



**Standing Committee  
for Economic and Commercial Cooperation  
of the Organization of Islamic Cooperation (COMCEC)**

## **Activation Policies for the Poor in the OIC Member States**





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**COMCEC COORDINATION OFFICE  
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For further information please contact:

COMCEC Coordination Office

Necatibey Caddesi No:110/A

06100 Yüce-tepe

Ankara/TURKEY

Phone : 90 312 294 57 10

Fax : 90 312 294 57 77

Web : [www.comcec.org](http://www.comcec.org)

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## Abbreviations:

<b>AfDB</b>	African Development Bank
<b>ALMPs</b>	Active Labour Market Programmes
<b>ADB</b>	Asian Development Bank
<b>ASDP</b>	Afghanistan Skills Development Project
<b>BEST</b>	Business and Enterprise Start-up Tool
<b>COMCEC</b>	The Standing Committee for Economic and Commercial Cooperation of the OIC
<b>CSR</b>	Corporate Social Responsibility
<b>DWCPs</b>	Decent Work Country Programmes
<b>ECAM</b>	Cameroon Household Survey
<b>ELA</b>	Programme for Enhancement of Literacy in Afghanistan
<b>EGS</b>	Employment Guarantee Scheme
<b>EGPP</b>	The Employment Generation Program for the Poorest
<b>EU</b>	European Union
<b>FNE</b>	The National Employment Fund
<b>GDP</b>	Gross Domestic Product
<b>GIC</b>	Common Initiative Groups
<b>HIPC</b>	Heavily Indebted Poor Countries Fund
<b>HRDF</b>	The Human Resources Development Fund
<b>IDA</b>	International Development Agency
<b>IFIs</b>	International Financial Institutions
<b>IGAs</b>	Income Generating Activities
<b>ILO</b>	International Labor Organisation
<b>IsDB</b>	Islamic Development Bank
<b>ITC</b>	Instructor Training Centre
<b>JPCs</b>	Job Placement Centres
<b>MENA</b>	Middle East and North Africa
<b>MCLS</b>	The Ministry of Co-operatives, Labour and Social Welfare
<b>MGLSD</b>	The Ministry of Gender, Labour and Social Development
<b>MoL</b>	The Ministry of Labor
<b>NDTS</b>	The National Dual Training System
<b>NGOs</b>	Non-Governmental Organisations
<b>NUYEP</b>	Northern Ugandan Youth Enterprise Partnership
<b>OECD</b>	The Organisation for Economic Co-operation and Development
<b>OIC</b>	Organisation of Islamic Cooperation
<b>PES</b>	Public Employment Service
<b>PISA</b>	Program for International Student Assessment
<b>PLA</b>	Platform for Labour Action
<b>PWD</b>	Programme for People with Disabilities
<b>PWP</b>	Public Works Programme
<b>SACCOs</b>	Savings and Investment Clubs and Savings and Credit Co-operatives
<b>SAILD</b>	Services D'appui aux Initiatives Locales de Développement
<b>SESRIC</b>	Statistical, Economic and Social Research and Training Centre for Islamic Countries
<b>SPRPB</b>	Sub-Programme for Poverty Reduction at the Grassroots
<b>SSN</b>	Social Safety Net
<b>TEKUN</b>	Tabung Ekonomi Kumpulan Usaha Niaga
<b>TEP</b>	Territorial Employment Pact
<b>TVET</b>	Technical Vocational Education & Training
<b>TVTC</b>	Technical and Vocational Training Corporation
<b>YIG</b>	Youth Interest Group
<b>YLP</b>	Youth Livelihood Programme
<b>UNDP</b>	United Nations Development Programme
<b>UNICEF</b>	United Nations International Children's Emergency Fund



## Executive Summary

This study presents research findings on best practice in the use of activation (support for individuals to move into the labour market) as a tool for poverty alleviation in OIC Member States. The three activation measures considered in the study are:

- 1 Job search support
- 2 Training
- 3 Job creation

Activation measures are needed in OIC Member States because many OIC Member States do not have developed social safety net systems. Employment is therefore a pre-requisite for many people to move out of poverty. In Member States that do have comprehensive social safety net systems, the use of activation can be used to counteract possible negative incentives jobseekers have to find work if they are in receipt of social assistance. In this respect, activation also improves the affordability of social assistance. Broadly, the current view amongst global economists is that activation strategies have an important role in both mitigating the worse effects of economic shocks and providing a policy tool for promoting a more equitable labour market and increased employability in the workforce. However, these gains are dependent on activation strategies which are well-designed and responsive to changing labour market conditions.

Activation measures are used throughout OIC Member States. The design of these measures varies by country as they respond to each Member State's labour market trends and socio-economic contexts. Key trends experienced by Member States include jobless growth, the need to provide quality jobs, youth unemployment, skills mismatch, and the need to promote employment in the private sector. Although the different types of job search support, training and job creation measures vary in each Member State, certain types of measures are more likely to be used depending on a Member State's income grouping. The table below provides examples of measures that may be used according to a Member State's income grouping.

**Table 1: Examples of Measures According to a Member States' Income Grouping**

	<b>Job creation</b>	<b>Training</b>	<b>Job search support</b>
Low income	These measures may focus on addressing immediate or chronic need, e.g. through public works programmes such as Employment Guarantee Schemes.	Low literacy rates mean countries are expanding access to education. Countries with higher education levels focus on vocational skills training for workers.	A lack of data, particularly at a local level, and poor access to services can typify job search support. Jobseekers often use informal networks to find employment.
Lower-middle	Countries may combine short-term measures with longer term promotion of the private sector.	Training is largely targeted at young people due to high youth unemployment. In many cases this skills mismatch is a factor.	Support tends to be present through the public employment service (PES) although lack of funding can limit access. Lack of conditionality for jobseekers and employers to register also limits impact.
Upper-middle	There is a longer term focus on job creation through economic diversification and the promotion of skilled industries.	Countries are likely to focus on developing a skilled workforce in order to meet needs associated with growing high skill industries.	A structured PES is likely to collect job vacancy information, provide counselling and hold job fairs. Access can be improved using partner organisations.
High income	Job creation is targeted at promoting the private sector to workers.	Training centres on providing the skills required by private sector employers in order to increase the attractiveness of the national workforce compared to foreign workers.	There is extensive investment in services, including a focus on different types of jobseekers and their needs, e.g. people with disabilities.

Note: This classification is made by the authors of the study

## Case Studies

As part of the study, five case study visits were made to a Member State in each income grouping and across regions. The objective of the case studies was to determine in detail the activation measures used in these Member States with the aim of informing best practice.

The key findings from the case studies were:

- 1 **Saudi Arabia** – Saudi Arabia is investing in a significant number of employment programmes and supporting infrastructure. This investment aims to achieve a large increase in the national population participating in private sector employment and to help diversify the nation's economy away from oil. This investment is being driven by using leading practice in the delivery of employment support, such as payment by results models, to help ensure that the support provides a focus on achieving sustainable outcomes.
- 2 **Malaysia** – Malaysia's continued economic growth has provided significant employment opportunities and the country has developed a highly skilled workforce. Activation programmes are now being used as a tool to target the most disadvantaged and hardest to help communities. The key focus is on outreach, engagement and targeting to drive a reduction in the number of poor households. Levels of educational attainment are also being diversified to provide a vocational route into employment for those that are not able to continue in education.
- 3 **Cameroon** – Cameroon has placed significant emphasis on the role of activation in poverty alleviation and employment is central to the country's poverty reduction strategy paper. Government ministries deliver activation measures, as do NGOs, international agencies and international financial institutions (IFIs). Key challenges they are seeking to address include formalising the large informal sector, reducing underemployment which is particularly prominent in urban areas, increasing productivity in the agricultural sector, and ensuring job growth keeps pace with the fast growing population.
- 4 **Uganda** – Uganda has an extremely young population and it is young people in particular who often struggle to find work. The need for activation measures has been recognised by the government. Comprehensive activation strategies are in place, but actually implementing them is a challenge. Improved targeting is also required to ensure it is those most in need that benefit from activation measures. Key labour market trends that the government, international bodies and NGOs are seeking to address include youth unemployment, skills mismatch and, like Cameroon, ensuring job growth keeps pace with population growth.
- 5 **Iran** – Iran faces high youth unemployment, particularly among young women. The government has recognised that job creation is required to support the high number of young workers entering the labour market each year. Entrepreneurship is being pursued as a tool for job creation and foundations support the measures implemented by the government. Activation is not the only tool being used to address poverty in the country, however, cash transfer payments and food donation programmes are also used.

Despite the differences in the use of activation between Member States, notably according to income grouping, the study has identified best practice and trends which allow for cross cutting recommendations to be made. Best practice and cross cutting recommendations have been identified according to the three key areas requiring consideration in the use of activation:

- 1 National policy objectives and delivery
- 2 Individual programme design and performance
- 3 Supporting infrastructure

## National policy objectives and delivery

### Best practice

A policy focus on, and investment in, activation measures have been recognised as a requirement by several OIC Member States. In high income Member States that are more likely to have developed social safety net programmes, such as Saudi Arabia, activation counteracts the disincentive to work often caused by the provision of social assistance. Activation also supports the financial sustainability of social safety net programmes. In lower income Member States, activation supports employment growth and, intrinsically linked to that, economic growth. To ensure efficient use of resources and knowledge sharing, it is best practice for the design and delivery of activation measures to be overseen and coordinated by a lead organisation.

### Cross cutting recommendations

A clear, integrated activation strategy with clear and measurable objectives is valuable in the context of poverty alleviation.

The study has aimed to show clear examples of activation measures improving the employability of the poor and the effect of this on poverty alleviation. Based on these findings, it is recommended that Member States consider focusing on activation as part of their national policy objectives. Where activation is integrated into development and growth strategies, clear and measurable targets would be needed to ensure progress can be monitored against objectives. Achieving targets and implementing activation strategies would require dedicated investment from Member States. This is more likely to be problematic for low income Member States. However, investment and commitment from Member States could also encourage other organisations to support Member States to address capacity gaps.

Ministries and agencies across government should be encouraged to contribute to an activation strategy under clear leadership and governance arrangements.

Different government ministries and agencies within Member States are responsible for activation measures, such as job creation within their particular remits. The involvement of different ministries and agencies is important to ensure support across government for an activation strategy and to encourage contributions to programmes. However, to oversee cooperation and an effective use of resources, a lead ministry could be assigned responsibility for overseeing the activation strategy.

### Individual programme design and performance

#### Best practice

A country's public employment service (PES) is often best placed to lead the delivery of activation because of the relationship it can broker between jobseekers and employers, and due to having training and job creation tools at its disposal. In Cameroon, for example, the PES provides jobseekers with job search support and engages with employers. Employment advisors work with both jobseekers and employers so that they can quickly match their customers to the job vacancies they identify. The PES also refers jobseekers to funded skills training courses and supports entrepreneurs.

The engagement with employers by the PES should also be carried out in the design and delivery of activation programmes. In Uganda, employers were involved with the designing of the strategy paper *Skilling Uganda*. This meant that important insight was given into the skills required by employers, allowing for skills mismatch and the quality of vocational skills training to be addressed. It also highlighted the need to raise the status of vocational skills training.

Although Member States do aim to address poverty through activation, the poor can be difficult to identify and therefore target. In this instance, other characteristics which are related to the likelihood of an individual being poor or vulnerable can be used to identify target groups for activation programmes. In Saudi Arabia, for example, some activation measures are targeted

specifically at people with disabilities and who are therefore likely to require more support to find work.

Lack of funding for projects in lower-middle income and low income countries can affect the sustainability of projects and therefore the extent of their impact. The use of loans, rather than grants, in the case of one project identified in Cameroon, however, was shown to improve the project's financial sustainability.

Programmes' impact was also shown to improve when programmes contain an element of continuous improvement. Regular reviews and evaluations have identified unintended consequences and ensured that corrective measures can be introduced. In low income countries such as Uganda, reviews of past projects have informed the design of new projects, such as the Youth Livelihoods Programme. In countries with resources for more regular reviews, such as Saudi Arabia, reviews have led to improvements in existing programmes such as Saudization.

### **Cross cutting recommendations**

The capacity of the PES could be increased, supporting both activation and the dissemination of labour market information.

The insight the PES has into different areas of activation means it could be well suited to acting as a lead institution for activation. In higher income Member States which have both a developed PES and social safety net programmes, jobseekers can be encouraged to use the support available through the use of conditionality in the social safety net system. In this instance, unemployed recipients of social assistance could be tasked with engaging with the PES. Where Member States do not have a developed PES or social assistance, consideration could be given to elevating the status of the PES by increasing the incentives for jobseekers and employers to use it. Partnerships with other organisations delivering activation measures could also be used to extend the outreach of the PES.

Employer involvement can improve the design of activation programmes.

Employers can provide valuable insight into what would make individuals employable. Furthermore, involvement in the design of activation measures can encourage employers to support their implementation. There are different ways employer engagement can be achieved. For example, when designing skills training measures, an organisation such as a Skills Development Authority could be responsible for engaging with employers. Employer surveys are also useful tools to identify the skills needs in the labour market.

The status of vocational skills training could be raised, whilst ensuring the delivery of training matches employers' needs.

In many Member States, skills gaps and strategies are in place to raise the status of vocational skills. Efforts in this area should continue across income groupings. For example, the quality of the training available could be improved where needed. More value could also be placed on vocational skills if regulations were in place in industries requiring workers to have vocational skills training. Although activation measures are not traditionally targeted at children, in the context of skills training more information and careers guidance could be delivered in schools to encourage students to develop the skills required by employers.

Improved targeting of activation measures can increase their effectiveness for alleviating poverty.

If the aim of activation measures is to address poverty, programmes should be accessible by the poor. This may mean prioritising implementation of projects or programmes in regions with high poverty rates or targeting measures at individuals with certain characteristics that make them more at risk of poverty. In high income countries, activation measures may not be targeted at the poor because poverty is not recognised as a salient issue, meaning there does not appear to be a need for this type of targeting. Improving the availability of data on poverty rates in these countries could support an assessment on whether measures should be targeted at the poor.

### Programme sustainability can affect impact.

To ensure successful programmes can continue to provide support in the longer term, their sustainability should be taken into consideration during programme design. This recommendation is particularly applicable to low income and lower-middle income Member States, where lack of funding in particular can affect programme implementation.

### Programmes should contain an element of continuous improvement.

Factored into programme design, timely reviews of performance against targets can support the identification of unintended consequences and measures to address them. This would require the capacity to collect data to be built into programme design. The frequency of reviews would also need consideration. Reviews should not be so frequent that they draw a disproportionate amount from project funding though regularity can allow for quicker identification of unintended consequences and issues.

## **Supporting infrastructure**

### **Best practice**

Improvement in the use of activation measures can also be generated by using an over arching monitoring of national activation strategies. This can support impact assessments of measures on employment and poverty levels at a national level. Monitoring of labour market information, underpinned by reliable data sources, can also identify where there is a need for activation. In Cameroon, a National Observatory for Employment and Vocational Training has been created to provide more in depth analysis of labour market statistics. Although continued training is required to build the observatory's capacity, this is being delivered with support from external organisations.

The support that external organisations can provide also highlights the value of platforms to facilitate information exchange between policy makers and practitioners, including internationally. Malaysia and Saudi Arabia, for example, have used best practice in vocational skills training and job search support from Germany and the United Kingdom respectively, to inform the development of activation programmes.

### **Cross cutting recommendations**

#### A monitoring and performance strategy, underpinned by processes for gathering data and other evidence, could improve the effectiveness of activation.

To support continuous improvement within activation programmes, and to monitor the success of national activation strategies, a monitoring and performance strategy could be implemented. This would support the identification of best practice and could monitor the use of funds, supporting strong governance and measuring the value for money of programmes. Many programmes in place in Member States do tend to be monitored. However, an over-arching strategy could support the consistency and quality of monitoring, as well as provide transparency.

#### Platforms for best practice sharing between Member States could support the design and delivery of activation measures.

The study shows that valuable lessons can be learnt between Member States. If the sharing of best practice between Member States could be facilitated, such as through an online platform, continuous learning could be encouraged. If this recommendation were to be developed further, training to policy makers and practitioners could also be delivered.



## Introduction

Based on a poverty line of US\$1.25 a day, nearly 350 million people in OIC Member States live in poverty, according to available data for the period 2003-2011.<sup>1</sup> Earned income through employment is usually necessary to avoid poverty. In this respect, activation of the poor is an important tool to move out of poverty. The success of activation in addressing poverty alleviation hinges, however, on the provision of *quality, decent* work to avoid working poverty and vulnerable employment. To ensure the possibility of employment in quality work, consideration must be given by governments to creating quality jobs, providing workers with the skills needed by employers, and supporting workers in finding employment.

Activation measures target disadvantaged individuals to one extent or another. In other words, in the last instance the aim of the activation measures is to support the people who fell into poverty as well as to protect to people against falling into poverty. Within the target group, however, there are certain individuals who require more extensive support to enter employment.

In low and lower middle income countries, where social safety net (SSN) systems are tend to be less developed, activation policies towards the poor gain more importance since the SSN systems in these countries might provide limited protection for the poor. In OIC Member States with higher income levels and low poverty rates, social safety net systems are more developed, but activation policies is still required. This is because a strong reliance on social assistance by jobseekers can disincentivise employment. To one extent or another, all activation measures target disadvantaged individuals. Activation is therefore required in Member States across income groupings.

Many OIC Member States are making a significant effort to develop their activation policies and programmes. However, there is little research available on activation policies in Member States. This study has therefore been carried out to report on labour market activation policies for the poor with the aim of making recommendations regarding best practice for OIC Member States.

In terms of activation, the study considers three tools:

- 1 Job search support
- 2 Training
- 3 Job creation

Job search support, in the context of this study, largely refers to the services provided by the public employment service (PES). This is because private job placement companies do not tend to offer the same degree of tailored support as the PES, and do not tend to target the poorest. Where applicable, private job placement companies have been referred to. However, for the most part, we have considered it more appropriate to focus on the support available from the PES.

The report is structured as follows:

- **Scope** – Setting out the key concepts and definitions of activation to provide the conceptual and policy framework for the rest of the report. The methodology used to carry out the research is also set out.
- **Overview of activation in OIC Member States** – Reporting on the use of activation in OIC Member Countries

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<sup>1</sup> COMCEC *Poverty Outlook 2014*, available at: <http://www.comcec.org/UserFiles/File/WorkingGroups/Poverty4/outlook.pdf> [accessed 10<sup>th</sup> December 2014].

Note: data for some low and middle-lower income countries is not available and so this number would be expected to rise slightly when the missing data is included.

- **Case studies** – Reporting on the research carried out on the use of activation in five OIC Member States and our recommendations for those countries
- **Next steps** – Providing a conclusion and cross cutting recommendations that could be considered by all OIC Member States

In section two, the key concepts and definitions of activation are set out, and the methodology of the research is explained. Due to activation policies and programmes being more established in high income countries, the literature on the topic (and therefore section two) tends to refer to activation in these countries. However, in section three, an overview of activation policies and programmes specifically in OIC Member States is given. This approach allows for the presentation of a wide selection of information whilst also providing the required focus on OIC countries. In section four, the findings from the case studies on five OIC Member States along with the recommendations relevant to each case study are presented. Section five concludes the report and provides suggestions for next steps, these are cross cutting recommendations for the design of activation measures that can be considered by all Member States.



## 1. Conceptual Framework and Methodology

This section sets out the conceptual and policy framework for the report, presenting descriptions of the concepts of activation, definitions of the parameters of activation policies, and an illustration of the links between employment, social and poverty reduction policies. We conclude this section by detailing the methodology and framework used for the study, based on the definitions provided and the links between policies.

### 1.1 Overview of activation

There has been a global development of SSN systems in the last century. The primary motivation for these systems is to provide income protection to citizens to reduce the impact of social risks, such as unemployment, employment injury, disability, sickness and maternity, on individual and household income. The presence of SSN systems must be considered because it is these systems which first led to the emergence of activation in high income countries such as the UK, US and countries in Northern Europe.

A number of these countries suffered economic shocks and policy errors in the 1970s and 1980s leading to increased youth and long term unemployment. This, in turn, led to high levels of welfare expenditure. To address these issues, various responses were introduced, broadly grouped together as 'activation measures'. One of the key elements of these measures was 'Active Labour Market Programmes' (ALMPs). By the late 1980s and 1990s there were marked differences in how well high income countries were dealing with high levels of unemployment and increased benefit caseloads – and the extent and nature of activation measures is thought to help explain these differences.

Studies carried out at the time found that high levels of unemployment, and persistent long-term unemployment, were more entrenched in countries where lengthy periods of unemployment benefit entitlement were combined with particular policy decisions and institutional trends. In several countries this included:

- The design and separate delivery of employment services and unemployment benefits
- The weak definition and implementation of benefit conditionality (i.e. the criteria for which an individuals could receive a benefit)
- Reforms that enabled and encouraged older workers in particular to be economically inactive and/or to take early retirement

By contrast, unemployment levels were either contained or more rapidly reduced in countries with activated benefit systems, i.e. where people were supported to be active and benefits were only paid to those actively seeking employment.

Since these studies have taken place, countries with established social safety net systems have been encouraged (by institutions such as the ILO, OECD and the World Bank) to implement activation reforms for the unemployed and to extend activation policies to employable working age people in receipt of disability and other minimum income benefits. Increasing labour market participation for working age people is regarded as an effective way to reduce poverty and social exclusion, whilst containing the costs of social protection systems. Through enhancing the employability of unemployed people and other inactive people, activation policies are intended to improve labour supply and will, where relevant, help meet the challenge of ageing populations.

Activation reforms are particularly important in the wake of the latest global financial crisis when demands on social safety net systems have increased at the very time when their financing becomes more difficult. In most countries directly impacted by the financial crisis, the first priority was to stabilise the economy and to mitigate the impacts of economic contraction on those who had lost, or were at risk of losing, their jobs.

These measures, and wider stimulus packages, limited the effects of the immediate crisis but unemployment has since increased to very high levels in several countries whilst others have experienced smaller increases. Those countries which implemented labour market activation reforms in the 1990s and 2000s, have experienced significant reductions in benefit caseloads and have been better placed to contain increases in unemployment.

The above information shows how, in countries with comprehensive social assistance, the fundamental concept of activation is almost exclusively linked to the existence and nature of social assistance payments due to the need to control welfare expenditure. It is therefore important that the conditionality attached to social assistance payments encourages individuals to seek employment, rather than to rely on social protection.

In countries with less developed social safety net programmes, the relationship between social assistance and activation is often very different. In these countries, activation measures are required to fill the gap caused by a lack of social assistance. Despite the global development of social protection systems, it is estimated that only 27% of the global population have access to adequate and comprehensive social protection. Furthermore, the 73% who are inadequately protected live in middle and low income countries. For example, only 28% of the labour force worldwide is potentially eligible for unemployment benefits and within this figure regional differences are considerable: 80% are covered in Europe; 38% in Latin America; 21% in the Middle East; 17% in the Asia and Pacific region; and 8% in Africa.<sup>2</sup>

In summary, the current view amongst global economists is that activation strategies have an important role in both mitigating the worst effects of economic shocks and providing a policy tool for promoting a more equitable labour market and increased employability in the workforce. However, these gains are dependent on activation strategies which are well-designed and responsive to changing labour market conditions.

## 1.2 Definitions of activation

The fundamental objectives of activation strategies are to:

- Encourage individuals to become more active in their efforts to find work and/or increase their income
- Help reduce or better manage barriers that diminish employability and capacity to take jobs

There are three activation tools that are the focus of this study:

- 1 Job search support
- 2 Training programmes
- 3 Job creation policies

These tools can either be delivered directly by the PES or contracted out to independent providers, which may be private or not-for-profit organisations.

The socio-economic function of each type varies according to the economic conditions of each country, as well as reflecting the social policy priorities. Their use should also reflect the stage of the economic cycle and labour market conditions. However, activation policies can often lag changes in the labour market (especially when responding to economic shocks) because of the time needed to either change the institutional processes of the PES or changing the requirements of external contractors.

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<sup>2</sup> World Social Protection Report 2014/15, International Labour Organisation, Geneva, 2014

Although each activation policy and programme performs different functions, there are primary features of activation measures which include:

**The design and reform of requirements targeted at those claiming unemployment and related working age benefits.** This encompasses the financing and coverage of working age benefits but with a particular focus on conditionality and the relative strictness of non-monetary benefit eligibility conditions concerning, for example, job search activity and definitions of ‘suitable work’. It includes detailed assessments of activation requirements including the frequency and intensity of administrative contacts with the unemployed, mandatory participation in labour market programmes, and sanction regimes.

**The role, responsibilities and incentives of the varied institutions involved in labour market policy and the ways in which employment and placement services are delivered.** Key features include the integration or co-ordination of benefit administration with the job placement function of the PES; the financial resources for service delivery and programmes; and the extent to which the organisations or levels of government that finance benefits have effective control over the local delivery of placement and benefit administration.

Some of the common reasons for variations in design between countries include:

- Structural changes in the labour market as a result of changes in sectoral composition of the workforce (e.g. employment changes associated with the increase or decline of manufacturing relative to agriculture and the service sector)
- The varying levels of female labour force participation among the countries. In some countries especially in part-time employment has been increasing.
- The development of more flexible and ‘non-regular’ employment patterns
- Other important social and demographic factors such as ageing populations, the increased participation of young people in full-time education, and changes in family formation and reduced fertility rates

Activation measures need to be appropriate for the conditions in each country and will change (sometimes rapidly) dependent on the state of the economy and the stage in the economic cycle. Key to this is the distinction between ‘demand-side deficiency’ and ‘supply-side constraints’. The former (where there is insufficient demand for labour) will emphasise the need for measures to maintain the employability of the workforce during periods of unemployment, like job creation. However, supply-side constraints occur when there is an insufficient supply of a suitably skilled and employable workforce, as such measures would emphasise training, active job search and job matching, and policies to reduce inactivity.

Consequently, there can be no single detailed definition of ‘activation strategies’ – they need to be shaped to meet the conditions in each country in order to meet the primary aims of reducing welfare dependency and improving employability.

Below we consider in more detail the role and relevant issues for each type of intervention.

### 1.2.1 Job search support

Increasing the extent and effectiveness of job search is the fundamental building block of most activation strategies. The theory is that *active* jobseekers will find work sooner than those who are not searching sufficiently or not using all possible channels to search for vacancy information. Increased job search is the most common element of the ‘mutual obligation’ that activation strategies place on claimants – in return for receiving income support and being offered a range of services, individuals must comply with a set of requirements, including demonstrating how they have looked for work.

Obligations to increase job search is to address the probability that income support measures could *reduce* job search because of the relative income levels between State welfare payments and wages received in employment. Consequently, if there are adverse work incentives this may encourage welfare dependency and undermine the objective of building economic resilience.

In fulfilling this ‘mutual obligation’ there are responsibilities for both the State and the individual. The State needs to invest sufficiently in the capacity to:

- Identify and collate vacancies
- Provide caseworker support to jobseekers
- Monitor and regulate job seeking activities by claimants

The nature of job search support, where it is offered, can be categorised as:

- **Caseworker support** – Where claimants typically have fixed interviews of a short duration and can serve a twin purpose of welfare payment administration and job search advice in some countries and systems
- **Employment and advice services** – Where claimants can access (or required to access) information on vacancies and other opportunities either through caseworkers or on-line terminals
- **Intensive job search support** – Where people are given help to ‘present’ themselves more effectively in the labour market, for example, through developing their CVs and interview skills
- **Specialist services** – Which provide job search support for people with specific disadvantages, such as disabled people

In general, in countries with developed social safety net systems and PES, the amount of job search support increases with the amount of time someone is unemployed. An initial period of ‘self-directed’ job search is common, leading to ‘directed’ job search by a caseworker and then progressing to participation on specific programmes (for example, training, temporary work, and enterprise support) for the long-term unemployed or those that are identified as having characteristics that will make moving into sustainable employment more challenging (for example poor basic skills)

Finally, there are two key factors that influence the nature and extent of job search support. First, there need to be good channels for *information* on vacancies and other opportunities. Increasing the transparency of the labour market improves the job matching process for both employers and job seekers and in enforcing job search requirements the PES needs access to the best possible vacancy information to advise jobseekers. Individual jobseekers also need to be aware of the choices they have in seeking work, undertaking training (or re-training), or pursuing other opportunities that may increase their employability.

Second, there is a direct relationship between the *capacity and capability of job search support* services and the extent of activation that can be required of welfare recipients. The establishment of mutual responsibilities requires an investment in the administrative capacity to monitor and enforce compliance. Support services need to maintain a high level of repute and legitimacy with users, because if they do not then the costs of enforcement administration can increase. In general, the extent of activation needs to be commensurate with the amount a country is prepared to invest in high quality job search services.

