How can we create more jobs?

According to the International Labour Organization, more than 200 million people in the world were unemployed in 2011—three-quarters of them in developing countries. The most affected are those between the ages of 15 and 24, who are 2-3 times more likely to be unemployed than adults.

The World Bank estimates that between 2005 and 2020, more than 700 million jobs must be created to halve the global unemployment rate, mainly to keep up with population growth.

So the question is: Why are there so many unemployed people in developing countries and how do we create large numbers of jobs (and not just any jobs, but good jobs with sound working conditions, benefits, and opportunities for advancement)?

Jobs are scarce for many reasons—inadequate policy making, poor infrastructure, and limited access to finance. For young people, the mismatch between education and the needs of the labor market is a major hurdle.

When it comes to possible long term solutions for unemployment, the private sector—which provides about 90 percent of jobs in developing countries—offers an excellent starting point.

IFC works with private sector in developing countries and emerging markets. In 2010 our investment clients provided around 2.4 million direct jobs. This may not appear to make a dent in unemployment figures, but jobs created by our clients between 2008 and 2010—net of job losses—increased by 10 percent, an important trend in an environment where job losses were the norm...and these only relate to direct jobs provided by IFC’s clients.

The indirect and induced effects on job creation of our investments and advisory services are much harder to estimate—but also much larger. For instance, data from a gold mining company in Ghana—an IFC client—demonstrated that for every direct job provided in the mine, 28 more jobs were provided in the economy (Steward Redqueen 2011).

Another area where job creation effects are hard to determine is in projects that increase access to finance. Lack of finance is routinely cited by companies as one of the key constraints to growth, particularly for micro, small, and medium-sized companies (MSMEs). In 2010, IFC clients provided almost 10 million loans to MSMEs. Estimating how many jobs these enterprises provided or created is much more difficult.

We also know that better investment climates have positive effects, for example on business entry, but there is much less evidence on how this translates into more jobs.

All this to say that the private sector is an important contributor to job creation in the developing world and our work with clients has taught us something about how jobs are created. But there is much more we need to learn.

To help answer some of these questions, IFC is conducting a study to assess private sector contributions to job creation. Using data from our clients, literature reviews, and case studies we aim to deepen our knowledge and use what we learn to influence decision making.

The next World Development Report (WDR) will be on jobs and so we are working closely with the WDR team at the World Bank. Findings from the IFC study will feed into the report.

For more go to www.ifc.org/jobcreation

IFC and Job Creation

IFC works with the private sector in developing countries. With our clients IFC is helping to create jobs.

- IFC clients provided 2.4 million jobs in 2010 – 30% of them to women. But indirect effects are much larger.
- Financial intermediaries supported by IFC provided 9.7 million loans to micro, small and medium-sized enterprises (MSMEs) at the end of 2010…which in turn provided tens of millions of jobs.
- Between 2000 and 2010, enterprises supported through private equity funds in which IFC had invested created about 300,000 jobs.

We also work to address some of the key constraints businesses face by helping to:

- Improve investment climate
- Improve access to finance
- Improve infrastructure
- Improve training and skills

IFC is conducting an open source study on job creation. Share your experiences and knowledge!

Visit www.ifc.org/jobcreation
Tackling Youth Unemployment — Perspectives from a Young Global Leader

Tarek Allaham, in Suweida, Syria, 24.
Darine Sabbagh, in Beirut, Lebanon, 25.
Nada Samaan in Damascus, Syria, 35.
Waseem Al Sheikh, in Dubai, UAE, 27.
Manal Daaboul, 25, Alexandria, Egypt.

This is the founding team of Qordoba, a year-old digital content creation company that is headquartered, well, everywhere. We write and translate just about anything into Arabic and English using our online platform and a distributed network of translators and editors. Our clients range from the world’s largest multinationals to news agencies and software startups. This is a team that I lead, but the company is in fact comprised of more than five hundred leaders. These leaders are our content creators - young people across the Middle East who are taking charge of their lives and using our platform to create jobs for themselves.

When we first started Qordoba, these leaders, who grow by the dozens every week, were mere numbers to me. Our fancy algorithms ranked each translator, copywriter or editor based on a set of questions and a test of their abilities as well as ongoing assessments of their work. Here was translator #54, with a quality rank of 83, with a high degree of specialty in Domain 3. But it was not too long before we knew just about each of them by name, and it shocked me when I realized that more than 70% of our content creators were born between 1980 and 1990.

