



# DELIVERING ON SDG 8 - INTEGRATED PATHWAYS TO ECONOMIC TRANSFORMATION AND INCLUSIVE LABOUR MARKETS

Technical brief N° 4

## INTRODUCTION

Sustainable Development Goal 8 (SDG 8) calls for the promotion of sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all. Delivering on this goal lies at the heart of the Sustainable Development Agenda 2030. It is central to achieving other goals, such as eradicating poverty, reducing inequalities, empowering women, and promoting quality education, health and wellbeing. Making headway with SDG 8 is also necessary to lay down solid foundations for more resolute steps towards environmental sustainability. The task is complex. It hinges on a dynamic process of complementary and interconnected transformative changes in the economy and society, which can be hard to trigger and engineer. Despite pockets of achievement, progress on SDG 8 has been slowing down in many areas of the world (ILO, 2019).

The Covid-19 public health emergency, with its dramatic economic and human costs, is making it even more urgent to accelerate progress in delivering SDG 8. This brief synthesizes the findings of a series of studies of economic and labour market changes in a sample of 10 countries at different levels of development over the past 20 years. It illustrates the diversity of economic trajectories. It highlights economic gaps and labour market deficits that remained unaddressed. It reviews the main policy insights. It concludes by arguing that comprehensive and integrated national employment policies, centred on quality employment and inclusive labour markets, in accordance with local circumstances and priorities, could be a tool for fostering new types of economic transformation and supporting countries in a renewed drive towards achieving SDG 8.<sup>1</sup>

<sup>1</sup> The ten country studies are part of a global research project under the ILO/Sida Partnership on "More and better jobs for inclusive growth and improved youth employment prospects". The focus is on the interlinkages between SDG targets 8.1 (sustaining per capita economic growth), 8.2 (sustaining labour productivity growth), 8.3 (promoting development-oriented policies), 8.5 (promoting full and productive employment for all women and men) and 8.6 (decreasing the share of NEETs by involving young people in the labour market).

## 1. DRIVERS OF GROWTH AND PRODUCTIVITY

A large set of targets and indicators covering the economic, social and environmental dimensions provides the framework for SDG 8. Output growth (indicator 8.1.1) and labour productivity (indicator 8.2.1) are the points of departure. The weak performance of the poorest economies, many of which are in Africa, is perhaps the most disappointing trend. As shown in Table 1, average GDP per capita for all low-income economies over the period 2000–18 has been growing at an annual rate of 2.2 per cent, slightly higher than the average for high-income countries, but quite below the SDG target of at least 7 per cent per annum for the least developed countries. Robust economic growth occurred mainly within countries' lower and upper-middle income groups, driven by the outstanding accomplishments of the large emerging economies China and India.

**A few low-income countries have been able to grow significantly.** In our sample, a solid commitment to development strategy and a policy mix that favoured agricultural productivity, investment, and structural change – that is, the shifting of workers to more productive, non-farm activities – allowed Rwanda and Ethiopia to achieve record economic growth, albeit from very low levels, making remarkable progress in reducing poverty and improving well-being (Malunda, forthcoming; Ronnås and Sarkar, 2019). Similar effects from structural change were at work in the emerging economies. In India, the shift of surplus labour outside of agriculture was a main driver of growth, compounded by the strengthening of productive capacities for the large domestic market, especially in services, within the organized and the unorganized sectors (Majid, 2019).

**Table 1. Growth, productivity and export shares in selected countries and country groupings by income level**

Country by GNI per capita	GDP per capita avg. Growth (%)	GDP per employed person (constant 2011 PPP \$)	Export as share of GDP (%)
2018	2000 - 2018	2018	2017
<b>Low Income</b>	<b>2.2</b>	<b>4,141</b>	<b>20.4</b>
Rwanda	5.1	3,863	18.2
Ethiopia	6.0	3,836	7.6
<b>Lower-middle</b>	<b>4.0</b>	<b>17,854</b>	<b>23.8</b>
India	5.2	18,565	18.8
Egypt	2.3	38,285	15.8
Phillipines	3.5	19,918	31.0
<b>Upper-middle</b>	<b>4.5</b>	<b>34,748</b>	<b>24.7</b>
Azerbaijan	7.7	33,307	48.5
Peru	3.8	22,868	24.7
Costa Rica	2.6	36,699	33.1
<b>High-income</b>	<b>1.3</b>	<b>94,489</b>	<b>31.5</b>
Chile	2.8	50,669	28.5
Portugal	0.8	60,305	42.7

Source: WB WDI

**Large gaps in labour productivity remain.** Trends in labour productivity followed those in GDP per capita, especially for developing economies, where employment grows closely in line with the working age population. Even for the fastest-growing low-income countries, however, the gap with the advanced economies remains quite wide. Ethiopia's GDP has been growing six times faster than Portugal's each year for almost 20 years, but labour productivity remains 15 times lower. Diverging demographic trends are adding to such gaps, with the working age population growing at a yearly rate of 3.6 per cent in Ethiopia as against the rapid ageing of the population in Portugal (Escária and Pereira, forthcoming; Ronnås and Sarkar, 2019). Even India, a global economic power, has labour productivity levels barely a third of Portugal's. This divergence suggests a large untapped potential for growth in developing and emerging economies, whose long-run environmental consequences, however, are hard to assess.

