



International
Labour
Office
Geneva

**Employment Sector
Employment Working Paper No. 94**

2011

**Challenges for achieving job-rich and
inclusive growth in Mongolia**

Per Ronnås

Management
Support Unit

Copyright © International Labour Organization 2011
First published 2011

Publications of the International Labour Office enjoy copyright under Protocol 2 of the Universal Copyright Convention. Nevertheless, short excerpts from them may be reproduced without authorization, on condition that the source is indicated. For rights of reproduction or translation, application should be made to ILO Publications (Rights and Permissions), International Labour Office, CH-1211 Geneva 22, Switzerland, or by email: pubdroit@ilo.org. The International Labour Office welcomes such applications.

Libraries, institutions and other users registered with reproduction rights organizations may make copies in accordance with the licences issued to them for this purpose. Visit <http://www.ifro.org> to find the reproduction rights organization in your country.

ILO Cataloguing in Publication Data

Ronnås, Per.

Challenges for achieving job-rich and inclusive growth in Mongolia / Per Ronnås; International Labour Office, Employment Sector. - Geneva: ILO, 2011
1 v. (Employment working paper, no .94)

ISBN: 9789221253990 (print); 9789221253983 (web pdf)
ISSN 1999-2939 (print); 1999-2947 (web pdf)

International Labour Office. Employment Sector

employment / poverty / economic recession / economic development / Mongolia

13.01.3

ILO Cataloguing in Publication Data

The designations employed in ILO publications, which are in conformity with United Nations practice, and the presentation of material therein do not imply the expression of any opinion whatsoever on the part of the International Labour Office concerning the legal status of any country, area or territory or of its authorities, or concerning the delimitation of its frontiers.

The responsibility for opinions expressed in signed articles, studies and other contributions rests solely with their authors, and publication does not constitute an endorsement by the International Labour Office of the opinions expressed in them.

Reference to names of firms and commercial products and processes does not imply their endorsement by the International Labour Office, and any failure to mention a particular firm, commercial product or process is not a sign of disapproval.

ILO publications and electronic products can be obtained through major booksellers or ILO local offices in many countries, or direct from ILO Publications, International Labour Office, CH-1211 Geneva 22, Switzerland. Catalogues or lists of new publications are available free of charge from the above address, or by email: pubvente@ilo.org

Visit our website: <http://www.ilo.org/publns>

Printed in Switzerland

Preface

The primary goal of the ILO is to contribute, with member States, to achieve full and productive employment and decent work for all, including women and young people, a goal embedded in the ILO Declaration 2008 on *Social Justice for a Fair Globalization*,¹ and which has now been widely adopted by the international community.

In order to support member States and the social partners to reach the goal, the ILO pursues a Decent Work Agenda which comprises four interrelated areas: Respect for fundamental worker's rights and international labour standards, employment promotion, social protection and social dialogue. Explanations of this integrated approach and related challenges are contained in a number of key documents: in those explaining and elaborating the concept of decent work,² in the Employment Policy Convention, 1964 (No. 122), and in the Global Employment Agenda.

The Global Employment Agenda was developed by the ILO through tripartite consensus of its Governing Body's Employment and Social Policy Committee. Since its adoption in 2003 it has been further articulated and made more operational and today it constitutes the basic framework through which the ILO pursues the objective of placing employment at the centre of economic and social policies.³

The Employment Sector is fully engaged in the implementation of the Global Employment Agenda, and is doing so through a large range of technical support and capacity building activities, advisory services and policy research. As part of its research and publications programme, the Employment Sector promotes knowledge-generation around key policy issues and topics conforming to the core elements of the Global Employment Agenda and the Decent Work Agenda. The Sector's publications consist of books, monographs, working papers, employment reports and policy briefs.⁴

The *Employment Working Papers* series is designed to disseminate the main findings of research initiatives undertaken by the various departments and programmes of the Sector. The working papers are intended to encourage exchange of ideas and to stimulate debate. The views expressed are the responsibility of the author(s) and do not necessarily represent those of the ILO.

José Manuel Salazar-Xirinachs
Executive Director
Employment Sector

¹ See http://www.ilo.org/public/english/bureau/dgo/download/dg_announce_en.pdf

² See the successive Reports of the Director-General to the International Labour Conference: *Decent work* (1999); *Reducing the decent work deficit: A global challenge* (2001); *Working out of poverty* (2003).

³ See <http://www.ilo.org/gea>. And in particular: *Implementing the Global Employment Agenda: Employment strategies in support of decent work*, "Vision" document, ILO, 2006.

⁴ See <http://www.ilo.org/employment>.

Foreword

High rates of GDP growth, yet little to show for it in terms of productive employment and poverty reduction has characterised the Mongolian economy over the past decade. The failure of economic growth to translate into more and better jobs and to bring any significant benefits to the large number of Mongolians who still live in poverty provide the backdrop and *raison d'être* for the present study. The study explores the challenges of achieving inclusive and job-rich growth in a resource-rich country. Indeed, the main challenge ahead, as Mongolia braces itself for double digit growth based on the exploitation of the country's mineral wealth, is arguably to shift the development path from one based on natural resources to one based on and driven by human resources. This in its turn calls for a focus on productive employment and decent work at the heart of development planning.

The need for a visionary development strategy and for a forceful role of government in shaping development in order to achieve such a break of the development trajectory is clearly recognised by the Mongolian government, social partners and society at large. It has *inter alia* been reflected in the organisation of a large National Employment Conference in 2010 and in the declaration of 2011 as the Year of Employment Promotion by the Government. Mongolia is also a forefront country in the implementation of the Global Jobs Pact

The present study was undertaken following a request by the Ministry of Social Welfare and Labour and the social partners in Mongolia, who also contributed generously with comments and insights in the course of the work. It is our hope that it will prove useful to our Mongolian partners in their endeavours to promote the achievement of productive employment and decent work for all in Mongolia.

Duncan Campbell
Director for Policy Planning
Employment Sector

Acknowledgements

A precursor to the present study entitled ‘Constraints and challenges for achieving inclusive job-rich growth in Mongolia: Initial diagnostic’ was undertaken in late 2009 and presented and discussed with representatives of Government and social partners in Ulaanbaatar in 2010. Following a request from the Ministry of Social Welfare and Labour, a revised and abridged version of the study was prepared and presented as input into the National Employment Conference in Ulaanbaatar, October 14, 2010.

The present study draws extensively on this previous work. It has been expanded and updated to include lessons from the recent economic crisis as well as from the period preceding the crisis and to provide a stronger focus on the challenges ahead and the broad policy conclusions that can be derived from these challenges.

The work has greatly benefitted from comments and discussions with representatives of Government and the social partners in Mongolia and with colleagues within the ILO. The support and constructive advice of H.E. Mrs. Tugsjargal Gandhi, Minister for Social Welfare and Labour, State Secretary Mr. Urgamal Byambasuren and Directors Mrs. Nyam Ayush and Mrs. Tumur-Ochir Enkhtuya at the Ministry of Social Welfare and Labour, Mr. Chuluuntseren Otgochuluu, former advisor to the President of Mongolia, Mr. Sainkhoo Ganbaatar, President of the Confederation of Mongolian Trade Unions and Mr. Kh. Ganbaatar, Vice president of the Mongolian Employers’ Federation deserves particular mention and recognition, as does the qualified research provided by Shagun Khare, Miranda Kwong and Leyla Shamchiyeva who supported the publication of the paper. The author bears the full responsibility for any remaining inadequacies and shortcomings.

Contents

	<i>Page</i>
Preface.....	iii
Foreword	v
Acknowledgements	vii
Executive Summary	11
1. The Dynamics of the Economy, Employment and Poverty	15
1.1 A painful economic and social transformation in the 1990s	15
1.2 Rapid but unbalanced growth (2003-2008).....	17
Economic growth was not inclusive.....	21
..and poverty remained high	22
1.3 The global financial and economic crisis	25
Pro-cyclical macroeconomic policies accentuated the crisis.....	25
1.4 Post-crisis developments	27
2. The employment challenge	28
2.1 The need to make growth more broad based both sector-wise and regionally.....	31
2.2 The challenge of enhancing competitiveness	32
Putting competitiveness and productive employment at the heart of macroeconomic policies	33
Creating a more enabling business environment.....	33
Human resources development.....	35
2.3 The challenge of making growth inclusive	36
3. Towards an employment-centered strategy for productive transformation.....	39
References	43
Appendix	46

Executive Summary

Following a turbulent decade of painful economic and social transformation, the Mongolian economy grew at an unprecedented rate from 2002 until the onslaught of the economic crisis in 2009. However, the high economic growth in the past decade did not result in sufficient creation of new jobs and did not result in any significant decrease of poverty. Although, the economy grew by 65 per cent between 2002 and 2008, employment increased by no more than about 100,000, that is less than 11 per cent, which was much less than was needed.

This pattern of rapid economic growth, but little growth in employment, can largely be explained by the sector composition of growth. Growth was primarily driven by a very rapid increase of revenues from mining and, to a lesser extent, by a recovery of agriculture after three devastating winters 1999-2001. The mining sector accounted for a mere 11 per cent of GDP in 2002, but for more than 26 per cent of the total GDP growth between 2003 and 2007. Yet, by 2007 mining still only employed some 44,000 people.

The most worrying aspect of the pattern of growth has perhaps been the lack of reconstruction of the manufacturing sector. Manufacturing accounted for less than 3 per cent of the GDP growth between 2003 and 2007, while employment in this sector continued to fall. Thus, by default, some of the service sectors – in particular trade, hotel and restaurants - became the main source of new jobs. However, the growth of production in these service sectors was much slower than the growth of employment, implying that employment growth took place at the expense of labour productivity.

It may be concluded that there was a severe sector imbalance between economic and employment growth. The economic growth resulted in little new employment and where jobs did increase, it was often at the expense of productivity.

Mongolia was hard hit by the global financial and economic crisis in 2009. Value added in sectors such as construction and trade fell dramatically, resulting in overall decline of GDP by 1.3 per cent in 2009. A dramatic fall in copper prices and in revenues from mining resulted in a fiscal crisis and forced the Government to seek emergency assistance from the IMF. However, the economy recovered swiftly as copper prices began to increase in the latter half of 2009 and robust growth was resumed in 2010. The years to come will offer both opportunities and great challenges. Economic growth is expected to increase to record levels in the coming years as a couple of new large mines are opened up. A rapid increase in fiscal revenue from the mining sector is expected to expand the room for public investments in human resources development, social security and in physical infrastructure.

However, this unprecedented mining boom will also bring huge challenges. There is an obvious risk that Mongolia will revert to a path of high, but essentially job-less growth that characterised the past decade. The massive scale-up of mining will inevitably result in a strong upward pressure on the exchange rate as well as upward pressure on domestic wage rates and on inflation, all of which would further undermine the already poor competitiveness of the tradable sectors of the economy and work against economic diversification and a more broad-based economic development. Mismatches between the supply and demand for skills and a further concentration of growth to the capital and a few mining sites, if not addressed, may aggravate the already pronounced regional economic imbalances and inequality in access to productive employment opportunities.

The main challenge ahead will be to shift the development path away from a growth based on extraction of natural resources to a sectorally and regionally broad-based economic development based on and driven by human resources. This will require a productive transformation based on four inter-related processes:

- Structural change aimed at broadening the economic base, with a particular focus on manufacturing and tradable services and with a view to develop strong value added chains and multiplier effects in the economy.
- The adoption of more sophisticated technologies and knowledge and a move towards the production of more technology and knowledge intensive goods and services with a high value added.
- A rapid development of the human resource base and of capabilities for development at both the individual and collective level.⁵ These capabilities determine the ability of the economy to assimilate and apply new and more advanced technologies and modes of production and to produce increasingly sophisticated products and services.⁶
- A regionally broad-based economic development that allows the whole country to flourish and effectively reduces the present inequality in access to productive employment opportunities between rural and urban areas, different regions and between Ulaanbaatar and the rest of the country.

The development of manufacturing deserves particular attention as manufacturing must play a key role in a shift towards more processed goods with a higher value added in total exports and in a move towards a knowledge and technology intensive economy. Furthermore, putting the rural economy and animal husbandry on a sustainable path of intensification and increased productivity and incomes will require a parallel development of manufacturing and processing that maximizes the value added of the produce of the rural economy and creates linkages between the rural producers and the rest of the economy.

Two fundamental challenges stand out as Achilles heels that need to be forcefully addressed: competitiveness and inclusiveness.

It seems that Mongolia's competitiveness deteriorated during the past decade from an already difficult situation. Manufactured exports fell from an already very low level, while imports of manufactured goods increased rapidly. By 2007 imports of manufactured goods were ten times larger than exports. Lack of competitiveness was a main factor behind the weak performance of the manufacturing sector, which in its turn was a main reason behind the very slow growth of productive employment. Real wages in manufacturing increased at a much faster pace than productivity after 2005. Competitiveness was also undermined by a significant increase in the value of the Tugrik compared to other currencies, primarily due to a rapid increase in the inflow of foreign currencies originating from the mining sector.

The problem of competitiveness is complex. Broadly speaking the roots of the problem may be found in four main areas.

1. Macroeconomic policies may not focus sufficiently on competitiveness.
2. The enabling environment for enterprises and entrepreneurs, that is the institutional and regulatory framework, may need to be improved.
3. Markets for goods and services, capital and labour may be poorly developed and inefficient, which results in high costs of operation for businesses. In such cases the government may need to step in and provide the functions that are not adequately provided by the market.

⁵ Capabilities exist at both the level of individuals (education, skills, competences) and at the collective level of enterprises, government and society at large where they are embodied in routines, procedures, institutions and structures

⁶ For an elaboration of the concept of capabilities in the context of productive transformation, see Irmgard Nübler, *Capabilities for productive transformation* (Geneva: ILO, forthcoming).

4. Shortages of human resources with adequate and relevant education, skills and competencies may also be a problem.

Increasing competitiveness needs to become a main objective of policies in all of these areas.

The gap between the rich and the poor has increased considerably over the past decades. The most important aspect of increasing inequality has no doubt been the increasing differences in income and consumption between Ulaanbaatar and the rest of the country. By 2008 the average per capita consumption in the countryside had fallen to less than 60 per cent of the level in Ulaanbaatar. Inequality has also increased within the urban areas. The gains from economic development have benefitted some much more than others. Indeed, income poverty remains widespread, not least among herders, among the rural population and those with low levels of formal education.

Productive employment is the main link between economic growth and poverty reduction. The differentiation of the labour force into winners and losers, into those who manage to get productive employment and those who do not, is largely an issue of poor and unequal employability and labour market access.

The most important differences when it comes to productive employment opportunities in Mongolia is arguably along geographic lines. Those growing up and living in rural areas and, to a somewhat lesser extent, in *soum* and *aimag* centres are disadvantaged in terms of both education and skills and labour market access. The educational attainment of young people is much lower in rural areas than in urban areas. The rural labour force also has much more limited access to productive employment and a limited choice of occupations. Nevertheless, inequality in access to productive employment also has other dimensions. Despite the fact that young women tend to score higher on educational achievements than men, they often end up as losers on the labour market and the wage gap between women and men seems to have increased in the past decade.

During the past two decades the Mongolian economy and society have undergone dramatic structural changes. The development of Mongolia in the years to come into a country with highly skilled human resources and advanced technology implies that there will be continued rapid structural change. Education and skills of high quality will be crucial to access the new employment opportunities created by structural change. However, it will not be enough. As the most dynamic economic sectors and regions are unlikely to be the same as those where the majority of the working poor and the unemployed are found, vocational, geographical and social mobility becomes crucial to access the emerging new employment opportunities. A well-functioning labour market offering equal access without hindrance is similarly important.

The establishment of a comprehensive social security system that guarantees adequate social protection for all is fundamental to achieve economic development and structural change that is truly inclusive. Social and economic security is essential to achieve a high degree of labour market mobility for those who live in poverty and have the greatest need to access new and better jobs. Adequate social protection is also essential to capture those who for one reason or another fall at the wayside of development.

The problem of increasing regional differences, with a dynamic development in the capital, but relative stagnation in parts of the rest of the country requires special attention. Addressing this issue is essential for reducing poverty and inequality in access to productive employment. The ambition should be to achieve sustainable and job-rich growth in the country as a whole. This will require forceful local and regional development efforts based on good analysis and backed up by suitable policies at the national level.

The need for a visionary and forceful strategy to put Mongolia on the path of a sustainable and inclusive development based on its human resources is clearly recognized

and reflected in Mongolia's new national development strategy,⁷ which addresses the challenge of increasing competitiveness and avoiding falling victim to a 'resource curse' head on and sets a gradual transformation of Mongolia from a natural resource based to a human resource based economy as a main long term objective. To this end, investments in human resources and a move to a high technology based society and economy are recurrent themes throughout the plan, as is the need for policies in support of economic diversification, export promotion and import substitution. With a strong and active role of the state and for development engineering, the plan also reflects a clear and welcome shift in development philosophy away from the dogma prescribing liberalisation, privatisation and macroeconomic stability as more or less sufficient prerequisites for economic development.

This visionary development strategy implies a need for a sharp focus on productive employment. This has also been clearly manifested in a comprehensive process of tripartite consultations, in the form of large number of regional employment conferences at the *aimag*-level, organized jointly by the Government and the social partners, leading up to and culminating in a large National Employment Conference in October 2010 and in the declaration of 2011 as the Year of Employment Promotion by the Government.