I was shocked, because our content creators are responsible. They are doing hundreds of hours of high quality work with a company they have never heard of (Qordoba), run by people they had never met (me!), doing work for clients they didn’t know. A translator could be working from an Internet cafe in Tripoli, Lebanon; their editor could be a stay-at-home in Alexandria, Egypt; their client could be Boston, USA. The support agent answering their technical questions was in Aleppo, and the person wiring them their monthly earnings was in Damascus. Even in our early days when we did not have a physical address for Qordoba anywhere, our content creators - our leaders - answered emails at 2am.

Who are these people? I should have guessed their age bracket even before delving into our database.

These people are my generation. These people possess the flexibility, collaborative mindset and resourcefulness that will be required to create the hundreds of millions of jobs my generation will need in the next decade. This generation’s priorities will be employment, and their issues will be lack of government or formal support to create jobs for them. In the developed world, I believe the lack of support will be the result of the structural realities of new economies. In the developing world, the lack of support is the result of weak institutions and educational systems.

That’s why companies like Qordoba will be so important. I like to think of ourselves as building a platform that allows young leaders to earn a great living by plugging them into a global marketplace for talent. Your local economy is not providing opportunities for you? Let’s bypass the official systems altogether and play some institutional arbitrage by really globalizing young talent. Let’s connect you to global clients who need your skills anyway.

The elements that have allowed Qordoba to globalize talent—and we are just at the beginning—are actually quite simple. Our university-educated content creators have three things:

1. Access to work space and some Internet
2. Some English language skills for navigating the Internet
3. Ability to communicate and collaborate with virtual teams

They are in some ways intangible elements. I don’t say we need Masters’ degrees in writing, or English language proficiency, or 24 hour access to high speed broadband. What we need to globalize talent is the ability to create markets of talent seekers and those with the talent required - and for that, I truly believe it comes down to the three elements above.

The solution for youth unemployment is not all-encompassing, and it is not a single solution. There are solutions for youth unemployment. The solution I would propose is around creating the conditions in the developing world for increasing online and freelance self-employment. Helping young people create their own jobs is not just about venture capital and incubators - it is more basic than that. We need to teach young people about how they can use Internet access, basic English language skills, and the ability to be responsible, collaborative and creative online to create their own employment opportunities, offering their skill set, whatever it may be, to the highest or most interesting bidder internationally.

May Habib is the Founder and Chief Executive Officer, Qordoba Limited in the United Arab Emirates. This is an extract from her winning essay submission to the IFC- World Economic Forum (WEF) ‘Youth Jobs Innovation Challenge’ which was launched in January 2012 at the WEF Annual Meetings in Davos.

The question “What can I and the global community do to create jobs for my generation” was put to the World Economic Forum’s Young Global Shapers Community in an effort to bring the voices of young people in the conversation about how to tackle the growing youth unemployment crisis. The ideas emerging from the essays will be used as inputs into IFC’s Study on Job Creation.
A different kind of bank

In the past few years, banks have been put on the spot, and for good reason. The public have lost faith in institutions that fail to act in the interest of their customers. In this context, the very public debate about the future of the banking system came as no surprise to us.

We continue to be respected in our markets for standing by our customers and clients, and for upholding high standards of corporate governance and social responsibility. And we have been doing well. For the last nine years we have delivered record income and profits.

As a Bank with a conservative approach to capital funding and liquidity management and a stringent risk management framework, it is important for us to differentiate ourselves. Our values and commitment to the communities where we live and work sets us apart.

We believe that our ability to create sustained value for our shareholders is intrinsically linked to the health and prosperity of the communities in which we operate. As a bank, we seek to deploy our core banking skills, strong environmental and governance standards and community investment initiatives to have a positive impact on societies at the same time as creating business value. We take this opportunity seriously and it is captured in our brand promise ‘Here for good’.

To contribute to the wider debate around the social usefulness of banks, in 2010 we commissioned an independent study to understand our social and economic impact in Ghana. When we undertook the study, we knew that we were opening ourselves up to external critique and that the findings might not all be positive, but we saw it as an important and much needed exercise in order to illustrate the positive impact we have on economies.