**Commodity booms** have been behind output increases in several middle-income countries. Azerbaijan almost doubled its GDP in just a few years – from 2003 to 2010 – thanks to its large oil and gas reserves catering to new markets in advanced economies. Mining and fishing were the main engines of growth in Peru (León, forthcoming), despite some success with non-traditional exports, while Chile benefitted conspicuously from the

rising price of copper, which alone constitutes about 50 per cent of export revenues and helped the country achieve high-income status (Velásquez Pinto, forthcoming). Where the export of extractives was not accompanied with industrial diversification, countries were exposed to the vagaries of international prices and sudden drops in revenues. As the oil boom slowed down after 2015, Azerbaijan experienced a significant decline in growth, a sharp devaluation, higher inflation, growing unemployment, and a series of domestic bank failures that affected the local economy (Valiyev, forthcoming).

**Integration in global value chains in manufacturing was a less important driver.** Exporters of non-extractives were affected by China's entry in the WTO in 2001 and its increasing predominance as the world's manufacturing platform. Fewer opportunities to rapidly expand exports of labour-intensive light manufacturing goods through the vast production networks of multinational enterprises were available to the Philippines and Costa Rica, unlike those enjoyed by countries in East and South East Asia in earlier decades. Both countries could still benefit from international trade, however, helped by economic reforms and good management and, in the Philippines, buoyant domestic demand from hefty remittances (Sauma, forthcoming; Yap, Tabuga and Mina, 2020).

**There were strong headwinds from a turbulent international economic environment.** The financial and economic crisis in the advanced economies in 2008–09 had serious repercussions for the countries in our sample the more they were integrated in the global economy. Growth decelerated sharply in Peru and the Philippines and went negative in Chile, Costa Rica, and Egypt. Before starting its successful economic recovery in 2014, Portugal experienced a decline of almost 15 per cent in its real GDP over 2008–13, with dramatic job losses and a burst of emigration (Escária and Pereira, forthcoming). In most countries, adjustments to the global recession had negative employment effects, especially for young people, making the path to inclusive labour markets particularly challenging.

**The outlook for sustained economic growth in the run up to 2030 is subdued.** Even before the Covid-19 outbreak, most experts agreed that the prospects for buoyant global economic growth were slim. Increases in growth were projected to be moderate in the advanced economies, where loose monetary policies were having little impact on productive investments and household consumption, while running the risk of breeding financial vulnerabilities. Even emerging economies were slowing down, hit by balance of payments crises, declines in commodity prices, or faltering investment and productivity. In this situation, the Covid-19 pandemic is triggering a deep global economic crisis, with the prospects of a slow and painful recovery despite forceful fiscal and monetary measures in most advanced economies. Given the lack of fiscal resources in the lower income economies and the probable disruptions in their access to global markets, there is a risk that the economic crisis might result in a major humanitarian emergency, which could wipe out the advances in alleviating poverty of the past two decades. Over the long term, greater uncertainty weighing on growth may also result from the effects of rising income inequalities, de-globalization, automation, and climate change.

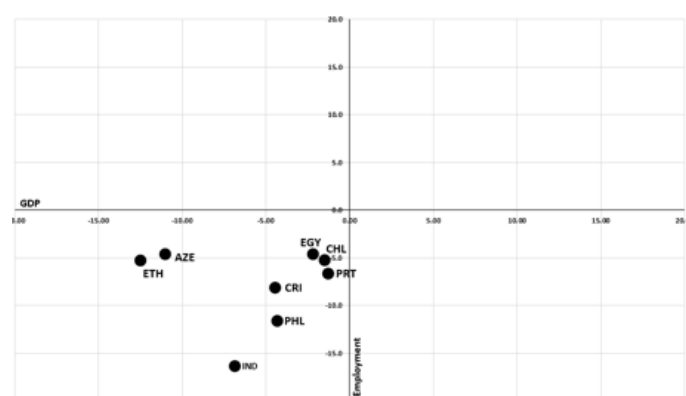
## 2. DIVERSE, INCOMPLETE STRUCTURAL TRANSFORMATIONS