### 1.2.2 Training programmes

These will include various forms of delivery to help the unemployed to improve their skill levels and qualifications and hence increase their employability. The delivery of training programmes is either

work-based, classroom based, or self-directed learning. Within the context of activations strategies, skills training is usually provided free of charge and focused on improving employability. However, the majority of training (to all citizens) is delivered within the wider context of a country's education and workforce development policies. Consequently, there can be a tension between 'work first' (the emphasis of activation strategies) and 'human capital' (education and skills enhancement) policies.

In this study, we concentrate solely on what role training can play in activation and increasing employability has been concentrated on, although the important contribution that training can make to a low income country which has a low skill base is recognised.

The degree of emphasis on training in activation strategies often changes with the economic cycle. In economic downturns, when there are low numbers of vacancies, the focus of activation tends to switch to training. This has the advantages of:

- Maintaining participation in activity by jobseekers
- Re-skilling unemployed workers where their skills may be out-of-date
- Up skilling, especially young people, for the new jobs and industries that are forecast to grow with an upturn in the economy

In buoyant labour markets, activation strategies place more emphasis on job search, but training can still have an important role in improving employability. In upturns, greater attention is given to:

- Identifying and helping those that require literacy and numeracy
- Helping those with no academic qualifications to attain a qualification that will assist them in the labour market
- Vocational qualifications geared to the needs of industrial sectors, especially those that are growing

A recent international review<sup>3</sup> of training programmes for the unemployed that have been rigorously evaluated found that:

- Training has a positive impact on participants' employment or earnings in more than half the evaluations reviewed
- Short programmes (below six months, and probably below four months) are optimal for less formal training activity. Longer programmes generate employment gains when the content is skill-intensive
- On the job training programmes outperform classroom-based training programmes
- Employer co-design and activities that closely mirror actual jobs appear to be key design elements
- The state of the economy is not a major factor in the performance of training programmes; programme design features appear to be more important than macroeconomic factors

The broad recommendations and findings of the review to policy-makers were:

- Involve employers in the design of the training programme and providing on-the-job training
- The longer the length of a training programme, the greater the need for extra support to participants to counteract the 'lock-in' effects of being taken away from job search
- Extending shorter length training programmes to a wider group of recipients is likely to produce a better success rate than providing longer training to a smaller group

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<sup>3</sup> 'Review of Employment and Training', the What Works Centre for Local Economic Growth, London, 2014

### 1.2.3 Job Creation

Job creation strategies focus on the creation of temporary jobs that are only open to unemployed people. This review also considers job creation to include demand-side interventions, which are aimed at employers to increase the number of jobs they create and the promotion of self-employment and new enterprise formation.

The broad categories within 'job creation' for activation strategies are:

- **Temporary waged jobs** – Where the jobs are mostly created within public works planned and delivered by government
- **Employment subsidies** – That incentivise the private sector to recruit the unemployed
- **'Intermediate Labour Markets' (ILMs)** – Where unemployed people are required to take temporary waged jobs that deliver goods or services of public value and are often organised by non-profit organisations
- **Workfare** – That requires welfare recipients to work unwaged in projects of community benefit in return for their income support
- **Enterprise support** – Where welfare recipients receive active support to establish their own business

Temporary job programmes are mostly used during economic downturns to maintain labour market attachment for the long-term unemployed in times of job shortages. However, these programmes can also 'lock in' participants and discourage active and ongoing job search. Good practice suggests that job search support should be included in these programmes to maximise the number of people securing unsubsidised employment at the end of their temporary job.

Employment subsidies are often criticised for subsidising employers when they would have recruited anyway. However, if used in a highly targeted way they can change the recruitment behaviour of employers so that more disadvantaged people are recruited.

Mandatory workfare programs are seen as 'hard' programmes in the requirements they place on participants, however the effect may discourage welfare dependency. Workfare is often introduced in downturns where there has been a policy decision to not support temporary waged jobs (either because of cost considerations or social policy preferences). However, some programmes are maintained across the economic cycle but targeting the most vulnerable. There is some evidence that the threat of workfare can influence the exit probabilities from claiming welfare.

## 1.3 Links between employment, social and poverty reduction policies

Employment, and therefore activation, is seen as key in reducing poverty because earnings from paid work typically make up the largest source of income for households.<sup>4</sup> This is particularly true in OIC Member States as many of these countries do not offer effective SSN benefits to the unemployed. However, assessing the impact of activation on poverty alleviation hinges not only on whether it increases employment amongst the poor, but also whether employment reduces poverty. Impact assessments of activation do indicate a link between employment and poverty alleviation. The activation tools reported as being most effective include wage supplements and minimum wages.<sup>5</sup>

This section reviews some of the different ways in which unemployment and other working age benefit entitlements exercise an indirect influence on poverty by leading to a strong influence on labour market outcomes. The nature of the relationship between benefit entitlements and activation

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<sup>4</sup> Ray, K. et al (2014) *Employment, Pay and Poverty: evidence and policy review*, The Work Foundation

<sup>5</sup> Ibid

measures means that most of the issues discussed in this section will mostly be relevant for high income countries (depending on the extent of social safety net systems in middle and low income countries). However, for countries without comprehensive social protection systems, the issues discussed can nonetheless inform the development of systems in the future.

### 1.3.1 Direct interventions in the unemployment spell

The use of direct referrals of clients to vacancies by the PES is considered a useful tool in that it can assist employers by speeding up the matching process, bring jobseekers that use inefficient job search strategies into contact with vacant jobs and serve as a work-test.<sup>6</sup> Referral to more intensive labour market programmes also may act as a quasi-work test and assist participants in improving their employability and other skills. In most countries, benefit recipients are liable to sanctions if they fail to comply with a referral to an ALMP by the PES.

Mandatory referrals could be made to short job search assistance courses or to longer term work experience or skills programmes. The risk with longer duration programmes can be that the advantages of participation may be reduced by a 'lock in' effect as job search may cease or diminish. Any lock in effect may also be offset by improvements in the subsequent employment and earnings of programme participants especially in the case of vocational training where course completion is required to achieve the particular skills and certification.

Activation requirements are often qualified by benefit regulations which, for example, typically allow new claimants with skills and employment experience to limit the jobs they were expected to consider. However, as unemployment durations increase, jobseekers are, at varying points according to country, expected to consider other or all available jobs.

Other regulations allow claimants to limit the hours, conditions and locations in which they were expected to take employment. The flexibility of these regulations has been amended in those countries where parents with child care responsibilities or claimants with reduced work capacity have been transferred to unemployment benefits. Other regulations allow for temporary or partial exemptions from activation requirements if claimants work part-time or when there was 'good cause', such as short-term sickness or participation in activities such as voluntary work experience.

Such changes are necessary to enable activation requirements to be extended to wider groups of beneficiaries who have constraints on their availability or more limited work capacity. However, the changes increase the diversity of unemployment caseloads.

A further feature of interventions in the unemployment spell concerns the sanction regime that underpins them. Varying penalties can be incurred if those subject to job search requirements fail to seek work, attend appointments or employment programmes, reject job offers or otherwise make themselves voluntarily unemployed. Sanctions often are of fixed duration. However, where they are designed to ensure compliance with activation requirements, they often escalate in severity but may be suspended or withdrawn if the individual re-engages with the service and/or undertakes specified actions.

When employment related sanctions are imposed there are often safeguards. This may be because formal rules are designed to stop family incomes falling below a given subsistence level or specific rules are designed to ameliorate the impact of any sanction on children in families or on otherwise vulnerable clients.

One final development concerns the changes to work-related requirements that fall short of immediate job search and work availability requirements. These 'intermediate' requirements reflect the circumstances of claimants with reduced work capacity, such as people with disabilities or

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<sup>6</sup> OECD, OECD Employment Outlook 2013, available at <http://www.oecd.org/els/employmentoutlook-previouseditions.htm> [accessed 6th January 2015].

health problems. These lighter requirements have enabled policy makers in some countries to negotiate the political opposition that is likely to be experienced when extending activation requirements to more vulnerable groups.

Studies of the influences of public employment office characteristics and counsellor strategies on the reintegration of jobseekers have found positive correlations of job-finding probabilities with:

- Good staff relations to employers, particularly in terms of knowledge of employer needs, careful use of direct referrals, rapid reaction to vacancies, and careful pre-selection
- The extent of co-operation with private placement agencies
- ‘Tough’ rather than more co-operative attitudes of case workers to their clients
- The use of ‘work-first’ strategies, i.e. priority of placement over training measures
- The organisational separation of counselling and sanctions

Studies on success factors responsible for rapid and sustained jobseeker integration have identified four key success factors:

- 1 Early activation when jobseekers register, with a rapid start of the reintegration process and strong guidance by competent case workers
- 2 Personal contacts with employers by all job counsellors
- 3 Recruitment of motivated and highly trained personnel
- 4 Good staff/client ratios

### **1.3.2 Impacts of activation**

Despite the varying nature of activation strategies, the evidence suggests that, overall, if well designed, activation strategies have the potential to have the following positive effects:

- Increase the labour supply of economic active people
- Improve the employability of the workforce through maintaining their connection with the labour market and increasing skill levels
- Reduce the flow of unemployed people into long-term unemployment
- Increase the extent of job search within the economy leading to better job matches
- Reduce the fiscal cost of welfare benefits

Several studies have assessed the delivery of activation strategies through analysing the design, sequencing and intensity of administrative interventions by the PES during a period of unemployment.<sup>7</sup> When well designed and implemented, such interventions have been found to increase the rate at which jobseekers enter employment or otherwise cease claiming benefits.

Well-designed interventions often are associated with ‘work first’ approaches and typically include an emphasis on a speedy return to work for the unemployed from the very first contact, with the agreement of an individual action or ‘back to work’ plan. This should be followed by regular

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<sup>7</sup> For an overview of these studies and references, see: ‘Activation and employment support policies in OECD countries. An overview of current approaches.’ Herwig Immervoll and Stefano Scarpetta, IZA Journal of Labor Policy, 2012



monitoring, either by the PES or another agency, seeking information on job search activities and confirmation of unemployment status.

Regular face-to-face contact with an employment counsellor, personal adviser or case manager is an important determinant of system effectiveness. Such staff can check on job search, refer to vacancies, raise awareness of job search techniques, improve motivation and self-confidence and, where necessary, refer a claimant to a 'menu' of support, from short focused interventions, through to mandatory participation in longer duration skills or employment programmes.

However, there are some potentially negative impacts of activation measures if strategies are either poorly designed or implemented:

- Increased flows to 'inactive' benefits (where they exist)
- Deterrence of unemployed people from support because of excessively strict conditions
- Detachment of long-term unemployed people from job seeking because of programme design
- Poor return on investment because of low labour market impacts

The impact that activation strategies have will be shaped by the interactions between different aspects of the strategies. Several studies have shown how unemployment and welfare caseloads have been shaped (and in large part explained for some groups of people) by interactions between:

- Benefit entitlements
- Activation requirements
- Administrative structures
- Labour market institutions

Immervoll and Scarpetta<sup>8</sup>, for example, argue that 'an effective policy strategy rests on a finely tuned balance between income support, work incentives, as well as mutual obligations and active labour market programmes.' Their review highlighted some important dimensions of activation strategies:

- Financial work incentives
- Eligibility criteria and obligations of job seekers

Their main contention is that the effectiveness of activation strategies relies on how these different dimensions interact. As such, strategies need to be seen as a 'package of policy tools' which, if well designed, can have a demonstrable impact on the employment outcomes. This impact can be strengthened if the individual policies are part of a coherent strategy and can be tailored as close as possible to the needs of different beneficiaries. However, an important caveat is that activation strategies can require significant resources and a well-resourced PES that can co-ordinate effectively with other relevant services (such as health, education and social services).

Although activation strategies are targeted at the poor and the people at risk of poverty to one extent or another, there are some important distinctions that are made between different groups of people. This is because within the target group, some individuals will have characteristics which mean they may be considered more vulnerable and require more support to move into employment. These characteristics may lead to different activation measures being used to support individuals within the broader target group of disadvantaged people. Characteristics which may lead to different forms of support include:

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<sup>8</sup> Herwig Immervoll and Stefano Scarpetta, 'Activation and employment support policies in OECD countries. An overview of current approaches', IZA Journal of Labour Policy, 2012

**Disabilities and health conditions:** The OECD has identified a combination of ‘push’ and ‘pull’ factors that contribute to increases in the number of people claiming disability and health-related benefits in countries with stricter jobseeker activation regimes.

‘Push factors’ include the relative laxity of medical and eligibility tests, the strictness of the activation regime for the unemployed, and at certain points ‘cost shunting’ as employers, the PES and other agencies encourage groups such as older unemployed unskilled manual workers to claim disability benefits. ‘Pull factors’ include the relative generosity of invalidity and disability benefits compared with those paid to the unemployed. Other factors have also come into play, especially the increase in the number of people reporting qualifying mental health conditions and new patterns and types of work incapacity associated with changes in employment.

**Older workers:** The importance of the design and implementation of activation policies is also evident in the deterioration and subsequent improvement in the employment rates for older workers. In several countries, there has been a sharp movement away from policies that sought to reduce unemployment by encouraging and facilitating early retirement. Subsequent findings show that increases in the employment rates of 60-64 year-old males correspond closely to restrictions on benefits for this age group, including, for example, the abolition of early retirement benefits, the removal of extensions of unemployment benefit durations for older workers, and the reintroduction of job search obligations for older workers on unemployment benefits.

**Lone parents:** The employment position of lone parents can be shaped by their treatment within the benefit system. For example, where lone parents are expected to care for their children full time and are not required to seek employment until their youngest child leaves school or full time education, the employment rates can be exceptionally low in comparative terms. These low employment rates are associated with entitlement to income-replacement benefits that do not impose a related ‘work test’.

This unconditional benefit entitlement is further compounded by benefit disincentives, the high cost and restricted availability of childcare services, and poor maternal and parental leave provision.

#### **1.4 Delivering activation: institutions and employment services**

Institutional context and the design and organisation of employment service delivery systems are important factors in determining the relative effectiveness of activation strategies. One of the central themes of major reform efforts has been how to reduce institutional fragmentation and draw together delivery agencies so that they cooperate and work to common objectives. In some countries, service delivery reforms have been designed to facilitate such an objective through the introduction of what have variously been described as ‘one stop’, ‘one counter’ or ‘single gateways’ to benefits and employment services.

Another theme concerns performance management and improving the organisational efficiency and effectiveness of the PES, as well as the delivery and content of the programmes to which it may refer clients.

There have been many alterations to service delivery models reflecting the need for the PES to adapt to changes in employment opportunities and unemployment rates, in ICT and the internet, and in how people get and change jobs. These developments have been paralleled by changes made in PES management and incentive systems. There are four regularly monitored primary indicators of PES performance:

- 1 Speed of reintegration of the unemployed into the labour market, as measured by the average duration of unemployment benefit entitlement per unemployed
- 2 Prevention of long-term unemployment as measured by the share of those remaining unemployed among those who were registered as unemployment benefit recipients 13 months previously

- 3 Prevention of benefit exhaustion as measured by the share of unemployed no longer entitled to unemployment benefits in the total number of unemployed
- 4 Prevention of repeated registration for benefit as measured by the share of previous unemployed who have de-registered but re-apply for unemployment benefits within four months

Another way of improving PES performance concerns how the government works with external providers from whom they may already, or could, purchase services. There are a number of reasons why ministries, the PES or other public agencies contract out employment services to external providers:

- To complement the PES and utilise specialist skills and/or additional capacity by expanding the pool of potential providers
- To enable public authorities to expand or reduce service delivery capacity without assuming the long term commitments involved in public sector employment
- To reduce delivery costs, stimulate innovation in service delivery and give access to skilled staff and services unavailable in the public sector, through the introduction of competition for contracts
- To spur improved performance in the PES, both through competitive pressure and ‘best practice’ transfer

## 1.5 General conclusions on implementing activation strategies

Whilst the net impacts specifically attributed to changes in service delivery or employment programmes may appear small, they are likely to have significant aggregate and cumulative employment and budgetary effects. Well designed and well communicated activation strategies may induce large effects. Most positively, decreases in long term unemployment and dependency in countries that introduced and sustained coherent and stricter activation policies confirm that many of those targeted can get into work with the right support and labour market conditions.

Some lessons relate to avoiding mistakes, for example, in allowing cash transfer systems to become passive. Often, the unintended impact of such policy errors can become entrenched and it may take up to a decade before effective activation reforms change expectations and reduce benefit caseloads. More positive lessons concern ways in which unemployment benefits and other cash transfers can be designed and implemented to encourage and require people who are capable of work to seek and take jobs.

Where suitable work is available, activation measures should force people to choose between the options of accepting a job offer and withdrawing from the labour market. Such an approach can increase total employment and reduce the numbers of people claiming unemployment benefit who are likely to have other options or who may already be working. There are grounds for closely monitoring possible negative impacts of stricter conditionality especially on disadvantaged and ‘hard to engage’ clients, but such consequences can be mitigated by ensuring that sanctions are proportionate and reasonable in duration and employment services and second-chance programmes are accessible for people who subsequently and genuinely make themselves available for employment again.

Where a person withdraws from unemployment benefit and labour market activity because they meet conditions for an inactive benefit, for example, due to poor health or full time caring responsibilities, entitlement to an appropriate inactive benefit should be facilitated. It is important, however, that governments closely monitor interactions between unemployment and other working age benefits. At the outset, policy makers should consider any potential impact of changed activation requirements on other working age benefits and, where possible, consider coordinating any changes deemed necessary.

The purpose of ‘activating’ benefit systems is to facilitate job search and matching, shorten unemployment durations and encourage workless people to engage in employment-focused activities. This is likely to be more effective if the users of the system perceive increased opportunities in any new approach at the same time as being made aware of their obligations and the consequences for not meeting them. This involves supplementing stricter work-related requirements and sanctions with a combination of services that include referrals to vacancies and employment assistance, help to reduce employment barriers, and, especially where out of work benefits remain relatively generous, incentives that ‘make work pay’.

Individuals living in poverty or at risk of poverty are less likely to have informal networks in place to facilitate job search. They are also likely to have fewer qualifications and resources to achieve these. Support is therefore required in the form of activation to improve the employability of disadvantaged people and increase the likelihood of them finding work. Disadvantaged individuals with particular characteristics will also need different forms of support to meet their specific needs.

Evidence on the most effective combination of work-related requirements and services is mixed. Experience suggests different approaches and sequences of support are needed for the diverse groups subject to activation requirements, from the young and long-term unemployed through to lone parents and those with health issues or only partial work capacity. Cumulative evidence also points to the effectiveness of a strong employment-focused ‘message’ delivered through well-trained case workers who assist with job search, matching and barrier reduction, and can refer to mandatory intensive employment-focused programmes. A key tool for advisers has been the development and use of individualised action plans or reintegration agreements. These should spell out responsibilities and rights and the agreed employment objective and job search steps to be taken. Such plans should be agreed early in a claim for benefits and be subject to regular monitoring and updating.

Service delivery systems are best organised when they ensure that the scarce resource of face-to-face contact time is targeted most at clients who have significant employment barriers. In several countries, the PES encourages more employable clients to use self-service channels to undertake their own job search whilst investing in a more personalised service targeted at priority groups, including the long term unemployed or those considered at risk of long term unemployment.

Reforms have included organisational mergers or co-location to create ‘single gateways’ to services that combine employment assistance with benefit administration. In several countries these developments involved changes in the location and structure of offices, in referral and attendance procedures for clients, and the development of new aids to help secure employment and other placements.

PES effectiveness has been improved through the introduction of performance based management with targets emphasising job placement, especially for harder to help groups, coupled with requirements that the PES engage with such clients. PES capacity often has been augmented through grant-financing or contracting with a wide range of other providers. Expanding the procurement of such services may enable the PES to meet the needs of a more diverse caseload entailed by more widely applied activation requirements without impacting too immediately on mainstream employment services for unemployed claimants.

Finally, systematic evaluation of the effectiveness of services and individual programmes has been an important factor contributing to the impact of activation strategies. Central governments need to consistently commission and draw on evaluation findings to design and redesign job search requirements, employment programmes and work incentives.

## **1.6 Methodology & framework for examining activation strategies**

Based on the definitions and context explained earlier in this section, we have developed a framework to assess the activations strategies reviewed in the study. The framework has been used

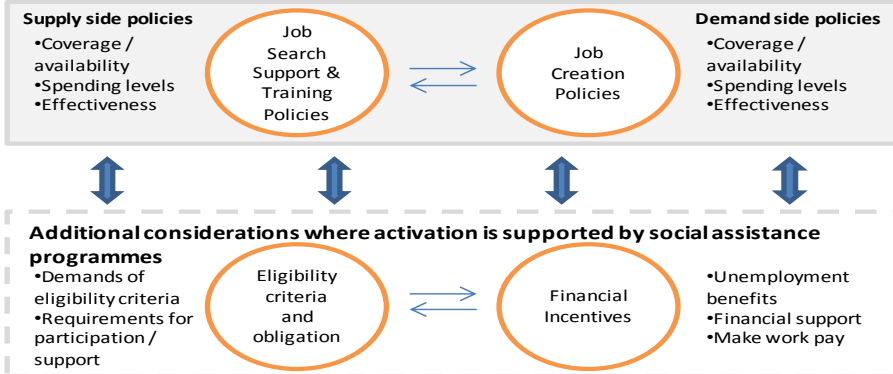

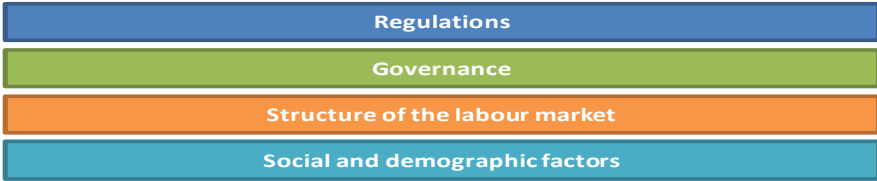
to assess each category of the main activation tools on the supply side (job search support and training) and demand side (job creation policies).

The three elements are as follows:

- 1 National policy objectives and delivery – How the programme fits with national government policy and priorities
- 2 Individual programme design & performance – How well the programme is operating
- 3 Structure, governance and regulation – How the programme is supported by the wider labour market context

Each element of the framework is explained in more detail below.

**Table2: Methodology and Framework for Examining Activation Strategies**

Element	Features
National policy objectives & delivery	 <p>The diagram illustrates the interaction between different policy areas. At the top, 'Supply side policies' (including coverage/availability, spending levels, and effectiveness) encompass 'Job Search Support &amp; Training Policies'. 'Demand side policies' (including coverage/availability, spending levels, and effectiveness) encompass 'Job Creation Policies'. These two are linked by a double-headed arrow. Below this, 'Additional considerations where activation is supported by social assistance programmes' (including eligibility criteria, requirements for participation/support, unemployment benefits, financial support, and make work pay) encompass 'Eligibility criteria and obligation' and 'Financial Incentives', also linked by a double-headed arrow. Vertical double-headed arrows connect the top and bottom sections, indicating mutual influence.</p>
Individual programme design & performance	 <p>The process flow consists of five sequential steps: Engagement, Assessment, Work Focus &amp; Training, Job broking, and In Work support. Each step is associated with specific activities:</p> <ul style="list-style-type: none"> <li><b>Engagement:</b> Monitoring, Awareness campaigns, Benefit conditionality (if relevant), Program and state government incentives.</li> <li><b>Assessment:</b> Using objective assessment of work capability to identify need and access to specialist support as required.</li> <li><b>Work Focus &amp; Training:</b> Providing support with job search and addressing barriers to entering the labour market including skills needs.</li> <li><b>Job broking:</b> Employer engagement, Creating and matching individuals to labor market opportunities, Creating opportunities includes job subsidies.</li> <li><b>In Work support:</b> Providing access to coaching and mentoring to support individuals to remain in work.</li> </ul>
Supporting infrastructure	 <p>The supporting infrastructure is represented by four stacked horizontal bars:</p> <ul style="list-style-type: none"> <li><b>Regulations</b> (top, blue bar)</li> <li><b>Governance</b> (second, green bar)</li> <li><b>Structure of the labour market</b> (third, orange bar)</li> <li><b>Social and demographic factors</b> (bottom, teal bar)</li> </ul>

Note: This classification is made by the authors of the study

Using the above framework, we have carried out our study based on the following methodology:

- **Literature review** – Building on the definitions presented in this scope, a literature review was undertaken to identify the types of activation programmes in OIC Member States. This research focused on the three key activation programmes (job search support, training and job creation) to identify different approaches and focus of the programmes among OIC Member States from

different income groupings. The literature review findings established a baseline of understanding of how activation programmes are used by Member States and the different types of activities implemented. This was important to understand how the detailed work undertaken in the case studies (see below) could be used to identify leading practice and develop recommendations for OIC Member States. The framework was used as a reference tool throughout the literature review to ensure appropriate information was captured.

- **Case studies** – Detailed case studies were undertaken for five OIC Member States distributed across OIC Member State geography and income grouping. For each case study country, the key stakeholders (government departments, NGOs and any policy commentators) were contacted to arrange meetings. Visits were held for case study countries to discuss the key programmes and policies and to gather evidence on programme design, quality and performance and to see delivery in action where possible. The research questions used on the visits were designed to ensure information on each feature of the framework could be gathered.
- **Next steps** – Common themes were identified across the case studies based on the three elements of the framework. These allowed for the development of cross cutting recommendations that would be worth consideration by all Member States looking to use activation as a tool for poverty alleviation.

## 2. Overview of Activation in the OIC Member States

This section presents an overview of the activation policies and programmes in place in OIC Member States. This section will cover:

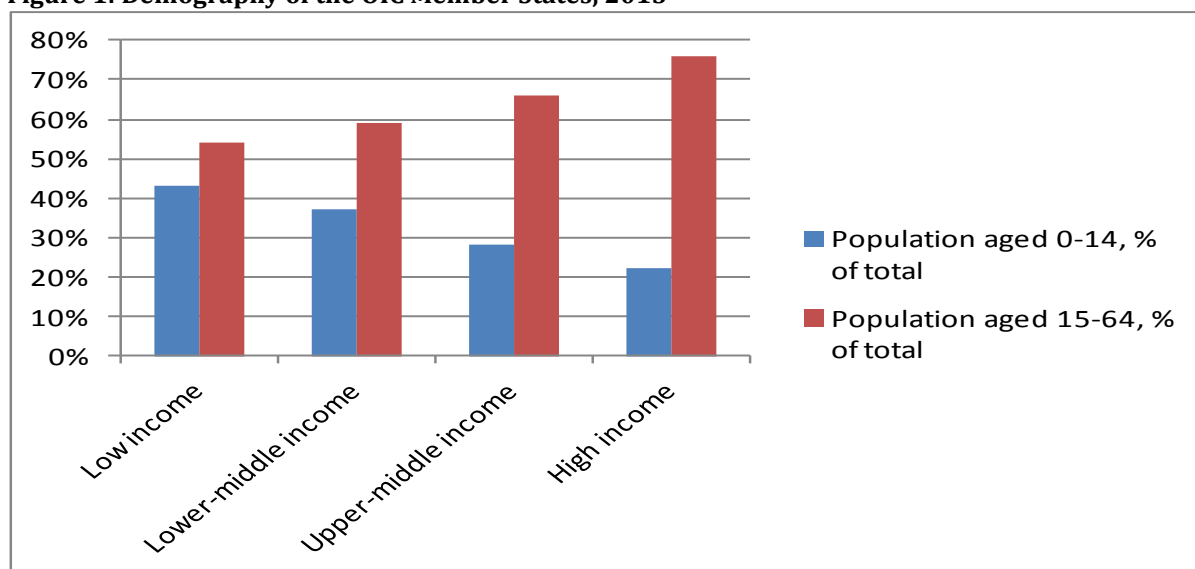
- Employment situation in OIC Member States
- Activation policies and programmes implemented

Both of these areas will be discussed according to OIC Member States' income groupings, in recognition of the varying degrees of economic development that OIC Member States are in. Details of the Member States in each income grouping can be found in Annex 1.

As explained in the Scope, the design of activation measures varies according to countries' economies and labour market conditions. Before considering the employment situation and activation measures implemented in OIC Member States, it is therefore useful to understand the Member States' demographic and economic contexts.

OIC Member States (particularly the low income countries) have young populations, as seen in Figure 1. Despite this shared characteristic, there is a significant difference between the size of high income and low income OIC Member States' young populations. Low income Member States tend to have the youngest populations, whereas high income Member States have the largest working age populations. This contrasts strongly with other countries outside the OIC, such as in Western Europe, where countries tend to have older populations. In the United Kingdom, for example, only 17.3% of the total population is aged 0-14, less than half the average size of this age group for low income OIC Member States.<sup>9</sup> Because of OIC Member States' young populations, they must ensure job creation keeps pace with the growing labour force. Several Member States' employment and growth strategies specifically address this and this is why several activation measures presented in this section specifically target the young.