The ILO fully supports the Government and the social partners as they forcefully address the challenges of achieving productive employment and decent work for all. Following an agreement between Mongolia and the ILO, Mongolia has been selected as a forefront country for the implementation of the Global Jobs Pact, bringing the collaboration between Mongolia and the ILO to a new and higher level.

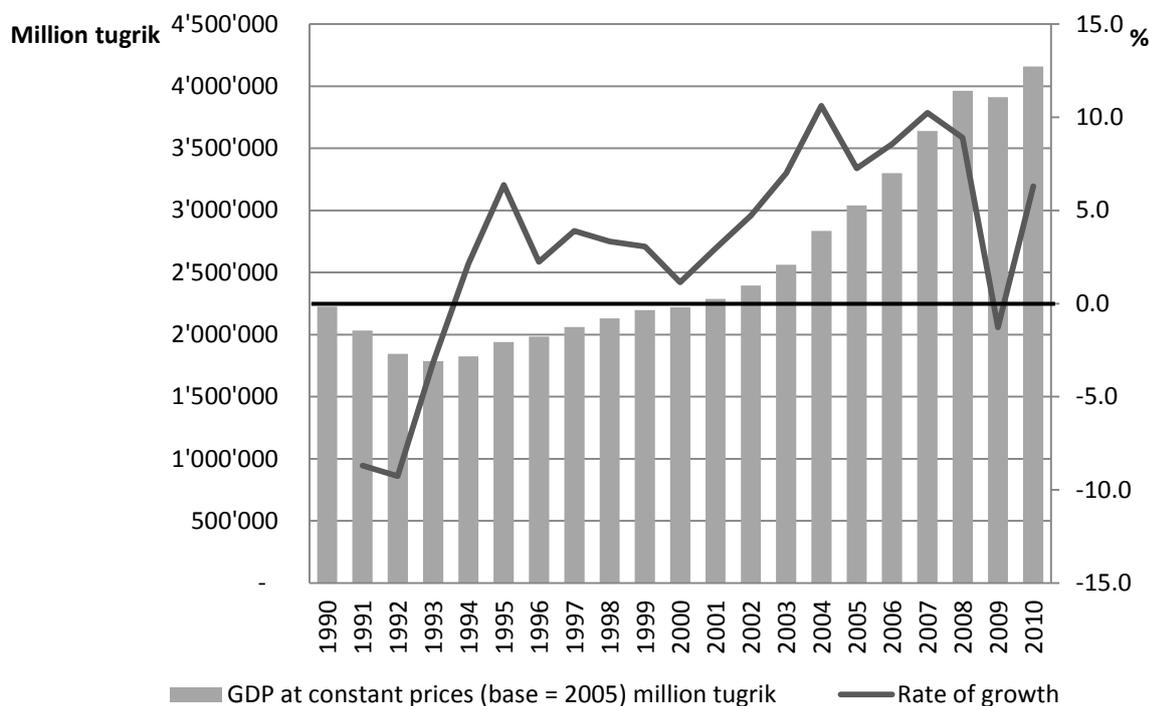
⁷ *National Priorities for Economic and Social Development for 2010-2015*. Draft

1. The Dynamics of the Economy, Employment and Poverty

1.1 A painful economic and social transformation in the 1990s

During the socialist period Mongolia prided itself with having achieved full employment, even though it may not always have been very productive. A complex system of cross-subsidies and administratively set prices made any estimates of productivity near-naught impossible and blurred the relationship between wages and productivity.

Figure 1. Development of GDP 1990 - 2010



Sources: Appendix, Table A1

Remark: Population is estimated to have increased by approximately 28 per cent over the period.

The collapse of the socialist system, the abrupt transition to a market based economy and the accompanying reorientation of external relations had dramatic consequences on employment as well as on the economy and society as a whole.⁸ In aggregate economic terms the rapid economic decline that characterised the first years of transition bottomed out already in 1993 (Figure 1). However, the subsequent economic recovery was slow. It took altogether twelve years to regain the level of economic production, as measured by GDP, of 1989. Growth picked up substantially after 2002. Between 2002 and 2008, the last year before the onslaught of the global financial crisis, GDP increased by 65 per cent, that is by almost 9 per cent per year.

However, aggregate GDP data mask much of the drama that took place on the labour market and in the economy and livelihood of virtually every Mongolian household. Formal

⁸ A number of good analyses of employment and labour market aspects of the turbulent years in the early 1990s exist. See for instance, Griffin (1995), Brun, Ronnäs and Narangoa (1999).

sector wage employment declined precipitously in the early years of the transition at the same time as rampant inflation eroded the purchasing power of wages.⁹ The changes in the rural areas were no less dramatic. The main building block of the economic and social infrastructure in the rural areas was the herding collectives – *negdels* – which were multipurpose units meeting most aspects of the herding households’ economic and social needs, ranging from free education and health care to veterinary and marketing facilities.¹⁰ The collapse of the *negdels* in the early 1990s left a void that, two decades later, has yet to be adequately filled.

The employment and labour market impact of the economic transition and turmoil took several forms (Table 1). There was a withdrawal from the labour force as employment opportunities lost were not replaced with new ones, resulting in an absolute decrease of the labour force despite an increase in the economically active age groups. The participation rate in the labour force, using a narrow definition of the economically active age groups,¹¹ fell from 80 to 71 per cent between 1991 and 1995 and would seem to have continued to fall, albeit at a slower rate at least until the end of the decade.

Table 1. Participation in the Labour Force

	1991a	1995a	1998	2003	2008
Total population	2,187.2	2,317.5	2,291.3	2,476.6	2,645.5
Active age groups *	1,069.2	1,186.2	1,417.0	1,636.1	1,848.9
- men			686.8	789.5	888.4
- women			730.2	846.6	960.6
Active population	851.1	839.8	839.2	958.0	1,071.5
- men	446.1		435.8	482.9	524.9
- women	413.9		403.4	475.0	546.6
LFP rate % *	79.6	70.8	59.2	59.2	58.0
- men			63.5	61.2	59.1
- women			55.2	56.1	56.9
Dependency ratio, actual	1.57	1.76	1.73	1.59	1.47
Dependency ratio, age-based*	1.05	0.95	0.62	0.51	0.43

*Active age groups defined as men aged 15-60 and women aged 15-55 in 1991 and 1995, but as all men and women aged 15+ in 1998, 2003 and 2008.

Sources: Brun, Ronnas & Narangoa (1999: 18); <http://laborsta.ilo.org>

Remark: Figures for 1991 and 1995 (other than total population) refer to the age group 15-60 for men and 15-55 for women. Figures for 1998, 2003 and 2008 refer to population aged 15+. All figures are based on official estimates. All figures refer to officially estimated de jure population. Note that total employment registered in the 2000 population census, presumably using a different definition, was 779.2 thousand.

Actual dependency ratio calculated as non-active population divided by active population.

Age-based dependency ratio calculated as population in non-active age groups divided by population in active age groups.

⁹ Most of the existing state-owned enterprises, established as cogs in a centrally planned economy, collapsed at the same time as there was an uncontrolled shedding of labour in the public sector as the fiscal base dwindled. Consumer prices increased 18 times between 1989 and 1993.

¹⁰ For a detailed analysis of the transformation of the rural economy and society in the 1990s, see Bruun and Edgaard (1996). For an analysis of more recent developments, see Morris and Bruun (2005).

¹¹ The official definition of the economically active age groups was 15-55 for women and 15-60 for men.

The contraction of formal sector wage employment and the urban labour market also resulted in a large return flow of people from urban to rural areas and a resort to herding and to various types of informal sector activities in the urban areas. Between 1989 and 1998 the share of the population living in rural areas increased from 43 to 50 per cent, while the share of agriculture in total employment increased from 32 to 49 per cent.¹² The flight into herding was primarily driven by push factors, but there were also pull factors at play. For many it obviously offered the sole remaining option for making a living. However, a rapid improvement in the agricultural terms of trade - that is in the relative prices of agricultural prices as against the prices of non-agricultural goods and services - clearly played a major role in cushioning the negative implications on labour productivity and returns to labour from the rapid increase in the number of herders. The combined effect of a massive increase of the number of herders and, in particular, improved relative prices for agricultural inputs was an increase of the contribution of value added produced in the agricultural sector to GDP from 13 per cent in 1990 to 41 per cent in 1996 (Appendix, Table A2). The poor resource endowment of most of the 'new' herders and the distressful circumstances under which decisions to take up herding often were taken are reflected in the fact that the average number of animals per herder household fell from 115 in 1990 to 48 in 2000.¹³

The flight to rural areas and to herding came to an end in 2000-2002, as three consecutive severe winters with *dzuds* took an extremely heavy toll on livestock and deprived many herder families of their means of existence.¹⁴ Following an increase in agricultural employment, i.e. mainly herding, by some 54,000 people between 1994 and 2000, agricultural employment actually fell slightly between 2000 and 2003 (Appendix, Table A4). At the same time, the urban to rural exodus was reversed and in-migration to Ulaanbaatar picked up speed.

1.2 Rapid but unbalanced growth (2003-2008)

The long period of sluggish growth, which came to an end in 2003, was followed by a period of exceptionally high GDP growth, which lasted until the onslaught of the global financial crisis in late 2008. By 2008 GDP had increased by 65 per cent over 2002 and by 73 per cent over 1990 (Figure 1).

Unfortunately, economic growth, when it finally arrived, did not deliver on job creation. All in all employment increased by no more than 100,000, that is less than 11 per cent, between 2003 and 2007, as the employment elasticity of growth fell to a mere 0.26 (Table 2).¹⁵ This was far short of the need to meet the demand for employment resulting from an increase of the working age population by almost 200,000 in the same period, let alone to reduce the backlog of discouraged workers and unemployed. A rough estimate based on data from household income and expenditure surveys also suggest that the large aggregate increases in productivity were only to a limited extent translated into any broad-based increases in incomes from employment. According to official statistics the percentage of the population living below the poverty line remained virtually unchanged over the period, which would imply that the number of working poor actually increased somewhat in absolute terms.¹⁶

¹² Griffin (2001: 77, 81).

¹³ Griffin (2001: 82). Calculated as 'standard units of livestock'.

¹⁴ *Dzud* is the collective name for a variety of climatic conditions during the winter and spring that prevent animals from access to grazing, such as very deep or icy snow.

¹⁵ The employment elasticity measures the percentage increase in employment resulting from a one per cent increase in GDP.

¹⁶ Based on figures from the 2007/08 Household Socio-economic Survey (National Statistical Office [2009]).

Table 2. Employment elasticity of growth

	2000-2003	2003-2007	2000-2007
Agriculture	0.06	-0.01	-0.11
Mining	52.76	0.69	2.37
Manufacturing	0.01	-1.06	-0.10
Utilities	3.19	2.30	2.86
Construction	0.46	3.29	1.01
Trade & restaurants	1.39	1.28	1.40
Transport & communication	0.30	0.14	0.16
Other	0.85	0.28	0.51
All sectors	1.18	0.26	0.46

Source: Appendix, Table A4

Remark: Negative figures reflect a decline in employment despite growth. Figures above 1 indicate employment growth, but falling labour productivity.

The failure of the economic growth to translate into any commensurate increase in productive employment after 2003 can to a large extent be explained by the sector composition of growth. Growth was primarily driven by a very rapid increase of revenues from mining and, to a lesser extent, by a recovery of agriculture and a rebuilding of the herds of livestock after three devastating winters 1999-2001. Value added from the mining sector increased more than twofold¹⁷ between 2003 and 2007, accounting for more than one-fourth of the total GDP growth in this period, but for only 13 per cent of the small growth in employment (Table 3). By 2007, the mining sector accounted for 20 per cent of GDP and for two thirds of all export earnings.¹⁸ It had also become a major source of public revenue, accounting for 37 per cent of total government revenue, equivalent to 14 per cent of GDP in 2007.¹⁹ In the agricultural sector, which accounted for 29 per cent of the growth in GDP, employment actually fell marginally as this sector began to shed some of the surplus labour accumulated in the 1990s.

Furthermore, the growth of the mining sector was largely driven by increasing commodity prices – notably copper, but also gold – and to a much lesser degree by an expansion of the physical output. Indeed, a fourfold increase in the price of copper between 2003 and 2007 was a main driver of growth of the Mongolian economy over this period.

¹⁷ Calculation based on value added at current prices deflated by the general GDP deflator. Most of this increase was due to price increases. In terms of physical production, the mining sector grew by a ‘mere’ 55 per cent in the same period. See Appendix, Table 3a and 3b

¹⁸ Appendix, table A2 and IMF (2008).

¹⁹ IMF (2008).

Table 3. Sector contribution to GDP growth and to employment growth. Percentages.

	1995-2000	2000-2003	2003-2007	1995-2007
Contribution to employment growth				
Agriculture	94.9	-5.1	-1.9	46.1
Mining	1.0	11.3	12.5	2.4
Manufacturing	-30.7	0.3	-7.2	8.8
Utilities	-11.6	4.2	8.6	2.9
Construction	-14.7	10.0	25.5	3.8
Trade & restaurants	45.2	47.5	42.6	10.2
Transport & com.	6.0	4.6	4.7	4.1
Other	9.9	27.3	15.2	21.6
All sectors	100.0	100.0	100.0	100.0
Contribution to value added growth				
Agriculture	-15.7	-60.5	28.7	33.6
Mining	54.8	2.3	26.2	18.7
Manufacturing	-37.2	43.7	2.9	8.8
Utilities	2.6	2.7	1.5	3.9
Construction	-5.5	15.6	1.7	2.3
Trade & restaurants	32.8	28.6	5.6	6.7
Transport & com	28.6	26.5	17.6	4.5
Other sectors	39.7	41.0	15.9	21.5
All Sectors	100.0	100.0	100.0	100.0

Sources: Monthly Bulletin of Statistics, National Statistical Office of Mongolia, December 2010; <http://laborsta.ilo.org>

Hence, there was a striking disparity between the contributions of the various economic sectors to employment creation on the one hand and to value added, i.e. GDP, on the other hand (Table 3). Over the 2003-2007 period mining and agriculture together accounted for over half of the growth in GDP, but for only about one-tenth of the increase in employment. At the other end of the spectrum, trade, restaurants and related services accounted for 43 per cent of the employment growth, but for less than 6 per cent of the increase in GDP. Hence, employment growth in this sector took place at the expense of labour productivity, which actually fell.

The role of mining and agriculture as growth engines and the lacklustre employment generation in these two sectors – employment in agriculture actually fell between 2003 and 2007 – was attributable to quite different factors. The rapid growth of mining, which started after 2000 and gained speed after 2003, was closely related to the improvement in world market prices of copper and gold since the late 1990s. No doubt stimulated by the increase in prices, production also increased rapidly in volume terms, particularly after 2003.²⁰ However, mining is by nature capital intensive rather than labour intensive. Furthermore, the price increases in all likelihood had little direct impact on employment. Most of the gains from the price increases benefited the exploiting companies and the government in the form of rents rather than those employed in the sector through increased wages.

²⁰ This trend was temporarily broken in 2008 as copper prices fell by 58 per cent between the first four months of 2008 and 2009. However, in early 2011 copper prices were back at the peak levels registered before the crisis. More recently, copper prices have started to pick up again, but they are not yet back at the pre-crisis level (World Bank [2009a]; IMF [2011].).

Table 4. Sector distribution of employment and GDP. Percentages

	1990	1994	2000	2003	2007
Share of total employment					
Agriculture		44.7	48.6	41.8	37.7
Mining and utilities		4.8	4.9	5.9	7.3
Manufacturing		8.3	6.7	5.9	4.7
Construction		3.6	2.9	3.8	5.9
Trade & restaurants		11.1	12.0	16.5	19.0
Transport & communications		4.1	4.2	4.3	4.3
Other sectors		23.3	20.6	21.8	21.2
All sectors		100.0	100.0	100.0	100.0
Share of GDP					
Agriculture	16.0	38.5	31.9	22.8	22.0
Mining and utilities	15.8	14.4	13.5	16.1	33.6
Manufacturing	9.5	7.3	4.5	4.7	4.3
Construction	2.8	1.2	1.9	3.4	1.8
Trade & restaurants	23.1	13.8	11.8	13.0	8.2
Transport and commerce	14.9	7.1	10.6	13.5	10.3
Other sectors	17.8	17.3	25.9	26.4	19.7
All sectors	100.0	100.0	100.0	100.0	100.0

Sources: <http://unstats.un.org>; <http://laborsta.ilo.org>

The story in agriculture was quite a different one. The rapid growth of the agricultural sector in terms of value added since 2003 reflected to a large extent a recovery from the disastrous years of 2000-2002, not least in the form of a rebuilding of the stocks of animals lost during the three consecutive *dzuds*. Hence, the growth of the agricultural sector should be seen against the decline in production by over 25 per cent in volume terms between 2000 and 2003 (appendix, Table A3a). Throughout the 1990s agriculture served as an employment buffer; as a source of employment and income of last resort as urban employment opportunities dried up. Following the three disastrous years at the turn of the millennium, a reverse flow of labour out of agriculture and from rural to urban areas commenced. This flight from agriculture continued even after production started to pick up again after 2003. Put in the context of the increasing production and labour productivity in the agricultural sector since 2003, it is both astonishing and highly worrisome that the poverty incidence among the agricultural labour force, i.e. mainly herders, seemingly increased sharply from 39 to 49 per cent between 2002/03 and 2007/08 (Table 9).