The report reflected many things we knew already, such as the fact that international banks add value to economies in ways that go far beyond the provision of credit. We support Ghana’s economy by using our global footprint to enable trade and investment flows, by helping our clients to reach international environmental and social standards, by spurring innovation through the launch of new products, by improving access to finance and by providing world class employment opportunities and training.

The key findings of the study focused on the ripple effect on jobs and the economy that we create through our core business as a bank. In 2009, our operations and onshore financing in Ghana generated USD 400 million of value-added in the nation’s economy, equivalent to 2.6 per cent of gross domestic product.

We have a significant impact on employment in Ghana. We employ about 800 people in the country, but our operations generate a total of 15,400 jobs when the indirect employment effects are taken into account. In the same way, our clients employ 30,500 people directly as a result of our financing, but a total of 140,300 jobs are created when indirect effects of the financing are included. Relative to Ghana’s workforce, the total impact of our business – almost 156,000 jobs – amounted to 1.5 per cent in 2009.

The findings from the Ghana report demonstrate that our approach is having a positive impact. We continue to incorporate these into our overall approach to building a sustainable business.

Mark Desadason is the Group Head of Sustainability and Regions, Standard Chartered
Assessing how the Private Sector contributes to job creation

The IFC study on job creation hopes to answer the following key questions:

1. How do IFC’s investments help private sector companies create jobs, including secondary and tertiary effects, but net of job losses? How do these effects differ between sectors?

2. How do the legal and regulatory changes IFC supports translate into job creation?

3. How can the likely effects of IFC’s activities – investments and advice – on job creation be estimated, and the extent of their achievement be tracked?

4. Can job quality in relation to contributions to growth be analyzed as distinct from job quality as a pathway out of poverty?

5. IFC investments will typically result in formal jobs being created, sometimes at the expense of informal jobs. What are the consequences?

6. Is the location of job creation important?

7. Which IFC interventions may be most relevant for job creation for young people and for women?

8. In a specific country context, which activities are likely to have the highest sustainable job creation effects, and which of them are most likely to benefit the poor?

The methodology proposed to answer these questions draws on a combination of internal and external expertise. IFC is also drawing on the experience of its partners and clients. Some activities underway include:

- A literature review and meta-analysis of existing evaluations to examine what is known about the job creation effects of different activities that contribute to private sector development in among others, different country contexts and measurement methodologies.

- Analysis of existing data (e.g. monitoring and evaluation data from IFC’s systems, World Bank Group (WBG) data such as enterprise surveys, Doing Business reforms, macro-economic data, household level data, labor statistics), focusing on job creation and addressing the questions above.

- Micro case studies that derive direct, indirect and induced job creation effects of IFC through interviews with IFC’s clients and key suppliers and distributors. A few case studies that cover different industries and country contexts will be included.

- Macro case studies that test direct, indirect and induced employment. The methodology will be defined by a scoping study that will then be implemented in a few countries.

- An open source process inviting feedback from external interested parties through the job study website and blog.

Some preliminary findings of IFC job study

- Economic growth and jobs are closely correlated. Economic growth is highly significant in explaining job growth, and jobs contribute to economic growth by adding value and income.

- There is a strong positive correlation between productivity and job growth: More productive firms add jobs (contradicting the notion that companies increase productivity by shedding jobs). Furthermore, growth through productivity enhancement helps particularly with a low-skilled labor force, thus contributing to inclusive growth.

- Data from World Bank Enterprise Surveys indicate that small firms (<50 employees) in developing countries had the highest job growth rates; medium-sized firms (50-250) created the most jobs; and large firms contributed the most to productivity growth.

- Taking into account indirect (e.g. upstream and downstream linkages) and induced effects (e.g. through higher spending) job creation impact becomes much larger but varies significantly by industry, sector, firm ownership, country attributes and context, etc.

- A privately owned mining company in Chile provided twice as many jobs as the state-owned company in Chile when direct, indirect and induced jobs are considered, and 7 jobs in the economy depended on every direct job in the mine.

- A study done by Standard Chartered Bank indicates that there is a tradeoff between the number of jobs and job quality: The sectors that added the most jobs (e.g. agriculture, trade) also had the lowest value added per worker, whereas utilities and extractive industries created few jobs, but had the highest value added per worker.

For more visit www.ifc.org/jobcreation