Structural transformation – that is, changes in the sectoral composition of GDP – is the backbone of increases in productivity and robust long-run economic prospects for countries at lower levels of development, which stand far from the technological frontier. The typical pattern, based on the historical

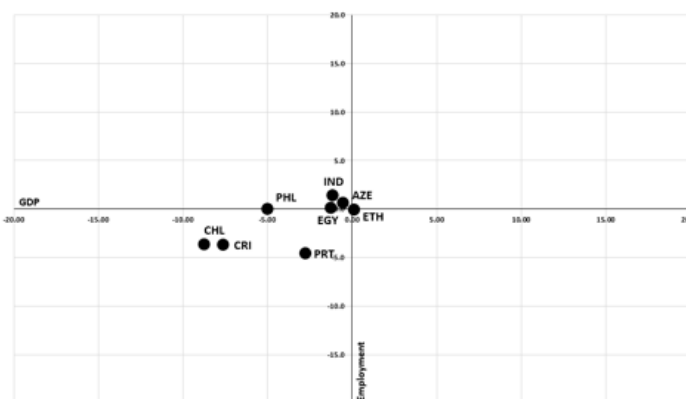
experience of advanced economies, consists of a switch from low-productive activities utilizing unskilled labour in agriculture to more modern, skill-intensive activities in manufacturing and high-end services. This worked differently across the countries in our sample.

**Figure 1 Changes in the relative shares of employment and GDP by sector**

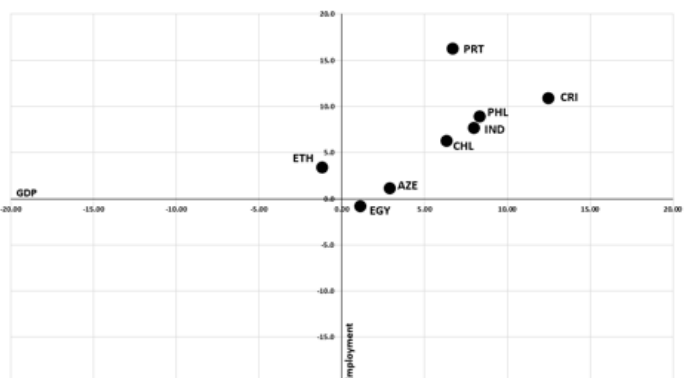
**Change in the share of employment and GDP in agriculture, 2000 - 2018 or closest (%)**



**Change in the share of employment and GDP in manufacturing, 2000 - 2018 or closest (%)**



**Change in the share of employment and GDP in services, 2000 - 2018 or closest (%)**



Source: ILOSTAT and UNSTATS

**The weight of agriculture in employment and production fell across the board.** All 10 countries registered strong declines in the share of employment in agriculture over total employment and similar, albeit less pronounced drops in the share of GDP (see Figure 1). The sector remains an important reservoir of jobs in low-income countries, accounting for between 45 per cent in India and 70 per cent of total employment in Ethiopia. Continued transformation of agriculture remains key to further growth and development. In all countries, regardless of the level of development, pockets of poverty and extreme poverty remain concentrated in rural areas. In some cases, the shrinking of agriculture coexists with within-sector productivity increases in niche markets, such as horticulture, fresh fruits, and organic coffee. Costa Rica, Chile, Ethiopia, Peru, and Portugal have been able to develop competitive advantages in those niches and broaden their portfolio of non-traditional exports. New technologies and the spread of so-called precision agriculture might boost this trend, with possible benefits for environmental sustainability.

**Manufacturing has largely been bypassed.** The shift away from agriculture has not led to a notable expansion of the manufacturing sector. Surplus labour out of agriculture moved directly into services, a pattern known as “premature deindustrialization” (Dasgupta, Kim and Pinedo, 2017; Rodrik, 2016). With the partial exception of Ethiopia, the share of manufacturing in GDP declined in all countries, most significantly in the relatively more advanced countries Chile, Costa Rica, Portugal, and the Philippines. There were changes across subsectors and within-sector increases in productivity thanks to capital investment, skills development, and organizational innovations. Costa Rica, for instance, experienced a shift in production in its Free Export Zones, from the assembly of electronics to more skills-intensive manufacturing of medical products for the US market. The Philippines saw its textiles sector almost disappear in the face of competition from other Asian countries, before enjoying a manufacturing boom that made the country one of the fastest growing economies in Asia in the past 10 years. Where it occurred, however, the upgrading of manufacturing brought little increase in the volume of employment (Yap, Tabuga and Mina, 2020).

