO initiative in support of the 1995 Copenhagen World Summit Declaration which called for the "promotion of the goal of full and productive employment as a priority of economic and social policies, and called on countries in Africa and the least developed world to place the creation of employment, the reduction of unemployment and the promotion of adequately remunerated employment at the centre of strategies and policies of governments".

The Programme has two objectives:

- to promote investment led-growth
- to ensure that this growth maximizes employment and reduces poverty

It consists of three major components:

- 1 Designing a macroeconomic policy framework consistent with the achievement of employment creation and poverty reduction through accelerated growth
- 2 Setting up networking groups at the country level in order to provide advocacy for the design and implementation of investment-led employment-intensive growth
- 3 Launching an integrative programme of action to translate the policy framework into reality.

This integrative programme of action includes activities in:

- small and medium enterprise promotion
- the promotion of gender concerns in policy making and development programmes
- cooperative employment
- labor-intensive public works
- promotion of informal sector activities
- micro finance activities
- labor market information systems
- training policies and systems

¹ ILO, *World Employment Report 1998-99: Employability in the Global Economy - How Training Matters*, Geneva 1998

² ILO, *Jobs for Africa -Towards a Programme of Action*, Geneva, November 1997 and ILO, *Jobs for Africa -A Policy Framework for an Employment Intensive Growth Strategy*, Geneva, August

- employment for peace in post-conflict areas
- strengthening the role of social partners in job creation

Over the period 1998 - 2001 ten African countries are participating. National Network Advocacy Groups and national programmes of action are being implemented, based on the selection of thematic areas from those above, according to national realities in each of the ten countries. In the next phase, six new countries are joining the programme, one of which will be Tanzania. In the next few months, proposed country action programmes on employment promotion will be presented to donors' representatives; their implementation depend depends however on the donor response.

In addition, ILO has prepared Country Employment Promotion Reviews (CEPRs), including one on Kenya; a CEPR on Tanzania is in the pipeline with the ILO Regional Office in Addis Ababa.

1.2. More and Better Jobs for Women³

After the Fourth World Conference on Women in September 1995 the ILO started the More and Better Jobs for Women Programme. The strategy of that Programme emphasizes that there are a number of components necessary to provide more and better jobs for women and that these are interrelated and require coherent and integrated interventions. The target groups of this project are those women that are most vulnerable and marginalized such as:

- women in the informal sector in rural and urban areas;
- unemployed women, especially young recent school graduates;
- women in atypical and precarious forms of work; and
- poor women, especially female heads of households.

The Programme strategy for more jobs calls for:

- employment creation
- human resource development
- entrepreneurship development
- improvements in access to the labor market
- access to productive resources
- equality of opportunity and
- poverty alleviation projects.

To promote better jobs for women the Programme strategy involves components for equal pay for equal work, better employment conditions for those in part-time, social security provisions including maternity protection for women workers and doing away with segregation in terms of men in "good" and women in "bad" jobs.

³ ILO, *More and Better Jobs for Women - An Action Guide*, Geneva 1997

To date, action plans have been formulated for Estonia, Tanzania, Burkina Faso, Pakistan, Mexico, The West Bank and Gaza Strip and Croatia. Ongoing is a collection of information and dissemination on what works, what does not and why with a view to promoting replication/adoption of successful programmes and policies and ensuring sustainability.

1.3. Decent Work⁴

In a recent Regional Meeting in Abidjan (December 1999), the new Director General of the ILO stated: "The primary objective of the ILO in Africa is to promote opportunities for women and men to obtain decent and productive work in conditions of freedom, equity, security and human dignity."

The concept of "decent work" is relatively new to the ILO and is intended to be implemented by the reorganization of ILO in four new units under the umbrella of the Employment Department. These four units are :

- 1) recovery and reconstruction;
- 2) skills development;
- 3) job creation and enterprise development; and
- 4) employment strategy.

InFocus programmes that emphasize specific priority areas have already been developed. Two of these, "Boosting Employment through Small Enterprise Development" and "Investing in Skills, Knowledge and Employability", are described below.

1.3.1. InFocus Programme on Boosting Employment through Small Enterprise Development

"This initiative seeks to bring together the ILO's technical capabilities to promote the large scale creation of quality jobs in small enterprises." In this InFocus Programme the ILO is planning a portfolio of instruments that can support the growth of decent and gender equitable employment in a number of industrial production settings.