With the declining role of agriculture as a source of employment; trade, restaurants and hotels have become by far the most important sectors for employment generation. Since 2000 well over 40 per cent of the increase in employment has taken place in these sectors (Table 3). These sectors are, like most services sectors, labour intensive. However, between 2000 and 2007 the employment elasticity of growth in the trade, hotels and restaurants sectors reached 1.4, implying that employment growth took place at the expense of labour productivity (Table 2). What seems to have happened is that these sectors took over the role of source of employment of last resort from agriculture after the three consecutive *dzuds* around 2000.

Almost two decades after the fall of the socialist system, the manufacturing sector has yet to be reconstructed. The manufacturing sector still accounts for less than 8 per cent of GDP and less than 5 per cent of employment (Appendix, Table A4). Indeed, Manufacturing accounted for a mere 3 per cent of the GDP growth between 2003 and 2007, while a secular trend of falling employment in this sector continued (Table 3). Following the virtual collapse of manufacturing in the early years of transition, a nascent textile

industry developed, based on ample access to raw material – mainly cashmere - and a privileged access to *inter alia* the US market. With the abolishment of the multi-fibre agreement in January 2005 Mongolia lost its privileged access to key markets and the growth of the textile industry was brought to a halt as it found it difficult to face up to competition from countries such as China. Hence, the incipient reconstruction of the manufacturing sector was largely aborted, and manufacturing continued to decline in relative, if not absolute terms. The decline of the share of manufacturing in GDP can partly be explained by deteriorating terms-of-trade. Terms of trade for manufacturing fell sharply in the 1990s and continued to decline after 2000. The unfavourable development of terms-of-trade notwithstanding, the lack of reconstruction of the manufacturing sector and its continued insignificance as a source of economic growth and employment creation is arguably the most disconcerting aspect of the pre-crisis economic development pattern.

In short, it may be concluded that there was a severe sector imbalance between economic and employment growth. The economic growth resulted in little new employment and where jobs did increase, it was largely a result of push and supply factors and it took place at the expense of productivity.

Economic growth was not inclusive...

Not only has the employment content of growth been low, but it has not been particularly inclusive either. Inequality in terms of consumption increased between 2002/03 and 2007/08 (Table 5). The overall Gini coefficient of consumption increased from 0.33 to 0.36, as the share of the consumption of the poorest quintile in total consumption fell from 7.5 to 7.2, while that of the richest quintile increased from 40.4 to 43.4. As income inequality tends to be higher than consumption inequality and in view of the equalising impact of public transfers, it may safely be concluded that inequality in terms of income from labour was higher than the figures in Tables 5 suggest.

The most important aspect of increasing inequality was no doubt the increasing income and consumption gap between Ulaanbaatar on the one hand and the rest of the country in general and the countryside, in particular, on the other hand.²¹ While average consumption in Ulaanbaatar increased in real terms by some 16.5 per cent between from 2002/03 and 2007/08, it appears to have fallen by 8.2 per cent in the countryside. By the latter date, average per capita consumption in the countryside had fallen to less than 60 per cent of the average per capita consumption in Ulaanbaatar and to 75 per cent of the national average (Table 5).²²

In addition, inequality also increased within the urban areas as well as within the *soum* centres. In Ulaanbaatar, the share of total consumption accounted for by the poorest quintile fell from 7.9 to 6.9 per cent, while the share of the richest quintile increased from 40.2 to 43.1 per cent.

The increase in inequality had major implications on the efficiency, or rather lack of efficiency, by which growth translated into reduced income poverty. As may be seen from Table 6, the increase in inequality all but neutralised the positive impact on poverty that growth would have had if it had been distributionally neutral. Had growth taken place in a situation of unchanged income and consumption distribution, it would have reduced headcount poverty by some 5 percentage units. In reality, poverty fell by a mere 0.9 percentage unit, the 'shortfall' of 4.2 percentage units being the consequence of increasing inequality.

²¹ Urban areas consist of the capital, Ulaanbaatar, and the centres of the *Aimags*. Rural areas consist of *Soum* centres and the 'countryside'.

²² National Statistical Office (2009a: 21).

Table 5. Inequality of consumption in 2002/03 and 2007/08.

Area	Gini coefficient of consumption		Average per capita consumption			
			Tugrik/month		Index: Mongolia = 100	
	2002/03	2007/08	2002/03	2007/08	2003/03	2007/08
Urban areas	0.33	0.36	101,909	115,501	110	115
- Ulaanbaatar	0.33	0.36	108,612	126,494	117	125
- Aimag centres	0.32	0.34	93,894	97,680	101	97
Rural areas	0.31	0.32	81,504	81,010	88	80
- Soum centres	0.32	0.35	80,523	89,197	87	88
- Countryside	0.31	0.30	82,064	75,344	88	75
Whole country	0.33	0.36	92,814	100,865	100	100.0

Remark: Tugrik in 2007/08 constant prices

Sources: National Statistical Office (2009a: 21)

Table 6. Changes in headcount poverty between 2002/03 and 2007/08 by growth and inequality components. Percentages.

	Change in poverty	Growth component	Inequality component
Urban areas	-3.4	-6.7	3.3
- Ulaanbaatar	-5.3	-7.3	2.0
- Aimag centres	1.0	-2.6	3.7
Rural areas	3.2	0.3	2.9
- Soum centres	-2.5	-6.7	4.2
- Countryside	-7.0	-6.2	-0.8
By regions:			
-Western region	-4.0	-3.5	-0.5
-Highlands	7.9	4.8	3.1
-Central region excl. UB	-3.7	-7.9	4.2
-Eastern region	12.2	4.7	7.4
Whole country	-0.9	-5.0	4.2

Source: National Statistical Office (2009a: 24).

Remark: The growth component refers to the decline in poverty that would have occurred if only the mean consumption had increased with no change in relative inequalities. A negative figure implies a positive impact on poverty, i.e. a decline in poverty.

..and poverty remained high

By 1998 the headcount poverty rate had reached 36 per cent, somewhat higher in urban areas (39.4 per cent) than in rural areas (32.6 per cent) (Table 7). Lack of data precludes an analysis of the development of poverty in the early years of the transition, but it is clear that it did increase substantially. It also seems safe to conclude that the sharp improvement in the prices of agricultural produce somewhat cushioned the impact of the economic turmoil and decline on poverty.

Productive employment provides by far the strongest link between economic growth and poverty reduction. As a consequence of the failure of the economic growth between 2003 and 2008 to translate into any commensurate generation of productive employment, income poverty remained high despite high economic growth over a period of six years. Official statistics suggest that the share of the population living below the poverty line fell

only marginally; from 36 per cent in 2002/03 to 35 per cent in 2007/08 (Table 7).²³ Poverty increased during the economic crisis in 2009, but may have fallen somewhat in the past year. Thus, despite years of rapid economic development, Mongolia is far away from achieving the Millennium goal of reducing the number of people living in extreme poverty by half.

Table 7. Headcount poverty in Mongolia. Percentages.

	1995	1998	2002/03	2007/08
All areas	36.3	36.2	36.1	35.2
Urban	38.5	39.4	30.3	26.9
- Ulaanbaatar	35.1	34.1	27.3	21.9
Rural	33.1	32.6	43.4	46.6
Gini coefficient	0.31	0.34	0.33	0.36

Source: FIDI International (1999); National Statistical Office (2004a); (2009a).

While the overall headcount poverty rate seems to have remained virtually constant at 35-36 per cent for over a decade, there have been significant changes in the rural – urban and regional distribution of poverty. Until 1998 rural – urban differences in poverty remained rather small (Table 7). Since then, the rural – urban poverty gap has increased significantly. Not only did rural poverty increase sharply between 1998 and 2002/03, which at least partly may be attributed to the impact of the three consecutive and severe *dzuds*, but poverty seems to have continued to increase to the point where by 2007/08 almost half of the rural population ostensibly lived below the poverty line (Table 8). By contrast, poverty declined significantly in urban areas, from 39 per cent in 1998, to 30 per cent in 2002/03 to 27 per cent in 2007/08 (Table 7 and 8).

A more detailed breakdown reveals that the entire reduction in urban poverty was due to a sharp decline in poverty in Ulaanbaatar (Table 8). Headcount poverty actually increased somewhat in the other urban centres. Indeed, the main picture that emerges is a clear dichotomy between rapidly falling poverty in Ulaanbaatar on the one hand and stagnant or increasing headcount poverty rates in most of the rest of the country. There were also large regional changes in the incidence of poverty. It would appear that poverty fell in the Western and Central region, but increased considerably in the Highlands and in the Eastern Region (Table 7 and 8).

²³ A recent World Bank presentation challenges the poverty estimates of the World Bank supported 2007-08 Household Socio-Economic Survey. This alternative estimate by the World Bank, based on an adjustment of the 2002/03 poverty line by the consumer price index suggests that poverty actually fell from 36.1 per cent in 2002/03 to 11.6 per cent in 2007/08 (World Bank [2009d]). The discrepancy between the two estimates is simply too large to be ascribed to measurement errors, suggesting that an in-depth analysis of the reliability and validity of the estimates are warranted. While the 2007/08 survey was designed to maximise comparability with the previous 2002/03 survey and has the distinct advantage of including a detailed methodological note in the publication, a *prima facie* analysis suggests that the rural poverty estimates, in particular, may be on the high side. The more recent World Bank estimate that poverty fell by 25 percentage units over a five year period in the context of an economic development that was rapid in quantitative GDP terms, but had a very poor employment content, borders on the incredible and cannot be taken at face value. As discussed below, fact remains that economic growth in the past decade did not result in any commensurate increase in productive employment and as a consequence the link between economic growth and improved incomes in general and incomes for the poor in particular was weak.

Table 8. Headcount poverty in 2002/03 and 2007/08 by area.

	Headcount poverty rate %		% share of total population	
	2002/03	2007/08	2002/03	2007/08
Urban areas	30.3	26.9	55.4	60.8
- Ulaanbaatar	27.3	21.9	30.2	38.4
- Aimag centres	33.9	34.9	25.2	21.6
Rural areas	43.4	46.6	44.6	39.2
- Soum centres	44.5	42.0	16.2	13.4
- Countryside	42.7	49.7	28.4	25.8
By region:				
-Western region	51.1	47.1	17.0	15.4
-Highlands	38.7	46.6	24.1	20.7
-Central region excl. UB	34.4	30.7	19.5	16.3
-Eastern region	34.5	46.7	9.3	7.4
Whole country	36.1	35.2	100.0	100.0

Source: National Statistical Office (2009a).

The importance of employment to escape from poverty is clear from the statistics. More than half of the households where the head of household was unemployed lived below the poverty line in 2007/08 (Table 9). However, employment by no means guarantees freedom from poverty. More than a third of the households where the head of household was working still lived below the poverty line in 2007/08 (Table 9). Mongolia still has a large problem of working poor. Occupation and form of employment matter greatly. Almost half of the households headed by herders lived below the poverty line in 2007/08, as against less than a third of those working in industry and about a fifth of those working in the services sectors (Table 9). The public sector and, in particular, the state companies had the smallest share of working poor.

Table 9. Headcount poverty by employment characteristics of head of household 2002/03 and 2007/08

	Headcount poverty rate %		Share of population %	
	2002/03	2007/08	2003/04	2007/08
Employment status				
Employed	33.6	34.3	71.5	75.7
Unemployed	48.7	54.4	3.0	4.2
Out of labour force	41.6	34.9	25.5	19.9
Employment by sector				
Agriculture	41.0	49.1	30.2	28.5
Industry	33.2	32.8	8.8	14.5
Services	26.9	20.9	32.6	30.3
Form of employment				
Herder	39.2	49.0	26.5	24.4
Other private	34.7	29.2	24.1	34.7
Public sector	25.9	22.4	17.9	11.4
State companies	21.6	14.6	3.0	3.4
All categories	36.1	35.2	100.0	100.0

Sources: National Statistical Office (2004a);(2009a: 81).

The exposure to poverty varies considerably by the size of the household and by the educational level of the head of the household.²⁴ The larger the size of the household, the higher the incidence of poverty. While only 13.4 per cent of the two member households and 21.8 per cent of the three member households were below the poverty line in 2007/08, 53.4 per cent of the households with seven members and 69 per cent of the households with more than eight members suffered from income poverty.²⁵ As might be expected, the level of education exerts a strong influence on the exposure to poverty (Table 10). Indeed, it would appear that the importance of education as a determining factor for poverty increased considerably between 2002/03 and 2007/08. Among those with at most lower secondary education (8 grades) the incidence of income poverty increased considerably over this period, while it fell for those with more than eight years of education. By 2007/08 more than half of the households where the head of household had no more than primary education lived below the poverty line (Table 10).

Table 10. Headcount poverty by educational level of head of household 2002/03 and 2007/08

	Headcount poverty rate %		Share of population	
	2002/03	2007/08	2002/03	2007/08
No education	45.8	58.0	4.2	3.9
Primary	45.6	51.5	14.2	11.9
Lower secondary (8th grade)	45.5	48.1	27.5	23.1
Complete secondary	34.9	34.6	18.8	31.4
Vocational	40.7	25.3	10.2	13.0
Higher diploma	23.4	9.5	13.6	10.0
University	11.6	8.8	11.5	6.0
All levels	36.1	35.2	100.0	100.0

Source: National Statistical Office (2004a)(2009a).

1.3 The global financial and economic crisis

The global economic and financial crisis in 2008-2009 brought into focus the fragility of the excessive dependence on natural resource extraction and mining as a driver of economic growth. A fall in copper prices by 60 per cent from its peak in mid-2008 had an immediate and dramatic impact on both the government budget and the balance of payment. The crisis rapidly spread to the rest of the economy as both private and public demand contracted and credits to the private sector dried up. In aggregate terms GDP growth contracted by more than ten percentage points, from 8.9 per cent in 2008 to -1.3 per cent in 2009 (Appendix, Table A1).²⁶ Some sectors fared much worse. The value added produced in the construction sector fell by 34 per cent in 2009 over 2008, while the value added produced in trade, hotels and restaurants contracted by 12 per cent and in manufacturing by 9 per cent.²⁷ The labour market was severely affected and by the fourth quarter of 2009 unemployment had reached a record 12.8 per cent.²⁸

Pro-cyclical macroeconomic policies accentuated the crisis.

A very fast increase in public revenue from the mining sector in the years prior to the crisis had resulted in a rapid increase in the fiscal space. Public revenue increased by 62 per cent in 2006 and a further 36 per cent in 2007, i.e. an increase of more than 60 per cent in

²⁴ The survey data do not yield information on the educational attainment of other household members.

²⁵ National Statistical Office (2009a:30).

²⁶ IMF (2010b),

²⁷ National Statistical Office (2010: 48).

²⁸ Labour force survey data quoted in the Monthly Economic Update for March 2010 by the World Bank.

real terms over two years.²⁹ Following over a decade of fiscal austerity and under-investments in both physical infrastructure and human resources, this allowed for a much welcome expansion of public expenditures. Social welfare transfers were raised through the reintroduction of a universal child allowance, an increase in minimum pensions and the introduction of lump sum allowances for newlyweds and new-borns. Public sector wages were also substantially increased in both 2006 and 2007. However, the largest increases were on capital expenditures, i.e. public investments, which more than trebled between 2006 and 2008, as its share in total expenditures increased from 15 to 26 per cent.³⁰ A Development Fund was also established to ensure that revenues from a windfall tax on mining would be used according to the formula. One third for capital expenditures, one third for child and family allowances and one third saved. There were also cuts in taxes, notably a reduction of VAT from 15 to 10 per cent.

Monetary policy was also expansionary. Private sector credits increased rapidly after 2005, albeit from a low base, while bank lending interest rates began to fall from a high level and the spread between lending and borrowing rates narrowed.³¹ Broad money also grew rapidly by between 30 and 50 per cent per year between 2002 and 2008.³²

Inflation increased in the years immediately prior to the crisis, from 6 per cent in 2006 to 12 per cent in 2007 and peaking at 23 per cent in 2008.³³ The rapid increase in inflation was clearly a major cause of concern for the Government as well as for IMF, who put it forward as a strong argument for a reversal of the expansionary fiscal and monetary policies, first in 2007 and, more energetically, in 2008.³⁴ The increase in inflation resulted from a combination of external and internal factors. The sharp increase in world prices for food, which is largely imported, and energy was a major, if not the main, factor, but an increase in domestic demand clearly also played a role.³⁵

The sharp fall in copper prices, by some 60 per cent between mid-2008 and the first quarter of 2009, had a dramatic and immediate impact on both the government budget and on the balance of payment. The bulk of the fiscal revenue from the mining sector during the pre-crisis years came from a 68 per cent windfall tax, which was triggered when world market prices of copper or gold exceeded a specified base price. While the logic behind the design of this tax is obvious, it made fiscal revenue highly sensitive to fluctuations in the price of copper and gold. Fiscal revenues from mining, which accounted for more than one third of all budget revenues at the peak of the commodity boom in 2007 had by early 2009 fallen by 10 per cent of GDP.