**Figure 1: Demography of the OIC Member States, 2013**



Source: SESRIC, OIC

Although low income Member States tend to have the youngest populations, there are significant differences between countries. Niger, Chad and Uganda have the youngest populations, with between 48% and 50% of the populations aged under 15. In Bangladesh and the Kyrgyz Republic, on

<sup>9</sup> Index Mundi, United Kingdom Demographics Profile 2014

the other hand, over 60% of the population is aged 15-64. This means that Bangladesh and the Kyrgyz Republic have older populations than many lower-middle income Member States, such as Cameroon, Palestine, and Senegal. All upper-middle income Member States, however, have a population where over 60% is aged 15-64, with the exception of Gabon and Iraq. In each high income Member State, over 70% of the population is aged 15-64, with the exception of Saudi Arabia, where the figure stood at 68% in 2013. Qatar and the United Arab Emirates have the oldest populations, with 85.36% and 84.29% of their respective populations aged 15-64.<sup>10</sup>

Member States' income groupings naturally give an indication as to the poverty levels in those countries. However, there is also significant variation in terms of GDP per capita within income groupings. The Member States with the highest GDP per capita within an income grouping tend to have GDP per capita three to four times that of the Member State within the same income grouping with the lowest GDP per capita. Poverty rates also vary significantly within each grouping. Based on the international poverty line of US\$1.25 per day, the lower-middle income Member States of Palestine, Syria, Morocco and Egypt have a poverty headcount ratio of 2.5% (similar to many upper-middle income Member States' poverty headcount ratios of between 1% and 2%) whereas Nigeria has a poverty headcount ratio higher than 65%.<sup>11</sup> Each low income Member State, with the exception of Tajikistan and the Kyrgyz Republic, has a poverty ratio higher than 25%. However, these figures are based on the international poverty line. If national poverty thresholds are taken into account, the poverty ratio for these two countries increases to 47.2% for Tajikistan and 38% for the Kyrgyz Republic.<sup>12</sup>

The fact that national poverty lines show higher poverty headcount ratios shows that poverty remains an issue to address as countries develop economically. If economic development is to benefit all of society, inequalities must be addressed. Evidence indicates that in low and lower-middle income Member States, initial economic developments are enjoyed by wide sections of society. Depending on the development path pursued, however, it is possible for later economic growth to benefit only particular sections of society, such as the elite. Low poverty and relatively equal income distributions characterised Arab economies in the 1970s and 80s, for example. Since then, however, opinion polls have indicated that more recent economic growth has not benefited the wider population.<sup>13</sup>

As well as poverty rates and demography, unemployment rates vary considerably between OIC Member States, as shown in Figure 2.

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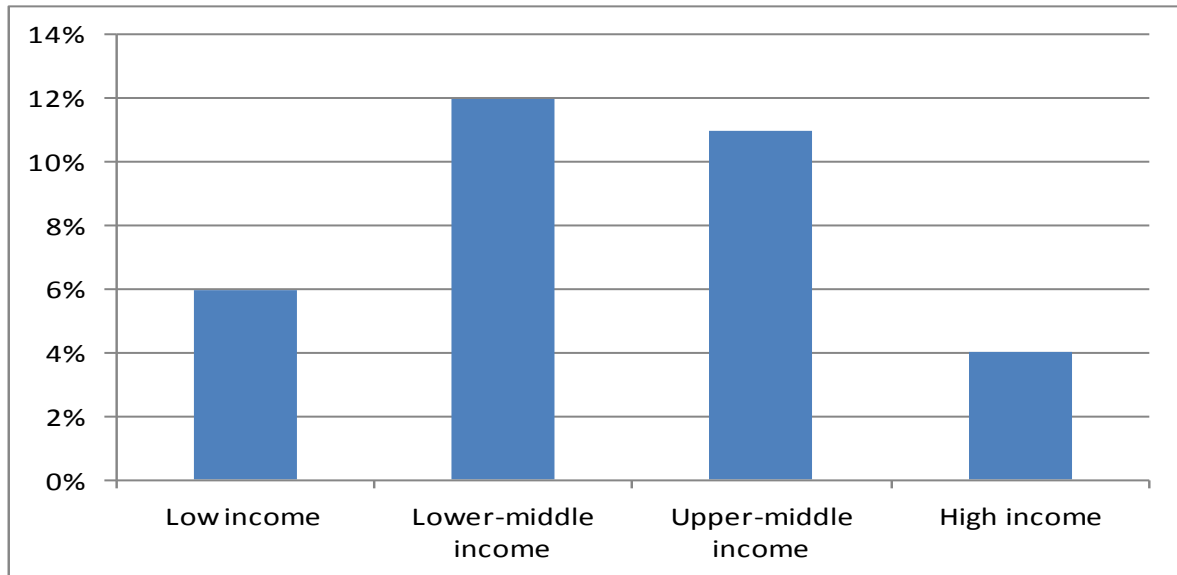
<sup>10</sup> SESRIC, BASEIND Report 2013

<sup>11</sup> COMCEC, Poverty Outlook 2014, available at: <http://www.comcec.org/UserFiles/File/WorkingGroups/Poverty4/outlook.pdf>

<sup>12</sup> World Bank Databank

<sup>13</sup> AfDB (2012)



**Figure 2: Unemployment rates in OIC Member States, 2012**

Source: SESRIC. Note: Djibouti is not included due to lack of data.

However, unemployment rates are not necessarily the best tool by which to understand the labour market. Whilst high income countries appear to have very low unemployment rates, for example, this can mask the fact that large sections of the working age population are not part of the labour force. A low unemployment rate could also mask a significant number of individuals working in the informal sector or the extent of under-employment (such as individuals only working for a few hours per week). More importantly with regards to this study, a low unemployment rate does not indicate whether employment is allowing workers to escape poverty. For example, unemployment rates do not take into account vulnerable employment, defined as own-account workers and contributing family workers. These workers are less likely to have formal arrangements in place and increases in vulnerable employment are linked to increases in poverty.<sup>14</sup>

This contrasts with the use of unemployment rates in OECD countries, where the data is typically used as an indicator of economic health. This trend can be explained in the context of the 2007 financial crisis. In comparison to countries in Europe and North America, most OIC Member States were less affected by the global financial and economic crisis (a notable exception is Malaysia which experienced significant drop in exports as a result<sup>15</sup>). Member States did experience a slowdown in their economic growth, but the unemployment rate appears to have been invariant to economic slowdown.<sup>16</sup> Member States without developed social safety net programmes in particular are less likely to have had their unemployment rate affected by the slowdown in economic growth because without the availability of social assistance, individuals cannot afford not to work.<sup>17</sup> In high income OIC Member States, where linkages with global equity and credit markets meant that they were more vulnerable, high capital reserves and other macroeconomic factors meant that they were able to limit the impact on their economies.<sup>18</sup> The weaker relationship between the two factors

<sup>14</sup> ILO (2010), Vulnerable employment and poverty on the rise, interview with ILO chief of Employment Trends Unit, Article published 26<sup>th</sup> January 2010, available at: [http://www.ilo.org/global/about-the-ilo/newsroom/features/WCMS\\_120470/lang-en/index.htm](http://www.ilo.org/global/about-the-ilo/newsroom/features/WCMS_120470/lang-en/index.htm) [accessed 7th January 2014]

<sup>15</sup> Sziraczki, G. et al (2009) *The global economic crisis: labour market impacts and policies for recovery in Asia*, ILO Asia-Pacific Working Paper Series, ILO

<sup>16</sup> Islamic Development Bank Group (2012) *Role of IsDB Group in Supporting Employment Growth in Member Countries: Past Practices and Future Approaches*, Background Paper for Circulation to the United Nations High-level Thematic Debate on the State of the World Economy: Combating Unemployment, IsDB Group Country Programs Department.

<sup>17</sup> International Labour Organization (2014) *World of Work Report 2014: Developing with Jobs*, ILO

<sup>18</sup> Al-Hamidy A. (2009) *The global financial crisis: impact on Saudi Arabia*. Department for Business, Innovation and Skills.

(compared to the relationship observed in the developed economies of European and North American economies) was also observed earlier, from 2002 to 2007, when overall economic growth in Islamic Development Bank (IsDB) Member States (43 of the OIC's 56 Member States are members of the IsDB) averaged 6% per annum. Despite the strong economic growth, the strongest sustained growth in 25 years, the unemployment rate did not particularly improve.<sup>19</sup> This invariance is partly explained by the first trend discussed in section 3.1.: jobless growth.

## 2.1 Employment Situation in the OIC Member States

This section explores the employment situation that can be observed across OIC Member States in terms of improving the employment situation for the poor and those at risk of poverty. As labour markets are affected by the level of a country's economic development, as well as other factors such as political stability and external economic influence, not all Member States will be affected by the same challenges. Details are therefore included as to which regions, income groupings or particular countries are affected. The table below summarises the trends relating to the employment situation that are discussed.

**Table 3: Trends Relating to the Employment Situation**

Trend	Description	Countries affected
<b>Demand side policies</b>		
Jobless growth	The expansion of sectors linked to economic growth creates relatively fewer jobs than sectors associated with low growth. This means that despite economic growth, jobs are not created.	Low and lower-middle income countries
Providing quality jobs	Poor quality jobs are linked to working poverty and vulnerable employment. This means that if quality jobs are unavailable, employment is unlikely to alleviate poverty.	Low and lower-middle income countries; lower-middle and upper-middle income countries in terms of providing quality jobs to young workers
Youth unemployment	Of Member States' unemployment rates, these tend to be particularly high for young people.	Most OIC Member States are affected by this
<b>Supply side policies</b>		
Skills mismatch	Many young graduates do not have the skills sought by private sector employers, causing youth unemployment and constraining private sector development.	Lower-middle and Upper-middle income countries in North Africa
Increasing employment in the private sector	Viewing the public sector as the main source of employment means workers are reluctant to seek work in the private sector (or, as mentioned above, they may struggle to find work in this sector due to skills mismatch).	Lower-middle and Upper-middle income countries in North Africa; high income countries in the Middle East

Note: This classification is made by the authors of the study

### 2.1.1 Trends in labour demand

#### Jobless growth

Jobless growth is one of the deep-rooted causes of persistent unemployment in the low and lower-middle income countries of the OIC and is, almost paradoxically, linked to economic growth. Although economic growth is associated with development, the industrialisation and expansion of the service sectors, which take place as development progresses, produce relatively fewer jobs. As output growth increases, employment does not (or increases are not as large as those in output growth). This is known as jobless growth.<sup>20</sup> This is contradictory to OECD countries, where economic growth has been found to impact positively on employment. If the same relationship is to be established in low income OIC Member States, complementary policies are required.<sup>21</sup> OECD countries have a long-term employment elasticity of 0.46, meaning that for every percentage point increase in GDP, total employment grows by approximately 0.46 percentage points. Low income economies, however, have been found to have a long-term employment elasticity of 0.02.<sup>22</sup>

According to the Islamic Development Bank, jobless growth in developing countries is due to structural unemployment. This means that factor prices (labour and capital) are influenced by economic developments leading to the favouring of capital intensive production techniques. At the same time, the economy cannot absorb the surplus labour supply.<sup>23</sup> This typically occurs when the agricultural sector shrinks and other sectors cannot absorb the labour supply from former agricultural workers.

Measures to address jobless growth include structural policies to increase labour and product market flexibility and reduce government size, and macroeconomic policies aimed at improving stability.<sup>24</sup> Regionally, East Asia has been most successful at absorbing former agricultural workers into the industrial and services sectors. However, in other regions, jobless growth has led to increases in vulnerable employment and working poor. Skills development is needed to ensure that workers can enter the formal services and industrial sectors.<sup>25</sup>

Malaysia is an example of an upper-middle income country which, as the industry and service sectors expanded, was able to absorb surplus labour from the agricultural sector. Other OIC Member States with a large agricultural sector, such as Member States in Sub-Saharan Africa, are currently challenged with addressing jobless growth as their agricultural sectors shrink and their service and industry sectors expand.

The challenge of addressing jobless growth is strengthened by the fact that many OIC Member States have young populations with a growing number of citizens of working age. New jobs are therefore needed not only to absorb surplus labour caused by the adoption of capital intensive production techniques, but also to absorb the growth in the labour force caused by growing populations. This is why job creation is a key tool for governments seeking to establish activation programmes and why it is one of the key factors included in our proposed framework for considering activation strategies, as set out in the scope.

As mentioned, in OIC Member States that do not offer developed social safety net programmes, people cannot afford not to work. In these countries, therefore, employment growth tends to be driven by labour force growth rather than demand<sup>26</sup> with many workers taking up positions in the informal or agricultural sectors. This supports the view that reviewing unemployment rates is not

<sup>20</sup> IsDB Group (2012)

<sup>21</sup> Basnett Y. & Sen R. (2013) *What do empirical studies say about economic growth and job creation in developing countries?* Overseas Development Institute

<sup>22</sup> Ibid

<sup>23</sup> IsDB Group (2012)

<sup>24</sup> Crivelli E. et al (2012) *Can policies affect employment intensity of growth? A cross-country analysis.* IMF Working Paper, IM

<sup>25</sup> IsDB Group (2012)

<sup>26</sup> ILO (2014)

enough to determine the success of activation policies and programmes as tools of poverty alleviation or the state of the labour market. The quality of jobs must also be taken into account.

### Providing quality jobs

Poor quality jobs are associated with working poverty (i.e. despite employment, workers remain poor) and vulnerable employment.<sup>27</sup> Where jobs do not pay high enough wages, or are concentrated in the informal sector, for example, employment is unlikely to support people in moving out of poverty. Conversely, quality jobs are associated with alleviating poverty for workers and at the country level. Countries that have invested the most in quality jobs in the early 2000s have grown almost one percentage point faster in terms of economic growth every year since 2007, compared to other emerging economies.<sup>28</sup>

Poor quality jobs are particularly problematic in low income and lower-middle income OIC Member States in Asia and Africa. These countries are still transitioning from having large agricultural sectors. Where jobs in agriculture cannot be preserved until enough quality jobs are available in more modern sectors, workers tend to find work in trade, transport and construction. These sectors are often associated with vulnerable employment and the informal economy.<sup>29</sup> As with vulnerable employment, workers in the informal economy are at risk of poverty because they do not tend to be covered by social safety net systems. Large informal economies also lead to difficulties in gathering an accurate picture of Member States' labour markets.

North African countries, which are in the lower-middle and upper-middle income categories of OIC Member States, are notable because of the particular challenge they face in providing quality jobs for young people. Youth unemployment has become a problem since 1980, as economic growth has slowed, employment elasticity of growth has shrunk and the young population has expanded.<sup>30</sup> The recent political developments have also heavily affected the region's economic development.<sup>31</sup> OIC Member States in the North African region stand out from other OIC Member States because the challenge they face in creating quality jobs is in terms of employment for young people, but particularly the well-educated young. In Tunisia and Egypt, for example, young graduates have either accepted longer waiting periods or entered informal self-employment.<sup>32</sup> Reports on youth unemployment in North Africa have highlighted that the trend can be attributed to graduates lacking the skills sought by employers, as well as perception that employment in the public sector is preferable to the private sector. These issues are therefore considered later in this study. The challenge of youth unemployment also needs to be considered by low income OIC Member States as their economies develop. As their younger population becomes better educated than ever before, they too face the challenge of providing suitable jobs for the educated young.

The ILO has recommended using different tools to measure progress in improving the quality of jobs. This includes using measures such as working poverty rates, the share of informal employment in total employment and low pay rates. The ILO has also developed Decent Work Country Programmes (DWCPs) in 26 OIC Member States to support the development of quality jobs as part of national development strategies.<sup>33</sup>

Other factors relating to quality of work, and which require consideration by OIC Member States to ensure the quality of available jobs, include:

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<sup>27</sup> ILO (2010) *Vulnerable employment and poverty on the rise*, interview with ILO chief of Employment Trends Unit, Global Employment Trends, ILO

<sup>28</sup> Ibid

<sup>29</sup> Asian Development Bank (2014) *ASEAN Community 2014: Managing integration for better jobs and shared prosperity*, ADB ILO (2014)

<sup>30</sup> African Development Bank (2012) *Jobs, Justice and the Arab Spring: inclusive growth in North Africa*, AfDB

<sup>31</sup> AfDB, OECD, UNDP (2014) *African Economic Outlook 2014: global value chains and Africa's industrialisation*, AfDB, OECD, UNDP

<sup>32</sup> AfDB (2012)

<sup>33</sup> ILO, available at: <http://www.ilo.org/global/topics/decent-work/lang--it/index.htm> [accessed 20th November 2014].

- Setting minimum wages: a minimum wage protects workers at the bottom of the wage distribution structure. It also addresses rises in inequality and the risk of working poverty (which would prevent activation being successful or poverty alleviation). Most countries have some form of minimum wage but in OIC Member States this is sometimes restricted to public sector workers (such as in Afghanistan).<sup>34</sup>
- Maternity protection: if employers bear the cost of maternity leave, female workers can be disadvantaged compared to male workers. This is because employers could consider female workers to create additional costs.<sup>35</sup> Where employers do not offer any kind of protection to female workers, women are further disadvantaged. Countries such as Jordan are therefore introducing reforms to offer maternity insurance through social security.<sup>36</sup> Low income countries, such as Bangladesh, also offer protection although this is targeted at the poor.<sup>37</sup>
- Employment protection for fixed term workers: increasing legal protection for workers is another tool to develop quality employment. Several countries are developing their protection for fixed term workers, such as Gabon and Morocco which have introduced a statutory definition of a fixed term contract. Niger has also introduced limitations to renewals of fixed term contracts but has increased their maximum duration.<sup>38</sup>

### Youth unemployment

Most countries around the world are challenged with rates of youth unemployment that exceed overall unemployment rates. Member States in each income grouping are affected by this trend but Member States in the Middle East and North Africa (MENA) are particularly affected. Youth unemployment is also distinguishable in the MENA region because youth unemployment spells tend to be longer than in other regions around the world.<sup>39</sup>

As mentioned above, it is the educated young in the MENA region in particular who face difficulties finding quality employment. University graduates in Egypt have the highest rates of unemployment among young men. In Tunisia, over 30% of young workers were estimated to be unemployed in 2008; in 2007, university graduates were estimated to have an unemployment rate of 40%.<sup>40</sup>

Some of the reasons identified by the ILO for high youth unemployment in the MENA region, which would also apply to other Member States, particularly in Sub-Saharan Africa are:

- Large young populations are increasing labour force growth
- Skills mismatch affects young people's employability
- Large public sectors mean this sector is often viewed as the principle employer, leading to labour market distortions

#### 2.1.2 Trends in labour supply

##### Skills mismatch

Skills mismatch refers to the situation in which skills held by workers are not those required by employers. Skills mismatch is a significant problem in the labour market especially in North Africa. As discussed above, one of the causes attributed to high youth unemployment in North Africa is the

<sup>34</sup> ILO (2014)

<sup>35</sup> ILO, *Protect the future: maternity, paternity and work*, Bureau for Gender Equality, ILO

<sup>36</sup> ILO (2013) Jordan Maternity Benefits. Available at: <http://www.socialsecurityextension.org/gimi/gess/ShowTheme.action;jsessionid=1c41175dd77dcd34403a7a4d2e51dfad7db3e1a3055ad72a8bdba2d623ac7d97.e3aTbhULbNmSe34MchaRah8Tchr0?th.themeld=3525>

<sup>37</sup> ILO website, available at: [http://www.ilo.org/dyn/ilossi/ssimain.viewScheme?p\\_lang=en&p\\_scheme\\_id=3172&p\\_geoaid=50](http://www.ilo.org/dyn/ilossi/ssimain.viewScheme?p_lang=en&p_scheme_id=3172&p_geoaid=50)

<sup>38</sup> ILO (2014)

<sup>39</sup> ILO (2012) Youth Unemployment in the MENA region: Determinants and Challenges. Available at: <https://www.imf.org/external/np/vc/2012/061312.htm>

<sup>40</sup> AfDB (2012)

mismatch between the skills held by young graduates and those sought by private sector employers. In North Africa, the public sector is the main employer for university educated workers. The principle eligibility criterion for employment in the civil service is a university degree, rather than the content of that degree. This means universities face less pressure to teach the skills sought by employers. Degrees emphasise rote learning and fail to include adequate training in numerical skills, abstract reasoning or science.<sup>41</sup> Poor standards of education have also trickled down to the secondary level. For example, in Tunisia, despite a high participation rate in secondary education (99.4% for 15 year olds), the country ranked 60<sup>th</sup> out of 65 in the OECD's Program for International Student Assessment (PISA) in terms of student performance in maths.<sup>42</sup>

Youth unemployment rates in North Africa are lower among less educated young workers. Whilst it can be assumed that better educated workers are at less risk of poverty, skills mismatch nonetheless needs to be addressed if activation is to be successful in alleviating poverty. Less educated young workers are less able to rely on their family to support them financially whilst they search for work, and are therefore more willing to accept informal employment (Egyptian workers aged between 20 and 24 have reported spending 34 months searching for work)<sup>43</sup>. This implies that skills mismatch could extend beyond young graduates but is less visible due to the pressures of earning an income.

Skills mismatch is also prominent in OIC Member States in Sub-Saharan Africa and in the high income Member States in the Middle East. In low income and lower-middle income Member States in Sub-Saharan Africa, there are two prominent reasons for the mismatch. Firstly, the quality of education is often poor. This means that even when students are taught subjects which do offer employment opportunities, the training does not equip students with the knowledge they need for the workplace. This is particularly relevant to low income Member States, where vocational training institutions do not have the funds to invest in the modern equipment young people are likely to use in the workplace. The second reason for the mismatch is the negative attitude many young people, and their parents, have towards vocational skills training compared to academic subjects. This means that many young people are discouraged from pursuing skills training even if these skills are likely to make them more employable.

In high income Member States in the Middle East, many young people are highly educated. Oman, for example, has a tertiary education enrolment ratio of 28%.<sup>44</sup> However, students are choosing to pursue tertiary education in subjects not in demand by private sector employers. 71% of students in countries of the Gulf Cooperation Council pursue degrees in the humanities.<sup>45</sup> Part of the reason why students are not pursuing studies in the areas required by private sector employers is the overwhelming preference that individuals have to work in the public sector.

### **Increasing employment in the private sector**

As mentioned above, there is a tendency for the public in North Africa to view the public sector as the primary source of employment. This trend is also found in high income OIC Member States in the Middle East, such as Saudi Arabia.

In the Maghreb, new private sector businesses have struggled to establish themselves due to the regulatory environment which makes it difficult for new businesses to enter the market.<sup>46</sup> This environment promotes the view that the public sector is the main source of employment and that a civil service job is a symbol of success. Not only does the environment constrain new businesses

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<sup>41</sup> ILO (2014)

<sup>42</sup> OECD (2012) Education GPS

<sup>43</sup> AfDB (2012)

<sup>44</sup> World Bank data, 2011, available at: <http://data.worldbank.org/indicator/SE.TER.ENRR> Note: the ratio refers to total enrolment in tertiary education, regardless of age, expressed as a percentage of the total population of the five year age group following on from secondary school leaving.

<sup>45</sup> Vazquez Alvarez, R. (2012) *Labor markets and informality in GCC countries – current labor policy and future changes*. Presentation in London, 28 February 2012.

<sup>46</sup> AfDB (2012)

from establishing themselves and creating jobs, thereby attracting workers, but workers who may want to set up their businesses struggle to do so. This is particularly true for young would be entrepreneurs as they tend to have fewer connections and be less valued as financial clients in order to access capital.<sup>47</sup> In response to this challenge, organisations across North Africa have begun promoting entrepreneurship and particularly youth entrepreneurship, such as Education for Employment, Maghreb Enterprise Development Initiative, and ATUPEE.

Whereas the key issue highlighted in the literature for the unattractiveness of the private sector in North Africa, i.e. lower-middle and upper-middle income OIC Member States, relates to the regulatory environment constraining the jobs available, in high income OIC Member States, the issue is the unattractiveness of the private sector compared to the public sector. The trend of needing to promote private sector employment therefore spans both the supply and demand sides of labour market policies. In Qatar, for example, public sector workers can expect to earn considerably more than private sector workers. According to the 2009 Qatar Labor Force Survey, average monthly wages for workers in the civil service were US\$4,018 compared to just US\$1,481 for workers in the private sector.<sup>48</sup> Foreign workers outnumber Qatari workers heavily. The most recent Qatar Labor Force survey shows that there are 1.5million Non-Qatari workers in the gulf state, compared to less than 100,000 Qatari workers.<sup>49</sup> The large number of foreign workers, and Qataris' preference to work in the public sector means that the private sector is dominated by Non-Qatari workers.

In lower-middle and low income Member States, governments are also pursuing policies to contribute to private sector employment. This is because these Member States tend to have the youngest populations and therefore need the availability of jobs to keep up with population growth. The promotion of entrepreneurship is a job creation activation tool being pursued by several countries and will be reviewed in more detail in our case studies.

This section has aimed to provide a broad overview of some of the key challenges faced by OIC Member States and the trends that can be observed in alleviating poverty through employment. This is not an exhaustive list. Limited infrastructure, lack of care for dependants, and health issues are just some of the other challenges OIC Member States will face in developing activation policies and programmes. Specific challenges will also arise if activation is targeted at supporting certain members of the population, such as people with disabilities. It is clear from the trends discussed above that they are interlinked. Therefore, in order to alleviate poverty through the use of activation, policies and programmes cannot be based on a quick fix solution that does not address the complexity of the labour market and economies in OIC Member States. This is explained further in the following two sections.

## 2.2 Activation policies and programmes implemented

As previously set out, three key activation tools are under consideration: Job search support, Training and Job creation.

The types of activation tools implemented in OIC Member States differ according to their labour markets and the resources available. Upper-middle and high income countries, for example, have greater ability to focus on job creation in the long-term. Low and lower-middle income countries, on the other hand, must balance long-term growth with short-term measures to address immediate need.

With regards to training, low income countries must combine training to provide basic skills such as literacy, with skills to promote employability. Upper-middle and high income countries, on the other hand, focus on providing workers with the skills required to work in high skilled sectors. Most

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<sup>47</sup> Institute for Integrated Transitions (2013), *Inside the Transition Bubble: international expert assistance in Tunisia*, IFIT

<sup>48</sup> Hertog, S. (2013), *The private sector and reform in the Gulf Cooperation Council*, LSE

<sup>49</sup> Qatar Statistics Authority, *Quarterly Labor Force Survey (July-September 2014)*

countries across income groupings focus on providing training to younger workers to address youth unemployment. A growing number of countries across the OIC are also focusing on providing training that meets the needs of private sector employers.

Job search support services differ significantly across countries in different income groupings. Low and lower-middle income countries are constrained in terms of the services they can offer due to lack of funding. In low income countries in particular there is a lack of reliable data and jobseekers have limited access to services. Jobseekers, therefore, often rely on informal networks to find employment. Upper-middle income countries tend to have a PES structured similarly to those found in developed countries, although a lack of equipment does also limit the quality of services. High income countries are able to invest significant resources into their PES and offer more tailored support to jobseekers based on their needs.

**Table 4: Trends in Terms of Use of Activation Tools.**

	<b>Job creation</b>	<b>Training</b>	<b>Job search support</b>
Low income	These measures may focus on addressing immediate or chronic need, e.g. through public works programmes such as Employment Guarantee Schemes.	Low literacy rates mean countries are expanding access to education. Countries with higher education levels focus on vocational skills training for workers.	A lack of data, particularly at a local level, and poor access to services can typify job search support. Jobseekers often use informal networks to find employment.
Lower-middle	Countries may combine short-term measures with longer term promotion of the private sector.	Training is largely targeted at young people due to high youth unemployment. In many cases this skills mismatch is a factor.	Support tends to be present through the PES although lack of funding can limit access. Lack of conditionality for jobseekers and employers to register also limits impact.
Upper-middle	There is a longer term focus on job creation through economic diversification and the promotion of skilled industries.	Countries are likely to focus on developing a skilled workforce in order to meet needs associated with growing high skill industries.	A structured PES is likely to collect job vacancy information, provide counselling and hold job fairs. Access can be improved using partner organisations.
High income	Job creation is targeted at promoting the private sector to workers.	Training centres on providing the skills required by private sector employers in order to increase the attractiveness of the national workforce compared to foreign workers.	There is extensive investment in services, including a focus on different types of jobseekers and their needs, e.g. people with disabilities.

Note: This classification is made by the authors of the study

The table above summarises the trends in terms of how the three activation tools are used in each income grouping.