Small enterprises will be looked at with respect to their response to crises, sources of productivity growth, skills and capabilities, networks and inter-firm relations. Particular interest will be given to the position of women in small enterprises, in terms of development of entrepreneurship as well as in terms of access to good jobs. Economic opportunities for small enterprises will be viewed from a productivity aspect as well as from a working condition perspective.

Research and service activities of this InFocus Programme serve a dual purpose:

- 1 To enable employers start and develop sound businesses; and

⁴ ILO, *Decent Work and Protection for All in Africa - Report of the Director-General*, Abidjan, December 1999

2 To motivate for entrepreneurship.

Employment promotion in the informal sector (particularly in Africa) will be carried out as well in this programme, namely by "approaches that are geared towards informal and unorganized businesses in the form of

- credit and business development services; and
- direct transfers and employment promotion within broader anti-poverty programmes".

ILO training materials in this field, such as SIYB (Start and Improve your Business), a business start-up programme as well as improvement programme for small and medium-sized enterprises, and GMT (Grassroots Management Training) a programme for micro enterprises in the informal sector, will be replicated and disseminated.

1.3.2 InFocus Programme on Investing in Knowledge, Skills and Employability

"This InFocus programme will be a new strategic initiative, built around the ways in which human resources development can help support employment growth. The ILO now proposes an approach that focuses particularly on the contribution of training and human resource development to the promotion of employment." ... "Labour market, education and training institutions are often too sluggish to cope with rapidly changing production systems...the potential contribution of skills development to the reduction of unemployment remains unfulfilled."

The ILO hopes that through this particular programme:

- labour market information systems will be strengthened;
- technical cooperation activities will be provided to strengthen the national systems as well as sub-regional networks;
- knowledge and capacity developed and acquired in some projects will be disseminated through the region for duplication;
- assistance will be provided in establishing or rehabilitating labour information systems as a basis for the development of labour policies and programmes; and
- progressive establishment of employment and training "observatories" will be accomplished.

1.4. An ILO-ARTEP (Asian Regional Team for Employment Promotion) project approach in Asia (Thailand and the Philippines and later Vietnam)⁵

A strategy on "Strategic Approaches toward Employment Promotion" was developed by ARTEP, the ILO "thinktank" on employment promotion in Asia. In the early 90s this approach was first introduced in Thailand and the Philippines, and then later implemented in Vietnam, where it is still ongoing now. The rationale of the concept was

⁵ ILO/ARTEP/JPN Project Document, *Strategic Approaches Toward Employment Promotion* (THA/91/013), Bangkok 1991

that direct employment promotion efforts would not remain effective unless embedded in sound socio-economic policies and labour market interventions.

Employment promotion, in particular for disadvantaged groups, and in both urban and rural areas, was thus based on an integrated approach of macro-level labour market and micro-level considerations of employment and development. Vocational training, however, was not among the core areas of the project.

The various country projects each had a number of related activities, and these activities resemble in many ways the project strategy of the Jobs for Africa Programme. Following are activities in Thailand as an example:

1 Policy Support for Employment Promotion Programmes with:

- symposia on employment promotion
- introduction of new technologies for employment promotion in rural areas
- informal sector promotion, in particular in urban areas and rural growth centers
- labour processes and working conditions

2 Strengthened Capacity in the Ministries of Labour for Employment Promotion Programmes with:

- institutional support and services
- labour market analysis
- training of staff

3 Design and Implementation of Employment Creation Schemes (Pilot Projects):

- Promotion of small-scale enterprise (e.g. sericulture)
- Development of rural infrastructures directly related to employment and income activities (e.g. forest-based employment creation)
- Promoting work and training schemes in rural communities, with a focus on employment creation (e.g. rural apprenticeship project for carpenters-to-be)

2. The World Bank

2.1 Employment "Sketch" of World Bank Activities in Fiscal Year 1999⁶

The World Bank does not have a clear-cut employment promotion strategy. However, the new vision known as The Comprehensive Development Framework suggests a holistic approach to development recognizing the importance of macro-economic fundamentals, but giving equal importance to institutional and structural issues including vocational training; there is also an employment emphasis, and a particular focus on poverty alleviation. "Country Assistance Strategies" (CASs) are increasingly placing poverty reduction at the center of World Bank assistance.