The impact on the external accounts was equally dramatic, as exports of copper and gold fell by over 40 per cent in 2009 (over 2008) in value terms, largely as a result of the fall in prices.³⁶ There was a sharp increase in the current account deficit already in 2008, which was exacerbated by a deterioration in the capital account as inflows of FDI dried up and by a flight from the domestic currency to the dollar. An effort to defend the exchange rate and a de facto peg to the US dollar proved to be not only futile, but also expensive and arguably harmful. This effort had to be abandoned in November, 2008, where after the Tugrik fell by almost 40 per cent against the US dollar.

By the first quarter of 2009 the fiscal and external positions had deteriorated to such a degree that the Government was forced to request IMF support. An 18 month stand-by

²⁹ IMF (2008).

³⁰ IMF (2007) (2008). See also Monthly Bulletin of Statistics, December 2007 and December 2008 issues (Ulaanbaatar: National Statistical Office of Mongolia).

³¹ IMF (2008). Bank lending rates stayed above 30 per cent until 2005.

³² Except for 2005, when its growth fell to 20 per cent. (IMF: 2008).

³³ CPI (end-period).

³⁴ IMF (2007) (2008).

³⁵ For a discussion, see *inter alia* IMF (2007).

³⁶ IMF (2009) (2010a).

agreement was reached with IMF in April 2009, opening up a credit line to the tune of 153 million SDR, equivalent to 5.5 per cent of GDP.³⁷ This was topped up by promises of loans of an almost equal magnitude from ADB, World Bank and Japan. The Government committed itself to an immediate reduction in public expenditures to the tune of 5 per cent of GDP. There was a freeze on all new capital expenditures and a reduction of current expenditures across the board. The prescribed monetary policies included an increase in the interest rates, ostensibly to prevent further flight from the national currency.³⁸ The combined effect of the fiscal and monetary responses to crisis was clearly highly procyclical and the crisis rapidly spread to the rest of the economy as both private and public demand contracted and credits to the private sector dried up.

The stand-by agreement with IMF also included important structural conditionalities. In order to cushion the fiscal exposure to fluctuations in revenues from mining, the Government was compelled to introduce a Fiscal Responsibility Law, which including ceilings on expenditure growth, a debt ceiling and a ceiling on the 'structural' deficit.³⁹ Other obligations included a reform of the banking sector, maintaining a flexible exchange rate and strengthened Central Bank control over monetary policy. A much more controversial conditionality with clear ideological overtones was a Government commitment to shift from unconditional targeted social transfers, such as the universal child allowance, to means tested hand-outs.⁴⁰ The agreement was also accompanied by strong advice from IMF to move to a regime where fighting inflation would have absolute supremacy over other objectives, such as growth, in Central Bank activities.⁴¹

1.4 Post-crisis developments

The economic crisis bottomed out during the first half of 2009 and was followed by a recovery that has been as swift as the decline had been a year earlier. GDP growth increased by 7.4 percentage units, from -1.3 per cent in 2009 to 6.1 per cent in 2010. Recent statistics suggest that growth has continued to increase; reaching 9.7 per cent the first four months in 2011 over the same months in 2010.⁴² The economic recovery has to a certain extent been reflected in the labour market. Total employment increased by 4.7 per cent between 2009 and 2010, primarily through a reduction of unemployment as the total size of the labour force remained almost unchanged (Appendix, Table A6)⁴³

However, these aggregate data mask large movements within the labour force. There was a pronounced shift of labour from agriculture to the non-agricultural sectors. The share of the employed working in agriculture fell from 34.5 per cent in 2009 to 31.8 per cent in 2010, while employment in transport and communication and in social and other services increased in both absolute and relative terms (Appendix, Table A7). Employment in mining and manufacturing increased, too, but with 3.7 and 6.4 per cent of the employed, respectively, their contribution to overall employment remained modest. The industrial shift of employment was mirrored in a shift from own-account workers to wage workers, as the share of the employed who are wage workers increased from 40.4 to 44.3 per cent (Appendix, Table A7). These shifts in employment were at least as much due to push factors as to pull factors. On top of the impact of the economic crisis, the herders in many

³⁷ IMF (2009).

³⁸ The high degree of dollarization in private sector borrowing was an important factor behind the concern about the depreciation of the national currency.

³⁹ IMF (2010a).

⁴⁰ IMF (2009).

⁴¹ IMF (2010b).

⁴² National Statistical Office (2011b).

⁴³ While total unemployment as captured in the labour force surveys fell by over 25 per cent or some 37,000 between 2009 and 2010, registered unemployment actually increased slightly. This probably reflects a higher propensity among the unemployed to register in the past year, as unemployment benefits were made more generous.

parts of the country were severely affected by a severe dzud (snow blizzard) in the early spring of 2010, resulting in the loss of some 8.8 million livestock. As of April 2010 it was estimated that some 8,700 herder households had lost all their livestock, while an additional 32,700 households had lost more than half of their livestock.⁴⁴ Pull factors, such as substantial increases in average wages and an increase in wage employment opportunities no doubt also contributed to the movement of labour from rural areas and own account animal husbandry to urban areas and wage employment.⁴⁵

2. The employment challenge

Productive employment is by far the most important link between economic growth and reduction of income poverty. Enhancing employment and returns to labour by (i) strengthening the productive resources of the poor and by (ii) opening up opportunities for everyone to make full use of the productive resources at hand are the main pillars of inclusive and job-rich growth as well as of poverty reduction.

The glaring discrepancy in recent years between high rates of growth on the one hand and continued high rates of income poverty on the other hand reflects a failure of growth to generate sufficient productive employment. There have been insufficient opportunities for people living in poverty to effectively contribute to the economic development of the country and to fully benefit from the fruits of this development. Indeed, it seems fair to conclude that most Mongolians have not contributed as much as they could have to the economic development, nor have they benefited as much as they should have from it.

The failure of the high rates of growth to reduce poverty through creation of productive employment opportunities and improved access is all the more disconcerting as this development took place in a highly conducive demographic context. Largely as a consequence of the sharp decline in birth rates after 1990, the dependency ratio has for some time improved considerably and is expected to continue to do so (Table 1). Defining the economically active age groups as those aged 15 years or more, it can be seen that the dependency ratio⁴⁶ fell from 0.62 in 1998 to 0.51 in 2003 to 0.43 in 2008 (Table 1). The fall of the dependency ratio has been the combined effect of reduced birth rates and the entering into the economically active age groups of the large number of children born in the 1970s and 1980s.

This stage in the economic transition is often called the demographic window of opportunity as it holds the potential of a substantial positive impact on incomes and poverty reduction. This impact can take several forms. First, a fall in the dependency ratio will automatically translate into higher per capita income as long as the economy manages to generate productive employment opportunities for the growing labour force. This is simply because each bread-winner will have fewer mouths to feed. Second, an improved dependency ratio increases the domestic capacity to save, not least at the household level. Savings, which in their turn translate into productive investments, result in higher growth, the creation of more and better employment opportunities and higher returns to labour. The main prerequisite for benefitting from this demographic window of opportunities is that the number of productive employment opportunities increases at pace with growth in the economically active age groups and that there is a high degree of equality in terms of accessing these opportunities. The continued high levels of poverty suggest that so far the Mongolian economy is falling short in both of these respects despite the high rates of growth between 2003 and 2008 and the renewed high growth after the economic crisis.

⁴⁴ ILO (2011).

⁴⁵ The average wage increased by 19 per cent in real terms between April 2010 and April 2011 (National Statistical Office [2011b]).

⁴⁶ Defined as the population in the non-economical active age groups divided by those in the economically active age groups, i.e. the average number of dependents per person belonging to the economically active age group.

Indeed, combining labour force data with poverty estimates from the 2007/8 household socio-economic survey, it can be estimated that by 2008 only 59 per cent of the labour force was productively employed, in the sense that they had a job that provided them with sufficient income to allow themselves and their dependents a level of consumption above the poverty line.⁴⁷ Hence, the deficit of productive employment amounted to some 41 per cent of the labour force, equivalent to about 415 thousand jobs (Table 11a and 11b). About one third, that is 310 thousand, of those employed were working poor. In addition there were over 100 thousand unemployed, among which more than half were poor (some 54 per cent of the unemployed were also poor). The poverty incidence among households with an employed head of household was only slightly below the average for all households (34.3 per cent versus 35.2 per cent), suggesting that low income from employment is a main cause of poverty.

Table 11a. Estimates of productive employment and of the nature of the deficit of productive employment in Mongolia, 2008. Figures in thousands.

	Poor	Non-poor	Total
Employed	310.2	594.2	904.4
Unemployed	57.1	47.8	104.9
Total	367.3	642.0	1009.3

Sources: Labour force survey data reported in NSO (2011a); Poverty data from NSO (2009a).

Table 11b. Estimates of productive employment and of the nature of the deficit of productive employment in Mongolia, 2008. Percentages of total labour force.

	Poor	Non-poor	Total
Employed	30.7	58.9	89.6
Unemployed	5.7	4.7	10.4
Total	36.4	63.6	100.0

Sources: Table 11a.

Combining data from the labour force surveys and the socio-economic surveys with Government forecasts of the growth of the working age population and the development of the activity rate makes it possible to make a rough calculation of the need for productive employment generation in order to achieve poverty and unemployment targets (Table 12). The estimates are based on an official target to reduce headcount poverty to no more than 18 per cent by 2015 and an assumed target to reduce unemployment to no more than 5 per cent. Two alternative estimates were made: One (A) assuming unchanged labour force participation rate at 61 per cent and another (B) using a Government estimate of the labour force participation rate in 2015 (67.5 per cent).

Assuming constant LFP rates, it can be seen that productive employment will need to increase by some 63 thousand per year under scenario A and by almost 79 thousand under scenario B between 2008 and 2015. Most of this – 51 and 70 thousand jobs respectively under the two scenarios – would have to be in the form of new, productive jobs for the fairly large number of net entrants into the labour force each year and to reduce unemployment between 4'500 and 5'500 depending on the scenario. In addition, the number of working poor would have to be reduced by between 8 and 12 thousand per year, either through an upgrading of the productivity and incomes of the present jobs or by shifting working poor to other jobs and occupations with the prospects for a higher income are better.

⁴⁷ For details on a methodology for estimating productive employment from poverty and unemployment data and for making projections on the need for productive employment generation to meet poverty and unemployment targets, see Ronnas and Kwong (2011).

Table 12. Projected development of employment and the labour force 2008-2015 (Thousands).

	2008	2015 A	2015 B	Annual change A	Annual Change B
Population aged 15+	1,651.7	2,176.0	2,176.0	74.9	74.9
LFP rate	0.61	0.61	0.675		
Labour force	1,009.3	1,327.4	1,468.8	45.4	65.6
Employed	904.4	1,261.0	1,395.4	50.9	70.1
Unemployed	104.9	66.4	73.4	-5.5	-4.5
Unemployment rate	10.4	5.0	5.0		
Poverty rate	34.3	18.0	18.0		
Working poor	310.2	227.0	251.2	-11.9	-8.4
Productive employment	594.2	1,034.0	1,144.2	62.8	78.6

Remarks: Alternative A assumes unchanged LFP rate, Alternative B is based on official estimate of LFP rate in 2015. Change in working age population according to official estimates. The poverty rate for 2015 is based on official MDG target. Unemployment rate 2015 based on an assumed target of 5 per cent.

Working poor is defined as those in the labour force but not earning enough to bring themselves and their dependents out of poverty. It was calculated as labour force x headcount poverty rate. It includes the unemployed poor.

Productively employed defined as those in the labour force who are not working poor or unemployed.

Sources: Figures for 2008 based on 2008 Labour Force Survey and 2007-2008 Household Socio-Economic Survey (poverty rate) from NSO (2009a) and (2011a). Estimates for population aged 15+ and LFP rate in alternative B according to Government estimates (see also El Achkar Hilal (2011)).

The magnitude of the challenge of productive employment generation is perhaps best gauged when cast against the past performance of the labour market and the economy discussed above. High economic growth is not sufficient to generate productive employment and reduce poverty, but the quality of growth is as important. Indeed, the employment elasticity of growth fell sharply from 1.18 in 2000-03 to a mere 0.26 in 2003-2007 (Table 2).⁴⁸ Moreover, it would appear that less than three out of four additional jobs created were productive in the sense that they generated sufficient income to allow the employed and their dependents a standard a living above the poverty line (Table 7). A rough estimate suggests that productive employment increased by no more than about 17,000 per year between 2002 and 2008, i.e. by no more than a fourth of what would be required each year between 2008 and 2015. This will clearly require not only continued high rates of economic growth, but, as importantly, a much higher quality of growth.

The need to increase productive employment opportunities at a much faster pace than in the past is underscored by the existence of a large pool of unutilised labour. Mongolia suffered a sharp decline in the labour force participation rate during the years of economic turmoil and transformation in the 1990s. Since then, the participation rate in the labour force has stagnated at a historically exceptionally low level. Hence, despite the considerable improvement in the age structure of the population, the actual dependency ratio measured as the number of persons each person in the labour force has to support remains very high. Reducing unemployment and increasing labour force participation rates through increased productive employment opportunities could yield substantial benefits in terms of reducing the level of earnings needed by each breadwinner to bring him/herself and his/her dependents out of income poverty.⁴⁹

⁴⁸ The reasons behind this decline are further analysed below.

⁴⁹ Half of the households with an unemployed head of household live in poverty (National Statistical Office (2009a: 125)).

2.1 The need to make growth more broad based both sector-wise and regionally

The need for economic diversification and a more broad based and job-rich growth, in which the manufacturing sector needs to play a much larger role, is based on several considerations.

- The reliance on mining as the main source of economic growth and on the services sector as the main source of employment creation results in low quality growth that is neither conducive to productive job creation and poverty reduction, nor sustainable. As the present crisis has shown, it also makes the Mongolian economy highly exposed to the impact of external economic crises.
- An indispensable component in a strategy for rapid, yet sustainable and job-rich growth must be a diversification of Mongolia's exports and a gradual shift towards more processed goods with a higher value added in total exports. Manufacturing, as well as tradable services,⁵⁰ needs to play a key role in such development.

Manufacturing plays a crucial role for several reasons:

- It can create upstream and downstream linkages to agriculture, thus facilitating as well as enhancing the growth impact of a development of agriculture and the rural economy. Moreover, it is generally important to strengthen inter-sector linkages and to enhance multiplier effects in the economy.
- It is essential for the development of producer oriented services and thus a more broad-based development of the services sector.
- A diversified manufacturing base can create strong linkages and multiplier effects within the sector, at the same time as it would create an environment more conducive to furthering manufacturing growth.
- The growth enhancing impact of FDI would be greatly improved if FDI could be embedded in an environment where it can link up with domestic firms.
- A more broad based economy would in itself create a better business environment as a greater diversity and richness of enterprises would help bring down transaction costs in the economy. In particular, in a situation where there are severe physical and other obstacles to trade in goods, which could otherwise compensate for the small size of the economy, this is a consideration that carries some weight.

Hence, **the main challenge ahead will be to shift the development path in Mongolia from being based on natural resources to becoming based on and driven by human resources. This in its turn calls for a focus on productive employment and decent work at the heart of development planning.** It will require increased economic diversification and a broad-based economic development, sectorally as well as regionally.

The experiences from the past decade suggest that to achieve this fundamental shift of the development trajectory two main challenges need to be addressed: competitiveness and inclusiveness.

⁵⁰ I.e. services that can be exported and which are exposed to external competition.

2.2 The challenge of enhancing competitiveness

At the heart of the problem of the failure to achieve an economic diversification and of the dismal development of the manufacturing sector seems to be a problem of insufficient competitiveness. Largely, economic growth in Mongolia has been confined to (i) natural resource extraction and (ii) services that are not exposed to any external competition. The only exception to this overall picture would seem to be animal husbandry and, in particular, production of cashmere for which Mongolia has a distinct natural comparative advantage.

It would appear that Mongolia's competitiveness deteriorated from an already precarious situation during the decade leading up to the global crisis. This was amply reflected both in a fall between 2002 and 2007 in manufactured exports from an already very low level and in a sharp increase of imports of manufactured goods. By 2007 imports of manufactured goods were ten times larger than exports, while the latter made up a mere 6 per cent of the total exports of goods from Mongolia.⁵¹ Lack of competitiveness was indisputably a main factor behind the weak performance of the manufacturing sector, even after growth picked up after 2002, which in its turn was a main reason behind the very slow growth of productive employment.⁵²

The conditions for a rapid re-industrialisation after the virtual collapse of manufacturing in the early 1990s were never very good. Both production and transaction costs are inevitably high in the early phase of industrial development and, not least, during the incipient stage of the development of a market economy. A virtually complete trade liberalisation in the early 1990s implied that nascent industries had to face the full onslaught of competition from the very beginning, not least from neighbouring China, before they could gather any strength themselves. After 2002, some of the disadvantages typically associated with 'Dutch disease'⁵³ and from the rapid expansion of mining revenues further aggravated the situation. Real wages in manufacturing increased at a much faster pace than productivity after 2005, in part no doubt because increases in public sector wages spilled over to the private sector.⁵⁴ Competitiveness was also undermined by a significant increase in the real exchange rate of the Tugrik, primarily due to a rapid increase in the inflow of foreign exchange originating from the mining sector.⁵⁵ According to the IMF, the real exchange rate appreciated by some 25 per cent between the end of 2004 and the end of 2007.⁵⁶ As a result of a rapid fall of the value of the Tugrik at the onslaught of the crisis the real exchange rate depreciated by almost 25 per cent between January 2008 and March 2009, bringing it back to the 2004 level. However, as the crisis subsided and copper and gold prices picked up, the trend of rapid real appreciation of the Tugrik has recommenced. Between March 2009 and April 2011, it had appreciated by 22 per cent in real terms.⁵⁷

⁵¹ <http://comtrade.un.org>. Data from 2009 International Trade Statistics Yearbook. Volume 1- Trade by Country (New York: United Nations).