Impact assessments on the success of activation programmes and policies as tools for poverty alleviation are limited. However, it is clear that the objective and delivery of policies and programmes affect the impact of activation on poverty alleviation. Short-term programmes are unlikely to have significant impact in terms of promoting employment and economic growth in the long-term. On the other hand, longer term and more extensive programmes, such as the significant investment in Saudi Arabia's Taqat job search support programme mean that the programmes have greater capacity to support individuals. Low and lower-middle income countries do have long-term strategies in place which incorporate activation measures as a tool for poverty alleviation. The challenge they face is in implementing these strategies, however, due to funding being much more limited than in high income countries.



Outside of OIC Member States, impact assessments of activation indicate a link between employment and poverty alleviation. The activation tools reported as being most effective include wage supplements and minimum wages.<sup>50</sup> However, these studies, if based on activation in countries such as the UK are less relevant to OIC Member States, particularly low income countries. This is because one of the key challenges in countries such as the UK, which offer relatively generous social assistance, entails encouraging individuals to take up employment despite the provision of social assistance. In OIC Member States which do not have developed social assistance, the challenge is not to encourage individuals to move into employment, but to ensure they can do so, and that the employment is of good quality.

This section provides an overview of job creation, skills training and job search support across OIC Member States. Where appropriate, examples from Member States are highlighted.

### 2.2.1 Job search support

This activation tool refers to matching jobseekers with employment opportunities and is typically undertaken by countries' PES. The development of the PES and associated services available varies significantly between income groupings.

#### High income Member States

High income countries are the most likely of OIC Member States to have more comprehensive job search support. High income countries, due to the amount of investment they can provide in developing job search support services, are also exploring the outsourcing of job search support services to companies, some of whom have international experience of job search support provision. However, the efforts being made by these countries to promote employment in the private sector also mean that employers are actively seeking out jobseekers.

In Qatar, for example, the Ministry of Labour and the Qatar Foundation for Education host an annual Qatar Career Fair. The event brings together jobseekers and employers and students are offered advice on education, recruitment and training opportunities. However, in larger high income Member States, events as a form of job search support may be less appropriate due the difficulties jobseekers could have in accessing them. In these cases, online platforms are required to assist jobseekers who cannot access careers fairs or public employment offices. Saudi Arabia, for example, is investing in this form of activation. There is little, if any, evidence available evaluating the impact of job search support on poverty alleviation in high income Member States. This may be due to the countries' high income status, meaning that there is less of a focus on poverty.

#### Upper-middle income Member States

Several upper-middle income Member States continue to develop their PES and several of these countries have relatively comprehensive systems with access to substantial labour market information.

One tool which appears to be suitable for upper-middle income OIC Member States (as it has been implemented in Tunisia and Albania) is the use of Territorial Employment Pacts. In Albania, for example, rural areas are more likely to have high rates of youth unemployment, or vulnerable employment, compared to urban areas. The Territorial Employment Pact (TEP) was piloted in a rural area with one of the highest rates of youth unemployment to address this issue. TEPs promote close partnerships between local actors, such as enterprises and trade unions, and the local branches of the PES. This extends the services of the PES beyond their current outreach and into the most rural areas.<sup>51</sup> Another benefit is the fact that they promote employment solutions tailored to the needs of the local area. Services provided under the TEP included entrepreneurship and business

<sup>50</sup> Ray K. et al (2014)

<sup>51</sup> UN Joint Programme for Youth Employment and Migration, ILO, Kukes Regional Council & Ministry of Labour, Social Affairs and Equal Opportunities, *Territorial Employment Pact for Youth: Kukes Region*, available at: <http://www.un.org.al/editor-files/file/TEP%20-%20English.pdf>

advisory services, training incentives, access to credit, and subsidised employment.<sup>52</sup> The project was piloted under the Joint UN Programme on Youth Employment and Migration with active involvement from the Ministry of Labour, Social Affairs and Equal Opportunities.

Despite the examples of Tunisia and Albania indicating the investment and efforts being made to develop job search support, other upper-middle income Member States continue to provide little job search support. In Lebanon, for example, there are only three regional PES offices, although increased funding has been allocated to open another two offices and increase staff numbers.<sup>53</sup>

### **Lower-middle income Member States**

Lower-middle income countries are more likely to have support in place than low income countries. However, this is unlikely to be as widespread as in higher income countries. Although countries are likely to be aware of the international standards for the provision of support, the intention to deliver these standards is hampered by a lack of funding. The provision of support can incentivise jobseekers to register with the PES, but jobseekers also regularly use their networks and the media to find jobs themselves. Similarly, there is no strong incentive for employers to register job vacancies with the PES, meaning that the PES needs to actively engage with employers to encourage them to register with the service. Provision of job search support is, generally, led by the PES in lower-middle income Member States. However, there are some countries, such as Egypt, Morocco and (until recently) Syria, where civil society organisations play a larger role in offering these measures.

The lack of funding means that where job search support is offered by the PES, advisor caseloads tend to far exceed recommended volumes. In Cameroon, advisors reported having caseloads of 3,000 jobseekers. In Morocco, this figure is reported as being 1,500.<sup>54</sup> The international norm is for caseloads of approximately 300 (for mainstream caseloads). The services provided by the PES in lower-middle income Member States are often designed to improve the employability of jobseekers. Services therefore go beyond those of a job brokerage service. However, research indicates that training to increase employability, a costly service, is not as effective as employment services such as enhancing job search efficiency and providing information on job vacancies.<sup>55</sup>

### **Low income Member States**

In low income countries, limited resources and infrastructure mean that comprehensive support is difficult to provide and labour market information is challenging both to collect and share. Of the OIC Member States, low income countries therefore appear to be weakest in their provision of job search support. Due to the lack of support, there is very little incentive for jobseekers and employers to register with the PES. Private job placement agencies do operate but they are concentrated in the urban regions and are unlikely to attract the poorest jobseekers.

The limited provision severely constrains the potential impact of the PES in low income countries. In some cases, few measures are implemented by the PES apart from the sharing of information regarding job vacancies. The impact of this is still limited as many employers do not advertise through the PES. Other low income Member States have more services available through the PES. Mali, for example, also offers support to new enterprises, but there is little evidence available regarding the impact of this. The Kyrgyz Republic also offers more extensive services, such as training, career guidance and direct referrals. However, some services such as job clubs have ended and the main way to find a job continues to depend largely on personal connections.<sup>56</sup>

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<sup>52</sup> Zampini, D. (2012) *Local Employment Development: Albania's experience with Territorial Employment Pacts and Regional Employment Funds*, presentation at the AER Conference 'Why are regions best positioned to tackle youth employment?' 26 June 2012

<sup>53</sup> Angel-Urdinola, D. et al (2012) *Public Employment Services in the Middle East and North Africa*, World Bank

<sup>54</sup> Ibid

<sup>55</sup> Ibid

<sup>56</sup> Schwegler-Rohmeis, W. et al (2013) *Study 'Labour Market and Employment Policy in the Kyrgyz Republic'*, German Federal Ministry for Economic Cooperation and Development

## 2.2.2 Training

All OIC Member States require a skilled workforce as their economies develop. The challenge is in ensuring not only that workers have the skills required by employers, but also that the timing of training policies coincides with that of job creation so that suitable jobs are available for an educated workforce, and that an educated workforce is available to fill skilled jobs.

### High income Member States

The OIC's high income Member States, similarly to middle income countries, tend to focus on providing training to meet the skills required by employers. This is particularly salient in the high income countries where foreign workers can be preferred by employers to country nationals due to the skills they have and which country nationals may lack. Training programmes are particularly relevant in high income Member States because, as mentioned earlier, these countries are challenged with a significant skills mismatch.

In Bahrain, for example, efforts are being made to promote vocational education and training. This includes a scheme whereby Tamkeen, formerly known as the Labour Fund, covers 50% of the cost of skills training courses carried out by Bahrainis, whether they are unemployed or in work. More vocational education institutions have been opened as well, including the Bahrain Polytechnic in 2011. In 2009, plans were also announced for an Education City in partnership with four European universities. However, courses would be targeted at the middle classes rather than the poor.<sup>57</sup>

### Upper-middle income Member States

As countries in this income grouping seek to strengthen their economic growth, there is a strong focus on developing a skilled workforce for jobs in the technology intensive, high income economic structure. The focus on developing these skills reflects the strength of the private sector in these countries compared to those in Member States in other income groupings. Upper-middle income Member States are more likely to have a skills framework in place and to involve employers in training strategies and their implementation.

Kazakhstan, for example, has implemented the Technical and Vocational Education Modernization Project with support from the World Bank to meet the demands of priority industries. The project sees employers, such as oil refineries, supervise students' progress as they are taught technical processes by both a technical college and by on-site training. 68 training colleges have received grants to improve their teaching and training.<sup>58</sup> Local institutions such as libraries are also offering training to improve employability. In East Kazakhstan, a library developed a Youth IT Yurt Service to improve the IT skills of young people. Over the course of a year, 244 young people completed technology training courses and jobseeking workshops.<sup>59</sup>

### Lower-middle income Member States

Several Member States in the lower-middle income group have high youth unemployment rates (as do countries in the upper-middle income group). Many capacity building policies and programmes in these countries are therefore targeted at young people.

Skills mismatch has been widely reported in North Africa, for example. Several programmes have therefore been implemented to address the issue, such as the Taehil programme in Morocco. Taehil has two components: contract training and training leading to a qualification. The aim of the programme was to improve jobseekers' employability, allow employers to fill positions they have previously struggled to find suitable applicants for, and increase training providers' awareness of

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<sup>57</sup> City & Guilds, Centre for Skills Development, article summary available at: <http://www.skillsdevelopment.org/default.aspx?page=945> [accessed 8<sup>th</sup> January 2015]

<sup>58</sup> World Bank (2014), In Kazakhstan: Better Training for a Better Economy, article published 15 October 2014

<sup>59</sup> Ehrke A. (2013), *Reducing Youth Unemployment: Communities Should Mobilize Public Libraries*, Beyond Access, article published 29<sup>th</sup> April 2013

market requirements in order to tailor training. Since being implemented, the Taehil programme has supported over 50,000 jobseekers to find work. Half of the beneficiaries are unemployed graduates who are unlikely to be the poorest jobseekers. There also does not seem to be any evidence available assessing the programme's impact on poverty alleviation.

### Low income Member States

Education enrolment in low income countries is less likely to be as high as richer Member States and the focus for these countries therefore tends to be on improving basic skills such as literacy. Having said this, there is significant variation between low income Member States in terms of education enrolment. The provision of free primary education has tended to increase enrolment and literacy rates considerably in the countries which have implemented it. However, the improvement of literacy rates for some OIC Member States remains an area of focus and the challenge is therefore to address basic skills needs whilst also making provision for those who are able to pursue training at a higher level.

Afghanistan is an example of a Member State which faces this challenge. For example, in 2011, Afghanistan had a female literacy rate among 15 to 24 year olds of only 32 percent.<sup>60</sup> Several literacy programmes have been implemented to improve literacy rates, including the Programme for Enhancement of Literacy in Afghanistan (ELA). The national programme uses donor funding to deliver education and delivery has been gradually expanded since the programme's inception in 2008. 30 of the country's 34 provinces are expected to benefit from the programme by 2015.<sup>61</sup> The government aims to increase adult literacy rates to 60 percent by 2020.<sup>62</sup> In terms of skills training to improve employability, Afghanistan's Ministry of Education and the Ministry of Labor, Social Affairs, Martyrs and Disabled, supported by the World Bank, launched the Afghanistan Skills Development Project (ASDP) to increase the number of immediately employable graduates. A key focus of this has been on improving the Technical Vocational Education & Training (TVET) available in the country. The programme was introduced in 2008 and closed in June 2014. Overall financing for the project stood at \$38 million.

#### 2.2.3 Job creation

As described earlier in this section, developing economies face the challenge of creating jobs as more modern, and less labour intensive, sectors are prioritised. Countries also face the challenge of ensuring that the new jobs created provide quality employment, avoiding working poverty and the vulnerable employment associated with surplus labour from shrinking agricultural sectors transferring to informal sectors.

### High income Member States

The OIC's high income Member States (and some middle income Member States) face labour market distortions such as preferences by workers to work in certain sectors. Workers in the OIC's high income Member States for example have a preference to work in the public sector, which is often better paid, on average, than the private sector and is associated with fewer working hours than the private sector. This leads to many private sector jobs being filled by foreign workers. Rather, these countries face the challenge of creating jobs for citizens of their countries, and not foreign nationals. The healthier economies of these countries mean that jobs are available, but positions created during periods of high growth tend to be filled by foreign nationals.<sup>63</sup> Policies of 'Saudization', 'Kuwaitization', and 'Omanization' have therefore been pursued.<sup>64</sup> These policies are not those

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<sup>60</sup> World Bank data, available at: <http://data.worldbank.org/indicator/SE.ADT.1524.LT.FE.ZS>

<sup>61</sup> UNESCO, *Enhancement of Literacy in Afghanistan (ELA) program*, available at: <http://www.unesco.org/new/en/kabul/education/enhancement-of-literacy-in-afghanistan-ela-program/>

<sup>62</sup> Ministry of Education, *The Programme for Enhancement of Literacy in Afghanistan*, available at: <http://moe.gov.af/en/news/the-programme-for-enhancement-of-literacy-in-afghanistan-ela>

<sup>63</sup> Hertog, S. (2013)

<sup>64</sup> Ibid

traditionally pursued under job creation measures of activation. Instead, they involve imposing quotas on employers to ensure a certain proportion of their workforce consists of citizens from that country. The design and implementation of the policies has varied from country to country. In Oman, for example, certain professions were reserved for the citizens of Oman only, fees were imposed on the hiring of foreign workers and companies that met the quota requirements were given priority in the award of government contracts.<sup>65</sup>

Policies such as that of Omanization have tended to be successful in increasing the number of national citizens in employment. In Oman, the policy has reduced the number of expatriate workers in both the public and private sectors.<sup>66</sup> However, job creation policies in high income OIC Member States do not tend to be targeted at the poor, nor are they designed with the purpose of alleviating poverty. The lower rates of poverty in these countries compared to the Member States in the other income groupings may mean that poverty alleviation through job creation is not considered a high priority. The fact that job creation measures are not targeted at the poor means there is little, if any, evidence available as to their impact on poverty alleviation. In general, high income Member States have little data available on poverty rates for their countries' populations.

### **Upper-middle income Member States**

Upper-middle income Member States are better placed than lower income countries to support job creation in the private sector, without facing the same distortions that the high income countries have due to the strong preference among workers to work in the public sector. The presence of a more developed private sector also means that the environment is likely to be more conducive to job creation, particularly if support is in place to promote business growth. OIC Member States in the upper-middle income grouping are ranked more highly in terms of 'ease of doing business', assessed by the World Bank, corroborating the opportunities these countries have to readily support job creation in the private sector.

Employment subsidies have been used in several upper-middle income Member States to stimulate job creation. In Turkey, for example, the government has previously introduced employment subsidies to stimulate job creation in poorer areas of the country. Several laws introduced subsidies including reductions in employers' social security contributions, credits on income taxes on wages, subsidies on electricity consumption, and land subsidies. The scheme did increase job creation in the targeted areas, but deadweight loss was reported. This is because, as mentioned in the scope section of our review, employment subsidies can reward employers for offering jobs they would have offered even without the subsidies.<sup>67</sup> However, it is interesting to note that, in comparison to job creation measures in high income Member States, the job creation measure utilised in this example was targeted at poor regions. These regions are characterised by low job creation, low employment and participation rates and a large share of informal workers. Furthermore, even though deadweight losses have been associated with the employment subsidies, evaluations do indicate that they have had a positive effect in encouraging the formalisation of workers, through the registration of firms and workers with social security.

### **Lower-middle income Member States**

Although middle income countries do pursue long-term objectives in their development plans, the focus on the long-term is contingent on the country's environment. In countries facing instability, short-term, reactionary policies are introduced. In Egypt, for example, the Egyptian government is tasked with improving the country's economy after economic discontent was presented as a reason

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<sup>65</sup> Das K.C. & Gokhale N. Middle East Institute (2010) Omanization Policy and International Migration in Oman, available at: <http://www.mei.edu/content/omanization-policy-and-international-migration-oman> [accessed 12th December 2014].

<sup>66</sup> Ibid

<sup>67</sup> Betcherman, G. et al (2008) Do employment subsidies work? Evidence from regionally targeted subsidies in Turkey. IZA Discussion Paper no. 3508

for the revolution. Possibly given the relative instability in the country currently, some short-term policies have been announced, such as permanently hiring 450,000 temporary employees.<sup>68</sup>

To improve job creation in the longer term, many lower-middle income countries are pursuing measures to promote entrepreneurship. In the case of Egypt, NGOs and international partnerships are playing a role in supporting job creation in the longer term. For example, Forsa, a UK sponsored initiative, supports Arab countries in transition. In Egypt, the initiative works with a local partner called Education for Employment, which operates across the Maghreb region. Forsa has matched would be entrepreneurs with mentors from the Egyptian community with the aim of promoting private sector development.<sup>69</sup> In higher income countries such as Jordan (an upper-middle income country) and Saudi Arabia (a high income country), the King Abdullah II Award and the King Khalid Foundation, respectively, promote the private sector.<sup>70</sup> Other lower-middle income countries are also promoting entrepreneurship more strongly, such as Cameroon.

When entrepreneurship schemes are successful, they can have significant impact on poverty alleviation because they create employment not only for the entrepreneur but also, potentially, for other workers. However, key challenges linked to this activation measure include difficulties for entrepreneurs to access micro finance and the often high failure rates for new businesses. Many Member States have initiatives in place to support entrepreneurs' access to micro finance. In many cases, micro finance schemes are set up by the government or international agencies to ensure the poor are targeted. NGOs also play a role in advising the poor about existing provision and supporting would be entrepreneurs with the preparation of a business case. Examples of micro finance schemes are provided in the case studies in section 4. Areas for consideration in the provision of micro finance as a tool for job creation include addressing the difficulties young entrepreneurs have in accessing finance due to lacking guarantees and supporting micro finance organisations to develop products that meet the needs of entrepreneurs.

### **Low income Member States**

Low income countries tend to have more people susceptible to labour market shocks and at risk of extreme poverty. Programmes are therefore required to address short-term, immediate needs.

Low income countries typically have a large agricultural sector. The seasonality of this sector means that at certain times of the year, the availability of employment opportunities, even vulnerable employment, can be challenging. In Bangladesh, for example, rural workers face twice yearly employment shocks, as employment opportunities diminish before the harvests. A Public Works Programme (PWP), the Employment Generation Program for the Poorest (EGPP) was introduced to address this issue. PWPs are measures seen as addressing poverty by providing support in times of temporary or chronic need.<sup>71</sup> Under the broad category of PWPs, the EGPP is an Employment Guarantee Scheme (EGS). It provides short-term jobs for rural labourers who would otherwise not have any employment opportunities or source of income. The programme is financed with credit from the International Development Agency (IDA) and aims to create 200 million work days over three years. The programme only runs for 100 days per year, in the two lean seasons when rural day labourers are often out of work. Eligibility criteria apply, as only households that own less than half an acre of land, and where the head of the household is a manual labourer, can participate in EGPP.<sup>72</sup>

The EGPP has been successful in ensuring rural labourers have a source of income. However, this income is only enough to meet basic needs, such as buying food and paying for children's education. The programme does not aim to provide more long-term benefits such as employment in sectors which provide employment all year round. This is not a criticism of the programme, since its aim is

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<sup>68</sup> AfDB (2012)

<sup>69</sup> Forsa website, available at: <http://www.forsa-mena.org/countries/egypt.html>

<sup>70</sup> El Abd, I. *Understanding the social entrepreneurship ecosystem in Egypt*

<sup>71</sup> OECD, Policy Instrument Note 3, *Public Works Programme and Social Protection*, a Train4Dev / OECD DAC POVNET Joint Learning Event: Promoting Pro-Poor Growth

<sup>72</sup> World Bank (2012) *Emergency Employment for Bangladesh's Poorest*, feature story, World Bank

to provide emergency support when it is most needed. However, the scheme will provide long-term benefits such as the development of infrastructure which could indirectly lead to future job creation.

#### 2.2.4 Summary of activation tools

Based on the evidence described above, the following general features can be described as being necessary for the success of activation in alleviating poverty. The features presented here have been used to inform the development of the recommendations presented later in this report:

- Short-term poverty alleviation can be provided through emergency employment. However, long-term and sustained poverty alleviation requires a longer term objective, eradicating the need for emergency employment by supporting workers to make a sectoral shift to sectors less affected by labour market shocks. This being said, PWP's often contribute to the achievement of long-term objectives such as infrastructure development.
- The poor must be successfully targeted by employment programmes. The EGPP, for example, ensures only the poorest take up employment on the programme by paying wages for unskilled workers below the market rate. Whilst young graduates are the target of youth employment initiatives in Arabic countries such as Egypt, young graduates who remain unemployed and wait for opportunities in the public sector are more likely to be those who can rely on their families for financial support. Consideration must therefore also be given to moving young workers out of informal employment, as pursued in Albania, as workers with less financial support are more likely to accept work in this sector.
- The poor must also be successfully targeted by training programmes and policies. This ensures they are able to take advantage of new employment opportunities.
- The need for successful targeting also extends to job creation. The challenge of jobless growth illustrates that economic growth is not enough to increase employment and alleviate poverty, even if poor workers are likely to experience some benefits through the 'trickle down' effect. Job creation in modern sectors is unlikely to alleviate poverty if they are not the sectors with a high concentration of poor workers. Employment and productivity growth must be created in sectors with a high concentration of poor workers, usually the agricultural sector, for a strong effect on poverty alleviation (an objective the AfDB is pursuing in Uganda). Growing, modern sectors can then be linked to sectors where the majority of labour is concentrated to then manage sectoral shifts, promoting longer term employment and economic growth.<sup>73</sup>
- Programmes that have been successful enough to be introduced in other OIC Member States, such as TEPs in Albania, have fostered relationships between organisations, thereby expanding the reach of employment services and increasing awareness amongst employers of their role in the labour market. This could particularly be valuable in countries where the PES is constrained in the services it can offer due to lack of funding.

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<sup>73</sup> UN, UN (2005) *The centrality of employment to poverty eradication*, Report of the Secretary-General





### 3. Case Studies

In this section we present the findings from the research carried out on five OIC Member States: Saudi Arabia, Malaysia, Cameroon, Uganda and Iran. The countries were chosen to reflect the different income groupings and geographical spread of OIC Member States. The case studies aim to contribute to the information available in terms of the policies and programmes pursued by these countries in utilising activation as a tool for poverty alleviation.

#### 3.1 Saudi Arabia

##### 3.1.1 Background

Saudi Arabia has a total population of approximately 30 million<sup>74</sup>. Currently, around 32% of the population in Saudi Arabia are expatriates meaning that there are now around 10 million people living in the country that are not Saudi nationals<sup>75</sup>. Saudi Arabia's population is projected to continue to grow but at a slower rate over the coming decades. By 2020, the population is projected to rise to 32.3 million and by a further 2 million to 2025. In line with other high income Member States, Saudi Arabia does not have individuals living below the international poverty line of US\$1.25 a day.<sup>76</sup> However, reliable independent data regarding poverty rates based on the national poverty line does not appear to be available. The activation programmes as set out below are not specifically aimed at poverty alleviation, but with a greater emphasis on promoting economic activity. In addition, the focus of support available is for Saudi nationals and not directed at the migrant expatriate labour force.

The unemployment rate in Saudi Arabia stands at around 10.6%<sup>77</sup>. The ILO has estimated a labour force participation rate in the country of 52.5%<sup>78</sup>. The governments focus on activation policies is driven more by seeking to increase labour market participation rates by targeting specific groups with low rates of labour market participation rather than specifically targeting activation at reducing poverty. Currently, there are around 1.6 million claimants of unemployment assistance. Four in five of these claimants are women<sup>79</sup> and unemployment among young people is at around 41%<sup>80</sup>. The large endowment set aside by the government each year will be spent on labour market programmes that target such groups directly. The specific aims of activation programmes are to:

- 1 Increase female labour market participation
- 2 Reduce rates of youth unemployment
- 3 Increase the labour market opportunities for persons with disability
- 4 Reduce regional disparities
- 5 Economic diversification
- 6 Reduce levels of skilled migrant labour

The support and programmes established to meet these objectives are set out below.

- 1 **Increase female labour market participation:** There are significant differences between the labour market participation rates of men and women. The male participation rate is 77.3% and the female participation rate is 19.1%.<sup>81</sup> The government is beginning to implement policies and change regulations and laws to promote female labour market participation. Another

<sup>74</sup> Central Department of Statistics and Information, 2014.

<sup>75</sup> Central Department of Statistics and Information, 2014.

<sup>76</sup> COMCEC Poverty Outlook 2014, p.8

<sup>77</sup> SESRIC, statistics and databases, available at: [http://www.sesrtic.org/oic-member-countries-infigures.php?c\\_code=12&cat\\_code=1](http://www.sesrtic.org/oic-member-countries-infigures.php?c_code=12&cat_code=1)

<sup>78</sup> International Labour Organisation, 2014.

<sup>79</sup> Arab News, 2013. Available at <http://www.arabnews.com/news/483821> [accessed 16th September 2014].

<sup>80</sup> Al-Nujaidi, A. (2013) Youth Unemployment Initiatives and Services in Saudi Arabia. Available at [http://www.wapes.org/en/system/files/1.2\\_saudi\\_arabia\\_-\\_abdulkarim\\_alnujaidi\\_-en.pdf](http://www.wapes.org/en/system/files/1.2_saudi_arabia_-_abdulkarim_alnujaidi_-en.pdf) [accessed 8th September 2014].

<sup>81</sup> SESRIC BASEIND, 2012

characteristic is that unemployment is much more common amongst females compared to males with 34% of females out of work and only 6.2% of males.<sup>82</sup> Improving economic opportunities for females in Saudi Arabia has been identified by the Ministry of Labor as key to boosting economic growth.

- 2 **Reduce rates of youth unemployment:** Another salient issue is that of youth unemployment. The Human Resources Development Fund (HRDF) reported that the unemployment level amongst Saudi youths was as high as 41% in 2013 compared to a rate of 8.2% among non-youths.<sup>83</sup> This is a worrying key challenge for the government as the youth population increases. Dissatisfaction among young people of Egypt, Tunisia and other Arab countries has led to uprisings and government opposition in recent years. The high unemployment rate amongst youths is also detrimental to the economy of today and the future.
- 3 **Increase the labour market opportunities for persons with disability:** The government is also seeking to implement an employment programme for people with disabilities (PWD). Accurate data is not currently available on the country's disability rate. However, providing employment support to people with disabilities, which requires data on disability rates and the types of disability customers have, is now a priority for HRDF. HRDF is running a pilot, for example, to gather accurate data in this regard.
- 4 **Reduce regional disparities:** Unemployment rates vary significantly between 10% for more the economically active regions and 23% for more rural and less developed regions in the North of the country where there are limited labour market opportunities and significant variations in the education level of the community due to access.
- 5 **Economic diversification:** Saudi Arabia has considerable reliance on oil to fuel economic growth. The oil and gas sector accounts for around 50% of gross domestic product and up to 85% of export earnings.<sup>84</sup> However, over reliance on this finite resource is an issue that the government is trying to address. Economic diversification has become a central policy aim of the Saudi government in recent years. The Kingdom recently launched plans to construct six new 'economic cities' that can be the drivers of future growth. The construction of these cities will require a considerable amount of skilled labour and infrastructure development represents a unique opportunity for jobseekers if they are given access to training services. By 2020, it is estimated that these new industrial cities will create 1.3 million jobs.<sup>85</sup> The government announced that it planned to focus on three key areas in 2014 budget spending: education SR210 billion (US\$54.9 billion), health SR108 billion (US\$28.2 billion) and infrastructure SR66.6 billion (US\$17.2billion).
- 6 **Reduce levels of skilled migrant labour:** A key challenge is the fact that there are significant skill mismatches amongst the resident Saudi population. Many young Saudis are university educated but hold degrees in arts and humanities rather than technical and science degrees. As a result, there is a lack of hard skills amongst the Saudi population and the labour market in Saudi Arabia has to rely very heavily on foreign labour. The private sector is especially dependent on expatriates with around 80% of all employees from other countries. The public sector, on the other hand, is the opposite with around 99% of public sector employees being Saudi nationals. The skills mismatch amongst Saudi nationals is brought to light especially by employment figures from the construction sector. Construction accounts for around 43% of total private sector employment, however only 6.7% of those employed in the sector are Saudi

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<sup>82</sup> Central Department of Statistics and Information, 2014.

<sup>83</sup> Al-Nujaidi, A. (2013) Youth Unemployment Initiatives and Services in Saudi Arabia. Available at [http://www.wapes.org/en/system/files/1.2\\_saudi\\_arabia\\_-\\_abdulkarim\\_alnujaidi\\_-\\_en.pdf](http://www.wapes.org/en/system/files/1.2_saudi_arabia_-_abdulkarim_alnujaidi_-_en.pdf) [accessed 8th September 2014].