In its employment activities, the World Bank promotes broad-based and labour intensive growth, which benefit the very poor the most and support dynamic growth of the private sector. When it comes to lending to small and micro enterprises in the informal sector and in rural communities in Africa, the World Bank has the following policies.

2.2. Africa Region Strategy for Development of Micro and Rural Finance⁷

This regional strategy looks at a range of instruments for supporting enterprise development through financial services. It was written in 1998 and draws on some of the experiences of World Bank projects in Africa either ongoing or completed.

Building capacity in the financial sector is considered the challenge in Africa. Drawing on lessons from international best-practice institutions, the focus is on working towards a healthy fundamental policy and regulatory environment; the chief objective is "to support deepening and diversification of financial markets to serve the broad spectrum of entrepreneurs found in African countries, including the self-employed poor" by building sound institutions through human resource and systems development.

2.2.1. Micro Finance Strategy in Africa

The Bank's micro finance development framework consists of the three elements:

- Encouragement of the development of a competitive and diversified financial system to maintain interest-rates at cost-recovery level;
- Assistance in writing of laws and regulations governing microfinance institutions; and
- Capacity building at the level of government and regulatory services that involve training in regulatory best practice and its rationale.

⁶ The World Bank Overview, *Overview of World Bank Activities in Fiscal Year 1999*, found at <http://www.worldbank.org/html/extpb/annrep/over.html>

⁷ "Lessons from Africa's Social Funds and Employment Projects", in *Africa Region - Findings of the World Bank Group*, No. 122, November 1998, pp. 1-6; and "Africa Region Strategy for Development of Micro and Rural Finance", in *Africa Region - Findings of the World Bank*, No. 106, March 1998, pp. 1-22

Developing stronger linkages between the formal banking system and non-banking institutions that lend to the self-employed poor is a priority here. However, this policy seems to be working only in countries with a well-developed formal financial system, such as South Africa, Kenya and Zimbabwe. Unlocking formal sector resources for use by micro-enterprises involves the development of mechanisms that reduce the risk to banks of working with a) microfinance institutions and b) nonbank organizations in the informal sector, that are rooted in the community and whose costs of lending are lower.

2.2.2 Rural Financial Markets

The provision of financial services in rural Africa "has followed the gradual monetization and commercialization of the agricultural economy." Delivery of financial services in rural areas has initially been the domain of informal savings credit associations, local traders and suppliers of inputs and consumption goods. The commercial financial systems have developed more rapidly in areas where export crops are produced and finance is provided down the production, processing and marketing chain.

The World Bank approach to supporting rural financial markets has the following rationale:

- Bringing the commercial system closer to the rural clientele by improving the business environment (reducing uncertainty and risk, and reducing costs of information gathering, client monitoring and other transactions) and designing financial products that are attractive to both lenders and recipients;
- Bringing the clientele closer to the financial system through grassroots training efforts, building community associations and institutions, and organizing potential participants in the financial system (smallholder farmers, small traders and others) in groups that can support improved access to markets and finance; and
- Linking rural finance to non-financial activities in rural areas, in particular to product processing, input supply and marketing activities

Country-specific micro and rural finance programmes following this approach by the World Bank have been in operation throughout Africa since 1997. In Eastern Africa, Uganda, Kenya, Ethiopia and Tanzania have been involved, too.

3. GTZ

GTZ has a long tradition of technical cooperation projects at the intersection between vocational training and employment promotion (*Beschäftigungsförderung*). All of the latest discussion papers cannot be reviewed here, though.

Two activities seem particularly relevant to the current mission and are thus described below. One is a field project that started in Zimbabwe about nine years ago, which focuses on employment promotion activities in the informal sector. The other is not a project, but a discussion paper that may offer an interesting approach for possible implementation in Tanzania.

3.1. **ISTARN: Informal Sector Training and Resources Network - An Experimental Approach to Informal Sector Business Support in Zimbabwe**⁸

The Informal Sector Training and Resource Network in Zimbabwe, which originally started in 1991, had an explicitly experimental, i.e. learning based, approach to supporting informal sector enterprises. The project's initial focus was on vocational training. It was realized very early in the project cycle, however, that the services were too supply driven and hence ineffective. Therefore an early shift in the project took place emphasizing a broader response to enterprise needs and more based on client demand. In a re-orientation phase, ISTARN identified three core problems facing businesses in that sector:

- weak basic business and technical skills;
- low levels of innovation; and
- limited access to markets, especially missing linkages with formal sector enterprises.