**The clearest increments took place in the service sector.** All countries recorded visible increases in GDP and employment in services, the only exception being Egypt, where the aftermath of the Arab Spring had severe effects on the tourism industry and the public sector. The various activities gathered under services, however, are characterized

by great heterogeneity and striking differentials in productivity. It is unclear how they contributed an alternative to manufacturing as the “engine of growth”.<sup>2</sup> Some of the most dynamic services were highly capital-intensive, with limited capacity for large-scale employment generation. In Chile, almost 25 per cent of GDP increases over the period 2000–17 was accounted for by business and financial services, a sector accounting for only 5 per cent of total employment in 2018 (Velásquez Pinto, forthcoming). In other countries, asset-price inflation and real estate excesses bloated the nominal value of output.

**Export opportunities were found in the service sector.** Some countries were able to take advantage of the expansion of the service sector to export more. The Philippines took advantage of a large pool of English language-educated young people to develop a thriving IT services offshore sector (Kim, 2019). In Ethiopia, the export of services, driven largely by Ethiopian Airlines, outpaced the export of goods in recent years. Tourism was a conspicuous contributor to growth and recovery, more than doubling its share of GDP in Portugal and the Philippines and almost tripling it in Rwanda. International tourism is a dynamic and highly competitive sector dominated by transnational value chains comprising the airline, transportation, hotel and accommodation industries. Yet local factors remain key ingredients of success – ranging from the availability of skills to infrastructure development, utilities, good administration and security – making it a challenge for the poorest countries to break in. Sustainable tourism did not register visible expansion, with the notable exception of Costa Rica, which was able to develop a brand name for its commitment to good environmental practices.

**Often, more traditional services accounted for the bulk of employment.** Services such as commerce, education and health, personal services, as well as the construction sector – which are less open to foreign competition – often accounted for very large shares of employment. In Portugal, non-tradable services – including construction and the public sector – accounted for 63 per cent of employment in the past decade (Escária and Pereira, forthcoming). In Costa Rica, the public sector alone accounts for 28 per cent of total jobs and an even larger share of formal wage employment, while direct formal jobs in the FDI sector account for only 5 per cent of total employment (Sauma, forthcoming). In Peru, employment gains in services were largely due to retail (León, forthcoming).

<sup>2</sup> See Kim (2019) for a fuller discussion.

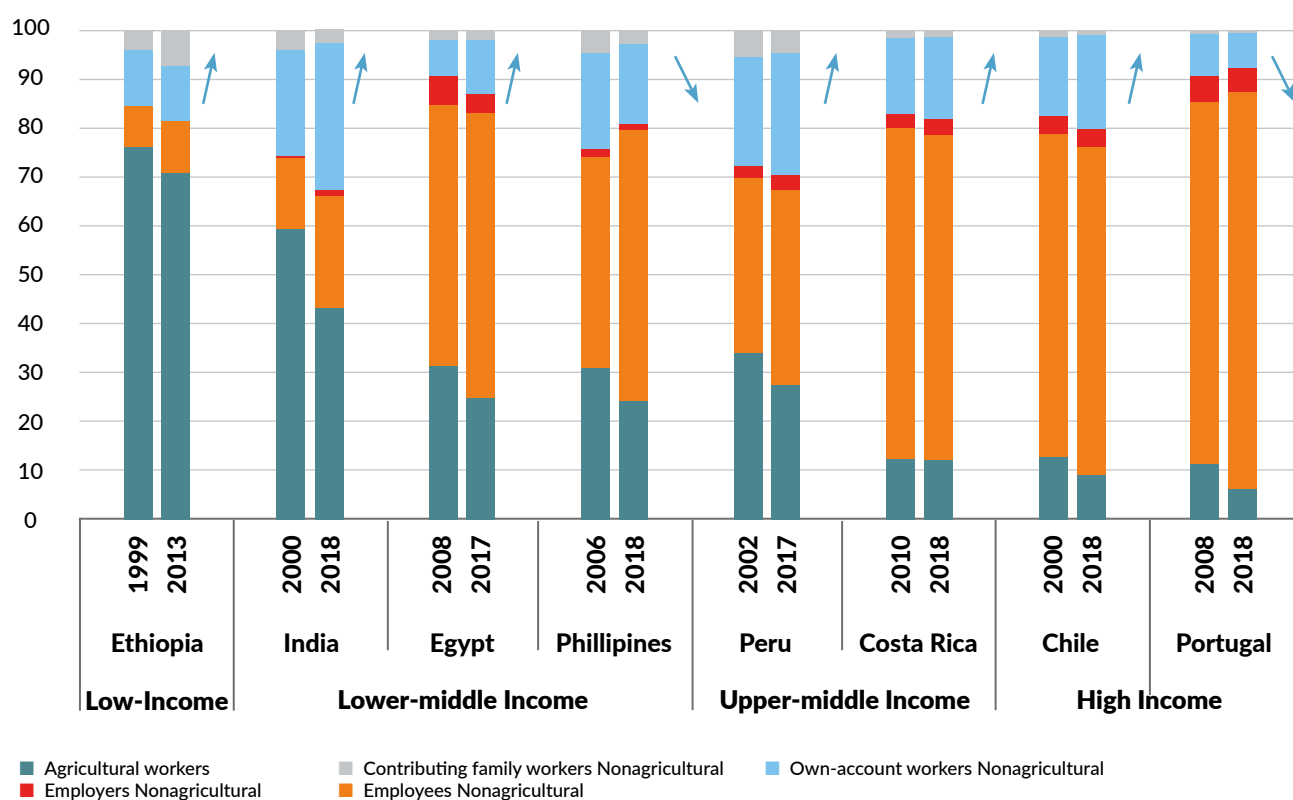
### 3. THE ELUSIVE QUEST FOR INCLUSIVE LABOUR MARKETS