⁵² Value added in manufacturing increased by 17 per cent between 2003 and 2007. (<http://unstats.un.org>).

⁵³ The Dutch disease is a concept that purportedly explains the apparent relationship between the increase in exploitation of natural resources and a decline or slower growth of the production of goods and services that are exposed to international competition in general and of the manufacturing sector in particular. The main mechanism is that an increase in revenues from natural resources (or inflows of foreign aid) will make a given nation's currency stronger compared to that of other nations, resulting in the nation's other exports becoming more expensive for other countries to buy, making the manufacturing sector less competitive. Another common mechanism is a higher domestic inflationary pressure and increases in the domestic costs of production.

⁵⁴ Real wages in manufacturing increased by 87 per cent between 2005 and 2008, while labour productivity increased by 46 per cent in the same period.

⁵⁵ Mongolia maintains a regime of full current account convertibility. The national currency – the tugrik is floating, although the exchange rate has at times been subject to significant Central Bank interventions.

⁵⁶ IMF (2007) (2008).

⁵⁷ <http://www.mongolbank.mn>. The exchange rate of the Tugrik against the US dollar fell from 1,170 Tugrik to the dollar in January 2008 to 1,563 Tugrik to the US Dollar in March 2009, where after it has increased to 1,220 Tugrik to the US Dollar in April 2011.

The problem of competitiveness is complex. Broadly speaking, the roots of the problem may be found in three main areas.

- Macroeconomic policies.
- The institutional and regulatory framework for enterprises and entrepreneurs, and the overall environment of economic actors.
- Shortages of human capital with adequate and relevant education, skills and competences.

Putting competitiveness and productive employment at the heart of macroeconomic policies

Macroeconomic policies matter greatly for competitiveness. For a resource-rich country such as Mongolia, they present a particular challenge, as export of raw material generates large inflows of foreign exchange. As witnessed during the past decade, these flows tend to be insensitive to changes in the exchange rate and have the effect of pushing up the value of the domestic currency, which in its turn has a detrimental impact on competitiveness. It would appear that in the past competitiveness has not been sufficiently in focus as a key objective for macroeconomic policies, such as exchange rate and trade policies. Inflation targets have arguably exerted a stronger influence on exchange rate policies than the need to enhance competitiveness.⁵⁸ A singular focus on controlling inflation at the expense of competitiveness would appear to continue to guide exchange rate policy as Mongolia emerges from the crisis. A recent IMF study concludes that ‘Moreover, the nominal appreciation that took place last year (2010) helped to tighten monetary conditions and reduce the increase in inflation. Looking forward, the flexible exchange rate regime will continue to be well suited for the Mongolian economy.’⁵⁹ In contrast to this view, a case can clearly be made for making competitiveness an explicit objective of foreign exchange policy. A study by UNDP on the role of trade policy for human development and poverty reduction in Mongolia concludes that even within the framework of WTO membership, there would be substantial scope for more active trade policies aimed at promoting inclusive economic growth and human development.⁶⁰

Thus, in view of Mongolia’s growth experience during the past decade and of the challenges facing open resource rich countries in achieving competitiveness and broad-based economic development, a strong case can be made for a review of macroeconomic policies from the perspective of competitiveness and sustainable and inclusive job-rich growth.

Creating a more enabling business environment

The institutional and regulatory framework for business in Mongolia has been subjected to repeated scrutiny through various investment climate and ‘doing business’ surveys. Drawing on a growth diagnostic analysis,⁶¹ a recent World Bank country economic memorandum on Mongolia identifies five binding constraints in ‘need of immediate policy intervention’.⁶²

- Infrastructure bottlenecks, affecting not least external trade with and through China.
- Distortionary taxes, a very narrow tax base and complex customs and trade rules.

⁵⁸ See for instance, IMF (2007) and IMF (2010b).

⁵⁹ IMF (2011: 15).

⁶⁰ UNDP (2008).

⁶¹ Ianchovichina and Gooptu (2008).

⁶² World Bank (2007a: ix-x).

- Poor internal and international coordination between laws and regulations, trade and logistics, sector strategies and implementation plans as well as resource use and environmental degradation.
- Growing corruption and inadequate contract enforcement.
- A high cost of capital primarily due to poor financial intermediation.

According to the World Bank Enterprise survey of Mongolia in 2009,⁶³ the three most important constraints facing firms in Mongolia were, in order of importance; (i) poor access to finance, (ii) tax rates and (iii) inadequate skills / education among the workforce. It would also seem that the high costs of trade imposed by geography are compounded by cumbersome bureaucratic procedures, not least for exporting. Both the World Bank Enterprise Survey and the Doing Business Survey⁶⁴ point to very high trade related costs and time-consuming procedures for customs formalities. The evidence with regard to the regulatory framework more generally is contradictory. While the Enterprise Survey points to a scope for streamlining and reducing the regulatory framework, the Doing Business Survey suggests that in most regards the regulatory framework imposes less of a burden on firms in Mongolia than in most other countries in the Asia-Pacific region. On the other hand, at least the Enterprise Survey suggests that labour regulations are much less frequently identified as a constraint in Mongolia than in neighbouring countries

Many measures needed to rectify the identified shortcomings, such as streamlining and simplifying regulatory and administrative requirements, would cost little and could yield quick results. Others, such as fighting corruption and removing infrastructure bottlenecks require sustained and major efforts and investments.⁶⁵

However, to understand the constraints facing the firms and economic actors in Mongolia the concept of business environment needs to be expanded to include not only aspects related to the institutional and regulatory framework, but also to what for lack of better terms may be called the overall environment of economic actors or businesses. From the perspective of an individual entrepreneur or firm, the presence of a dynamic and fairly large and sophisticated economic environment, with a multitude of different types of businesses, is essential for its own possibilities to prosper. In economic terms this has to do with positive agglomeration effects, positive externalities and the possibility of reducing transaction costs for the individual firm, which depends on the ease with which an entrepreneur or firm can interact with other businesses, access information (about markets, technology etc.), market its products and services, obtain support services etc. In other words, a low level of local economic activity is in itself an obstacle to economic development, creating a vicious circle that needs to be broken.

It should be remembered that the Mongolian economy is essentially being rebuilt from scratch and along entirely new lines. While the old economic structures were rather quickly destroyed after the collapse of the socialist economic system in the early 1990s, the reconstruction of the economy on the principles of a market economy has proved to be a much more protracted process. Hence, most of the structures of a modern market economy are still at a fairly early stage of development. This pertains not only to formal institutions and regulatory frameworks, but as importantly to businesses providing support services, sources of inputs and markets for outputs, complementary economic activities etc. The still early stage of development of these fabrics, which are crucial for competitiveness and for the prospects of individual firms to prosper and grow, puts Mongolia at a distinct disadvantage vis-à-vis most of its neighbouring countries in Asia, not least China. Hence,

⁶³ <http://www.enterprisesurveys.org>

⁶⁴ <http://www.doingbusiness.org>

⁶⁵ A recent World Bank study identified, infrastructure bottlenecks, distortionary taxes and complex customs and trade rules, growing corruption, poor financial intermediation and poor coordination of internal and international laws and regulations as major constraints on growth (Ianchovichina and Gooptu [2008]).

pro-active efforts to promote economic growth and sustainable enterprises aimed at reducing the negative consequences that the weaknesses of the overall economic environment have for existing and potential firms and entrepreneurs are needed. It is essentially a question of the need for government to step in and help provide the services and functions that the market as yet do not adequately provide, largely with a view to reduce transaction costs in the economy and for individual firms.

The weak development of the overall economic environment has strong regional implications. While this economic fabric is now developing in Ulaanbaatar, it has yet to begin to develop in the rest of the country. Thus, the rapid development and increasing sophistication of the economy in Ulaanbaatar in recent years is in itself creating an increasingly enabling environment for further economic development, in sharp contrast to the situation in most of the rest of the country. Hence, pro-active efforts aimed not only at improving the institutional and regulatory aspects of the business environment, but also to compensate for the still weak 'environment of economic actors or businesses', will need to be combined with efforts to promote local economic development and to promote spatial economic integration. This will require central government working in tandem with local authorities and close collaboration between the authorities, employers' and workers' organisations and other key stakeholders at both the national and the local level.

Human resources development

In recent years, a mismatch between the knowledge, competences and skills produced by the educational system and those in demand by firms and enterprises has emerged as an important issue. This mismatch is manifested in difficulties for firms to find and recruit workers with the desired skills and competences⁶⁶ on the one hand and high rates of long-term unemployment both generally and among youth, a long transition period between leaving school and entering the labour market and problems in accessing formal sector wage employment on the other hand.⁶⁷ A recent World Bank study⁶⁸ concluded that the three interrelated problems of joblessness, informality and skills mismatches have a common root in a poor quality and relevance of the skills and competences produced by the educational system. It concluded that 'the same lack of relevant skills that prevent people from getting a formal job also makes workers unable to perform well the tasks required by employers'.⁶⁹ The problem is not new. A recent study on youth employment outcomes in Mongolia found that the problems of youth unemployment and difficulties in entering the labour market were even more severe in 2002 than in 2006.⁷⁰

It seems essentially to be a question of a slow supply response to a rapidly changing demand for skills, education and knowledge. This slow response is in its turn due to two main factors. Firstly, formal education and skills are generally obtained in youth prior to entering the labour market. The concept of lifelong learning has yet to make a real impact in Mongolia. Hence, the formal education and skills of a large part of the labour force have been rendered increasingly obsolete by the dramatic changes in the economy and labour market since the early 1990s. Second, it would appear that the education and vocational training system is not yet geared up to meet the requirements of the Mongolian labour market of today and tomorrow. There are complaints about inadequate quality and relevance at both the lower and higher levels of education, a lack of universal standards,

⁶⁶ According to the 2004 Investment Climate Survey (ICS), some 30 per cent of the firms thought that the supply of skilled and educated workers was 'major' or 'severe' concern (World Bank [2007:14]). However, it should be noted that the ICS was biased towards 'modern', formal sector private firms.

⁶⁷ A survey in 2006 showed that 56 per cent of the young aged 15-29 were in transition between school and a decent job offering adequate income, social protection and rights at work. Some 14 per cent were unemployed, while 33 per cent had a precarious job and were looking for a better one. A comprehensive review of the transition from school to work is found in Pastore (2008).

⁶⁸ World Bank (2007).

⁶⁹ World Bank (2007:ii).

⁷⁰ UCW (2009: 37). Figures based on labour force surveys.

curriculum and quality control in higher education and a general lack of accessibility in rural areas.⁷¹ The virtual collapse of technical and vocational training in the 1990s is resulting in skill shortages.⁷² The recent establishment of an Agency of TVET, directly under the Cabinet is one of several measures taken to address this problem.

Lastly, cultural factors may also play a role. The high prestige attached to a university degree may explain a demand for higher education beyond what would be motivated by an assessment of expected private returns as well as detract attention from the issue of labour market relevance.

2.3 The challenge of making growth inclusive

As noted earlier, inequality has been on the rise in Mongolia. The most important aspect of this has undoubtedly been the increasing income and consumption gap between Ulaanbaatar on the one hand, and the rest of the country (especially, the countryside), on the other hand.⁷³ While some twenty years ago the income differences between rural and urban areas were fairly small, today per capita consumption in the countryside has fallen to less than 60 per cent of the level in Ulaanbaatar (Table 5). In addition, inequality has also increased within the urban areas as well as within the *soum* centres. It is clear that the gains from economic development have benefitted some, but far from all. Large groups in society have ended up as losers, not just in relative, but also in absolute terms. Indeed, it would appear that income poverty has increased substantially among herders, the rural population and those with low levels of formal education (Table 13).⁷⁴

Table 13. Poverty by main characteristics of head of household.

	2002/03	2007/08
Sector of employment		
- Agriculture	41.0	49.1
Occupation		
- Herder	39.2	49.0
Location		
- Rural areas	43.4	46.6
Educational status		
- No education	45.8	58.0
- Primary education	45.6	51.5
- Lower secondary	45.5	48.1
All households	36.1	35.2

Source: National Statistical Office (2009: various tables).

Sustained economic growth is always associated with structural change. The sectors, occupations and geographic areas with the greatest potential for growth change over time and place, but they seldom coincide with those where the majority of the working poor and

⁷¹ See for instance World Bank (2007).

⁷² A survey in 2006 showed that only 3.4 per cent of the young (aged 15-29) had vocational technical education, compared to about 8 per cent of their parents (Pastore 2008:31).

⁷³ Urban areas consist of the capital, Ulaanbaatar, and the centres of the *Aimags*. Rural areas consist of *Soum* centres and the 'countryside'.

⁷⁴ A recent World Bank presentation challenges the poverty estimates of the World Bank supported 2007-08 Household Socio-Economic Survey. This alternative estimate by the World Bank, based on an adjustment of the 2002/03 poverty line by the consumer price index suggests that poverty actually fell from 36.1 per cent in 2002/03 to 11.6 per cent in 2007/08 (World Bank [2009]). The discrepancy between the two estimates is simply too large to be ascribed to measurement errors, suggesting that an in-depth analysis of the reliability and validity of the estimates are warranted. Fact remains that economic growth in the past decade did not result in any commensurate increase in productive employment and as a consequence the link between economic growth and improved incomes in general and incomes for the poor in particular was weak.

unemployed are to be found. For the working poor and unemployed to be able to access the opportunities offered by growth and structural change they must be sufficiently endowed with the factors that determine employability AND they must be sufficiently mobile.

Table 14. School attainment among those aged 20-24, 2006/07. Percentages.

Level of education	Urban	Rural	All areas
No schooling	1.6	9.3	4.6
Primary or less	2.7	20.1	9.5
Lower secondary	11.5	27.5	17.7
Upper secondary	58.9	31.7	48.3
Technical & professional	9.7	5.8	8.2
University	15.6	5.7	11.7
All levels	100.0	100.0	100.0

Source: UCW (2009:48). Data from 2006-07 Labour Force Survey

The most important differentiation of the Mongolian labour force with regard to their ability to access productive employment is arguably along geographic lines. Those growing up and living in rural areas and, to a somewhat lesser extent, in *soum* and *aimag* centres are disadvantaged both in terms of employability and labour market access. The educational attainment of young people is distinctly lower in rural areas than in urban areas (Table 14). Only 43 per cent of the rural youth (aged 20-24) have completed upper secondary education or more, as against 84 per cent of the urban youth. Indeed, some 9.3 per cent of the rural youth have no formal education and an additional 20 per cent have at most completed primary education, leaving them singularly ill-equipped to become productively employed. Poor access to educational facilities, in particular at the higher levels, problems with the quality of education and competing uses of time, particularly for boys as herders, are likely to be some of the main reasons behind the poor educational attainment of the rural youth. Poor accumulation of human capital results in poor employability. While the large distances, sparse population and nomadic lifestyle makes it a formidable challenge to equal employment opportunities for all and to close the rural – urban gap in access to quality education, this problem is not new. It was addressed with a fair measure of success during the socialist period through a combination of boarding schools, scholarships for higher education and incentives, sometimes of a compelling nature, to teachers to take up posts in rural areas. Hence, there is a tradition and a past experience to build on in addressing the problem now.

The rural labour force is also handicapped in terms of access to productive employment opportunities. The poorly diversified economy outside the capital city implies that for most of the rural labour force the occupational options apart from herding are severely limited. For most, accessing productive non-agricultural employment requires moving to where the jobs can be found, that is to Ulaanbaatar or one of the emerging mining centres.

Thus, poor employability and poor access to productive employment opportunities combine to perpetuate poverty in the rural areas and in many *aimag* centres. Breaking this trend will require addressing both of these factors. A rapid broad-based and inclusive human resources development stands out as a key issue. Equal opportunities to access high quality education and skills training must be a crucial part of a strategy that aims at creating a knowledge based economy and society that includes all Mongolians and does not leave anybody behind. Closing the increasing rural – urban educational gap is clearly a key challenge.

A diversification of the economy in *aimag* and *soum* centres is also needed to increase non-farm employment opportunities as well as to create conditions for a more dynamic and sustainable development of the agricultural sector and of the regional economies outside the capital at large. This will require a development of non-farm economic activities and a strengthening of the rural – urban economic linkages.

Inequalities in employability and access to productive employment also take other dimensions. Despite the fact that young women surpass their male peers in terms of educational achievements, they often end up as losers on the labour market. The wage gap between women and men has increased in recent years (Table 15). In 2000 the average wage for female wage workers was 92 per cent of that for men, by 2007 it had fallen to 86 per cent and by 2011 to 83 per cent.⁷⁵ To a certain extent this may reflect an overrepresentation of women in low-wage sectors, such as trade. However, also within individual sectors there has been a distinct increase in the wage gap.

Table 15. Average wage by sex and economic sector in 2000 and 2007, in USD.

	2000			2007		
	All	Female	Male	All	Female	Male
A Agriculture	45	38	49	77	72	82
C Mining	55	53	56	188	152	196
D Manufacturing	61	65	56	137	116	162
F Construction	65	61	67	143	134	146
G Trade	58	57	61	105	104	107
I Transport & com.	73	70	75	149	135	160
All sectors	58	55	60	148	136	159

Source: <http://laborsta.ilo.org>.