<sup>84</sup> OPEC Annual Statistical Bulletin 2014, Available at [http://www.opec.org/opec\\_web/static\\_files\\_project/media/downloads/publications/ASB2014.pdf](http://www.opec.org/opec_web/static_files_project/media/downloads/publications/ASB2014.pdf) [accessed 11th September 2014].

<sup>85</sup> Arabian Gazette, 2014. Available at <http://www.arabiangazette.com/saudi-arabia-economic-diversification-challenges-ahead-20140428/> [accessed 9th September 2014].

nationals.<sup>86</sup> The lack of Saudi representation in the private sector can be explained partially by attitudes among Saudi nationals. Many private sector careers, construction being one example, are not deemed to be socially acceptable by Saudis. As a result, many of the vacancies that exist in such sectors must often be filled by expatriate workers. A key challenge therefore is to aim to break down perceptions around what jobs are deemed suitable for the average Saudi worker. As such, workforce quotas may not address the issue of Saudi under-representation alone. The government will also have to work to make less traditional private sector jobs more attractive to Saudi citizens by transforming culturally established attitudes towards work.

### 3.1.2 Design and performance of the current activation policies and programmes

The Ministry of Labor (MoL) is responsible for employment policy overall and encouraging economic growth through labour market development. The ministry oversees two key agencies involved in activation programmes. The Human Resources Development Fund (HRDF) is an executive agency of the MoL and is responsible for the development of employment programmes, commissioning of services and assessment of contractor performance. The Technical and Vocational Training Corporation (TVTC) is responsible for further education, vocational training and skills development. It runs a series of training courses and has now contracted organisations to run new educational institutions known as Colleges of Excellence.

There is a wide range of public employment support available in Saudi Arabia, but these services do not tend to be directly targeted at the poor. There are common themes that run through a number of the operating models applied in Saudi Arabia:

- Payment by results
- Enabling on line
- Encouraging innovation

The government recently introduced Hafiz, a form of unemployment assistance whereby benefits of SR2,000 (US\$522) per month are offered to unemployed Saudi men and women that are actively seeking employment with the objective of the programme is to increase labour market participation.

The programme also provides training and employment services. Benefits can be withdrawn for failure to engage with the programme. HRDF has also offered incentives to Saudi nationals to stay in their jobs offering up to SR24,000 (US\$6,275) in benefits. This highlights the need to move these people into employment and to keep them there. The programmes are administered by HRDF and all nationals are eligible as long as they do not have a fixed income higher than the benefits received. Benefits can be withdrawn for failure to engage with the programme.

The benefit is effective in supporting a number of individuals but to date the receipt of benefit is not conditional on participation in employment support. As a result the outcome and impact of the benefit is currently unclear, particularly its focus on alleviating poverty. In 2013, there were around 1.6 million people on the Hafiz programme who then had access to a range of job search support and training programmes.

#### Job search support

The PES is operated by HRDF. HRDF is a legally and financially separate entity that supports human capital development. HRDF achieves this by upskilling the national workforce and providing employment support and unemployment assistance by:

- Increasing labour market participation (Hafiz)
- Providing support programmes for students

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<sup>86</sup> Labor and the Nitaqat Program; Effect on the Saudi Arabian Economy. Available at <http://shc.com.sa/en/PDF/RESEARCH/Labor%20and%20The%20Nitaqat%20Program.pdf> [Accessed 8th September 2014].

- Providing job matching mechanisms

This section highlights the range of services provided and then details how the current Job Placement Centre operates. The range of job search support includes:

- 1 Job Placement Centres (JPCs): The JPCs are the most significant employment channel in Saudi Arabia. There are 27 JPCs nationwide and these include separate centres for males and females. There are four providers that run JPCs. Ingeus ran the Taqat pilot across 5 cities in 2011 and remain in the market with 7 JPCs. Currently, Avanta run 9 of these JPCs and are the newest entrant to the market. The other two providers are Maximus Gulf and a Saudi provider, Taqat Elm (a partnership comprised of Working Links and a local organisation), who deliver services through 6 JPCs each.
- 2 Recruitment Offices: These offices provide job matching services with key employers. Providers are paid by results. There are 36 local offices nationwide and the service is currently being managed by a private organisation as a managing agent.
- 3 Online Jobs Portal: This service, known as Taqat Online, is a job searching and matching site. This gives jobseekers direct contact with employers with minimal need for intervention. In early September 2014, there was a total of 1,673 jobs listed via this portal.
- 4 Jobs Fairs: Jobs Fairs are held in cities to assess and support jobseekers and are delivered by a contractor. These 'Liqat' have been held in different cities throughout the country and some are industry targeted. The contractor is paid by results and receives referrals from HRDF.
- 5 Virtual Jobs Fairs: Called E-Liqat, this is an online portal that facilitates virtual interviews. Employers can post vacancies and jobseekers can apply. This channel is used less than others.
- 6 Tele-JPCs: This is similar to the service offered through JPCs but the service is delivered through a call centre. It is intended to help individuals that live in remote areas of the country.
- 7 Graduate Jobs Portal: TaqatGrads is an online jobs portal that directly caters to the needs of graduate students, providing careers services as well as job listings. In early September, 670 jobs were listed on this website.

As identified from the range of services provided, there is currently significant investment in employment services. The government has put aside a large budget to tackle a series of labour market challenges – Reuters have reported that the MoL is willing to spend around SR15 billion (US\$3.9billion) annually on labour reform. In addition, the government's budget review and setting process provides the opportunity to inject additional funding should this be required in order to meet policy and delivery objectives.

Public employment services are free for employers. Employers are encouraged to register their vacancies on job matching portals. The payment by results mechanisms encourage providers such as the JPCs to engage with employers to source vacancies for the individuals referred to their support services.

The JPCs aim to support individuals into employment by providing access to a wide range of tailored employment support. This is achieved by:

- Mobilising young people through the creation of individual or group enterprises
- Monitoring of beneficiaries in job placement and self-employment
- Proposal of a financial mechanism that will support the young employed and youth entrepreneurs
- Mobilisation of lines of credit and creation of financial structures throughout all 10 regions to support junior enterprises

- Developing a pilot unit to monitor the programme and propose support strategies (laws, regulations, rules etc)
- Ensuring perpetuation of the project by constituting the National Youth Integration Fund

The main policy objective was to introduce a payment by results model and operating models have tended to follow a 'grey box' approach. Since the programmes began, contractually binding minimum service standards have been developed and implemented. In addition, there are some standardised provider approaches such as the number of calls made to attach a referral as well as some consistency around assessment of clients and sustainment. A summary of the approaches used in Saudi Arabia is set out below:

<b>Delivery area</b>	<b>Model</b>
<b>Engagement</b>	<p>Customers are referred to providers – but as there are no sanctions for non attendance providers have to sell JPC services to increase attachment rates and attract customers. Attachment rates vary throughout JPCs but we estimate that they average around 25% - much lower than programmes that have sanctions in place for non engagement. In addition, only around half of these stay attached after initial engagement.</p> <p>Providers have also been able to go and find their own customers rather than wait for referrals so have set up 'walk in' centres in shopping centres etc to attract individuals (eligible individuals which meet a definition of unemployed) to sign up to the programme. There is no consistency between providers or requirement to do this or on the core opening hours of the JPC.</p>
<b>Assessment</b>	<p>Minimum standards have been introduced that require an initial employability assessment as well as the creation of a personal action plan that is reviewed fortnightly.</p>
<b>Job brokerage</b>	<p>The duration of the customer journey and the number of interventions provided varies by provider and there is no prescription on how long this should be or frequency.</p> <p>Caseloads also vary significantly but there are minimum standards that have been introduced regarding caseload size per adviser. HRDF is still evaluating what exactly constitutes an optimum caseload.</p>
<b>Placement</b>	<p>Providers contact employers for vacancies but also use channels such as the online jobs portal to find and source vacancies. Job brokerage is a relatively new concept to Saudi Arabia, creating significant opportunity to engage with employers and secure vacancies.</p>
<b>Sustainment</b>	<p>As set out below, payment terms vary by provider. As such, contractual requirements of sustainment vary by provider.</p>

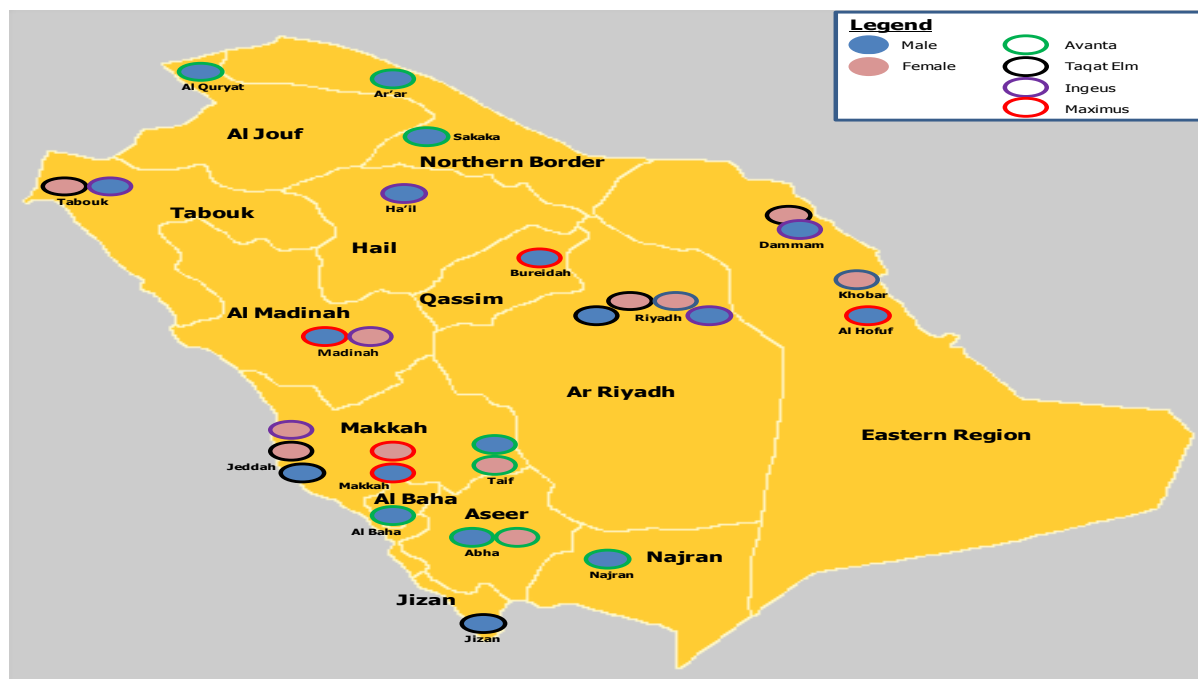
Delivery centres are directly run and operated by the provider.

HRDF is aware of the limitations that differences can lead to (for example non standard customer service, limitations in comparing performance data) but as the employment and skills market has emerged this has allowed HRDF to learn from different approaches and for providers to have the freedom to innovate.

Employment services are delivered throughout the Kingdom but there are more JPCs located in regions with heavily populated cities of Riyadh, Jeddah and Makkah (Mecca). Volumes should be expected to vary considerably across these regions relative to populations. For example, the

Northern Border region is the least populous region of Saudi Arabia with only 350,000 residents compared to Ar Riyadh that has a population in the region of 7.5 million. Over 90% of jobs posted on the Taqat Online jobs portal were limited to three regions – Makkah, Ar Riyadh and the Eastern Region. This may be indicative of opportunities within the three regions but is also likely to be driven by the fact that employers in other regions are less likely to use this channel. Smaller scale employers may be less likely to advertise online and in many cases jobs in more rural locations can often be filled through word of mouth.

**Figure 3: Map of JPCs in Saudi Arabia**



Source: CESI representation based on provider data

Due to the inconsistent distribution of the Saudi population throughout the country, there are many JPCs located in densely populated areas and very few in other regions. For example, as evident from the map, there are no JPCs directly South and South East of Riyadh. This is why there is a reliance on online services through the Taqat employment channels. The location of some JPCs also corresponds to the planned locations of some of Saudi Arabia’s new economic cities such as in Jizan and Hail.

The government has sought to implement a payment model similar to the United Kingdom’s, based on results. However, the lack of market maturity has meant providers have required fixed fees initially to fund initial set up costs.

The government went through a period of setting up pilots, contracting providers to deliver services rather than contracts being put out to tender. For this reason, payment models differ markedly between providers and there is no standardisation. HRDF has been through a process of contract renegotiation but the focus of the renegotiation was to reduce the payment of fixed costs and increase the level of payment by results.

An important part of the payment model for existing providers has been ‘fixed’ payments to providers to fund set up costs. As providers are becoming more embedded, the proportion of fixed costs that the government is willing to pay is reducing significantly and more payments are being made for attachments, placements and sustainment. The government has stated that it is focused on paying providers according to measurable outcomes and results.

As with the maturity of the market, the proportion of payment that is based on results is far lower than in the UK. Specific arrangements are commercially sensitive but are broadly based on a 50/50

model which the government is increasingly looking to move towards greater payments based on results.

### **Training**

The government has recently launched two initiatives that will give opportunities for the most disadvantaged in the labour market. The first is Colleges of Excellence, which will establish a network of vocational colleges across Saudi Arabia. This will provide vocational skills training for the many jobs in the private sector. These will not necessarily benefit poor individuals but will lead to access to a number of jobs that did not previously have mainstream training to provide access.

A more specific programme targeting the poor is a current pilot termed, Job Schools. The Job Schools pilot is targeting those that have completed a period of engagement with employment support and are nearing their eligibility for unemployment benefits but remain unemployed. These jobseekers are therefore identified as being a long way from the labour market. Job Schools will provide full-time participation in further skills development and intensive, work-like activity alongside supported job search.

### **Job creation**

As a high income country, the Saudi economy is characterised by low rates of labour market participation of Saudi nationals and high rates of migrant workers particularly in the private sector. The government has been trying to boost Saudi representation in the private sector for almost a decade through job creation measures such as quotas. This means there is a very different approach taken to lower income countries which target job creation through public works programmes and micro finance activities. Through a policy of 'Saudization', quotas were introduced for Saudi national representation in the workforce of each employer. This requirement was initially set at a flat rate of 30% and was intended to encourage private employers to hire more Saudi nationals. This policy was abandoned when private firms fell short of the quota with only a third of the target being achieved. The government then launched a new programme called 'Nitaqat' that measured nationalisation performance based on the number of Saudis employed by the firm relative to the firm's economic activity and size. For poor performing firms, restrictions would be put in place regarding work permit renewals. Policy requiring a number of employed nationals has been opposed by businesses in Saudi who have argued that the local workforce is costly, lacks skills and is unproductive. Companies are awarded Red, Yellow, Green or Platinum status according to their performance. This attracts differential benefits in areas such as foreign visas.

There is an additional element to the program that covers persons with disability PwDs, whereby hiring of one PwD can count for 4 non-PwD Saudi appointments. To qualify, the PwD must carry a disability card issued by the Ministry of Social Affairs.

Red, Yellow, Green and Platinum status is issued based on payroll disclosure and the thresholds attract scrutiny from government to identify gaming behaviour by companies who are close to the next higher benefit threshold. There is suspicion of gaming based on so called "ghost hiring" of PwDs, where the individual may (sometimes by mutual agreement) be hired and then left at home. The PwD element may also have limited impact where companies (sectors) have achieved high levels of local workforce participation and there is no perceived "need" for further scoring within the system.

Outcomes are measured at company level but reported by sector (e.g. construction, financial, communications) and there is frequent media coverage of relative levels of Greens, Reds etc. and Saudization impact.

Nitaqat is further enhanced by a programme called Mazaya, which provides a series of incentives and subsidies aimed at employers, employees and job seekers. This includes providing incentives for employers to employ the local workforce. Examples include payroll rebates, which aims to channel back funds coming from the levies on foreign workers to the private sector based on merit. This

rewards Green and Platinum entities for the growth and sustainability of their payroll for Saudi nationals.

Subsidies and benefits are potentially valuable to employers and employees alike, but currently highly systematized and inflexible, which may impact on understanding and uptake without a comprehensive communications program.

### **3.1.3 The way forward**

The research carried out in Saudi Arabia identified many areas of best practice. Despite the high income grouping, Saudi Arabia is investing in developing the public employment support available to address future demographic and economic changes. To conclude our case study on Saudi Arabia, we have developed country specific recommendations for the future development of activation measures. They may also be considered by other OIC Member States which have similar labour market and poverty situation.

#### **National policy objectives and delivery**

The number of work and job related initiatives that are currently available could be rationalised. The government has made a significant investment in increasing employment support, training and creating job opportunities. However, the number of programmes risks duplication and confusion as to which programmes should benefit different individuals and employers should support and participate. Better targeting could help ensure that individuals receive the support they need first time and they do not waste resources or disengage as the support does not meet their needs and to help employers participate and understand different programmes.

#### **Individual programme design and performance**

Regular and frequent evaluation of the investment in all the various labour programmes may be conducted so that informed decisions can be made about what really works.

A number of new initiatives have been launched, many based on international best practice, but there is very limited evidence on the long term impact of the investment that is being made. In this regard, an evaluation programme could be commissioned that focuses on understanding the impact of the employment support available.

Service delivery and minimum performance levels could be standardised.

The current contracting of employment support has specified a series of outcomes, but not specified any minimum service levels required. As a result the quality of the service that individuals receive can vary significantly. The contracting of employment support services could set minimum contract levels and standards to assure the quality of support that individuals receive is consistent and provides a minimum service of support and engagement.

The accessibility of services could be improved.

The significant investment in employment support programmes in recent years has targeted the larger economic areas and not those that have the most limited labour market opportunities. It is individuals in these latter areas that are least likely to be able to participate in the labour market, have the highest rates of unemployment and are not likely to benefit from the new support available. The design of employment services could be targeted to include specific measures to tackle the most disadvantaged communities with the same if not greater level of support available to people living in the urban areas to ensure that all people benefit from the support available.



## Supporting infrastructure

The consistency of reporting across different programmes could be enhanced and common and consistent KPIs may be determined.

The wide range of public support set up often has different targets and outcomes. From a performance perspective, and particularly in a period where programmes are being tested and piloted, good data and performance monitoring may be required to ensure that the success of different programmes is understood effectively. When measures are different, comparisons cannot be made easily between different programmes and therefore performance cannot be understood. The required outcomes and performance measures could be collated for all current programmes. These could be compared for similar programmes and where possible aligned for current or future contracting. The measures may also be collated to create one complete reporting of the number of individuals participating in employment support and their progress.

The dissemination of labour market intelligence could be supported.

Effective labour markets provide information on not only the jobs available at any given time, but also the likely prospects and growth opportunities. The government could commission a consistent set of labour market information that can be used to inform jobseekers of current and future labour market opportunities.

## 3.2 Malaysia

### 3.2.1 Background

Malaysia has a total population of approximately 30 million. The unemployment rate in Malaysia is at around 3%. There is no unemployment benefit provided but a level of social protection is provided to low income households.

Malaysia represents a country where there has been real success in tackling and addressing poverty. The poverty and unemployment rate in Malaysia has declined dramatically after its independence in 1963. While 49.3% of Malaysian households lived below the poverty line in 1970, the poverty rate has reduced significantly to 16.5% in 1990, and further declined to 3.6% in 2007. The unemployment rate also followed the same pattern. Although 5.6% of the total labour force (15 to 64 years old) was unemployed in 1984, and this figure increased in the following years 7.4% in 1986, 7.3% in 1987 and 7.3% in 1988, the unemployment rate was consistently below 4% in the years from 1995 to 2009. The reduction of poverty and unemployment rate can be attributed to the rapid economic growth in Malaysia which generated higher-paid employment opportunities and profitable micro and small-scale businesses opportunities. Moreover, the government of Malaysia undertakes several strategies to increase productivity, diversify sources of income and improve the quality of life of the poor. These poverty and unemployment reduction strategies are the integral part of Malaysia's core development plans. The government encourages and works together with private sector organisations and NGOs to reduce poverty and unemployment. Malaysia's projects under the development program for the hardcore poor provide assistance to two NGOs; namely, Yayasan Basmi Kemiskinan (Poverty Eradication Foundation) and Amanah Ikhtiar Malaysia (AIM). Among them, the most active one, AIM uses the group based Grameen Bank (a Bangladeshi micro finance organization) model and provides collateral free credit to poor and hardcore poor households in order to improve their socio-economic conditions as well as reduce unemployment and poverty rate in Malaysia.

The key policy objective of the Malaysian government is to become a high income country (as classified by the World Bank) by 2020. This objective was first established by the government in 1991 with the launch of Vision 2020. The government regularly publishes an economic plan which sets out how the government will achieve the focus of becoming a high income country in 2020. The current plan (the 10th) was published in 2009. However, at the same time as securing growth for

Malaysia, the government has also sought to target reductions in the number of households and individuals in poverty.

Poor households are recorded in EKasih, which is a database recording low income households. The system is used to assist planning, implementing and monitoring of poverty reduction programs. Households eligible to register for EKasih have an income of less than RM1,000 per month (US\$298) for people in rural areas and RM1,500 per month (US\$447) for residents in urban areas.

The 10th plan sets a target to reduce the poverty incidence rate from 3.8% to 2% by 2015. To achieve this target requires 132,000 households to be moved out of poverty of which 47,000 have been directly targeted through the Akhiri Zaman Miskin (1AZAM) programme as part of the Prime Minister led Government Transformation Programme (GTP). The objective of GTP is to transform the government to be more effective in its delivery of services and achieve. Under the GTP six National Key Results Areas were identified of which raising the living standards of low income households was one.

### **3.2.2 Design and performance of the current activation policies and programmes**

The Ministry of Human Resources plays a key role in overseeing and regulating the labour market (for example through minimum wage legislation) as well as defining the countries labour market programmes, in particular Malaysia's PES which is delivered through JobsMalaysia. As set out below, JobMalaysia does not have a direct remit to tackle poverty but part of its budget and support programmes are specifically used to tackle poverty alleviation.

The government tackles poverty alleviation through the combined action of a number of Government departments and agencies under the 1AZAM programme. The 1AZAM programme coordinates the approach and reporting of programmes tackling poverty. 1AZAM has seen significant results. The objective of the programme is to provide income generating opportunities to low-income people. During 2013 the following results were achieved:

- Increased the number of new participants in the 1AZAM Programme to 38,663 (vs. target of 35,100)
- Increased the income of 18,249 1AZAM participants by RM300 for any three months (vs. target of 17,060)
- Enrolled 39,282 1AZAM participants in financial literacy programme (vs. target of 35,100)
- Trained and developed 1,000 woman entrepreneurs (vs. target of 1,000)
- Collaborated with 34 NGOs and Community Service Organisations (CSOs) in delivering 1AZAM programme (vs. target of 25 NGOs and CSOs)

#### **Job search support**

The PES is provided by JobsMalaysia. The core service is an automated online job matching system provided by the Ministry of Human Resources. The system was launched in 2002 and open to all Malaysian citizens. It enables jobseekers to register and search vacancies and employers to register their vacancies. The system then notifies jobseekers and employers of suitable matches. Individuals that register do not need to be unemployed, so this system can help individuals move into better employment. The portal is free for employers. Employers are encouraged to register their vacancies.

JobsMalaysia is set an annual target of the number of individuals that it seeks to move into employment. For 2014 this was the achievement of 220,000 jobs through the portal and support services.

As of November 2014, the JobsMalaysia portal had placed just over 39,000 jobseekers and had registered over 132,000 new jobseekers during the year. The portal also had nearly 13,000 employers registered.

In addition to job matching services, a range of other support is provided. This includes jobs carnivals which include activities such as open interviews, careers fairs, adviser support and registration for the portal (i.e. additional assistance with registration).

To provide additional support to jobseekers, registered users are targeted for additional support services. As part of the Malaysian government's 1AZAM programme, JobsMalaysia has a specific target to support low income households into employment. In 2014 a target of 5,000 jobs was set. This target was set in conjunction with the Economic Planning Unit.

The programme is funded by the government and the programme relies on a strong performance management and review process that is established from the head office of JobsMalaysia. Targets are set at head office and then allocated to regional and local offices as part of performance monitoring mechanisms.

Malaysia has developed an advanced reintegration service through Perkeso. Perkeso provides a reintegration service for individuals that supports individuals that have suffered an injury to move back into employment. The scheme is funded by Malaysia's Social Security System. Although not directly targeted at alleviating poverty, the Return to Work programme of this nature prevents households falling into poverty from lack of work. The Return to Work service provides a significant level of support to individuals to support either return to work or work with a new employer. The service provided is in line with leading practice approaches which seek to integrate persons with disabilities (PWDs) into mainstream employment.

The service is based on aiming to ensure an individual remains with their current employer. There are two parts to the service:

- 1 Matching to ensure the employee is matched with an appropriate workplace or employer
- 2 Developing return to work plans

A case worker works with the individual to assess their capability and identify workplace adjustments. For those individuals that cannot be placed with the same employer, a job placement service has been developed.

For those individuals that are referred to the job placement service, the first step is a readiness assessment. This is an online test which identifies the jobseekers motivation. If the motivation to find work is low, then the jobseeker is returned to the case worker and is not progressed. The case worker will be directed to focus on the jobseekers motivation.

For those individuals that are assessed as ready to look for work an assessment is made that considers the jobseekers: Physical Capacity, strengths, ability, working capacity and aptitudes, limitations, education background, qualifications, previous work experience, disabilities and work related needs, occupational aspirations, job preferences and access to employment (transportation/accessibility issues).

This information is then collated on a CRM system and used to assess against job vacancies, newspapers, job carnivals and employer engagement activity to find the individual work. The placement adviser will then work with the individuals to find suitable jobs and also work with the employer to make suitable modifications.

The funding for the service comes from social security payments. To encourage employer participation, a number of double tax deductions are also permitted, for example double deduction for expenditure incurred in training a PWD who is not an employee of the company with the aim of enhancing prospects of employment.

The quality of the service is enhanced by thorough assessment of need for both the jobseeker and the employer. In addition the service provides in work support to enhance outcomes.

## Training

The Malaysian government under the Ministry of Education is successfully driving the academic attainment of students. However, the government has identified that an academic route is not appropriate for all students and as such an alternative vocational route has been established for those students that drop out or fail the academic system. In this regard, the Department of Skills Development is responsible for managing, coordinating and promoting skills training programmes and career development based on skills competencies.

The National Dual Training System (NDTS) programme was established in 2005 and the objective of the NDTS programme is to ensure that those individuals have the right skills to move into employment by providing a direct link to employment. The programme provides industry orientated training that combines workplace and institutional training. The programme therefore ensures that training provided includes a significant proportion of employment. This was based on the Malaysian government following a similar apprenticeship approach followed in Germany.

Because the programme focuses on those individuals that have not been able to obtain a high level of education, the programme helps prevent poverty by providing training that links directly to employment and secondly, the participants on the programmes tend to be from more disadvantaged communities.

The NDTS programmes last for between six months to two years. Most courses last for six months to a year. The key delivery method is a 30/70 split, with 30% of the time being spent with a training provider and 70% of the time with an employer. This mechanism ensures that there is a direct match for the training to support an individual into work. The NDTS programme is available to individuals under the age of 30 and approximately 100,000 individuals participate in the programme per annum. This is approximately half the number of people that continue into higher education each year.

The NDTS programme is funded by the government and is very well funded. Allowances and payments are given to the provider for undertaking the training, the employer for providing the placement and additionally to the individuals studying. This gives a clear incentive for individual and employer participation. The programme provides training and employment support to young people that drop out of the academic system and increases the vocational skill levels of individuals.

MARA is an example of a government funded provider, a large organisation that focuses on the delivery of education, investment and entrepreneurship. The literal translation of MARA is the Council of Trust for Malaysians. The programmes provided by MARA combine both technical and vocational training with entrepreneurship. The aim here is to help individuals to become not just jobseekers (once they have developed the appropriate technical and functional skills) but to become job creators.

NGOs also play a key role in supporting engagement of poor communities. SOLS is an example of an NGO funded SSN programme from donations that seeks to work with disadvantaged and poor young and help them into employment. The support provided by SOLS is targeted at helping the young in disadvantaged communities. Typically the individuals have had limited access to education, and this could be for a variety cultural and religious reasons that have prevented engagement. Many of the individuals that SOLS work with are not interested in education and do not see the value of education. The biggest challenge is soft skills and English and the programme works to address these gaps. Indeed, programmes are targeted at providing the skills that young people need to secure a job. This includes IT, English and soft skills (or employability skills). The programme is not targeted on providing a full education, but just addressing the key barriers that prevent a person from getting a job. Therefore the programme focuses on English, IT skills and also life skills, or employability skills such as confidence.