Economic growth, especially when strong, sustained, and supported by productive investment, did generate job opportunities, but not without shortcoming with regard to the number and quality of jobs.

**The growth of employment in services contributed to increases in labour market informality.** In the traditional trajectory of structural transformation, the shift from agriculture to higher value-added activities in manufacturing and services is

accompanied by a corresponding change in the structure of employment, from own-account and unpaid family work to paid employment. In countries at the bottom of the development ladder, in fact, wage employment in non-agricultural activities typically accounts for a small proportion of total employment, for example, around 10 per cent in Ethiopia. This proportion tends to grow progressively as per capita income grows, up to levels of 80 per cent or more in the advanced economies. Labour market informality is similarly expected to decline, as wage employment is usually characterized by more formal employment in registered enterprises. This pattern did not hold true for the majority of the countries in our sample.

**Figure 2 Employment distribution by economic activity and status, 2000 and 2018 (or closest) (Percentages)**



Source: ILOSTAT

Statistical data on informal employment is patchy and differs across countries as definitions and collection methods may also differ. If we take the proportion of people engaged as own-account workers or unpaid family workers outside agriculture as a proxy of informality, this decreased slightly only in the Philippines and Portugal (see Figure 2). India provides a good example of how structural transformation was mirrored by changes in employment and incomes within the unorganized sector, with no aggregate impact on the share of formal employment (Majid,

2019). A similar pattern was found – to different degrees – in Egypt, Peru, Costa Rica and Chile, for example, because of the lack of opportunities for formal jobs in manufacturing or in the public sector (as in Egypt) and the expansion of service activities with low productivity and low barriers to entry.

**Not all self-employed jobs in services were informal.** The boom in business and professional services opened up well-remunerated freelance opportunities for educated and highly skilled workers, but overall the numbers remained low. It is

important to recall that casual work and precarious working conditions also occur among those in paid employment. In Portugal, self-employment declined as micro and own-account businesses were severely affected by the great recession, while among those in paid employment, there was an increase in people involuntarily underemployed and those engaged with temporary contracts, often with very short tenure, especially among young people (Escária and Pereira, forthcoming).