For its client base (non-agricultural informal enterprises in a variety of sectors including metalwork, vehicle repair, wood work, garment manufacture, hairdressing, construction and electrical repair), ISTARN concentrated on four main activities:

1 Promotion of traditional apprenticeships

Here apprentices are responsible themselves for finding a host business and then "paying their own way".

2 Development of Small Business Advisers (SBA)

SBAs have been trained to deliver business training and advice to informal sector enterprises. In addition the so-called "busiform" has been developed, which is a business monitoring tool designed to compile business performance data. The data provides the diagnostic bias on the basis of which business development can be assessed.

⁸ David Hancock and Andy Carlton, *ISTARN: An Experimental Approach to Informal Sector Business Support in Zimbabwe*, Paper prepared for GTZ, Harare, June 1998.

3 Establishment of Informal Sector Associations

ISTARN supports the development of ISAs through bulk buying and selling of materials and by providing equipment hire. ISAs also assist members in establishing service stands and offers credit facilities.

4 Marketing Intermediary Support Programme

A relatively new focus has been to try and establish marketing intermediaries which can bridge the gap between informal and formal sectors, and therefore extend the market opportunities available to informal sector enterprises.

An underlying principle of ISTARN's approach is to build on established local mechanisms and market-based initiatives. Its interventions are therefore facilitatory - focused on overcoming market constraints by developing private-sector solutions.

3.2 Integrated Employment Promotion in the Informal Sector - A view from the vocational training perspective⁹

In a recent widely observed publication for GTZ, Iris Allmendinger and Andreas König developed a strategy for employment promotion that starts from a vocational training perspective and develops a comprehensive strategy on employment promotion involving not only the small and medium sized enterprise sector, but also the vocational training sector and even, at an earlier stage, the educational sector.

The authors argue in favor of a concept where vocational training and employment promotion go hand in hand. In their visionary concept they argue for taking into account technological developments, labour productivity issues, counseling of and marketing for micro enterprises as well as looking at teacher training and monitoring the informal sector training management.

The authors argue in favor of an "enterprising society" particularly in the informal sector where members of that society get the chance to develop their personality and their personal capabilities, skills and resources, according to their own pace, driven by their own objectives and at the same time relating to economic demand situations in their very own socio-economic environment.

In this "enterprising society", the educational sector e.g. might contribute:

- the transfer of appropriate skill, human and in particular social competencies;
- the transfer of problem-solving strategies;
- the strengthening of community-oriented self-help potential; and
- the strengthening of local partners and multipliers.

⁹ Iris Allmendinger and Andreas König, *Integrierte Beschäftigungsförderung im informellen Sektor - Ein Arbeitspapier aus Sicht der beruflichen Bildung*, Paper prepared for GTZ, Eschborn 1998.

The contribution of the vocational training sector might be:

- the transfer of basic productive skills as applicable in and demanded by the specific socio-economic environment;
- the transfer of appropriate practical and social competencies;
- the transfer of problem-solving strategies appropriate to the specific market environment;
- the reinforcement of community-oriented self-help potential; and
- the strengthening of local partners and multipliers.

Micro and small enterprises according to the two authors might best be promoted through:

- the basic know-how of enterprising behaviour as applied in a market situation;
- the transfer of practical and social skills associated with appropriate behaviour in the market;
- providing access to credit;
- the provision of support and advice in the running of a business; and
- the reinforcement of market-oriented self help potential.

Education, vocational training and small business promotion will work together to develop programmes adapted to specific local need and traditions and develop jointly with impoverished target groups to shape them as close as possible to their needs. These programmes might then include the following activities:

- 1 Non-formal skills training for young people as initial training with partly integrated elements of basic education
- 2 Integrated support services for graduates of this non-formal training, which advise in SME management, book-keeping, marketing etc.
- 3 Non-formal business training for adults for the creation of SMEs or the strengthening of existing ones
- 4 The building up of an environment which facilitates the creation of viable enterprises and allows for investments in existing SMEs and thus securing and creating employment.

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