Young women also find it more difficult to get a first foothold on the labour market than the young men do. The transition period between leaving school and obtaining the first job is somewhat higher for girls than boys and among those aged 20-24 some 22 of the women are inactive in the sense that they are neither in education nor in the labour force as against 13 per cent of the men.⁷⁶ On the other hand, young women are somewhat more likely than the young men to obtain wage employment.⁷⁷

During the past two decades the Mongolian economy and society have undergone dramatic structural changes. The envisaged development in the years to come of Mongolia into a high middle-income country based on highly skilled human resources and advanced technology will inevitably entail continued rapid structural change. While education and skills will be crucial to access the new employment opportunities created by structural change, it will not be enough to achieve equal access to attractive employment opportunities. As the most dynamic economic sectors and regions are unlikely to coincide with those where the majority of the working poor and the unemployed are found, vocational, geographical and social mobility becomes crucial to access the emerging new employment opportunities. A well-functioning labour market offering equal access without hindrance is similarly important.

The establishment of a comprehensive social security system that guarantees adequate social protection is fundamental for achieving economic development and structural change that is truly inclusive. Social and economic security is a prerequisite for achieving a high degree of labour market mobility that is governed by the principle of equal opportunity and to ensure that no parts of the population are deprived of opportunities to actively participate and benefit from economic development and structural change. Adequate social protection is also essential to capture those who for one reason or another fall at the wayside of development.

⁷⁵ Table 15 and National Statistical Office (2011b).

⁷⁶ UCW (2009:36). Figures are from the 2006/07 labour force.

⁷⁷ Some 27 per cent of the women aged 15-24 and in the labour force had wage employment in 2006/07 as against 23 per cent of the men (UCW [2009: 40]).

The problem of the geographic polarisation of economic development, with an increasingly dynamic and sophisticated economy in the capital and lack of any such development in most of the rest of the country, merits special attention. Successfully addressing this issue is essential for reducing inequality in access to productive employment, and poverty. Arguably, it is also important for achieving sustainable and job-rich growth in the country as a whole. Fostering a dynamic and broad-based economic development outside the capital will require well-conceived and forceful local and regional development efforts backed up by suitable policies at the national level. This, in its turn will require a good understanding of the nature of the main constraints on entrepreneurship and enterprise development in urban centres outside the capital and the scope for government interventions to remove or mitigate these constraints.

3. Towards an employment-centered strategy for productive transformation

Looking ahead, the years to come offer both great opportunities and challenges. The economic crisis bottomed out during the first half of 2009 and has been followed by recovery that was as swift as the decline had been a year earlier. The rate of growth is expected to increase considerably as the new large mines come on stream and GDP is estimated to grow by more than 80 per cent over the 2011-2015 period.⁷⁸ The recovery has been fuelled by a sharp increase in copper prices, which by May 2011 had almost trebled since the trough in March 2009 and exceeded the pre-crisis peak price, and by large inflows of FDI as investments in Oyu Tolgoi mine, which is expected to become one of the world's largest copper mines, have gained momentum. The general mood has shifted from gloom to exhilaration as the magnitude of the impact of the two new mega-mines in the south of the country on the economy in the coming years became clear. A rapid increase in fiscal revenue from the mining sector will greatly expand the room for public investment in human resources development, social security and in physical infrastructure. It will also provide a much needed policy and fiscal space to implement ambitious development strategies and policies.

However, this unprecedented mining boom will also bring huge challenges. There is an obvious risk that Mongolia will revert to a path of high, but essentially job-less growth that characterised the past decade. The massive scale-up of mining will inevitably result in a strong upward pressure on the exchange rate as well as upward pressure on domestic wage rates and on inflation, all of which would further undermine the already poor competitiveness of the tradable sectors of the economy and work against economic diversification and a more broad-based economic development. Mismatches between the supply and demand for skills and a further concentration of growth to the capital and a few mining sites, if not addressed, may aggravate the already pronounced regional economic imbalances and inequality in access to productive employment opportunities.

Mongolia needs to achieve a shift of its development path away from a natural resource dependent growth to a sectorally and regionally broad-based economic development driven by human resources. This will require a productive transformation based on four inter-related processes:

- Structural change aimed at broadening the economic base, with a particular focus on manufacturing and tradable services and with a view to develop strong value added chains and multiplier effects in the economy.
- The adoption of more sophisticated technologies and knowledge and a move towards the production of more technology and knowledge intensive goods and services with a high value added.

⁷⁸ IMF (2011:20).

- A rapid development of the human resource base and of capabilities for development at both the individual and collective level.⁷⁹ These capabilities determine the ability of the economy to assimilate and apply new and more advanced technologies and modes of production and to produce increasingly sophisticated products and services.⁸⁰
- A regionally broad-based economic development that allows the whole country to flourish and effectively reduces the present inequality in access to productive employment opportunities between rural and urban areas, between different regions and between Ulaanbaatar and the rest of the country.

This requires a comprehensive approach to development. It requires the formation and implementation of mutually supportive policies for industrial and economic development, for technological development and knowledge management, and for human resources development within the framework of a coherent overall strategy for productive transformation. It also requires that macroeconomic policies, such as trade, exchange and monetary policies are revisited with a view to align them to the goal of increasing productivity and competitiveness and with the overall development goals.

Vast distances and a sparse population make regional and rural development a formidable challenge. However, it is generally recognized that the increasing polarization between a dynamic capital city and a stagnant countryside is unacceptable and that this trend must be broken and reversed. While it is beyond the scope of the present study to elaborate on the details of a regional and rural development strategy, a few considerations nevertheless deserves to be mentioned.

- Equal opportunities to high quality education and vocational training, as well as to health care and other social services, must be given high priority in order to close the widening gaps in these regards between rural and urban areas and between Ulaanbaatar and the rest of the country.
- A lack of diversified and functioning markets implies that many of the services and functions that normally are provided by the market will need to be produced in an organized manner through formal collaboration between local institutions, including local governments. Voluntary organization of herders and other small-scale entrepreneurs into producer cooperatives can be an effective way of overcoming problems of poor market access and distribution channels, lack of market information, poor access to credit and lack of producer services. Promotion of sub-contracting among larger firms that process and market goods from rural producers can provide another complementary way of addressing these problems. Local businesses and entrepreneurs need to join hands with local authorities, financial institutions, and trade unions and employers' organisations to solve common problems and to promote local economic development.
- Value added chains need to be developed linking rural producers, not least in the area of animal husbandry, with processing and marketing in urban areas. Rural areas need to be linked to markets in small and medium-sized towns where herders and others can sell their produce and buy the inputs, goods and services they need. These urban centres in their turn need to be linked to each other and not least linked to the capital city. A strong and well-functioning network of towns is of fundamental importance to both regional and rural development. The strengthening of *aimag* centres and other urban centres

⁷⁹ Capabilities exist at both the level of individuals (education, skills and competencies) and at the collective level of enterprises, government and society at large where they are embodied in routines, procedures, institutions and structures.

⁸⁰ For an elaboration of the concept of capabilities in the context of productive transformation, see Irmgard Nübler, *Capabilities for productive transformation* (Geneva: ILO, forthcoming).

outside of Ulaanbaatar through a diversification and deepening of their economies and enhanced provision of public services is therefore very important.

- Administrative decentralization and a considerable degree of local autonomy have often been found to be a necessary condition for successful regional development. Local authorities have detailed knowledge about local conditions, challenges and opportunities, which inevitably is lacking at the central level, and a considerable degree of local autonomy is essential for effective alliances between local governments and local economic actors and stakeholders (cooperatives, business associations, banks, employers' and trade union organization etc.).
- Regional development strategies need to be locally owned and controlled. The local partners must be given the lead role in the identification of the problems, challenges and opportunities, as well as in the identification of solutions and formulation of policies and interventions. External partners, such as central government agencies and external donors can play an important role, but primarily by providing technical assistance, funding and coordination.
- Physical infrastructure is of crucial importance in overcoming the 'tyranny of distance' in Mongolia. In order to make it possible for the whole country to develop and flourish large investments in transport and communication infrastructure are needed. Most probably, the costs of transport may also need to be subsidized to help overcome the disadvantages of distant location of economic activities.
- Lastly, Mongolia is not alone in facing the challenges of redressing unbalanced regional development. A vast amount of experience has been accumulated over the years from the efforts, some more successful than others, of other countries to promote economic development in geographically disadvantaged and economically undeveloped regions and rural areas. Mongolia can benefit from learning from these experiences by judiciously adapting policies and strategies that have proven successful under similar circumstances elsewhere, while at the same time avoiding the many errors and failures that all too often have characterized political endeavours in this field.

The need for a visionary and forceful strategy to put Mongolia on the path of a sustainable and inclusive development based on its human resources is clearly recognized and reflected in Mongolia's new national development strategy,⁸¹ which directly addresses the challenge of increasing competitiveness and avoiding falling victim to a 'resource curse'. Moreover, it sets a gradual transformation of Mongolia from a natural resource based to a human resource based economy as a main long term objective. To this end, investments in human resources and a move to a high technology based society and economy are recurrent themes throughout the plan, as is the need for policies in support of economic diversification, export promotion and import substitution. With a strong and active role of the state and for development engineering, the plan also reflects a clear and welcome shift in development philosophy away from the dogma prescribing liberalization, privatization and macroeconomic stability as prerequisites for economic development.

This visionary development strategy implies a need for a sharp focus on productive employment. This has been clearly manifested in the implementation of a comprehensive process of participatory and bottom-up tripartite consultations, in the form of regional employment fora in some 22 *aimags* organised jointly by the Government and the social partners, leading up to and culminating in the National Employment Conference in October 2010. In recognition of the determination of both the Government and the social partners in Mongolia to forcefully address the challenges of achieving productive employment and decent work for all, Mongolia was selected by the ILO as a forefront country for the implementation of the Global Jobs Pact in June this year. This decision was subsequently

⁸¹ *National Priorities for Economic and Social Development for 2010-2015*. Draft

translated into a Government decision in July 2010. This will bring the collaboration between Mongolia and the ILO to a new and higher qualitative level. The ILO looks forward to working with its partners in implementing the Global Jobs Pact in Mongolia and in making the vision of an inclusive human resource based development a reality.

References

- Bruun and Edgaard.1996. Ole Bruun and Ole Edgaard (eds.), *Mongolia in Transition: Old Patterns, New Challenges* (Richmond: Curzon).
- Bruun, Ronnas & Narangoa. 1999. *Country Analysis Mongolia: Transition from the Second to the Third World?* (Stockholm: Sida, December 1999).
- Dashtseren.2006. *Easing the Barriers to Formality: A Study on the Regulatory Framework Affecting Micro and Small Businesses, Informal Economy and Employment, Mongolia Series No 3.* (Bangkok: International Labour Organisation).
- El Achkar Hilal. 2011. *The Mongolia Employment Projection Model: Results and Analysis* (ILO: Geneva, 2011). Draft.
- Enkhbayar. 2006. N. *National Development Strategy: Government of Mongolia – External Partners Second Technical Meeting, October 9, 2006* (Ulaanbaatar). PowerPoint.
- FIDI International. 1999. *Review of the 1998 Mongolia Living Standards Measurement Survey*, A report prepared for the National Statistical Office and the United Nations Development Programme (Washington D.C.: Forum for International Development Economists).
- Government of Mongolia. 2010. *National Priorities for Economic and Social Development for 2010 – 2015* (Ulaanbaatar: National Development and Innovation Committee, Government of Mongolia). Draft in Mongolian.
- Griffin.1995. *Poverty and Transition to a Market Economy* (Basingstoke: Macmillan).
- Griffin *et.al.* 2001. *A Strategy for Poverty Reduction in Mongolia* (Ulaanbaatar: UNDP, July 2001).
- Ianchovichina and Gooptu. 2008. *Growth Diagnostics for a Resource-Rich Transition Economy: The Case of Mongolia*, (Washington D.C.: World Bank).
- IFC. 2009. *Doing Business 2010 Mongolia* (Washington D.C.: World Bank & IFC).
- International Labor Office (ILO). 2006. *Decent Work Country Programme Mongolia* (Ulaanbaatar, 2006).
- . 2007. *ILO Policy Brief on Youth Employment in Mongolia* (Geneva: ILO Employment Strategy Department).
- . 2011. *Global Jobs Pact Scan Mongolia* (Geneva: ILO, forthcoming).
- International Monetary Fund. 2007a. *Mongolia: 2006 Article IV Consultation – Staff Report*, IMF Country Report 07/30, January 2007 (Washington D.C.: IMF).
- . 2007b. *Mongolia: Selected Issues and Statistical Appendixes*, IMF Country Report 07/39, January 2007 (Washington D.C.: IMF).
- . 2008. *Mongolia: 2008 Article IV Consultation – Staff Report*, IMF Country Report 08/200, July 2008 (Washington D.C.: IMF).

- 2009a. *Mongolia: Request for Standby Agreement – Staff Report*, IMF Country Report No 09/130, April 2009 (Washington D.C.: IMF).
 - 2010a. *Mongolia: 2009 Article IV Consultation, Third Review Under Stand-by Arrangement, and Request for Modification of Performance Criteria*. IMF Country Report 10/52, February 2010 (Washington D.C.: IMF).
 - 2010b. *Mongolia: Fourth Review under the Stand-By Agreement and Request for Modification of Performance Criteria*, IMF Country Report No 10/84, March 2010 (Washington D.C.: IMF).
 - 2010c. *Mongolia: Fifth and Sixth Reviews under the Stand-by Agreement and Rephrasing of Purchases*, IMF Country Report 10/294, September 2010 (Washington D.C.: IMF).
 - 2011. *Mongolia: 2011 Article IV Consultation – Staff Report; Staff Supplement; Public Information Notice on the Executive Board Discussion; and Statement by the Executive Director for Mongolia*, IMF Country Report No 11/76, March 2011. (Washington D.C.: IMF).
- Internal Migration. 2009. *Mongolia: Internal Migration Dynamics and its Consequences, Survey report* (Ulaanbaatar: Ministry of Social Welfare and Labour, Population Teaching and research Centre, NUM, UNFPA).
- Ministry of Social Welfare and Labour. 2006. *The Policy of the Government of Mongolia on Informal Employment* (Ulaanbaatar, 2006).
- Morris and Bruun. 2005. Elizabeth Morris and Ole Bruun, *Promoting Employment Opportunities in Rural Mongolia* (Bangkok: International Labour Organisation).
- National Statistical Office. 2004a. *Main Report of 'Household Income and Expenditure Survey/Living Standards Measurement Survey 2002-2003* (Ulaanbaatar: National Statistical Office, World Bank, UNDP).
- 2004b. *Main Report of Labour Force Survey 2002/03* (Ulaanbaatar: National Statistical Office).
 - 2009a. *Poverty Profile in Mongolia, Main Report of Household Socio-Economic Survey 2007-2008* (Ulaanbaatar: NSO and World Bank).
 - 2009b. *Monthly Bulletin of Statistics*, (Ulaanbaatar).
 - 2009c. *Main output tables of the Household Socio-Economic Survey 2007-2008*, (Ulaanbaatar).
 - 2010. *Monthly Bulletin of Statistics, December 2010* (Ulaanbaatar).
 - 2011a. *Monthly Bulletin of Statistics, February 2011* (Ulaanbaatar).
 - 2011b. *Monthly Bulletin of Statistics, April 2011* (Ulaanbaatar).
- Pastore (2008). Francesco Pastore, *School-to-work Transitions in Mongolia*, Employment Working Paper no. 14 (Geneva: ILO, 2008).
- Pearse (2006). Chloë Pearse, *Guideline. Integrated Rural Accessibility Planning (IRAP) in Mongolia* Bangkok: International Labour Organisation).
- Ronnas and Kwong. 2011. *Deriving Targets for Productive Employment: A Brief Methodological Guide* (ILO: Geneva, 2011). Draft.

- UCW. 2009. *Understanding child labour and youth employment outcomes in Mongolia*, Understanding Children's Work (Ulaanbaatar: ILO, UNICEF, World Bank, June 2009). Draft.
- UNDP. 2007. *Employment and Poverty in Mongolia*, Mongolia Human Development Report 2007 (Ulaanbaatar: Government of Mongolia, UNDP, ILO, and Sida).
- . 2008. *Trade Policy and Human Development in Mongolia* (Ulaanbaatar: Government of Mongolia and UNDP).
- United Nations. 2005. *Mongolia: Common Country Assessment* (Ulaanbaatar: United Nations Country team, November 2005).
- . 2006. *United Nations Development assistance Framework 2007-2011* (Ulaanbaatar, February 2006)
- World Bank. 2007a. *Mongolia Sources of Growth, Country Economic Memorandum*. Report No 39009-MN, July 26, 2007 (Washington D.C.: World Bank).
- . 2007b. *Mongolia: Building the Skills for the New Economy*, Report No 40118 (Washington D.C.: World Bank).
- . 2009a. *Mongolia Monthly Economic Update, May 2009* (Ulaanbaatar: World Bank).
- . 2009b. *Mongolia Monthly Economic Update, July 2009* (Ulaanbaatar: World Bank).
- . 2009c. *Mongolia Monthly Economic Update, October 2009* (Ulaanbaatar: World Bank).
- . 2009d. 'Did Poverty really Stagnate in Mongolia between 2002/3 and 2007/8? An Exploration of the Data'. Power-point presentation, November 2009.