SOLS is operated from 22 SOLS centres and to date over 5,000 have passed through SOLS programmes and of those 90% have moved into employment.

The programme relies on the support of organisations to donate funds. As a result, the infrastructure and encouragement of the government for organisations to support charities is key.

### **Job creation**

The strong economic growth achieved by Malaysia in the late 20th century has provided significant labour market opportunity and job creation. The labour market is typified by both a shortage of labour and a skilled labour force<sup>87</sup> and today's economy relies on migrant labour. Job creation is therefore not a significant challenge for the country overall. If individuals do not have the opportunity to engage in the labour market due to a lack of skills then entrepreneurship provides a role for micro finance to support poverty alleviation.

TEKUN is a programme that provides soft loans to individuals from poor communities. Different types of financing are available based on the needs of an entrepreneur. Loans can take the form of start-up capital for example, or of additional working capital for existing businesses to grow. Financing is also available for businesses in the agricultural sector. As well loans, the programme provides development and guidance to would be and existing entrepreneurs. The programme is run under the Ministry of Agriculture and Agro-based Industry.

TEKUN contributes to poverty alleviation by targeting individuals who may not necessarily have access to loans to create a business, such as single mothers, people with disabilities, and people who have been released from prison. Under TEKUN, loan applicants must also attend an entrepreneurship training programme before they can access capital. The training includes topics such as financial management and business management.

The ongoing support TEKUN can offer entrepreneurs contributes to job creation. This is because of the focus on supporting businesses to grow from micro, to small and then medium sized enterprises. Clients can then be transferred to other financial institutions who cater to medium sized enterprises.

### **3.2.3 The way forward**

The research carried out in Malaysia identified many areas of best practice. The government is seeking to diversify the skills base to ensure that there is labour market opportunity for all skill levels and there is sufficient engagement and targeting for disadvantaged communities. Based on the findings, country specific recommendations have been developed. These could also be considered by other Member States with similar labour market and poverty situation:

#### **National policy objectives and delivery**

Measures could be taken to enhance the sustainability of policy objectives and delivery.

Supported by the country's Economic Planning Unit, there are very comprehensive arrangements to monitor the progress of the country's targets to achieve economic growth, including to alleviate poverty through activation programmes. Where possible, these measures and targets should be reviewed to ensure that they support sustainability of the outcome measures achieved. An example would be to measure the number of people that move into work and stay in employment for specific periods, rather than just looking at the number of individuals that move into work.

#### **Individual programme design and performance**

All individuals could be enabled to participate in vocational routes.

Currently vocational routes are seen as a last resort for dropping out of or failing education. Malaysia has invested in developing a highly skilled workforce through educational attainment, but high levels of educational attainment cannot be achieved by all individuals. A vocational route maybe the best educational route for a number of individuals but it not available as a direct choice and is only

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<sup>87</sup> Malaysia Workforce Development, SABER Country Report 2013, World Bank

for those that fall out of the educational system rather than as an equivalent choice. Vocational routes could be developed as an equivalent route from school and given equal priority for students who can make an informed choice on their route to prepare for employment.

The element of activation included in the support of low income households could be increased.

Payments are made to a number of low income households, but these social assistance payments could drive greater engagement with the labour market if there was a greater link to work. There could be an increased number of checks on the income status of low income households and a greater link to participation in the labour market or labour market support available.

Employer engagement and involvement in the design of programmes may be increased.

Effective employment programme design engages employers in the design of the employment support available. Employers could be engaged in the design of programmes to ensure they fit with the requirements of employers.

### **Supporting infrastructure**

The bureaucratic burden on training providers and employers could be reduced.

There is a lot of regulation and monitoring of training providers and employers. Although the NDTs programme relies on the participation of employers and the quality of training provision, a balance needs to be struck between monitoring and compliance and the delivery of the training. A review could be undertaken of the amount of time required to complete training and those of monitoring. This information could be used to assess if the appropriate balance is being struck and ensure sufficient focus on delivery.

## **3.3 Cameroon**

### **3.3.1 Background**

Cameroon has a low unemployment rate which stood at just 3.8% in 2012.<sup>88</sup> However, this figure does not accurately explain the true employment situation in the country. The figure masks the two key challenges facing Cameroon's labour market: a large informal sector and a high rate of underemployment. Due to the lack of comprehensive social assistance, individuals cannot afford not to work. The challenge workers face is in finding decent work, as explained earlier in this report. Underemployment and the informal sector are significant challenges both because of their scale and their impact on poverty. Underemployment means that workers struggle to earn above the poverty line. In the case of visible underemployment, this is because they involuntarily do not work enough hours. In the case of invisible underemployment, it is because they are not paid the minimum wage (this is 28,500 CFAF per month for a working week of 40 hours, equivalent to US\$54.50<sup>89</sup>). It is invisible underemployment which most workers are affected by.

Workers in the informal sector are not covered by social protection and, in general, income generated by informal sector activities does not alleviate poverty.<sup>90</sup> Whereas less than 10% of workers in the public sector or the formal private sector are poor, 56.9% of informal agricultural sector workers are poor and 22.2% of informal non-agricultural sector workers are poor.<sup>91</sup> The Cameroonian poverty rate is based on a poverty line of 738 CFAF per day (equivalent to US\$1.41<sup>92</sup>).

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<sup>88</sup> SESRIC, statistics and databases, available at: [http://www.sesrtic.org/oic-member-countries-infigures.php?c\\_code=12&cat\\_code=1](http://www.sesrtic.org/oic-member-countries-infigures.php?c_code=12&cat_code=1)

<sup>89</sup> Based on a conversion rate as at 19<sup>th</sup> November 2014.

<sup>90</sup> Growth and employment strategy paper

<sup>91</sup> INS, Conditions de vie des populations et profil de pauvreté au Cameroun en 2007: rapport principal de l'ECAM 3, December 2008

<sup>92</sup> Based on a conversion rate as at 16<sup>th</sup> November 2014.

The following table presents key labour and poverty statistics for the country<sup>93</sup>:

**Table 5: Key Labour and Poverty Statistics for the Country**

<b>Unemployment rate</b>	<b>Percentage of workers working in the informal sector</b>	<b>Under-employment rate</b>	<b>Poverty rate</b>
3.8% (2012)	90.5% (2010)	70.6% (2010)	39.9% (2007)
<b>Working poverty rate</b>	<b>Average salary</b>	<b>Average consumption</b>	<b>Average hours worked per week</b>
38.3% (2007)	Unavailable, but 70.3% of workers earn less than the minimum wage	439,787 CFAF per year (US\$841)	40

Source: SESRIC, ECAM 3 & INS

In Cameroon, poverty and employment indicators vary significantly between urban and rural areas.<sup>94</sup> Unemployment is higher in the large urban centres of Yaoundé and Douala, which had unemployment rates of 16.2% in 2007 according to the Cameroon Household Survey, ECAM 3.<sup>95</sup> The average unemployment rate in rural areas was just 1.4%. Male and female unemployment rates also indicate that female workers are more affected by unemployment in urban areas. Each urban area reported on in ECAM 3 indicated a higher unemployment rate for female workers, with an average female unemployment rate of 18%, compared to an average male unemployment rate of 7.8% in urban areas. Unemployment in rural areas does not appear to affect female workers in particular. The female unemployment rate in rural areas is only slightly higher than the male unemployment rate, at 1.6% compared to 1.3%.

Poverty is largely concentrated in rural areas. ECAM 3 estimated that 39.9% of the Cameroonian population lived in poverty in 2007, with 55% of the poor population living in rural areas. There was little change in the poverty rate between 2001 and 2007 (the poverty rate was 40.2% in 2001). This is despite the reduction of extreme poverty and hunger being on the country's Millennium Development Goals and regardless of the 13 point drop in poverty between 1996 and 2001. Due to the relatively stable poverty rate between 2001 and 2007 being coupled with a population growth rate, the absolute number of individuals living in poverty in Cameroon during this time increased.

Cameroon has a large rural population, at 46.75% of the total population in 2013 and agriculture continues to employ the majority of the labour force (53.3% in 2010).<sup>96</sup> Agricultural work is carried out by poor households in particular. In 2007, 90.7% of poor households carried out some form of agricultural activity, versus 52.6% of non-poor households.<sup>97</sup> Although Cameroon is rich in natural

<sup>93</sup> Note: The statistics available in Cameroon are not always highly accurate. There are capacity gaps in gathering data and these are exacerbated by the difficulties in assessing the number of individuals who work in the informal sector or who have multiple jobs. Certain indicators are also unlikely to provide an accurate picture of poverty levels. Salaries, for example, are a poor indicator due to the multiple income streams workers may have. The definitions of indicators must also be carefully considered. For example, there are difficulties defining the term 'unemployment' in Cameroon, as individuals who are unemployed are unlikely not to be carrying out any form of economic activity.

<sup>94</sup> Note: A Cameroon Household Survey (ECAM) was carried out, in 1996, 2001 and 2007. The latest survey, ECAM 4, is currently being carried out to determine the change in poverty indicators between 2007 and 2013. However, the survey is not due to be published until 2015. The National Institute of Statistics (INS) is responsible for carrying out ECAM as well as the collection of other economic and social statistics. In order to analyse the labour market statistics produced by INS and deliver projections, a National Observatory for Employment and Vocational Training (ONEFOP) was created under the Ministry of Employment and Vocational Training.

<sup>95</sup> INS, *Conditions de vie des populations et profil de pauvreté au Cameroun en 2007: rapport principal de l'ECAM 3*, December 2008

<sup>96</sup> SESRIC

<sup>97</sup> INS

resources, a lack of capacity to add value to its agricultural products, or to extend the life of products, constrains the revenue that this sector is currently generating. The agricultural sector is also constrained by a lack of modern technology. However, the frequent power cuts experienced in Cameroon can halt production if modern tools require electricity to be operated.

The need to focus on activation and the role of employment in poverty alleviation has been recognised by the government for the last ten years. Following the 2004 Extraordinary Summit of the African Union on employment and poverty reduction in Africa, the Cameroonian government (and other African governments) committed itself to promoting employment in its social and economic policies. Since then, employment promotion has been a key government priority. This is illustrated in the government's most recent poverty reduction strategy paper for the period 2010-2020, which emphasises the role employment plays in poverty reduction. The 'Growth and employment strategy paper' has set the following targets with regards to employment and poverty alleviation, to be achieved by 2020:

- Increase the average annual growth rate to 5.5%
- Reduce the underemployment rate to less than 50%
- Reduce the income poverty rate to 28.7%

The strategy to achieve these targets includes developing the country's infrastructure, modernising production mechanisms and investing in human development. Other strategies include the promotion of self employment and the development of the private sector, as well as the formalisation of informal sector jobs. The government is also favouring labour intensive approaches in its large infrastructure projects. This means that construction methods utilising labour-based technologies are favoured above those that utilise equipment instead of manpower where it is economical to do so. The government has a target of utilising 20% of investment on infrastructure projects on labour intensive approaches.

### **3.3.2 Design and performance of the current activation policies and programmes**

The country has a large public sector with over 30 ministries. Since the government made its commitment to promote employment, each ministry has been tasked with prioritising employment. This has led to each ministry developing and implementing employment projects, causing duplication due to a lack of coordination. This consequence has now been recognised and an inter-ministerial committee has been set up in an attempt to facilitate the coordination of projects. The ILO is promoting the creation of a 'One Stop Shop' approach to facilitate coordination further.

Activation projects are also delivered by Cameroon's PES, the National Employment Fund (FNE). The organisation is responsible for delivering job search support services.

As well as the projects delivered by government ministries, there are many activation projects delivered by NGOs, agencies such as the ILO, and IFIs such as the African Development Bank. A common feature shared by activation projects, whether they are delivered by the government or other organisations, is that the poor are not a directly targeted group. Instead, projects target population groups whose characteristics mean that they are more likely to experience poverty, such as rural agricultural workers, women or young people. In certain cases, projects designed to alleviate poverty do not necessarily benefit the poorest directly because individuals such as local leaders are better able to position themselves to benefit from development projects. However, even if the poorest are not always the immediate beneficiaries of a project, the trickle down effect means that the poor still benefit from the projects even if indirectly.

#### **Job search support**

The FNE is the operational arm of the Ministry of Employment and Vocational Training. The FNE delivers several employment programmes targeted at different types of jobseekers. There is a



programme in place targeting people with disabilities, for example, and a programme targeting young graduates, as well as a programme targeted at formalising informal sector work.

The job search support service is funded by a tax on employers, who are taxed at a rate of 1%. The FNE has ten regional agencies and four local agencies. They operate by targeting both employers and jobseekers. With regards to employers, the FNE offers business development advice, data on labour market trends and the sectors indicating growth potential, as well as the expected recruitment support. Employers have an incentive to use the service, in the sense that they are getting a return on their tax, but there is no obligation for them to advertise job vacancies with the PES. Employers are engaged by employment advisors who, after offering support to jobseekers in the morning, carry out employer engagement in the afternoons. This process is designed to make it easier for advisors to identify jobseekers on their caseloads that may be suitable for vacancies.

With regards to jobseekers, the customer journey with the FNE varies according to the jobseeker's needs. Where skill gaps are identified (as occurs in over 80% of cases), the jobseeker is offered training with the purpose of making them employable. Training is delivered by government approved training organisations, financed by the FNE. The length of training varies but it does not last more than a year. Jobseekers are also given support in writing CVs and job vacancies are advertised at the FNE agencies as well as on the FNE's website. Advisors have targets assigned to them for the number of jobseekers they must find work for. The regional agency of Yaoundé, for example, was tasked with placing 14,000 jobseekers into work in 2014. Although the FNE is aware that international best practice is for advisors to have caseloads of around 300 jobseekers, advisors in Cameroon actually have caseloads of around 3,000. This is despite the fact that many jobseekers do not register with the FNE as there is no social protection to be gained by registering as unemployed and most jobseekers in Cameroon find work through word of mouth and other informal networks.

Limited funding constrains the number of agencies in place and the number of employment advisors to support jobseekers. The FNE has set up an integrated information system to share jobseeker data between FNE agencies, but the expansion of this system is dependent on when funding becomes available. Despite these constraints, FNE staff members are enthusiastic and highly motivated. They are clearly dedicated to delivering a good, useful service to jobseekers and have initiated improvements to the service to meet jobseekers' needs and provide sustained support. Examples of improvements initiated include delivering information workshops on topics that meet demand and looking to other countries for examples of best practice. Several members of the senior management team first joined the FNE as employment advisors and are now heading up the Yaoundé regional agency and the Integrated Information Centre for Youth Entrepreneurship.

## **Training**

Due to the large agricultural sector in Cameroon and the high poverty rates associated with the sector, many of the training projects delivered in Cameroon are targeted at agricultural workers. Training in this sector aims to increase the productivity of agricultural work and support job creation. However, funding often constrains the impact of projects.

The NGO 'Services d'appui aux initiatives locales de développement' (SAILD), for example, has previously run a pilot project called *Projet d'Insertion des Jeunes et des Femmes dans les projets agropastorales* (translated as Project for the inclusion of young people and women in agricultural projects). The aim of the project was to train young people on how to set up their own agricultural business. Training was delivered by volunteer rural workers who were paid a flat rate of US\$100. Project beneficiaries were selected through a process of interview and aptitude assessments. Successful applicants were then placed with a trainer who reported on their progress to SAILD. After completing training, beneficiaries worked on a business plan with their trainer and a specialist SAILD team who put the beneficiary in touch with a micro finance organisation. Once micro finance was in place, the beneficiary and their technical trainer would set up the business. A new phase of management training would commence incorporating developing a budget, managing cash flow and

projections and setting up a daily accounts book. In this way the beneficiary became gradually autonomous.

A brother and sister (Jonathan and Sonya Robinson) who had benefitted from the scheme were interviewed as part of the study. They joined the scheme in 2009 because they wished to finance their educational studies through self employment. Jonathan and Sonya successfully completed the scheme and now have a small farm raising chickens and goats. However, their business has not been able to grow as much as their business plan had predicted due to difficulties in obtaining credit and the competition posed by large scale producers. Despite this, Jonathan and Sonya have completed their secondary school education after attending evening classes. Jonathan also qualified as a trainer to deliver the scheme to future SAILD beneficiaries. However, the donor organisation for the project has withdrawn, meaning that the project has closed and training is no longer delivered.

Despite the lack of funding, training can continue to be delivered in an agricultural setting by sharing best practice between agricultural workers. In Cameroon, agricultural workers are encouraged to work together to increase their productivity. In the past, this has taken the form of less formal common initiative groups (GIC), such as the GIC Nkom Damba. The GIC previously benefited from training from SAILD to diversify their produce. Production began collectively, with the GIC initially sharing ownership of the animals they reared. As productivity has increased, however, workers have acquired individual ownership of animals and produce. Over time, the training provided by SAILD has also changed. The NGO was able to advise them on other sources of support, for example, such as the European Union (EU). The EU financed the provision of machinery so that the workers could produce animal feed within the village instead of having to travel and incur the cost of transforming their produce. Training is also continuing in the form of knowledge sharing with other GICs. At Nkom Damba, a small lake is being dredged to allow a barn to house chickens to be built above the water level. This will allow chicken manure to drop into the lake and feed the fish being farmed. The project to construct the barn commenced after a neighbouring GIC showed the GIC at Nkom Damba a similar project they had completed.

In both these projects, the beneficiaries have used the training delivered to increase their incomes. However, challenges were reported which reduce the impact training can have on increasing income. The challenge most widely reported was the difficulty young people and agricultural workers face in gaining access to credit. This challenge means that even when a worker has been given the skills needed to set up a business or increase their income, it is difficult for them to implement the lessons learnt due to not having the necessary credit.

The Cameroonian government and donor organisations are making an effort to deliver training at the macro level as well as to workers. The aim of this is to address capacity gaps in government. The ILO, for example, is delivering the Project for the Support of Employment Promotion and Poverty Reduction (APERP) in order to support the government's commitment to promoting employment. The project is funded by the French government. The primary objective of APERP is to improve living conditions through the creation and promotion of decent work and specifically targets young people and women. The second phase of the APERP is currently being delivered; its three components include:

- 1 Promotion of employment, training and investment policies in national development frameworks
- 2 Targeting employment creation at the vulnerable, particularly young people, women and migrants, complimented by social protection policies
- 3 Strengthening capacities among stakeholders such as social partners

At a national level, delivery is coordinated by a National Programme Coordinator. In terms of the first area of focus within APERP II, the ILO delivers training to the National Observatory for Employment & Vocational Training in order to improve the development of labour market statistics. Support to the National Observatory has included the provision of computer systems, training on the production of annual reports and training on the appropriate tools and methodology to gather data.

Capacity building remains a challenge for the National Observatory because it only has a team of four with workers transferred from the Ministry of Labour; their experience is therefore in the improvement of working conditions rather than statistics.

With regards to employment creation, APERP continues to promote entrepreneurship through two schemes called 'Start Your Business' and 'Improve Your Business'. Under these schemes, the ILO delivers training to trainers and provides delivery partners with ILO tools and methods to be used in training staff. The ILO is also encouraging the government to pilot a curriculum change which would lead to schools encouraging entrepreneurship among students.

### **Job creation**

Job creation is a significant concern for Cameroon because the country has a young population. 42.96% of the population is under the age of 15 and the population is growing at an annual rate of 2.55%.<sup>98</sup> It is projected that the total population will increase from 19.5 million in 2009 to 26.5 million in 2020.<sup>99</sup> Job creation must therefore keep pace with population growth.

As well as the favouring of labour based technologies to create temporary employment opportunities, as previously mentioned, the government is also encouraging entrepreneurship. For example, the Ministry of Youth Affairs has implemented the Rural and Urban Youth Support Program (PAJER-U) with the aim of achieving socio-economic integration of 15-35 year olds who have received no schooling or who are school drop outs. Specific objectives to be achieved include:

- 1 Mobilising young people through the creation of individual or group enterprises
- 2 Monitoring of beneficiaries in job placement and self-employment
- 3 Proposal of a financial mechanism that will support the young employed and youth entrepreneurs
- 4 Mobilisation of lines of credit and creation of financial structures throughout all 10 regions to support junior enterprises
- 5 Developing a pilot unit to monitor the programme and propose support strategies (laws, regulations, rules etc)
- 6 Constituting the National Youth Integration Fund to ensure perpetuation of the project

PAJER-U seeks to achieve these objectives by providing training to project beneficiaries with a focus on technical, entrepreneurial and managerial capacity building. The project also assists beneficiaries in setting up their own enterprise, assisting with access to finance and providing mentoring support. Follow up support is also provided in the form of ongoing vocational training and assistance in company formation, such as technical support setting up legal, taxation and financial procedures in the new business. The project is funded by the IMF Heavily Indebted Poor Countries Fund (HIPC) and Ministry of Youth Affairs Budget. So far, 7,000 young people nationally have been involved in the programme and 2,282 micro business projects have been created.

Follow up support for new businesses is required because of the high failure rate for new businesses. Sustained support is also required to increase productivity. High productivity is linked to higher income and to ensure businesses can grow, continuous learning is required. The government is putting efforts into supporting new businesses. However, services tend to be concentrated in the regions of Yaoundé and Douala.

Projects to support entrepreneurship are particularly required in Cameroon for two reasons. Firstly, there is not yet much encouragement in the education system for individuals to pursue entrepreneurial activities. There is therefore a need to encourage individuals to create employment for themselves and, potentially, for others, through establishing their own businesses. Secondly, would be entrepreneurs face considerable difficulties in setting up their own enterprise due to difficulties accessing micro finance.

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<sup>98</sup> SESRIC

<sup>99</sup> Growth and employment strategy paper

Government sponsored projects can address the issue of micro finance by funding the provision of loans. The Ministry of Economy, Planning and Regional Development, for example, is currently delivering a project called Sub-Programme for Poverty Reduction at the Grassroots (SPRPB).

The programme seeks to strengthen the capacity of its beneficiaries by developing and growing value-added aspects of rural production. The programme promotes decentralization and supports the emergence of 'economic clusters'. SPRPB provides training to beneficiaries on how to manage agricultural production as a business. Many areas (geographical and sectoral) are seasonal and the project seeks to emphasise the 'value chain', ensuring that where possible, the primary product is changed into something else so that seasonal work is minimised. For example, storage houses have been built so that the life of maize and rice can be extended with machinery provided by SPRPB to prepare the products for various markets. Projects are overseen at the level by the local council. The local mayor is provided with a bicycle in order to get to producers, analyse any problems and propose solutions. The programme is funded by the Cameroonian government and the UN Development Programme.

The project acknowledges the importance of cash flow and ensuring that micro finance is available on a revolving basis is a priority. The objective is that all businesses flourish and create employment. Creation of employment in turn makes the producer more eligible for credit, through Le Credit-Bail. Two micro finance organisations have been selected to provide funding.

The programme is now in its second phase and lessons have been learnt from the first phase. The first phase was grant-funded and there was little monitoring or evaluation of success and failure factors. In this regard, in the second phase the lessons learnt are as follows:

- There should be a focus on the capacity building of beneficiaries around management skills, education, savings and credit
- Access to funding should be facilitated by reducing the conditions for it
- The regional and local authorities should be educated on the activities of the programme including eligibility criteria
- The links with existing programmes should be strengthened
- Subsidising is not the best way to fund beneficiaries. People have to know that in business they must repay loans

Despite the government provision of funding for loans attempting to address the difficulties individuals have to access funding, a lack of capacity within micro finance institutions can still pose a challenge. For example, a project delivered by the Ministry of Youth Affairs had made funding available for young people with a business plan to start their own enterprise. Many individuals who had met the eligibility criteria for a loan had not received the funding from the micro finance institution. An inquiry is now taking place to determine what has happened to the funds provided by the government to the micro finance institutions.

Young people in Cameroon face difficulties accessing credit because they usually cannot meet the conditions required for loans, such as guarantees. Young people also have difficulties being taken seriously by potential investors due to their age. With regards to the difficulties faced by agricultural workers in accessing credit, another challenge cited was that many micro finance organisations do not offer products suitable to the needs of agricultural workers. This may be due to a lack of understanding over the seasonality of farming or because credit organisations are not willing to make longer term investments, which by its nature, are the type of loans agricultural workers require. An Agriculture Bank was recently set up by the Cameroonian government to provide access to credit to agricultural workers. A Small and Medium Sized Bank has also been created to provide loans suitable for new small and medium sized enterprises. The banks are not yet operational and so it cannot yet be determined whether they will support workers' access to micro finance. However, they do indicate a step in the right direction and show that the government has recognised the difficulties faced by workers requiring micro finance.

As well as delivering job search support, the FNE supports a job creation activation measure: the promotion of entrepreneurship. Jobseekers identified as being entrepreneurial can be given support to start their own businesses. FNE agencies have officers on site whose role is to work with such jobseekers, helping them to formulate business plans and signposting them to sources of finance. The FNE also operates an Integrated Information Centre for Youth Entrepreneurship. The centre, located in Yaoundé, has publications and internet services available for visitors to the centre. The centre also has an online database, described as ‘a list of 500 business ideas’ that can be accessed by would-be entrepreneurs. The database provides information on the expected costs and revenues associated with different businesses and their general economic viability. For example, the costs and potential revenues of setting up a chicken farm can be found, as can advice relating to the care of the animals. The centre also offers workshops to both would-be entrepreneurs and entrepreneurs who have set up businesses on topics such as fiscal requirements and human resource management. Entrepreneurship is also promoted by the FNE through the media.

The job creation strand of APERP is also delivered by the ILO in supporting the government to develop policies favouring labour-based technologies. Further job creation measures will be discussed in the following section.

### 3.3.3 The way forward

This section presents recommendations based on the best practice found in the research. The recommendations also aim to address the challenges faced by activation projects and policies. The reasoning behind each recommendation and the approach proposed to implement it is tailored to Cameroon’s current environment and policies. However, other lower-middle income Member States should consider the recommendations proposed and assess whether they would be applicable to them.

#### National policy objectives & delivery

##### The number of work and job related initiatives could be rationalised.

All relevant ministries have a priority focus on delivering ALMPs, but this has led to over 60 different initiatives across several ministries. There is little cooperation or coordination between them to ensure duplication is minimised and value for money from programmes is maximised. Furthermore, beneficiaries are not properly targeted and outcomes are unclear.

Ministries have come together to improve coordination of ALMPs. This approach could be encouraged to come up with a work plan to progress the rationalisation of initiatives and the commencement of a common programme of activity extremely quickly.

The ‘one stop shop’ previously mentioned may take the lead in influencing the technical specifications of large infrastructure and smaller urban regeneration projects at the early planning and design stage in order to ensure:

- A share of the budget goes to smaller contractors utilising labour-based technologies
- Built in capacity for planning, designing and evaluation
- Capacity building for using local labour in the initial project and follow on routine maintenance
- Procurement documents are orientated towards the employment of smaller contractors

##### Specific informal occupations can be regularised and best practice disseminated.

Cameroon has a large informal sector. As workers in this sector are more likely to be in poverty and are not covered by social protection, it is important for efforts to regularise these workers to continue.

Some programmes are already in place to formalise informal sector workers. Experience from these programmes should be shared so that future efforts to regularise informal occupations are as effective as possible. For example, through the PIASSI programme, informal traders in the city of Kribi are physically moved to places where they can trade legally. As legalised entities, the traders pay taxes, thereby contributing to the economy, and are not in danger of having their stock requisitioned by the police (informal sector workers who trade in locations such as pavements are at risk of this).

The status of the PES can be raised.

There is little incentive in place for employers and jobseekers to utilise the PES. This means that many employers do not advertise their vacancies through the organisation and many jobseekers do not register for job search support services.

All employers should be encouraged (or mandated) to advertise through the PES. This would raise the PES's status with employers, elevate the PES as the first rather than last port of call for jobseekers, free up employment adviser time to work with jobseekers and outreach to the furthest from formal employment. An 'enhanced registration' for employers could be a chargeable service which would go some way to financing the employment of additional advisers.

**Individual programme design & performance**

The setting up of new businesses along new road infrastructure should be encouraged.

The encouragement of small entrepreneurial businesses along the new roads to the interior would support the needs of travellers (in terms of the provision of food, drink, accommodation, phone boxes etc.). The creation of sub contractor businesses on the infrastructure projects could also be encouraged. Furthermore, the lead government bodies working on infrastructure development could work with micro financing institutions to provide encouragement and facilitate new businesses to be set up.

Caseloads of PES employment advisers can be addressed.

Caseloads in the PES are of around 3,000 jobseekers per adviser. The caseload is unsustainable and consideration may be given to reducing it if the service delivery is to have impact.

A support programme to increase capacity would be needed to address caseloads. Employment advisers could work with several jobseekers at the same time if Job Clubs were created that encouraged peer support between jobseekers, thus releasing the adviser to work with those most in need of support.