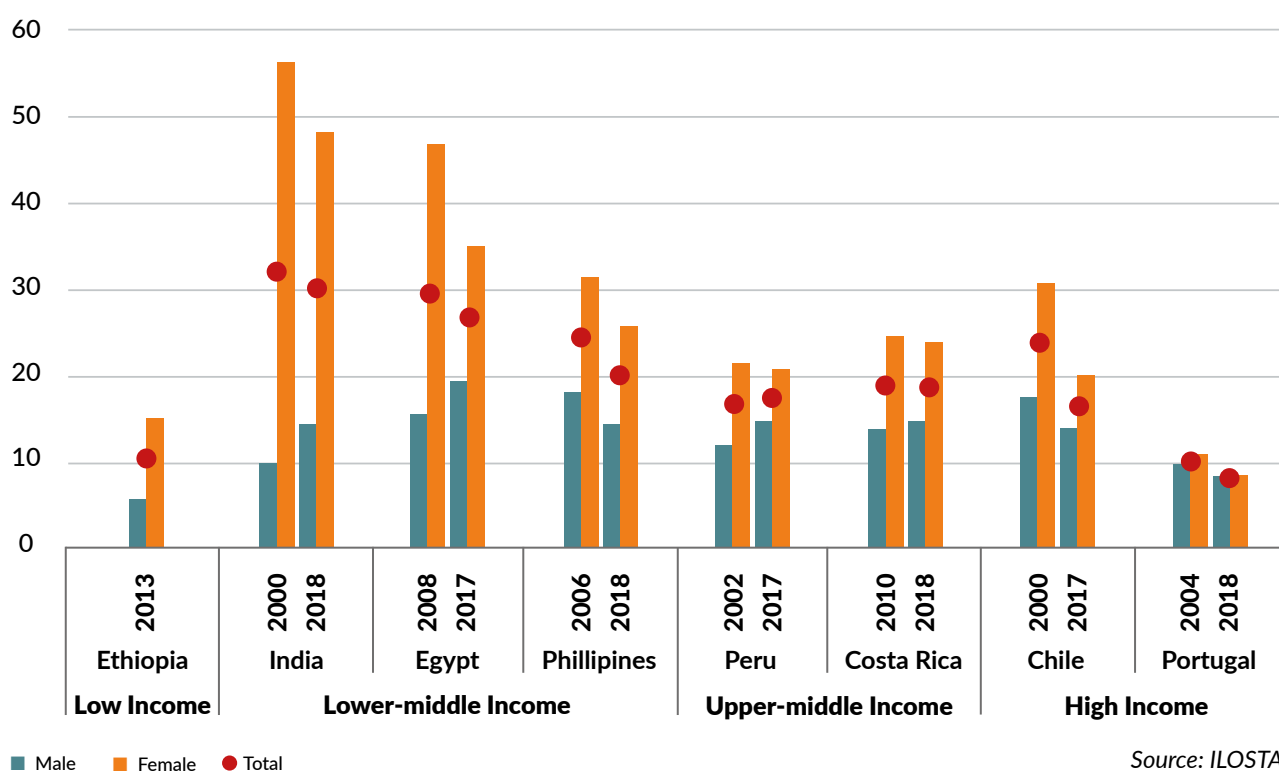
**Youth employment crisis.** The unemployment rate is a SDG 8 indicator for which data are available for most countries. It is not a good measure of the scarcity of good jobs or of progress in structural transformation, however. In largely rural low-income countries, people cannot afford the luxury of remaining unemployed. They go to work, even for a few hours a week, on farms, in their family businesses or on their own. Unemployment rates are usually lower than in middle-income countries and most advanced economies. The more developed a country, the better the unemployment rate does its job of measuring how fluctuations in the business cycle affect demand for formal jobs. The global downturn in 2008–09 was indeed followed by sharp hikes in unemployment, especially among young people, in Azerbaijan, Chile, Costa Rica, Peru and the Philippines. In Portugal, unemployment affected

one-third of young people in the 15–24 age bracket in 2012–13. As the recovery slowly unfolded these rates declined to their pre-crisis levels in most countries, but they remained relatively higher for young people (Escária and Pereira, forthcoming).

**Little progress in reducing the youth NEET rate.** Unemployment is not the only measure of labour market underutilization under SDG 8. Target SDG 8.6 calls for a substantial reduction by 2020 in the share of young people not in employment, education or training (NEET). Globally, about 22.5 per cent of young people aged 15–24 are currently estimated to be in this group, slightly higher than the 21.5 per cent estimate for 2015. A large proportion of youth NEETs – about two-thirds – are young women (O’Higgins, 2019).

**Some encouraging changes.** NEETs are a heterogeneous group, comprising the unemployed as well as people who remain inactive because they have become discouraged, are disabled or have family responsibilities. The latter sub-category – by far the largest in number – is dominated by women, leading to generally higher NEET rates for females. As for unemployment rates, NEET rates tend to be parabolic, with the highest levels among middle income countries and lower levels (for different reasons) at the two extremes of income (see Figure 3). This pattern is apparent for young

**Figure 3 Share of young people not in education, employment or training in selected countries, 2000 and 2018 (or closest) (Percentage of total population)**