Appendix

Table A1. Development of the gross domestic product.

Year	GDP at constant prices (base = 2005) million tugrik	Rate of growth (%)
1990	2'227'311	
1991	2'033'679	-8.7
1992	1'845'432	-9.3
1993	1'786'954	-3.2
1994	1'825'094	2.1
1995	1'941'470	6.4
1996	1'984'864	2.2
1997	2'062'208	3.9
1998	2'131'085	3.3
1999	2'196'517	3.1
2000	2'221'690	1.1
2001	2'287'290	3.0
2002	2'395'547	4.7
2003	2'563'347	7.0
2004	2'835'713	10.6
2005	3'041'406	7.3
2006	3'301'636	8.6
2007	3'639'988	10.2
2008	3'963'960	8.9
2009	3'913'673	-1.3
2010	4'159'973	6.3

Source: National Statistical Office (2010).

Table A2. Sector distribution of total value added produced at current prices. Percentages.

Year	Agriculture	Industry			Services			
		Mining	Manufacturing	Other industry	Construction	Trade	Transport	Other services
1990	12.9	12.9	21.0	2.7	5.9	17.4	8.4	18.9
1991	13.1	11.6	18.8	2.4	5.3	19.4	5.2	24.2
1992	27.2	12.2	19.8	2.5	2.4	11.8	4.1	20.1
1993	27.9	10.8	17.6	2.3	1.8	17.8	5.5	16.4
1994	29.3	11.0	17.9	2.3	2.3	12.6	6.8	17.8
1995	34.4	12.0	18.2	2.3	2.1	10.3	4.9	15.8
1996	41.0	11.0	8.2	2.4	3.6	10.9	5.8	17.1
1997	34.8	15.3	9.1	3.4	3.0	12.2	6.2	16.1
1998	35.1	9.3	7.7	4.3	3.2	13.8	7.3	19.3
1999	34.8	9.6	7.7	3.9	3.3	12.7	7.2	20.9
2000	30.9	12.2	7.5	2.8	2.5	11.7	8.5	24.0
2001	26.4	9.6	9.5	3.5	2.5	11.6	9.8	27.1
2002	21.5	10.6	7.3	4.5	3.1	12.8	11.0	29.2
2003	20.8	12.7	7.5	3.9	4.3	12.2	10.2	28.4
2004	22.6	18.7	6.2	3.7	3.3	10.4	9.5	25.5
2005	22.1	23.5	6.4	3.3	3.0	9.0	9.4	23.3
2006	19.6	31.6	6.0	3.0	2.4	8.1	7.9	21.3
2007	20.5	30.0	6.9	2.5	2.4	7.7	7.2	22.8
2008	21.4	22.5	7.3	2.5	2.1	8.7	7.1	28.4
2009	19.6	21.4	7.1	3.1	1.4	7.9	9.1	30.3
2010	18.1	24.8	7.3	3.2	1.5	9.0	9.3	26.8

Source: National Statistical Office (2010).

Remark: Agriculture includes hunting, forestry and fishing

Trade includes wholesale and retail trade, restaurants and hotels.

Transport includes Transport, storage and communications.

Table A3a. Development of GDP and value added by main economic sectors, sectoral deflators. Index 1995=100.

Year	GDP	Agriculture	Industry				Services		
			Mining	Manufacturing	Other industry	Construction	Trade	Transport	Other services
1990	114.7	112.0	..	353.5	..	218.5	148.0	337.2	..
1991	104.7	100.9	..	305.4	..	169.6	120.7	303.9	..
1992	95.1	98.8	..	290.0	..	100.5	94.1	186.0	..
1993	92.0	97.9	..	269.8	..	86.1	100.5	156.2	..
1994	94.0	99.8	..	274.3	..	94.4	99.6	147.6	..
1995	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1996	102.2	102.1	103.9	84.4	99.2	101.3	99.5	109.2	106.5
1997	106.2	106.6	109.7	72.8	99.8	98.8	115.0	114.4	106.2
1998	109.8	112.1	113.8	74.3	101.6	96.4	111.4	122.4	105.4
1999	113.1	115.4	116.1	71.1	104.9	96.5	111.2	122.6	109.0
2000	114.4	96.5	121.8	68.5	105.0	82.0	136.3	147.6	113.7
2001	117.8	78.0	132.1	93.6	107.4	91.5	142.2	167.5	119.7
2002	123.4	69.5	124.6	117.1	112.7	112.5	177.6	198.3	129.5
2003	132.0	72.8	123.5	134.2	114.0	172.0	192.5	226.0	138.9
2004	146.1	84.6	161.1	129.8	119.0	161.2	185.6	245.2	144.7
2005	156.7	94.1	180.6	105.0	120.2	187.2	193.1	302.0	155.3
2006	170.1	100.3	190.2	117.9	124.5	194.9	219.8	335.3	161.3
2007	187.5	114.8	192.3	150.3	132.4	209.1	233.5	419.8	175.1
2008	204.2	120.1	189.2	154.3	143.2	180.3	266.8	500.6	203.6
2009	201.6	124.5	200.1	140.4	151.9	118.9	237.0	540.4	207.7
2010	214.3	103.6	212.7	156.2	160.3	137.5	289.2	589.6	201.0

Source: National Statistical Office (2010).

Remark: Based on 2005 constant sector prices.

Agriculture includes hunting, forestry and fishing

Trade includes wholesale and retail trade, restaurants and hotels.

Transport includes transport, storage and communications.

Table A3b. Development of GDP and value added by main economic sectors, GDP deflator. Index 1995=100.

Year	GDP	Agriculture	Industry				Services		
			Mining	Manufacturing	Other industry	Construction	Trade	Transport	Other services
1990	114.7	44.0	126.4	135.2	134.9	328.1	197.8	337.2	140.6
1991	104.7	38.0	96.5	102.8	103.1	247.3	187.8	303.9	152.7
1992	95.1	74.6	95.8	102.3	101.9	108.3	107.6	186.0	120.0
1993	92.0	72.7	81.1	86.7	86.6	76.9	154.7	156.2	92.9
1994	94.0	79.4	85.4	91.3	91.2	102.7	114.2	147.6	105.0
1995	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1996	102.2	120.9	93.1	45.4	104.4	172.3	107.2	109.2	110.1
1997	106.2	105.3	133.1	52.0	149.6	145.7	123.3	114.4	106.1
1998	109.8	109.4	83.2	45.0	195.8	162.4	143.3	122.4	131.0
1999	113.1	110.2	87.7	46.0	179.3	167.6	134.1	122.6	144.1
2000	114.4	96.4	109.2	44.4	126.4	126.8	121.2	147.6	162.9
2001	117.8	83.2	87.4	56.2	163.1	129.5	122.0	167.5	185.9
2002	123.4	71.7	101.6	45.6	222.0	169.7	142.5	198.3	211.7
2003	132.0	74.8	131.5	50.8	206.5	250.4	146.2	226.0	223.0
2004	146.1	89.9	213.7	46.7	215.7	213.8	137.9	245.2	220.7
2005	156.7	95.3	291.8	52.2	208.2	208.7	130.2	302.0	219.0
2006	170.1	92.2	426.8	53.5	203.5	182.4	127.3	335.3	217.8
2007	187.5	106.2	447.5	67.7	193.6	200.4	132.4	419.8	257.2
2008	204.2	120.6	363.9	77.5	204.9	189.2	163.0	500.6	347.9
2009	201.6	110.7	347.0	75.2	253.3	131.3	149.2	540.4	371.8
2010	214.3	104.7	412.4	80.0	270.5	138.2	172.7	589.6	338.0

Source: National Statistical Office (2010).

Remark: Figures based current prices deflated by a the overall GDP deflator based on 2005 prices.

Agriculture includes hunting, forestry and fishing

Trade includes wholesale and retail trade, restaurants and hotels.

Transport includes transport, storage and communications.

Table A4. Development of employment, value added and labour productivity by economic sector, 1995-2007.

	1995	2000	2003	2007
Employment (1,000)				
Agriculture	354.2	393.5	387.5	385.6
Mining	18.2	18.6	31.9	44.1
Manufacturing	67.3	54.6	54.9	47.9
Utilities	22.6	17.8	22.7	31.1
Construction	29.5	23.4	35.1	60
Trade & restaurants	78.5	97.2	153	194.6
Transport & com.	31.6	34.1	39.5	44.1
Other	165.7	169.8	201.9	216.7
All sectors	767.6	809	926.5	1024.1
Value added (million tugrik) at 2005 constant prices				
Agriculture	639'698.4	617'417.5	465'567.8	734'097.9
Mining	355'553.9	433'109.8	438'979.5	683'848.5
Manufacturing	166'862.9	114'258.9	223'988.1	250'807.8
Utilities	74'602.1	78'314.2	85'076.2	98'751.0
Construction	43'480.2	35'649.0	74'765.9	90'895.4
Trade & restaurants	127'800.3	174'161.5	246'020.3	298'403.7
Transport & com	85'005.4	125'470.9	192'109.1	356'819.6
Other sectors	409'341.3	465'510.2	568'537.9	716'834.5
All Sectors	1'902'344.5	2'043'892.0	2'295'044.8	3'230'458.4
Labour productivity ('000 tugrik)				
Agriculture	1'806	1'569	1'201	1'904
Mining	19'536	23'285	13'761	15'507
Manufacturing	2'479	2'093	4'080	5'236
Utilities	3'301	4'400	3'748	3'175
Construction	1'474	1'523	2'130	1'515
Trade & restaurants	1'628	1'792	1'608	1'533
Transport & com.	2'690	3'679	4'864	8'091
All sectors	2'478	2'526	2'477	3'154

Sources: National Statistical Office (2010); <http://laborsta.ilo.org>

Table A5. Development of value added, employment and productivity by economic sectors. Index: 1995=100.

	2000	2003	2007
Employment			
Agriculture	111.1	109.4	108.9
Mining	102.2	175.3	242.3
Manufacturing	81.1	81.6	71.2
Utilities	78.8	100.4	137.6
Construction	79.3	119.0	203.4
Trade & restaurants	123.8	194.9	247.9
Transport & com.	107.9	125.0	139.6
Other	102.5	121.8	130.8
All sectors	105.4	120.7	133.4
Value added			
Agriculture	96.5	72.8	114.8
Mining	121.8	123.5	192.3
Manufacturing	68.5	134.2	150.3
Utilities	105.0	114.0	132.4
Construction	82.0	172.0	209.1
Trade & restaurants	136.3	192.5	233.5
Transport & com	147.6	226.0	419.8
Other sectors	113.7	138.9	175.1
All Sectors	107.4	120.6	169.8
Labour productivity			
Agriculture	86.9	66.5	105.4
Mining	119.2	70.4	79.4
Manufacturing	84.4	164.6	211.2
Utilities	133.3	113.5	96.2
Construction	103.4	144.5	102.8
Trade & restaurants	110.1	98.8	94.2
Transport & com.	136.8	180.8	300.8
All sectors	101.9	100.0	127.3

Source: Based on Table A4.

Table A6. Labour market characteristics 2008-2010. Figures are in thousands, except where indicated.

TOTAL	2008	2009	2010
Working age population (15+)	1'651.7	1'823.5	1'843.5
Labour Force/active population	1'009.3	1'120.3	1'129.8
Employed	904.4	977.4	1'023.7
Unemployed	104.9	142.9	106.1
Inactive population	642.4	703.2	713.7
Labour force participation rate (%)	61.1	61.4	61.3
Employment rate (%)	54.8	53.6	55.5
Unemployment rate (%)	10.4	12.8	9.4
FEMALE			
Working age population (15+)	862.9	937.3	943.9
Labour Force/active population	487.1	524.2	529.4
Employed	434.4	460.9	482.4
Unemployed	52.7	63.3	47.0
Inactive population	375.8	413.1	414.5
Labour force participation rate (%)	56.4	55.9	56.1
Employment rate (%)	50.3	49.2	51.1
Unemployment rate (%)	10.8	12.1	8.9
MALE			
Working age population (15+)	788.8	886.2	899.6
Labour Force/active population	522.2	596.1	600.4
Employed	470.0	516.5	541.3
Unemployed	52.2	79.6	59.1
Inactive population	266.6	290.1	299.2
Labour force participation rate (%)	66.2	67.3	66.7
Employment rate (%)	59.6	58.3	60.2
Unemployment rate (%)	10.0	13.4	9.8

Source: National Statistical Office (2011a).

Remarks: Labour force participation rate is defined as labour force as a percentage share of working age population.

Employment rate is defined as number of employed persons as a percentage of working age population.

Unemployment rate is defined as the number of unemployed persons as a percentage of the labour force.

Table A7. Characteristics of employment 2008-2010. Figures are in thousands, followed by percentages in brackets.

	2008	2009	2010
Currently employed persons aged 15+	904.4	977.4	1023.7
By gender:			
Male	470 (52)	516.5 (52.8)	541.3 (52.9)
Female	434.4 (48)	460.9 (47.2)	482.4 (47.1)
By region:			
Urban	463.7 (51.3)	524.3 (53.6)	560.2 (54.7)
Rural	440.7 (48.7)	453.1 (46.4)	463.5 (45.3)
By status:			
Paid employee	384.9 (42.6)	395.2 (40.4)	453.5 (44.3)
Employer	11.5 (1.3)	21.3 (2.2)	11.6 (1.1)
Self employed	313.3 (34.6)	226.4 (23.2)	236.9 (23.1)
Unpaid family worker	194 (21.5)	99.5 (10.2)	86.4 (8.4)
Employed in animal husbandry	..	232.2 (23.8)	233.5 (22.8)
Other	0.7 (0.1)	2.8 (0.3)	1.8 (0.2)
By sectors:			
Agriculture	336.1 (37.2)	336.8 (34.5)	325.2 (31.8)
Industry	144.2 (15.9)	149.2 (15.3)	170.1 (16.6)
Mining	27.6 (3.1)	31.7 (3.2)	37.6 (3.7)
Manufacturing	58.2 (6.4)	58.6 (6)	65.5 (6.4)
Utilities	17.9 (2)	15.2 (1.6)	20.8 (2)
Services	424.1 (46.9)	491.4 (50.3)	528.4 (51.6)
Construction	40.6 (4.5)	43.7 (4.5)	46.2 (4.5)
Trade & restaurants	135 (14.9)	186.4 (19.1)	173.8 (17)
Transport & com.	71.7 (7.9)	75.2 (7.7)	93.8 (9.2)
Other	217.3	229.8	260.8

Source: National Statistical Office (2011a).

Remarks: Labour force participation rate is defined as labour force as a percentage share of working age population.

Employment rate is defined as number of employed persons as a percentage of working age population.

Unemployment rate is defined as the number of unemployed persons as a percentage of the labour force.