Vocational training should reflect the current and future needs of the Cameroonian economy to respond effectively to the Growth Plan.

It is important for students to be given the skills required by employers to ensure strategies to improve access to vocational training are effective in the long-term. Training could be designed through one government lead department working hand in hand with the economic sectors, key businesses and employers.

The criteria for grants could be tightened and minimum rate loans rather than grants can be allocated to beneficiaries where appropriate.

The study found that beneficiaries placed a greater value on a loan and worked harder to achieve their objectives when given a loan rather than when awarded a grant. Providing funding in the form of a loan can also extend the life of a project because loan re-payments can be used to provide loans to other beneficiaries.

A combination of loans and small grants can be appropriate. For example, to avoid a beneficiary of skill training forgetting the skills they have learnt, small grants could be given to bridge the gap between the end of training and the payment of a loan. Grants are appropriate as 'seed corn' funding

when there is a clear process in place to monitor how the grant is spent, additional intellectual support is available for the beneficiary to build their business and the benefits of the grant can be evaluated. Without this framework, value for money is impossible to quantify.

### **Supporting infrastructure**

Impact assessment of the investment in all the various labour programmes, with data from the operational front line, may be required so that informed decisions can be made about what really works.

Much evidence is anecdotal and organisations lack the capacity and tools to undertake impact assessments adequately. Carrying out impact assessments as described necessitates the improvement of the labour market information that is currently available, the creation of SMART indicators and improving the way labour market information is disseminated.

Creativity can be encouraged and fostered from childhood. Young people and their parents also need to be supported to value self employment as a respectable and valued alternative to employment in the public sector.

Vocational work and entrepreneurship are not regarded highly in Cameroon. They are also not encouraged within the school curriculum. As these areas are most likely to offer employment opportunities and are being pursued by the government as part of its growth strategy, the education curriculum should change to reflect this. Fostering creativity could lead to developing innovation and a sense of initiative among students. A greater focus on these subjects could also impact positively on the public perception of vocational training and entrepreneurship.

Micro finance may be made more easily accessible to applicants with no or limited guarantees.

Young people under the age of 30 already make up the majority of the Cameroonian population. The Cameroonian population is also expected to grow considerably till 2020. This means it is important for more effort to be made by micro finance institutions to understand that it is essential to the economy that young entrepreneurs, in particular, are given the financial support to succeed in their business objectives and to create jobs.

The creation of the Agriculture Bank, to provide sector appropriate loans to agricultural workers, is timely. This is in its planning stage of development which could incorporate planning to support micro finance in giving 'riskier' loans to incubating businesses, perhaps through a Young Entrepreneurs division.

Micro finance organisations can be trained to understand the business demands of the small businesses they exist to support.

It is important for micro finance organisations to understand the business plans presented to them and the constraints on small businesses in order for them to meet businesses' needs. For example, the timing of cash injection is critical to small businesses and the reasons for this need to be understood by micro finance organisations. Chicken farmers, for instance, require capital to buy chicks in October so they can grow in time for Christmas. Late payments of loans mean market opportunities such as this one would be lost. To ensure that micro finance organisations can respond to businesses' needs, their processes and capacities would need to be developed.

The government could put pressure on micro finance institutions to distribute loans within a set time frame and monitor their ability to do so.

As mentioned above, micro finance can take too long to materialise. Even government loans that are administered solely through micro finance organisations can take three to four years to materialise. The review currently being conducted to establish why government loans, administered by micro finance organisations, have not reached the young people entitled to them may be used to instigate possible changes to the way micro finance organisations operate and are regulated.

The government could encourage more informal farming groups (GICs) to become co-operatives, particularly amongst young people with small or no guarantees, with appropriate support to do so.

Micro finance organisations loan more readily to co-operatives than GICs as the financial risks are thought to be reduced due to increased capacity. It is mandatory for GICs, once they get to a certain size, to become co-operatives. The paperwork required to register as a co-operative has been reduced but a co-operative would still need to set up governance for which they require some training and support. They also require support to arrange practicalities, such as a fixed address where the co-operative can be contacted. The provision of support to address these needs could encourage the creation of co-operatives.

### 3.4 Uganda

#### 3.4.1 Background

Uganda has an unemployment rate of 9%.<sup>100</sup> However, this does not present an accurate indication of the health of the labour market. Many workers are underemployed. This may be in the sense that they cannot work 40 hours per week even though they would like to (time-related underemployment); that workers may have an educational attainment higher than their job requires (skills-related underemployment); or that workers are inadequately paid (wage-related underemployment).<sup>101</sup> A majority of workers are also employed in the informal sector. The situation is therefore similar to that of Cameroon; workers cannot afford not to work due to the lack of a comprehensive social safety net programme. The challenge workers face is finding decent work to allow them to move out of poverty. This is challenging even for those with a high level of education due to both a shortage of suitable jobs and graduates pursuing studies in fields that do not match employer needs. The table below provide more information about the labour market and poverty in Uganda:

**Table 6: Key Labour Market and Poverty Statistics for the Country**

Unemployment rate	Percentage of workers working in the informal sector	Under-employment rate	Poverty rate
9% (2012/2013)	58% of non agricultural employment (2009)	Time-related: 9% Skills-related: 6% Wage-related: 15% (all 2012/2013)	19.7% (2012/2013)
Working poverty rate	Median salary	Average consumption	Average hours worked per week
17% (2012/2013)	110,000 UGX per month (US\$39.86) <sup>102</sup>	232,700 UGX per month per household (US\$84.77) <sup>103</sup>	41 (2012/2013)

Source: SESRIC, UBOS & ILO

<sup>100</sup> UBOS, Uganda National Household Survey 2012/13

<sup>101</sup> Note: three types of underemployment are given in this case study, whereas they are not in the other case studies, because of the availability of data.

<sup>102</sup> Based on a conversion rate as at 18<sup>th</sup> November 2014

<sup>103</sup> Ibid



There is a lack of data on the labour market because the last Manpower Survey, which collects information on available jobs and the sectors these are in, was carried out in 1987. A new Manpower Survey is being planned and input into the design of the survey is being provided by employer organisations but the roll out of the survey has not yet been determined.

Uganda has seen a strong decrease in national poverty levels, from 56.4% in 1992/1993 to 19.7% in 2012/2013.<sup>104</sup> However, there are strong disparities within the country when it comes to poverty levels. Rural areas tend to be far poorer, with 22.8% of the rural population estimated as being poor, compared to 9.3% in urban areas.<sup>105</sup> The North in particular has high rates of poverty largely due to the after effects of 20 years of conflict in the region. Some northern parts of the country still have poverty rates as high as 49%.<sup>106</sup> Furthermore, as poverty rates have decreased, inequality has increased and nearly 40% of households remain vulnerable to poverty.<sup>107</sup>

77% of the population live in rural areas.<sup>108</sup> Unsurprisingly therefore, 72% of the Ugandan working population is engaged in the agricultural and fishing activities.<sup>109</sup> The proportion of the working population engaged in agriculture has decreased in recent years though, falling from 72% in 2005/2006 to 66% in 2009/2010.<sup>110</sup> This change is an indication of rural urban migration and the growth of the service sector, which in 2012/2013 employed about 27% of the working population. Unemployment rates are higher in urban areas than rural areas. In the 2012/2013 Uganda National Household Survey (actually carried out in 2014 as previously mentioned), urban areas were found to have an unemployment rate of 10% versus 8% in rural areas. The previous survey had reported a rural unemployment rate of just 3%. Unemployment rates are higher for female workers than male workers, at 11% compared to 8%.

The extractive industries are emerging in Uganda. The oil industry, for example, is set to take off in 2017, after one of Africa's largest on-shore oil discoveries was made in the country in 2006. Although the sector will contribute to job creation, with technicians and welders likely to be in demand, it is unlikely to generate the significant number of jobs required to keep pace with the growing population. This factor is discussed in more detail below.

### 3.4.2 Design and performance of the current activation policies and programmes

Activation in Uganda is recognised by the government as a priority. The young population and high population growth rate means that job creation policies are required and government policies in this regard are focused on encouraging entrepreneurship. Skills mismatch is also recognised as a challenge and skills training policies are being developed to address this, as described below. However, there is very little job search support available. Furthermore, given the other challenges facing the country, the development of job creation, skills training and job search support is a priority amongst many others. The activation projects implemented in recent years, such as the Youth Venture Capital Fund, were described as reactionary and a response to unrest among the unemployed. A more proactive approach is needed, and this has been recognised, but a lack of funding prevents the implementation of innovative policy. Improvements must also be made in targeting funds to ensure they have a greater impact on the beneficiaries who need them most.

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<sup>104</sup> The poverty line in Uganda is based on a 1993 consumption basket which computes the cost of basic needs in Uganda. It is set at approximately 3,294 Ugandan UGX per day (or US\$1.20 per day), and is updated for inflation (using the Consumer Price Index) for each population census. Based on this poverty line, Uganda has a poverty rate of 19.7%. Although the poverty line is updated in line with inflation, the contents of the consumption basket have not changed since 1993. A more up to date consumption basket on which to base the poverty line may therefore be more appropriate, whilst the existing consumption basket could continue to be used to measure extreme poverty. (World Bank, Inclusive Growth Policy Note 1, Poverty Trends in Uganda)

<sup>105</sup> UBOS, Uganda National Household Survey 2012/2013

<sup>106</sup> MGLSD, The Expanding Social Protection Programme – Project Profile

<sup>107</sup> Ibid

<sup>108</sup> IFAD, Rural Poverty Portal

<sup>109</sup> ILO, Uganda Decent Work Country Programme 2013-2017

<sup>110</sup> UBOS

Uganda is similar to the Cameroon case study in that activation projects do not tend to target the poor directly. Rather, they target regions with higher incidences of poverty or groups of vulnerable people, such as child labourers and communities affected by the impacts of war. However, some projects are not necessarily targeted at the population groups most likely to be poor. For example, many projects are targeted at the urban youth. It is in rural areas though that poverty rates are highest and where young people have most difficulty gaining access to services. Local structures are in place which, if utilised properly, could improve the access that rural youth have to information. For example, there are youth councillors within each local authority who could be given roles to reach out to young people.

Improved coordination at several levels is also required. Efforts have been made to engage with stakeholders but these tend to be sporadic and there is no structure in place to ensure input by relevant organisations. For example, there is a lack of regular interaction between employer bodies and the business, technical and vocational education and training (BTVET) and other educational organisations, although it should be noted that employers were consulted in the development of the Skilling Uganda strategy paper.

Nevertheless, lessons are being learned by policy makers and some well considered activation strategies are in place, such as Skilling Uganda, the BTVET strategic plan for the period 2011-2020. Skilling Uganda aims to address skills mismatch by instigating a paradigm shift within the education sector, moving from a focus on acquiring only educational certificates, irrespective of their relevance to the labour market, to a focus on acquiring the employability skills and competencies required by employers. Educational certificates will continue to be used in the formal BTVET system, but they will signify that the content of training is allied to the needs of the labour market. The strategy includes targets to increase the number of primary school leavers to enrol on BTVET courses. This will require a change in the public perception of BTVET because vocational skills training tends to be perceived as being inferior to traditional academic studies.

The key challenge for Skilling Uganda, and other government policies, lies in their implementation in a country where lack of funding is a severe constraint. The implementation of Skilling Uganda did not begin until 2012 for example, instead of 2011 as the strategy had set out, due to lack of funding. The strategy paper also clearly states that there is a funding gap to implement the policies. Current budget projections for the BTVET sector have been based on the current low expenditure levels, for example, which have led to underfunding for BTVET institutions. For the first four years of the plan alone, the funding gap is estimated by the Skilling Uganda strategy paper to be 424 billion UGX (equivalent to US\$ 155 million<sup>111</sup>). Doubts could therefore be raised as to whether the targets set out in the strategy are realistic. However, the World Bank, which supported the development of Skilling Uganda, has developed a plan to continue supporting the government to implement the plan.

Lack of funding for activation measures also means that measures traditionally delivered by the PES, such as job search support, are not widely available, as is discussed below.

### **Job search support**

The Ministry of Gender, Labour and Social Development (MGLSD) has nine departments, one of which is the Employment Services department. Within this department is the directorate for external employment services. It is this directorate which, theoretically, is responsible for the provision of job search support to jobseekers. However, there is only one public employment services bureau operated by the ministry and this is located in Kampala. Kampala Capital City Authority also recently set up a public employment services bureau. Other employment services in Uganda are provided by private job placement agencies, most of which are also located in Kampala.

The Employment Services department provides licenses to private job placement agencies and monitors their services. Although the department is constrained in terms of what it can achieve due

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<sup>111</sup> Based on a conversion rate as at 18<sup>th</sup> November 2014.

to only having one employment services bureau to operate, it aims to standardise the employment services offered to jobseekers by delivering training to the private agencies.

The lack of sufficient job search support is not only due to a lack of funding, it is also linked to the lack of incentives for jobseekers to register as unemployed and for employers to advertise their vacancies (although which factor is a cause, and which is a symptom is difficult to establish). In countries which provide social assistance to the unemployed, the payment of the benefit is often linked to the individual registering as unemployed. As there is no such social assistance provided to unemployed people in Uganda, there is no incentive to register with the PES. Incentives for jobseekers are also limited because whilst the employment service could recommend skills training to a jobseeker, they do not have the capacity to deliver the training themselves or liaise with training institutions on behalf of the jobseeker. This is because training institutions are within the remit of another ministry, the Ministry of Education and Sports.

The lack of coordination is not helped by the structure of government ministries. In a restructure, the Ministry of Labour was merged into the current MGLSD. This new structure makes it difficult for employment policy to be established as a priority and to generate coordination in this policy area.

For the most part, jobseekers utilise networks of contacts and find job vacancies advertised in the newspapers, on the radio and on television. However, many jobs are advertised purely to meet regulations which require companies to advertise roles and that in many cases an individual will have already been informally selected to fill the vacancy. In an informal discussion, it was mentioned that jobseekers are frequently not employed or promoted on merit but on their network and 'who they know'.

The severe constraints of the PES mean that there is a significant need for other activation projects in Uganda. This has been recognised by the government but also by key actors, such as employers, NGOs and IFIs. A number of skills training programmes are being implemented, for example, which will be discussed in the following section.

## **Training**

The government, often with support from donor countries and IFIs, has recognised the need to address skills mismatch, as indicated by the development of Skilling Uganda. However, as previously mentioned, whilst Uganda does have detailed plans in place to deliver training schemes, actually implementing policies and projects remains a challenge. Even when vocational skills training is delivered with the aim of ensuring students are employable, the quality of that training affects students' employability. The tools that students use in their training are often old fashioned and training is therefore not suited to the work students would be carrying out in the workplace. For example, students that are training to be mechanics tend to learn their skills by working on old cars that are no longer used by consumers. Once a student moves into the workplace, they are therefore not equipped to carry out repairs on modern cars.

Despite these challenges, training schemes are being delivered with positive effects for the vulnerable. Child labour, for example, is still an issue in Uganda, despite legislation being in place banning it. In 2010, the NGO Platform for Labour Action (PLA) carried out research and found that in one district of Kampala alone, 12,000 children were working. PLA introduced skills training measures to support former child workers. The project is called Empowering the Community to Prevent and Protect Child Domestic Workers and it targets child domestic workers aged between 14 and 17. Generally, activation measures for the poor do not include education measures for children. However, in this case the target group can be considered as being vulnerable workers. The support measures used by PLA also include vocational skills training. This is why the example has been included, despite activation measures not generally being related to children's education.

Under the project, child domestic workers are identified by Task Force Members who are local leaders in their community. After a child domestic worker has been identified, PLA approaches the child's family or employer and explains why the child should not be working. This can be difficult

because there is no term for 'child labour' in the local language, Luganda, and families and employers are usually reluctant to allow a child to leave their labour.

Former child domestic workers who did not complete their primary education will typically be too old to go back to primary school. PLA therefore enrolls them in a vocational skills college to acquire skills training. Skills training consists of lessons in a vocational skills college, followed by industrial training with an employer. These placements are sought by the college and employers do not receive any payments for the training delivered to PLA beneficiaries.

After completing the skills training, the young people must find employment. They may be kept on by the employers who provided them with industrial training or return to their home village if they do not have the resources to stay in Kampala whilst looking for employment. It is finding employment which is the biggest challenge for young people supported by PLA.

As part of the study, three former child domestic workers called Shakira, Edith and Haimudan were interviewed. Haimudan is 18 and was found by the PLA when he was selling eggs instead of attending school. He was enrolled at the Kyebando Vocational School in Kampala and was given lessons in car mechanics. After three months of lessons, the school's social worker found him an industrial training placement with a local mechanic. Shakira and Edith, both 18, received hairdressing training through the PLA. After three months of classes, they received industrial skills training at a salon located around the corner from the Kyebando Vocational School. After completing their training, the salon owner kept them on. Their earnings vary according to the number of clients they have and both girls need to travel five miles from where they live in Makindye to the salon, although their employer pays for the cost of transport.

Over the course of the project (2005-2014), it is expected that 591 children will be directly supported by PLA, with ten times this number receiving indirect support. Despite the success of the project in helping young people, the project will be closing because donor funding has ended. Further work in this area will be carried out on a smaller scale.

The lack of funding for training schemes such as those delivered by PLA is a significant challenge for Uganda. This is particularly true given the size of its young population and the extent of skills training required. 60% of Uganda's population is under the age of 18.<sup>112</sup> Primary and secondary education in Uganda is free, but fees are likely to be in place for the provision of school materials. The quality of education has also been questioned. Parents who can afford private school fees therefore regularly choose to enrol their children in private education. In society, practical, vocational education is also undervalued. The national curriculum also does not encourage entrepreneurship.

To address this, the government has introduced measures to encourage entrepreneurship. Although the promotion of entrepreneurship is a form of job creation activation measures, the government's Youth Livelihood Programme (YLP) contains an element of skills training. In fact, 20% of the funding is allocated to the Skills Development. This component supports the development of skills that create self-employment opportunities. This includes practical training in marketable trades identified by the youth and start up tool kits for successful completers as well as business skills. The following section describes the other aspects of the YLP.

### **Job creation**

Job creation measures are required in Uganda because as well as having an extremely young population, the population is growing quickly. Population growth rates suggest that the population could almost double from 33.9 million in 2012 to 61 million by 2040.<sup>113</sup> The need for job creation to keep up with population growth has been recognised by the government. It is the young who are

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<sup>112</sup> The Uganda National Household Survey 2012/2013

<sup>113</sup> Uganda Vision 2040

most affected by a lack of jobs, particularly university graduates who either cannot find jobs to match their skill level or do not have the skills required by employers.

To support young people, the government initiated the above mentioned Youth Livelihood Programme in 2013. The programme's specific objectives are to:

- 1 Provide youth with marketable vocational skills and toolkits for self-employment and job creation
- 2 Provide financial support to enable the young people to establish Income Generating Activities (IGAs)
- 3 Provide youth with supporting entrepreneurial life skills
- 4 Provide young people with appropriate knowledge and information that supports a positive mind set change

The programme targets beneficiaries aged 18 to 30 who have dropped out of school and training institutions, are from vulnerable communities, are single parents, or have a disability. This indicates that those most at risk of poverty are likely to be targeted. However, young people who have completed secondary and tertiary education (including university) are also eligible for the scheme.

The YLP has three components:

- 1 Skills Development, as described above.
- 2 Livelihood Support, to which 70% of the fund is allocated. This component finances productive assets for income generating activities as well as business and basic skills and follow on support from expert mentors.
- 3 Institutional Support, to which 10% of the fund is allocated. This component aims to improve the technical, administrative and managerial capacity of the programme implementers at MGLSD, local and community level as well as promoting good governance at all levels of implementation.

To receive funding to set up an enterprise, project beneficiaries must organise themselves in a Youth Interest Group (YIG) for the implementation of their business plans. Each YIG is responsible for the implementation of their own programme and democratically elects a Youth Project Management Committee, Youth Procurement Committee and Social Accountability Committee to oversee implementation. Sector experts at District and Local Government level support the projects throughout the cycle. To encourage the repayment of loans, loans are interest free if repaid within the first year. Repayments extending beyond the first year are charged 5% interest.

Early results of the project are encouraging. 1,563 projects have started with 11.53 billion UGX allocated to 20,192 beneficiaries of whom 40% are female. The project is targeted to fund around 7,000 projects over the initial five years of the programme. Districts are being phased in and, as anticipated, agricultural projects predominate because the projects are driven by community demand. It is also interesting to note that by targeting youths who are more likely to be poor, criticisms targeted at the Youth Venture Capital Fund for not supporting those most in need are addressed.

Another job creation measure attempting to target the poor, and particularly the young poor, is the Northern Ugandan Youth Enterprise Partnership (NUYEP), delivered by Enterprise Uganda. As previously mentioned, the North of Uganda has some of the highest poverty rates.

NUYEP responds to a 2011 study by the Basic Needs Foundation that found that previous interventions in Northern Uganda were largely ignoring the needs of the majority youth population. In particular a focus was needed upon young women whose earnings were especially low at less than US\$1 per day. These women are particularly vulnerable to having young children, being

orphans themselves, being former abductees and experiencing domestic violence. The programme intends to encourage improved flow on income using a household empowerment approach that provides mind-set change training and business follow up support. NUYEP is funded by the Department for International Development in the UK and Enterprise Uganda acts as the Project Implementation Agency for the project.

The project aims to:

- Support 10,500 beneficiaries of whom 80% are young people aged 18-35
- Target the creation or expansion of 5,000 sustainable youth and family-owned enterprises (3000 male-owned, 2000 female-owned). 1,000 of these enterprises should create an additional job.

Enterprise Uganda is delivering its 6-step Youth Empowerment Programme to NUYEP beneficiaries. The programme comprises:

- 1 Entrepreneurship Awareness and Mobilisation
- 2 Business and Enterprise Start-up Tool (BEST)
- 3 BEST follow up workshops offering follow on support
- 4 Specialised Business Skills Clinics
- 5 One to one Volunteer Mentoring and Business Counselling Services
- 6 Linkage to finance, with a focus on Savings and Investment Clubs and Savings and Credit Co-operatives (SACCOs)

A unique element of Enterprise Uganda's approach is their mentoring component matching aspirant young entrepreneurs (one to one or in a group) to established, qualified business mentors with the aim of fostering innovation, generating business opportunities and creating new jobs. A business mentor is a 'volunteer, an experienced professional; an unbiased encourager, advisor, sounding board, listener and facilitator.' Mentors are trained to mentor effectively and provide regular business health checks and problem solving support to their mentee.

The two projects mentioned above address the fact that the education system does not encourage entrepreneurship. However, it is not enough to encourage entrepreneurship. Innovation must be taught as a key success criterion. In Uganda, business ideas can lack innovation and would be entrepreneurs do not readily seek gaps in the market. This has been identified as one of the reasons why Ugandan firms have a high failure rate in the early start-up period.

The two projects also address a significant challenge affecting the promotion of entrepreneurship as a tool for job creation. Entrepreneurs and agricultural workers in particular have difficulties in accessing credit. Young people often face difficulties due to their lack of collateral. Agricultural workers on the other hand face reluctance from lending institutions because of the long term nature of investments. If agricultural workers can secure loans, credit to purchase business inputs is often received too late because the seasonality of agriculture is not understood by creditors. Furthermore, loans in Uganda have high interest rates attached to them of around 20%. Interest rates for certain projects, such as the Youth Venture Capital Fund, have been capped (at a rate of 15%) but caps reduce the incentives for financing institutions to provide loans. To address these issues, some micro finance organisations are trying to develop youth related products and encouraging group lending which could improve access to loans for the rural youth.

Better access to credit is needed because lack of credit not only prevents would-be entrepreneurs from setting up a business, it also prevents established businesses from expanding. On average, businesses in Uganda only have two employees. Loans would allow these businesses to expand, although the provision of management and business planning training would also be required.

In order to address the difficulties agricultural workers face in securing loans, lending schemes have been set up which link loans to production. For example, a successful public-private partnership with Bidco Uganda Limited, a processor and marketer of vegetable oil has been set up. Under this

arrangement, credit was extended to farmers, who would then make loan repayments to Bidco in the form of produce rather than cash. A semi-autonomous public agency, the National Agricultural Advisory Services, is also available to farmers seeking advice on access to credit.

### **3.4.3 The way forward**

The research carried out in Uganda identified several areas of best practice and potential solutions to challenges faced by activation projects and policies. The reasoning for each recommendation and the proposed approach is tailored to Uganda's circumstances. Nonetheless, the recommendations are worth consideration by other low income Member States to determine whether they would be suitable for their own labour markets.

#### **National policy objectives & delivery**

##### The status of the Ugandan PES could be raised.

The current job search support currently provided by the PES currently has minimal impact. All employers could be encouraged (or mandated) to advertise through the PES. This would raise the PES' status with employers and elevate the PES as the first rather than last port of call for jobseekers. An enhanced registration for employers could be a chargeable service which would go some way to financing the employment of specialist activation advisers. In order to incentivise employers to advertise vacancies through the PES, the capacity of the PES would need to be developed. The government could take responsibility for developing the service offered if expectations are going to be placed on employers.

##### The Government could encourage more Savings and Credit Cooperatives (SACCOs).

SACCOs have been successful sources of lending. However, they have been tainted by corruption in the past with savings embezzled and their good reputation as fair and open lenders may need to be bolstered. Better monitoring and regulation could ensure SACCOs' activities are transparent to their customers.

##### Corporate social responsibility (CSR) practices could be coordinated.

Big companies have a culture of CSR but this is not well organised in Uganda and they are not necessarily partnering with organisations, such as civil society organisations that can get best impact from CSR. Employers may be more willing to provide services such as training for roles in their industries if visible efforts were also being made by other organisations. Public-private partnerships could be effective in encouraging participation from employers.

#### **Individual programme design & performance**

##### Vocational training should reflect the current and future needs of the Ugandan economy if it is to respond effectively to Uganda Vision 2040 and Skilling Uganda.

Both documents are rightly ambitious but much of the infrastructure and finance is lacking to implement the policy recommendations. Training and associated collaboration could be co-designed with industry through one government led department hand in hand with the high growth economic sectors, key businesses, training institutions and employers. This might be a Skills Development Authority with the remit to work across ministries, harmonising their programmes and effort. A tax rebate may encourage employers to participate.

The first Manpower Survey since 1988 is currently being piloted. Every effort should be made to ensure the full survey is rolled out as soon as possible. This is critical if Uganda is to understand the true requirements for skills and where the gaps and mismatches are occurring.

Public-private partnerships could also be encouraged particularly in the growth areas of Oil and Mining to create fit for purpose (and future proofed) vocational centres. Companies may be reluctant to provide practical skills training if the government is not also seen to be making provision, hence why public-private partnerships could be a solution.

A consistent government communications message in the press, possibly led by some of Uganda's high profile entrepreneurs, promoting the importance of technical and skills training and the high earning opportunities for skilled personnel within the new sectors could also be rolled out to compete with the preference for academic pathways and to raise the profile of Ugandan entrepreneurship.

The high failure rate of new agricultural ventures could be mitigated.

Young businesses in Uganda have a high failure rate. Agricultural businesses in particular face difficulties because of the short lifespan of their products. More consistent business support could be provided that encourages ventures that fill market gaps and extend the life of products to emphasise the need of creating competitive businesses.

Micro finance could be made more easily accessible to applicants with no or limited guarantees.

60% of the Ugandan population is 18 or younger. Poor, young people have little or no collateral but should be supported if Uganda is to achieve its growth ambitions. It is essential to the economy that young entrepreneurs in particular are supported financially to succeed in their business objectives and create jobs. Credit guarantee schemes for the poorest could incentivise lending and leverage lending capacity. Village Lending Savings Associations may also be encouraged.

**Supporting infrastructure**

Impact assessment of the investment in all the various labour programmes, with data from the operational front line, may be required so that informed decisions can be made about what really works.

Where lessons have been learned e.g. from the precursors of the Youth Livelihood Programme (Youth Opportunities Programme and the Youth Venture Capital Fund) to inform the design of the new programme, there is a greater chance of the programme being successful. It is less clear how donor funded projects are evaluated and the lessons learned from the evaluations disseminated to inform future project design.

Carrying out impact assessments as described will require the improvement of the labour market information that is currently available, the creation of SMART indicators and improving the way labour market information is disseminated inside and outside of Government departments.

Access to long-term funding for projects could be improved.

Donor funds are short term. In order to maximise their effectiveness and have real and sustained impact, projects may need to be able to depend on longer term funding. Improving access to long-term funding may require some rationalisation of the numbers of NGOs working in the same field and chasing the same pockets of donor cash. Alternatively, NGOs may need to work in closer partnerships or confederations and share resources. Such economies of scale could lead to more cash becoming available to support operations if resources and expertise are pooled and administration is rationalised.