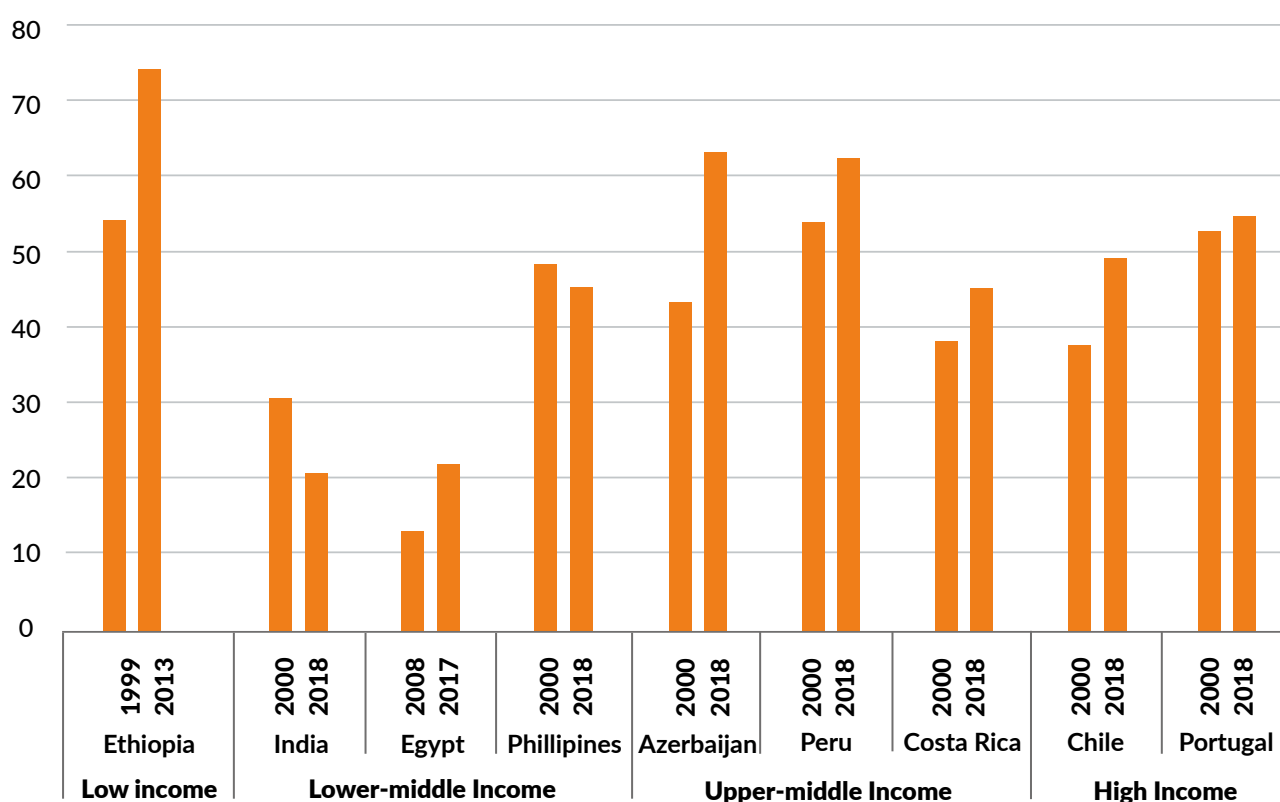


males, but less so for women, as social norms influencing the role of women in the family and the labour market can differ significantly across countries. A main positive development in the countries in our sample was the generalized reduction in the share of female NEETs with family responsibilities, mainly because of the expansion of women's participation in education, which led to an overall fall in the NEET rate of young women (O'Higgins, 2019).

**Higher labour market participation of women, hardly equal conditions.** A generalized increased in the participation of women in the labour market was another encouraging development across the countries in our sample, following higher enrolment in education, as well as the effects of sectoral changes (see Figure 4). The decline of employment in agriculture was more pronounced for males, leaving a relatively larger share of women workers in the sector, while the shift to services opened up a host of new opportunities in typically female-dominated activities, including commerce, hotels and restaurants, education, health and domestic work. Within the service sector, the female share

of employment increased significantly, with the exceptions of India and the Philippines. Higher female participation, however, did not necessarily equal better jobs for women. Throughout the economic transformation process, women encountered significant barriers to accessing decent employment opportunities. Female workers often remained prevalent in low-productivity sectors, poorly paid positions or informal settings, leading to lower earnings and inferior working conditions. High-productivity activities in agriculture, manufacturing and services tended to be male-dominated. In Chile and Costa Rica, for example, the proportion of women in agriculture has increased substantially over the past two decades, whereas the relative proportion of agriculture in total employment plunged. This illustrates that their male counterparts relocated in greater proportions to higher-productivity sectors of the economy, enjoying better employment conditions and earning prospects (Esquivel, 2019).

**Figure 4 Female labour force participation rate in selected countries, 2000 and 2018 (or closest) (%)**



Source: ILOSTAT

## 4. POLICY OPTIONS

A thorough review of policy frameworks goes beyond the scope of the country studies. A look at country experiences, however, provides insights into policies that worked, or failed, in a given setting.

**Compliant macroeconomic management.** Most countries strengthened their macroeconomic frameworks by enhancing capacity, introducing inflation targeting (Chile, India, Philippines and Peru), fiscal rules (Chile, Costa Rica, Peru) or regional criteria for macroeconomic convergence (Rwanda, Portugal). They differed in the degree to which they were able to adopt a pro-active macroeconomic stance that could foster a stable positive path of investment and consumption and sustainable job creation.