Employment Working Papers

A complete list of previous working papers can be found on: <http://www.ilo.org/employment>

2008

- 1 Challenging the myths about learning and training in small and medium-sized enterprises: Implications for public policy;
ISBN 978-92-2-120555-5 (print); 978-92-2-120556-2 (web pdf)
David Ashton, Johnny Sung, Arwen Raddon, Trevor Riordan
- 2 Integrating mass media in small enterprise development: Current knowledge and good practices;
ISBN 978-92-2-121142-6 (print); 978-92-2-121143-3 (web pdf)
Gavin Anderson. Edited by Karl-Oskar Olming, Nicolas MacFarquhar
- 3 Recognizing ability: The skills and productivity of persons with disabilities. A literature review;
ISBN 978-92-2-121271-3 (print); 978-92-2-121272-0 (web pdf)
Tony Powers
- 4 Offshoring and employment in the developing world: The case of Costa Rica;
ISBN 978-92-2-121259-1 (print); 978-92-2-121260-7 (web pdf)
Christoph Ernst, Diego Sanchez-Ancochea
- 5 Skills and productivity in the informal economy;
ISBN 978-92-2-121273-7 (print); 978-92-2-121274-4 (web pdf)
Robert Palmer
- 6 Challenges and approaches to connect skills development to productivity and employment growth: India;
unpublished
C. S. Venkata Ratnam, Arvind Chaturvedi
- 7 Improving skills and productivity of disadvantaged youth;
ISBN 978-92-2-121277-5 (print); 978-92-2-121278-2 (web pdf)
David H. Freedman
- 8 Skills development for industrial clusters: A preliminary review;
ISBN 978-92-2-121279-9 (print); 978-92-2-121280-5 (web pdf)
Marco Marchese, Akiko Sakamoto

- 9 The impact of globalization and macroeconomic change on employment in Mauritius: What next in the post-MFA era?;
ISBN 978-92-2-120235-6 (print); 978-92-2-120236-3 (web pdf)
Naoko Otohe
- 10 School-to-work transition: Evidence from Nepal;
ISBN 978-92-2-121354-3 (print); 978-92-2-121355-0 (web pdf)
New Era
- 11 A perspective from the MNE Declaration to the present: Mistakes, surprises and newly important policy implications;
ISBN 978-92-2-120606-4 (print); 978-92-2-120607-1 (web pdf)
Theodore H. Moran
- 12 Gobiernos locales, turismo comunitario y sus redes:
Memoria: V Encuentro consultivo regional (REDTURS);
ISBN 978-92-2-321430-2 (print); 978-92-2-321431-9 (web pdf)
- 13 Assessing vulnerable employment: The role of status and sector indicators in Pakistan, Namibia and Brazil;
ISBN 978-92-2-121283-6 (print); 978-92-2-121284-3 (web pdf)
Theo Sparreboom, Michael P.F. de Gier
- 14 School-to-work transitions in Mongolia;
ISBN 978-92-2-121524-0 (print); 978-92-2-121525-7 (web pdf)
Francesco Pastore
- 15 Are there optimal global configurations of labour market flexibility and security?
Tackling the “flexicurity” oxymoron;
ISBN 978-92-2-121536-3 (print); 978-92-2-121537-0 (web pdf)
Miriam Abu Sharkh
- 16 The impact of macroeconomic change on employment in the retail sector in India:
Policy implications for growth, sectoral change and employment;
ISBN 978-92-2-120736-8 (print); 978-92-2-120727-6 (web pdf)
Jayati Ghosh, Amitayu Sengupta, Anamitra Roychoudhury
- 17 From corporate-centred security to flexicurity in Japan;
ISBN 978-92-2-121776-3 (print); 978-92-2-121777-0 (web pdf)
Kazutoshi Chatani
- 18 A view on international labour standards, labour law and MSEs;
ISBN 978-92-2-121753-4 (print); 978-92-2-121754-1 (web pdf)
Julio Faundez

- 19 Economic growth, employment and poverty in the Middle East and North Africa;
ISBN 978-92-2-121782-4 (print); 978-92-2-121783-1 (web pdf)
Mahmood Messkoub
- 20 Global agri-food chains: Employment and social issues in fresh fruit and vegetables;
ISBN 978-92-2-121941-5(print); 978-92-2-121942-2 (web pdf)
Sarah Best, Ivanka Mamic
- 21 Trade agreements and employment: Chile 1996-2003;
ISBN 978-92-121962-0 (print); 978-92-121963-7 (web pdf)
- 22 The employment effects of North-South trade and technological change;
ISBN 978-92-2-121964-4 (print); 978-92-2-121965-1 (web pdf)
Nomaan Majid
- 23 Voluntary social initiatives in fresh fruit and vegetable value chains;
ISBN 978-92-2-122007-7 (print); 978-92-2-122008-4 (web pdf)
Sarah Best, Ivanka Mamic
- 24 Crecimiento económico y empleo de jóvenes en Chile: Análisis sectorial y proyecciones;
ISBN 978-92-2-321599-6 (print); 978-92-2-321600-9 (web pdf)
Mario D. Velásquez Pinto
- 25 The impact of codes and standards on investment flows to developing countries;
ISBN 978-92-2-122114-2 (print); 978-92-2-122115-9 (web pdf)
Dirk Willem te Velde
- 26 The promotion of respect for workers' rights in the banking sector:
Current practice and future prospects;
ISBN 978-92-2-122116-6 (print); 978-2-122117-3 (web pdf)
Emily Sims

2009

- 27 Labour market information and analysis for skills development;
ISBN 978-92-2-122151-7 (print); 978-92-2-122152-4 (web pdf)
Theo Sparreboom, Marcus Powell
- 28 Global reach - Local relationships: Corporate social responsibility, worker's rights and local development;
ISBN 978-92-2-122222-4 (print); 978-92-2-122212-5 (web pdf)
Anne Posthuma, Emily Sims
- 29 Investing in the workforce: Social investors and international labour standards;
ISBN 978-92-2-122288-0 (print); 978-92-2-122289-7 (web pdf)
Elizabeth Umlas

- 30 Rising food prices and their implications for employment, decent work and poverty reduction;
ISBN 978-92-2-122331-3 (print); 978-92-2-122332-0 (web pdf)
Rizwanul Islam, Graeme Buckley
- 31 Economic implications of labour and labour-related laws on MSEs: A quick review of the Latin American experience;
ISBN 978-92-2-122368-9 (print); 978-92-2-122369-6 (web pdf)
Juan Chacaltana
- 32 Understanding informal apprenticeship – Findings from empirical research in Tanzania;
ISBN 978-92-2-122351-1 (print); 978-92-2-122352-8 (web pdf)
Irmgard Nübler, Christine Hofmann, Clemens Greiner
- 33 Partnerships for youth employment. A review of selected community-based initiatives;
ISBN 978-92-2-122468-6 (print); 978-92-2-122469-3 (web pdf)
Peter Kenyon
- 34 The effects of fiscal stimulus packages on employment;
ISBN 978-92-2-122489-1 (print); 978-92-2-122490-7 (web pdf)
Veena Jha
- 35 Labour market policies in times of crisis;
ISBN 978-92-2-122510-2 (print); 978-92-2-122511-9 (web pdf)
Sandrine Cazes, Sher Verick, Caroline Heuer
- 36 The global economic crisis and developing countries: Transmission channels, fiscal and policy space and the design of national responses;
ISBN 978-92-2-122544-7 (print); 978-92-2-122545-4 (web pdf)
Iyanatul Islam
- 37 Rethinking monetary and financial policy:
Practical suggestions for monitoring financial stability while generating employment and poverty reduction;
ISBN 978-92-2-122514-0 (print); 978-92-2-122515-7 (web pdf)
Gerald Epstein
- 38 Promoting employment-intensive growth in Bangladesh: Policy analysis of the manufacturing and service sectors;
ISBN 978-92-2-122540-9 (print); 978-92-2-122541-6 (web pdf)
Nazneen Ahmed, Mohammad Yunus, Harunur Rashid Bhuyan
- 39 The well-being of labour in contemporary Indian economy: What's active labour market policy got to do with it?
ISBN 978-92-2-122622-2 (print); 978-92-2-122623-9 (web pdf)
Praveen Jha

- 40 The global recession and developing countries;
ISBN 978-92-2-122847-9 (print); 978-92-2-122848-6 (web pdf)
Nomaan Majid
- 41 Offshoring and employment in the developing world: Business process outsourcing in the Philippines;
ISBN 978-92-2-122845-5 (print); 978-92-2-122846-2 (web pdf)
Miriam Bird, Christoph Ernst
- 42 A survey of the Great Depression as recorded in the International Labour Review, 1931-1939;
ISBN 978-92-2-122843-1 (print); 978-92-2-122844-8 (web pdf)
Rod Mamudi
- 43 The price of exclusion: The economic consequences of excluding people with disabilities from the world or work;
ISBN 978-92-2-122921-6 (print); 978-92-2-122922-3 (web pdf)
Sebastian Buckup
- 44 Researching NQFs: Some conceptual issues;
ISBN 978-92-2-123066-3 (print), 978-92-2-123067-0 (web pdf)
Stephanie Allais, David Raffé, Michael Young
- 45 Learning from the first qualifications frameworks;
ISBN 978-92-2-123068-7 (print), 978-92-2-123069-4 (web pdf)
Stephanie Allais, David Raffé, Rob Strathdee, Leesa Wheelahan, Michael Young
- 46 International framework agreements and global social dialogue: Lessons from the Daimler case;
ISBN 978-92-2-122353-5 (print); 978-92-2-122354-2 (web pdf)
Dimitris Stevis

2010

- 47 International framework agreements and global social dialogue: Parameters and prospects;
ISBN 978-92-2-123298-8 (print); 978-92-2-122299-5 (web pdf)
Dimitris Stevis
- 48 Unravelling the impact of the global financial crisis on the South African labour market;
ISBN 978-92-2-123296-4 (print); 978-92-2-123297-1 (web pdf)
Sher Verick
- 49 Guiding structural change: The role of government in development;
ISBN 978-92-2-123340-4 (print); 978-92-2-123341-1 (web pdf)
Matthew Carson

- 50 Les politiques du marché du travail et de l'emploi au Burkina Faso;
ISBN 978-92-2-223394-6 (print); 978-92-2-223395-3 (web pdf)
Lassané Ouedraogo, Adama Zerbo
- 51 Characterizing the school-to-work transitions of young men and women:
Evidence from the ILO school-to-work transition surveys;
ISBN 978-92-2-122990-2 (print); 978-92-2-122991-9 (web pdf)
Makiko Matsumoto, Sara Elder
- 52 Exploring the linkages between investment and employment in Moldova:
A time-series analysis
ISBN 978-92-2-122990-2 (print); 978-92-2-122991-9 (web pdf)
Stefania Villa
- 53 The crisis of orthodox macroeconomic policy: The case for a renewed commitment to full
employment;
ISBN 978-92-2-123512-5 (print); 978-92-2-123513-2 (web pdf)
Muhammed Muqtada
- 54 Trade contraction in the global crisis: Employment and inequality effects in India and South
Africa;
ISBN 978-92-2-2124037-2 (print); 978-92-2-2124038-9 (web pdf)
David Kucera, Leanne Roncolato, Erik von Uexkull
- 55 The impact of crisis-related changes in trade flows on employment: Incomes, regional and
sectoral development in Brazil;
Forthcoming
Scott McDonald, Marion Janse, Erik von Uexkull
- 56 Envejecimiento y Empleo en América Latina y el Caribe;
ISBN 978-92-2-323631-1 (print); 978-92-2-323632-8 (web pdf)
Jorge A. Paz
- 57 Demographic ageing and employment in China;
ISBN 978-92-2-123580-4 (print); 978-92-2-123581-1 (web pdf)
Du Yang, Wrang Meiyan
- 58 Employment, poverty and economic development in Madagascar: A macroeconomic
framework;
ISBN 978-92-2-123398-5 (print); 978-92-2-123399-2 (web pdf)
Gerald Epstein, James Heintz, Léonce Ndikumana, Grace Chang
- 59 The Korean labour market: Some historical macroeconomic perspectives;
ISBN 978-92-2-123675-7 (print); 978-92-2-123676-4 (web pdf)
Anne Zooyob

- 60 Les Accords de Partenariat Economique et le travail décent:
Quels enjeux pour l’Afrique de l’ouest et l’Afrique centrale?;
ISBN 978-92-2-223727-2 (print); 978-92-2-223728-9 (web pdf)
Eléonore d’Achon; Nicolas Gérard
- 61 The great recession of 2008-2009: Causes, consequences and policy responses;
ISBN 978-92-2-123729-7 (print); 978-92-2-123730-3 (web pdf)
Iyanatul Islam, Sher Verick
- 62 Rwanda forging ahead: The challenge of getting everybody on board;
ISBN 978-92-2-123771-6 (print); 978-92-2-123772-3 (web pdf)
Per Ronnås (ILO), Karl Backéus (Sida); Elina Scheja (Sida)
- 63 Growth, economic policies and employment linkages in Mediterranean countries:
The cases of Egypt, Israel, Morocco and Turkey;
ISBN 978-92-2-123779-2 (print); 978-92-2-123780-8 (web pdf)
Gouda Abdel-Khalek
- 64 Labour market policies and institutions with a focus on inclusion, equal opportunities and
the informal economy;
ISBN 978-92-2-123787-7 (print); 978-92-2-123788-4 (web pdf)
Mariangels Fortuny, Jalal Al Hussein
- 65 Les institutions du marché du travail face aux défis du développement:
Le cas du Mali;
ISBN 978-92-2- 223833-0 (print); 978-92-2-223834-7 (web pdf)
Modibo Traore, Youssouf Sissoko
- 66 Les institutions du marché du travail face aux défis du développement:
Le cas du Bénin;
ISBN 978-92-2-223913-9 (print); 978-92-2-223914-6 (web pdf)
Albert Honlonkou, Dominique Odjo Ogoudele
- 67 What role for labour market policies and institutions in development?Enhancing security in
developing countries and emerging economies;
ISBN 978-92-2-124033-4 (print); 978-92-2-124034-1 (web pdf)
Sandrine Cazes, Sher Verick
- 68 The role of openness and labour market institutions for employment dynamics during
economic crises;
Forthcoming
Elisa Geronzi, Erik von Uexkull, Sebastian Weber
- 69 Towards the right to work:
Innovations in Public Employment programmes (IPEP);
ISBN 978-92-2-124236-9 (print); 978-92-2-1244237-6 (web pdf)
Maikel Lieuw-Kie-Song, Kate Philip, Mito Tsukamoto, Marc van Imschoot

- 70 The impact of the economic and financial crisis on youth employment: Measures for labour market recovery in the European Union, Canada and the United States;
ISBN 978-92-2-124378-6 (print); 978-92-2-124379-3 (web pdf)
Niall O'Higgins
- 71 El impacto de la crisis económica y financiera sobre el empleo juvenil en América Latina: Medidas des mercado laboral para promover la recuperación del empleo juvenil;
ISBN 978-92-2-324384-5 (print); 978-92-2-324385-2 (web pdf)
Federio Tong
- 72 On the income dimension of employment in developing countries;
ISBN: 978-92-2-124429-5 (print);978-92-2-124430-1 (web pdf)
Nomaan Majid
- 73 Employment diagnostic analysis: Malawi;
ISBN 978-92-2-123101-0 (print); 978-92-2-124102-7 (web pdf)
Per Ronnas
- 74 Global economic crisis, gender and employment:
The impact and policy response;
ISBN 978-92-2-14169-0 (print); 978-92-2-124170-6 (web pdf)
Naoko Otobe

2011

- 75 Mainstreaming environmental issues in sustainable enterprises: An exploration of issues, experiences and options;
ISBN 978-92-2-124557-5 (print); 978-92-2-124558-2 (web pdf)
Maria Sabrina De Gobbi
- 76 The dynamics of employment, the labour market and the economy in Nepal
ISBN 978-92-2-123605-3 (print); 978-92-2-124606-0 (web pdf)
Shagun Khare , Anja Slany
- 77 Industrial policies and capabilities for catching-up:
Frameworks and paradigms
Irmgard Nuebler
- 78 Economic growth, employment and poverty reduction:
A comparative analysis of Chile and Mexico
ISBN 978-92-2-124783-8 (print); 978-92-2-124784-5 (web pdf)
Alicia Puyana
- 79 Macroeconomy for decent work in Latin America and the Caribbean
ISBN 978-92-2-024821-8 (print); 978-92-2-024822-5 (web pdf)
Ricardo Ffrench-Davis

- 80 Evaluation des emplois générés dans le cadre du DSCRP au Gabon
ISBN 978-92-2-223789-0 (print) ; 978-92-2-223790-6 (web pdf)
Mohammed Bensid, Aomar Ibourk, Ayache Khallaf
- 81 The Great Recession of 2008-2009: Causes, consequences and policy responses
ISBN 978-92-2-123729-7 (print); 978-92-2-123730-3 (web pdf)
Iyanatul Islam, Sher Verick
- 82 Growth, economic policies and employment linkages: Morocco
ISBN 978-92-2-123777-8 (print; 978-92-2-123778-5 (web pdf)
Omar Aloui
- 83 Growth, economic policies and employment linkages: Israel
ISBN 978-92-2-123775-4 (print); 978-92-2-123778-5 (web pdf)
Roby Nathanson
- 84 Growth, economic policies and employment linkages: Turkey
ISBN 978-92-2-123781-5 (print); 978-92-2-123782-2 (web pdf)
Erinc Yeldan, Hakan Ercan
- 85 Growth, economic policies and employment linkages: Egypt
ISBN 978-92-2-123773-0 (print); 978-92-2-123774-7 (web pdf)
Heba Nassar
- 86 Employment diagnostic analysis: Bosnia and Herzegovina
ISBN 978-92-2-125043-2 (print); 978-92-2-2125044-9 (web pdf)
Shagun Khare, Per Ronnas, Leyla Shamchiyeva
- 87 Should developing countries target low, single digit inflation to promote growth and employment
ISBN 978-92-2-125050-0 (print); 978-92-2-125051-7 (web pdf)
Sarah Anwar, Iyanatul Islam
- 88 Dynamic Social Accounting matrix (DySAM): concept, methodology and simulation outcomes: The case of Indonesia and Mozambique
ISBN 978-92-2-1250418 (print); 978-92-2-1250425 (web pdf)
Jorge Alarcon, Christoph Ernst, Bazlul Khondker, P.D. Sharma
- 89 Microfinance and child labour
ISBN 978-92-2-125106-4 (print)
Jonal Blume and Julika Breyer
- 90 Walking on a tightrope: Balancing IMF financial sustainability and poverty orientation in Mali
ISBN 978-92-2-124906-1 (print); 978-92-2-124907-8 (web pdf)
Renata Serra and Fabrizio Botti

- 91 Macroeconomic policy “Full and productive employment and decent work for all”:
Uganda country study
ISBN 978-92-2-125400-3 (print); 978-92-2-125401-0 (web pdf)
Elisa van Waeyenberge and Hannah Bargawi
- 92 Fiscal and political space for crisis response with a focus on employment and labour
market: Study of Bangladesh
ISBN 978-92-2-125402-7 (print); 978-92-2-125403-4 (web pdf)
Rizwanul Islam, Mustafa K. Mukeri and Zlfiqar Ali
- 93 Macroeconomic policy for employment creation: The case of Malawi
ISBN 978-92-2-125404-1 (print); 978-92-2-125405-8 (web pdf)
Sonali Deraniyagala and Ben Kaluwa
- 94 Challenges for achieving job-rich and inclusive growth in Mongolia
ISBN 978-92-2-125399-0 (print); 978-92-2-125398-3 (web pdf)
Per Ronnas

Employment Sector

**For more information visit our site:
<http://www.ilo.org/employment>**

International Labour Office
Employment Sector
4, route des Morillons
CH-1211 Geneva 22

Email: edempdoc@ilo.org