Measures could also be taken to encourage organisations to support the government in implementing the policies for which implementation is currently difficult due to lack of funding.

Uganda is an entrepreneurial nation and this may be acknowledged and fostered from childhood. Young people and their parents could be supported to value skills training and self-employment as a respectable and valued alternative to academic pathways and employment in the public sector.

Vocational training is not regarded highly in Uganda. As vocational work is most likely to offer employment opportunities and is being pursued by the government as part of its growth strategy, supportive measures could be introduced to change the public perception of vocational training. Fostering creativity could lead to developing innovation and a sense of initiative among students. A greater focus on these subjects could also impact positively on entrepreneurship as a source of employment.



Education is free at primary level and secondary level. However, primary school students only have a 60% primary level completion rate. In order to maximise the impact of the message, particularly for poorer and more vulnerable young people, they need to be encouraged to think in terms of self-employment and vocational education when they are most likely to be at school, at primary level. This could then influence the type of secondary level education they pursue. All students will need access to careers guidance and information in order for them to understand the sectors and roles they are most likely to find work in. At a practical level, this could involve training a team of careers counsellors who could travel to rural areas, supported by a careers information centre in Kampala.

Self-employment may continue as a theme throughout secondary and tertiary education. Successful entrepreneurs could also be encouraged to attend schools and promote self-employment as Champion Entrepreneurs, leading where appropriate to training and mentoring relationships. A method could also be devised to recognise and accredit those teachers and trainers who give exceptional entrepreneurial support.

Building on the YLP, funding could be made available to provide the very poorest and most vulnerable young people with skills training and the tools of their chosen trade, thus providing them with the intellectual property and collateral with which they can seek micro finance loans with more confidence of success.

The most marginalised are out of the information flow and tend not to hear about available funding. Elected Youth Councillors could be mobilised to disseminate news of local initiatives to the young poor. Uganda is strong on technical access particularly via phones and radio. More could be done to promote programmes through targeted text messages such as the U-report scheme used by UNICEF in rural areas.

In order to encourage vocational skills training, reforms are also needed to support BTVET's informal skills programme. Informal skills training is valued by employers because it is relevant and concentrates on modern skills that are needed. However, many of the most vulnerable are unaware of this practical and more affordable training.

Skills training is also required because Uganda is not as productive as it should be. Workers would be more productive if there was more emphasis upon dedication, commitment and up-skilling. For example, supervisory systems could be addressed and performance appraisals and training encouraged to be seen as necessary rather than a cost to be avoided.

## 3.5 Iran

### 3.5.1 Background

Poverty is still a salient issue for Iran. According to UNICEF data, 1.5% of the Iranian population lived below the international poverty line (US\$1.5 per day) between 2007 and 2011.<sup>114</sup> The source of poverty, according to experts in Iran, is macro-economic problems such as corruption, the economic system and structural inefficiencies that impede the mobilisation of resources (job and vocational training, support services and subsidies) to the outer, rural provinces.<sup>115</sup>

Unemployment rates in Iran are relatively high at 10.4% (for the calendar year ending March 2014).<sup>116</sup> Unemployment rates are particularly high for young people and especially women. The head of the Statistic Centre of Iran has been reported as saying that 'the unemployment rate for the youth is twice that of the general unemployment rate, this number means that we are in the crisis zone regarding the unemployment rate.' In April 2014, the state-run news agency Mehr reported

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<sup>114</sup> [http://www.unicef.org/infobycountry/iran\\_statistics.html](http://www.unicef.org/infobycountry/iran_statistics.html)

<sup>115</sup> <http://irannewsupdate.com/report-analysis/special-report/1092-what-is-the-cause-of-poverty-and-unemployment-in-iran-international-sanctions-or-governmental-corruption.html>

<sup>116</sup> World Bank, Iran Overview, available at: <http://www.worldbank.org/en/country/iran/overview> [accessed 19th December 2014].

that the unemployment rate for 15-24 year old women is 46%. Iran also has a low economic participation rate of 37.9% of the working age population.<sup>117</sup>The following table provides further data relating to Iran’s labour market:

**Table 7: Labour Market and Poverty Statistics**

<b>Unemployment rate</b>	<b>Percentage of workers working in the informal sector</b>	<b>Under employment rate</b>	<b>Poverty rate</b>
10.4% (year ending March 2014)	-	9.5% (2014)	1.5% (2007-2011, based on international poverty line)
<b>Working poverty rate</b>	<b>Average salary</b>	<b>Average household expenditure</b>	<b>Average hours worked per week</b>
-	-	10,925,000 rials (US\$336) per month for urban household	Unavailable, but 39.8% of workers work more than 49 hours per week

Source: Statistical Centre of Iran, World Bank

Certain sources dispute the validity of the official statistics available. The World Bank, for example, has reported that unofficial sources estimate the overall unemployment rate to be closer to 20%.<sup>118</sup>

Indicators also vary significantly between rural and urban areas. Unemployment is higher in urban areas, for example, at 12% compared to 7.5% in rural areas. Underemployment, on the other hand, is higher in rural areas, at 12.7% compared to 8.2% in urban areas. Underemployment also affects men more than women, whereas, as previously mentioned, the female unemployment rate is higher than the male unemployment rate.<sup>119</sup>

The government plays a key role in the economy. The state owns large companies which contribute significantly to the manufacturing and commercial sectors. Public banks also have a large presence in the financial sector. Iran’s economy has contracted in recent years, although most recently it has contracted at a slowing pace. Economic hardship has been compounded with Iran’s exclusion from world markets, as a result of the sanctions regime and political isolation.

In order to address poverty, the government has subsidised key staples such as bread, electricity, water and petroleum products. In 2007/2008, overall indirect subsidies were estimated as being worth 27% of GDP. Since 2011, a direct cash transfer payment to households has replaced some indirect subsidies, although products such as bread continue to be subsidised. Under the cash transfer programme, all households receive an unconditional payment worth approximately US\$14. The government is currently considering whether to implement further reforms to the subsidy plan to target cash transfers specifically to low income households. Other measures recently implemented to alleviate poverty include the distribution of food packages. Economists argue that spending on food aid and monthly cash handouts could add to the budget deficit. Nonetheless, the current administration is likely to maintain both programs at least until the end of President Rouhani’s first term, though it has begun steadily removing well-off citizens from the register for cash transfers.

<sup>117</sup> Statistical Centre of Iran, 2014, *A Selection of Labour Force Results – Spring 1393*

<sup>118</sup> World Bank, Iran Overview

<sup>119</sup> Statistical Centre of Iran, 2014, *A Selection of Labour Force Results – Spring 1393*

In addition to the government's measures, foundations play a central role in reducing and alleviating poverty. For example, the Imam Khomeini's Relief Foundation (IKRF), founded in March 1979, is Iran's most active and influential charity organisation founded to provide support for poor families.

### 3.5.2 Design and performance of the current activation policies and programmes

Despite the use of the above cash transfers and food packages aimed at poverty alleviation, there is a need for measures targeted at the labour market as well. Iran has a young population. 60% of the population is under the age of 30. 750,000 young people are estimated to enter the labour market each year and the government has estimated that 8.5 million jobs must be created in the next two years with the aim of reducing the unemployment rate to 7% by 2015.<sup>120</sup>

Government departments and charitable foundations are the key players in the delivery of activation measures. The Ministry of Co-operatives, Labour and Social Welfare (MCLS) is the central governmental agency responsible for regulating and overseeing the job market and for creating public policies and mechanisms to enhance job security for workers and their families. The Ministry is also responsible for balancing relations between employers and employees throughout the country. The institutional structure of the Ministry includes a number of affiliate organisations that also provide outreach programmes. MCLS has formed links with other ministries and agencies involved in designing and implementing activation measures. These links are described in the following three sub sections.

Job search support is particularly relevant as the World Bank has reported that many new labour market entrants in Iran become discouraged, abandon their job search, and become economically inactive. The job search support measures in place will be discussed below.

#### Job search support

The services provided by the provincial offices of MCLS are the equivalent to what would commonly be called the PES. MCLS has 27 provincial branches in each provincial capital. This is seen as a practical and localised approach that focuses on poverty and job creation at the provincial level. Each branch is designated to be in charge of providing services for locals and for regulating local policies according to the local economy and regional potentials in order to meet the Ministry's macro targets. Jobseekers can register with their local branch to receive job search support. Jobseekers' names are entered into a database which also records job vacancies. The database is then used to find matches between jobseekers and job vacancies.

As well as providing job search support, branches support job creation and training. One interesting example which illustrates how branches can offer this support is the case of a provincial branch in Western Iran. The provincial branch regulates its activities by:

- Providing funds for self-employed workers, particularly families
- Offering training sessions for workers in the border-cities of Iran's Kurdistan province
- Supporting 2048 co-operative foundations and 15 unions throughout the province
- Working alongside parliamentary delegates in order to identify the potential for provincial development

Parliamentary delegates study reports put together by this institution and in turn provide pass on the reports to the government. In one case, the provincial branch in Western Iran recommended that the central government increase industrial investment in order to empower the local economy and to combat unemployment. Recently, it was also identified that local graduates could hold key positions within the institutional managements.

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<sup>120</sup> World Bank, Iran Overview

MCLS has also introduced the Business and Sustainable Employment Plan known as *Takapoo*, an initiative that promotes local businesses and focuses on agricultural and industrial development in the poorer provinces. Under this project, special committees have been appointed by MCLS in each province, researching on local manufacturing opportunities and promoting marketing for local production. All affiliate institutions of MCLS are to participate in the project on a provincial level and are to provide funding for businesses.<sup>121</sup> The project has been implemented in 6 of Iran's 27 provinces.

### Training

The Technical and Vocational Training Organization (TVTO) is affiliated to MCLS. It was founded in 1980, by integrating three technical and human force training bodies – the General Directorate for Vocational Trainings, the Apprenticeship Fund and the Apprenticeship Society.

TVTO is the main institution in charge of short-term technical and vocational training. It also heads the special committee on non-formal technical and vocational training with 16 members from various ministries, organisations; employee and employer associations. TVTO implements its training programmes through both the public and private sectors. TVTO's main task is to provide vocational training and research through 1 to 18 month courses in: permanent centres of the public sector (600 centres nationwide), mobile training teams (in remote areas), training in prisons, training in garrisons, training in industries, training in the Instructor Training Centre (ITC) and private training institutions (14,000 institutions as authorised by TVTO).

TVTO trains the skilled and semi-skilled labour force which is needed by industry, agriculture and service providers throughout the country, and improves the culture of getting technical skills in the society. TVTO's target groups are: employees (nearly 21 million nation-wide), university students and graduates (2.5 million nation-wide), urban and rural jobseekers (around 3 million nation-wide).<sup>122</sup> TVTO's trainings are implemented in Instructor Training Centre (ITC) in Karaj City near Tehran.

The TVTO also supervises and provides training for maintaining and promoting training standards for trainees within urban and rural areas. For instance, in the rural areas, TVTO provides three types of training:

- 1 Training within local services areas such as training for men and women for tailoring and making clothes
- 2 Art and culture-related training programmes such as making handicrafts
- 3 Training sessions for agricultural, farming and horticultural skills<sup>123</sup>

TVTO also organises nationwide training sessions for industrial skills, tourism industry, information technology, IT skills, trade and marketing, public services, art and cultural and agricultural skills.<sup>124</sup> All aforementioned training sessions aim to enhance the employability of trainees. Both skilled and unskilled jobseekers are invited by the TVTO to register for these training sessions in order to improve chances of getting recruited.

For more people to benefit from training, TVTO and MCLS have put forth a plan to sign pacts with all ministries, NGOs, and guilds, which are the main sources for creating job opportunities. Other plans that Iran has in place to promote skills training include:

- Building training institutions in border towns and underdeveloped areas to train the local workforce in order for them to gain employment with organisations contracted to implement major projects

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<sup>121</sup> MCLS, available at: <http://karafarini.mcls.gov.ir/fa/news/38530> [accessed 8th January 2015]

<sup>122</sup> <http://irantvto.ir/index.aspx?fkeyid=&siteid=92&pageid=2509>

<sup>123</sup> <http://research.irantvto.ir/index.aspx?siteid=83&fkeyid=&siteid=83&pageid=4037>

<sup>124</sup> <http://research.irantvto.ir/index.aspx?siteid=83&fkeyid=&siteid=83&pageid=3428>

- An agreement with the Atomic Energy Organization of Iran in order to promote advanced job skills in rural and border areas
- A joint project between the Ministry of Education and MCLS to provide university graduates with better information on labour market demands

Despite these measures, training in rural areas continues to require development. Whereas there is a high level of education in urban areas, rural locals still face education barriers because of a lack of staffing, severely hindering locals' ability to participate in poverty alleviation measures. For example, in Marvdasht in Fars province, there appears to be little activity to build human resources for poverty alleviation. Local government in the area appears not to have the capacity to deliver vocational skills training and development due to a lack of facilities and budgetary resources. Local residents also do not tend to be involved in the decision making process for poverty alleviation.<sup>125</sup>

At the macro level, training is being delivered by international agencies to support the development of government capacities. The United Nations Development Programme and the United Nations Population Fund (UNFPA) jointly supported the Statistical Centre of Iran's (SCI) Statistical Research and Training Centre to develop two analytical reports on the linkage between economic factors and demographic trends. UNFPA provided technical and financial support to the SCI to conduct the 2011 census. UNFPA also enhanced the SCI's capacity to collect, analyse, disseminate and utilise disaggregated population data for decision-making, policy formulation, programming and monitoring of national achievements such as Millennium Development Goal indicators and the Programme of Action of the International Conference on Population and Development (ICPD).

### **Job creation**

The Iranian government is implementing a number of measures to create jobs. Some of these are not strictly activation measures. For example, jobs are being created by investing in certain industries. MCLS has invested in Iran's car industry, and has, as a result, created 25,000 job opportunities.

In terms of job creation activation measures, the government is promoting entrepreneurship and providing credit facilities. Since 2008, credit facilities to the private sector by state-owned banks have been the most important leverage for creating new jobs. However, generously subsidised loans were not successful in generating sufficient employment opportunities for an increasing workforce.

Subsidised loans in Iran do not necessarily generate employment because the private sector may not wish to invest in an unfavourable business environment. Furthermore, a credit facility cannot bond the creditor to use the money in job-creating businesses. Many newly registered firms are established to obtain credit facilities, but either never start any significant economic activities or shut down very soon afterwards. This is because, in many cases, borrowers can try to maximise profit by investing in real estate or by solving the most important, short-run financial problems with the loans obtained.

The government has been promoting entrepreneurship since the mid 1990s. MCLS has worked to develop the entrepreneurship environment using measures such as the development of the National Occupation Document and the establishment of the Directorate of Entrepreneurship and Occupation. The Directorate's relevant policies to this activation measure are:

- The development of the National Occupation Development Document
- The formation of the National Organisation of Skill
- The development of an entrepreneurship plan for the country
- The provision of diversity in financing and the opportunity to establish public joint stock cooperative companies
- The development of a bill for the Iranian Entrepreneurship System Organisation

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<sup>125</sup> Allahdadi, F. (2011) The Contribution of Agricultural Co-operatives on Poverty Reduction: A Case Study of Marvdasht, Iran

The Directorate's Occupation Development Plan predicts that by 2025, some 50% of GDP will be provided through entrepreneurial activities.

The National Organisation of Skill is one of the largest players in entrepreneurship education in Iran, with technical and professional centres and colleges all over the country. The organisation provides training and education for nearly 100 specialised fields of entrepreneurship, and technical and vocational fields. Moreover, this organisation operates in close collaboration with entrepreneurship education centres in Turin, Italy and the ILO. This organisation also plays an important role in issuing permits for entrepreneurs.

MCLS has provided the opportunity for all entrepreneurs who have operational ideas but do not have the necessary capital to establish public joint stock co-operatives. Those entrepreneurs that have creative and feasible ideas, but do not have sufficient capital and are not able to use banking facilities and loans, can form public joint stock co-operatives, under the supervision of MCLS.

The Ministry of Science, Research and Development and the Ministry of Education also play a key role in the promotion of entrepreneurship. In relation to entrepreneurship, the Ministry of Science, Research and Technology has put emphasis on educational workshops of entrepreneurship at large universities, including a two or three credit course in the educational curriculum of university degrees since 2001. The Ministry also played a key role in setting up the entrepreneurship development plan in Iranian universities, known as KARAD Plan in twelve universities. The Ministry of Education set up the Student Entrepreneurs Support Fund to encourage students and young people to become entrepreneurs.

Entrepreneurship is also being encouraged in the agricultural sector. The Ministry of Jihad and Agriculture, for example, has planned to provide training for 20,000 graduates of agriculture in 2014. This plan aims to upgrade the practical capabilities of the graduates of agriculture, to transfer skill and practical experience and also to provide a suitable ground for them to enter the business market. Based on this plan, the graduates of agriculture, natural resources and veterinary would be trained for a period of 11 months at the private, cooperative and governmental centres of agriculture and related industries, in order to gain skills and technical expertise. During this period, the trainees receive financial assistance (in accordance with the minimum wage), approved by the Higher Council of Labour.

The development of the agricultural sector is also being promoted by tools other than job creation. As mentioned in the previous case studies, agricultural co-operatives can be significant economic players that contribute to sustained economic growth. The co-operatives provide the opportunity for poor farmers to raise their incomes. They also serve as institutions that empower the rural population by encouraging them to come up with their own solutions. However, in Iran, co-operatives do not currently play an important role in the lives of poorer farmers. This is because farmers are not involved in agricultural co-operative planning and decision-making; decision-making is mostly carried out by government representatives. The lack of farmer involvement in policy formulation and implantation can curtail healthy and constructive engagement of rural residents and farmers in co-operative activities and initiatives to address poverty reduction.

Farmers in Iran are generally not aware of the basic function and role of a co-operative. This has an effect on the apathy regarding rural residents' participation in rural co-operatives. Other barriers which can discourage involvement in co-operatives include poor management, lack of resources, lack of autonomy due to government interference, inadequate access to markets, lack of collaboration culture, lack of co-operatives' leaders' knowledge, and dependence of co-operatives on government.

Entrepreneurship is also promoted at the municipality level. The Tehran Municipality has created 23 entrepreneurship centres and 304 entrepreneurship houses, in order to develop an entrepreneurship culture. Each of the municipal community centres includes 13 entrepreneurship houses, one of which is the house of empowerment and popular collaboration. This house is in charge of education, observation, promotion and development of entrepreneurship and local

businesses. The seven districts of the Tehran Municipality (with cooperation of community consultants) have planned out the required space/location for the construction of these centres. Experienced instructors provide long-term and short-term educational courses at the entrepreneurship houses.

Several entrepreneurship schools have also been set up to target individuals who are more likely to experience unemployment, such as young women. For example, the Khorshid Entrepreneurship School has a special focus on women's entrepreneurship. Established in autumn 2009, the School concentrates on providing education for women in the area of new methods and procedures of starting up new businesses. Over 270 students have participated in the online and free courses offered by the Khorshid Entrepreneurship School. Anecdotally, many women are said to have started their own businesses.

There are various sources of funding available for would be entrepreneurs. Interest-free funds were formed to grant loans to the needy, in accordance with Islamic banking principles. These include the State Cooperative Fund, the Employment Fund at Imam Khomeini Relief Foundation, and the Rural Micro Credits Fund at the Ministry of Jihad and Agriculture – all of which were formed to help entrepreneurship flourish. Official statistics indicate that there are about 6,000 private interest-free funds active in Iran. The main objective of the interest-free funds is to provide micro credits, without interest charges, and based only on a negligible commission fee. These funds are active at a national, provincial, urban and community levels.

### 3.5.3 The way forward

The research carried out in Iran identified several areas of best practice and potential solutions to challenges faced by activation projects and policies. The reasoning for each recommendation and the proposed approach is tailored to Iran's circumstances. These recommendations are designed to supplement the previous recommendations made in the Malaysia case study, another upper-middle income Member State. Although the recommendations are tailored to Iran, they are worth consideration by the other Member States in this income grouping and, in certain cases, support the recommendations made with regards to the other income groupings.

#### National policy objectives & delivery

More priority could be given to developing education, skills training and job placement in rural areas.

The example of Marvdasht showed that activation measures may require more development in some rural areas. Individuals in particular face barriers accessing skills training and poverty alleviation schemes. To address this, local institutions may need support to increase their capacity to deliver activation measures. Furthermore, improved access to finance and instruments for economic activities could also support the success of activation in rural areas.

#### Individual programme design & performance

Programme monitoring and evaluation could improve programmes' design and results.

Programmes could be monitored to ensure undesirable impacts are identified early and addressed. This could increase the effectiveness of programmes and would support the dissemination of best practice if lessons learned are shared amongst practitioners. Prior to implementing programmes, a work group made up of delivery specialists could also be used to identify the risks of undesirable impacts materialising so that these can be mitigated.

Local government in rural areas could increase interaction with the local population.

As previously mentioned, it is particularly in rural areas that activation measures require development. If local residents were more involved in rural initiatives, they could influence and shape the decision-making processes to ensure measures are better suited to their needs.

The use of co-operatives in rural areas could be encouraged.

Co-operatives are generally successful at increasing productivity and attracting investment. In Iran, for this to be achieved, co-operative managers may need to be better trained and supervised through a chain of command in order to ensure that they are fulfilling their duties, particularly in creating an inclusive, participatory environment. Foremost amongst these duties is the importance of encouraging and facilitating the participation of rural dwellers and farmers.

Farmers could also be assisted in increasing productivity through the application of modern farming methods and by providing assistance for the purchase of agricultural products and insuring the products and foodstuffs.

**Supporting infrastructure**

Monitoring the changing needs of poor people could support effective design of activation programmes.

As well as a system to identify the vulnerable, more could be done to understand their needs. As Iran's demography is changing, changing needs should be monitored to determine how they change over time to inform the requirements of activation measures. This could be achieved by ensuring resources are available to carry out qualitative research to support the gathering of other data.

Access to micro finance to support entrepreneurs in rural areas could be improved.

There are schemes in place in Iran to support entrepreneurs who require financial support. However, it is more difficult for individuals in rural areas to access these schemes. An effort could be made to target measures at areas with the highest poverty rates, particularly where job creation measures, such as entrepreneurship support, are also implemented. This would allow for related projects to support each other.



## 4. Cross Cutting Recommendations

There are clear differences in how activation measures are used in OIC Member States to alleviate poverty. However, the research has identified key themes across the case studies. These themes form the basis for cross cutting recommendations in the use of activation to alleviate poverty. These are applicable to all Member States, although the implementation of them would vary according to Member States' socio-economic contexts. The cross cutting recommendations are presented below according to the elements of the framework used to guide the study. It is advised that these are considered by Member States in their future deliberations on the use of activation.

### 4.1 National policy objectives & delivery

A clear, integrated activation strategy with clear and measurable objectives is valuable in the context of poverty alleviation.

Some Member States have recognised the link between employment and economic growth and have integrated activation in their growth strategies, as in the case of Cameroon. The study has aimed to show clear examples of activation measures improving the employability of the poor and the effect of this on poverty alleviation. It is therefore recommended that Member States consider focusing on activation as part of their national policy objectives. Where activation is integrated into development and growth strategies, clear and measurable targets would be needed to ensure that progress can be monitored against objectives. Achieving targets and implementing activation strategies would require dedicated investment from Member States. This is more likely to be problematic for low income Member States. However, investment and commitment from Member States could also encourage other organisations to support Member States address capacity gaps.

Ministries and agencies across government should be encouraged to contribute to an activation strategy under clear leadership and governance arrangements.

The study found that different government ministries and agencies within Member States are responsible for activation measures, such as job creation within their particular remits. The involvement of different ministries and agencies is important to ensure support across government for an activation strategy and to encourage contributions to programmes. However, to oversee cooperation and an effective use of resources, a lead ministry could be assigned responsibility for overseeing the activation strategy.

### 4.2 Individual programme design & performance

The capacity of the PES could be increased, supporting both activation and the dissemination of labour market information.

The study has shown that in different Member States, the PES delivers other activation measures as well as job search support. For example, the PES may have the capacity to refer jobseekers to funded training courses to improve their employability, or to offer support to would be entrepreneurs. The insight the PES has into different areas of activation means it could be well suited to acting as a lead institution for activation. In higher income Member States which have both a developed PES and social safety net programmes, the status of the PES could be elevated through the use of conditionality. In this instance, unemployed recipients of social assistance could be tasked with engaging with the PES. Where Member States do not have a developed PES or social assistance, consideration could be given to elevating the status of the PES by increasing the incentives for jobseekers and employers to use it. Partnerships with other organisations delivering activation measures could also be used to extend the outreach of the PES.

Employer involvement can improve the design of activation programmes.

Another common theme found by the study was the need to involve stakeholders, particularly employers, in the design of activation programmes. Employers can provide valuable insight into what would make individuals employable. Furthermore, involvement in the design of activation measures can encourage employers to support their implementation. There are different ways that employer engagement can be achieved. For example, when designing skills training measures, an organisation such as a Skills Development Authority could be responsible for engaging with employers. Employer surveys are also useful tools to identify the skills needs in the labour market.

The status of vocational skills training could be raised, whilst ensuring the delivery of training matches employers' needs.

Across the case studies of this report, vocational skills training was identified as being undervalued by Member States' populations. In many Member States, skills gaps and strategies are in place to raise the status of vocational skills. Efforts in this area should continue across income groupings. For example, the quality of the training available could be improved where needed. More value could also be placed on vocational skills if regulations were in place in industries requiring workers to have vocational skills training. Although activation measures are not traditionally targeted at children, in the context of skills training more information and career guidance could be delivered in schools to encourage students to develop the skills required by employers.

Improved targeting of activation measures can increase their efficacy for alleviating poverty.

Several case studies found that some Member States do not directly target activation at the poor. Instead, they target individuals with other characteristics, such as rural youth, which make them more likely to be poor. This strategy was reported as being relatively effective in providing support to those who need it most. In some instances, however, activation programmes are only operational in regions which do not have the highest poverty rates. If the aim of activation programmes is to alleviate poverty, it could therefore be more effective to ensure implementation is prioritised in regions most in need of support. In high income countries, activation measures may not be targeted at the poor because poverty is not recognised as a salient issue, meaning there does not appear to be a need for this type of targeting. Improving the availability of data on poverty rates in these countries could support an assessment on whether measures should be targeted at the poor.

Programme sustainability can affect impact.

To ensure successful programmes can continue to provide support in the longer term, their sustainability should be taken into consideration during programme design. This recommendation is particularly applicable to low income and lower-middle income Member States, where lack of funding in particular can affect programme implementation.

Programmes should contain an element of continuous improvement.

Factored into programme design, timely reviews of performance against targets can support the identification of unintended consequences and measures to address them. This would require the capacity to collect data to be built into programme design. The frequency of reviews would also need consideration. Reviews should not be so frequent that they draw a disproportionate amount from project funding though regularity can allow for quicker identification of unintended consequences and issues.

### 4.3 Supporting infrastructure

A monitoring and performance strategy, underpinned by processes for gathering data and other evidence, could improve the effectiveness of activation.

To support continuous improvement within activation programmes, and to monitor the success of national activation strategies, a monitoring and performance strategy could be implemented. This would support the identification of best practice and could monitor the use of funds, supporting strong governance and measuring the value for money of programmes. Many programmes that are in place in Member States tend to be monitored. However, an over-arching strategy could support the consistency and quality of monitoring, as well as provide transparency.

Platforms for best practice sharing between Member States could support the design and delivery of activation measures.

The study shows that valuable lessons can be learnt between Member States, particularly within income groupings or geographic regions. If the sharing of best practice between Member States could be facilitated, such as through an online platform, continuous learning could be encouraged. If this recommendation were to be developed further, training could also be delivered to policy makers and practitioners.

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## Annex: OIC Member States' Income Groupings

OIC Member State countries are grouped into the following income groupings:

Low income	Lower-middle income	Upper-middle income	High income
Comoros	Djibouti	Algeria	Bahrain
Somalia	Egypt	Iraq	Kuwait
Afghanistan	Mauritania	Jordan	Oman
Bangladesh	Morocco	Lebanon	Qatar
Kyrgyz Republic	Palestine	Libya	Saudi Arabia
Tajikistan	Sudan	Tunisia	United Arab Emirates
Benin	Syria	Albania	Brunei Darussalam
Burkina Faso	Yemen	Azerbaijan	
Chad	Indonesia	Iran	
Gambia	Pakistan	Kazakhstan	
Guinea	Uzbekistan	Malaysia	
Guinea-Bissau	Guyana	Maldives	
Mali	Cameroon	Turkey	
Mozambique	Cote d'Ivoire	Turkmenistan	
Niger	Nigeria	Suriname	
Sierra Leone	Senegal	Gabon	
Togo			
Uganda			