**Public investment was a primary lever for transformative change.** In Ethiopia and Rwanda, public investment in education and health, basic social protection and infrastructure were key factors. This directly helped to create jobs – for example, in construction and the public sector – and had some effect on crowding-in private investment. The quality of investment projects was a critical factor (Malunda, forthcoming; Ronnås and Sarkar, 2019). In other countries – for example, Azerbaijan – large and visible infrastructure investment with high import content in urban areas had limited effects on the domestic private sector and SMEs and exacerbated inequalities vis-à-vis rural areas.

**A prudent fiscal stance prevailed.** Rwanda relied, on one hand, on domestic resource mobilization through tax increases and, on the other hand, on international grants and lending at concessionary terms (Malunda, forthcoming). Ethiopia was able to attract international resources from the diaspora. The skilful countercyclical use of revenues from the extractive sector helped Chile maintain macroeconomic stability (Velásquez Pinto, forthcoming). But for the other countries it was difficult to sustain public spending and engage in countercyclical policies, given limited fiscal space and the threat to debt sustainability in a situation in which the international pricing of country risk is highly volatile. Exogenous shocks could be quite sudden, as in the case of Portugal and Egypt, and adjustment had to be made through painful domestic recession, with severe job losses and effects on long-run potential output.

**Monetary and financial policies broadened their scope.** In line with central bank practice in major economies, interest rates were lowered in some countries, fostering private investment without causing inflation, for example, in Rwanda and the Philippines (Malunda, forthcoming; Yap, Tabuga and Mina, 2020). A common concern was the large spreads between the policy rate and the lending rate, particularly in the presence of oligopolies in financial intermediation. Liberalization did not always help to direct more funds to the productive sector, as the entry of foreign banks did not necessarily break oligopolistic structures and actually exacerbated the preference for lending for consumption or real estate speculation. Another common concern with financial liberalization was the management of volatile capital flows. The introduction of capital controls helped Chile to maintain a stable macroeconomic framework (Velásquez Pinto, forthcoming). In Costa Rica, on the other hand, tight monetary policy and high interest rates to tame inflationary expectations provided an incentive for domestic households and firms to borrow in foreign currency, making it more difficult to manage the exchange rate in accordance with the needs of exporters (Sauma, forthcoming).

**Sectoral and enterprise policies helped to trigger structural transformation.** Access to finance was not the only constraint on the development of the private sector that countries tried to address. Countries ventured a range of horizontal and vertical, targeted policies to support enterprises and industries. Horizontal policies included mainly skills development, as well as efforts at reforming the business environment, for instance by simplifying administrative requirements. New technologies were used effectively in Rwanda in that regard. Business reforms, designed in consultation with the social partners, were part of a package that helped Portugal recover successfully, together with pro-employment macroeconomic policies, labour reforms, long-term investment in education and training and public sector reforms (Escária and Pereira, forthcoming). Azerbaijan, on the other hand, rapidly rose up the ranks of doing-business indicators, but the impact on the private sector was poor, particularly for small businesses (Valiyev, forthcoming).

**Vertical measures targeted distinct sectors and locations.** Financial and tax incentives, dedicated infrastructure, skills development and other measures were used to stimulate the development of targeted sectors. Success in supporting non-traditional activities was often clustered territorially. The business process outsourcing (BPO) sector in the Philippines was concentrated

in the highly urbanized areas of Makati and CEBU, where it could take advantage of skilled workers and good telecommunications facilities (Yap, Tabuga and Mina, 2020). In Rwanda, investments made the city of Kigali a major ICT hub for the region (Malunda, forthcoming). In Costa Rica, the most dynamic economic activities and the most highly skilled workers are found in the Free Trade Zones around the capital city, San José.

**Targeted support was instrumental in prompting some transition to greener industries.** Renewable energy supply is burgeoning in Portugal and Costa Rica, putting the two countries in the group of the world's leaders in clean energy supply.

**Success, however, was highly contingent on local circumstances.** Few policies work reliably across diverse settings.<sup>3</sup> Attracting large foreign investment in export-oriented manufacturing through tax breaks and other subsidies – a common element of traditional industrial policies – hardly led to sustainable job creation. The development of industrial parks was a main plank of Ethiopia's strategy, but success has been limited so far, due to poor geographical choices, lack of qualified workers and poor linkages to the local economy (Malunda, forthcoming). Where foreign investment was already in place, as in Costa Rica, the challenge was to deepen linkages with domestic firms and gain most benefit from advanced production techniques in order to develop the local economy.

**Uneven efforts to promote an inclusive labour market, improve the quality of jobs and contain inequalities.** The benefits of higher economic growth and employment did not reach all groups of the population equally. Countries followed different strategies in their efforts to make growth more inclusive. Large-scale programmes to provide minimum income protection proved to be powerful tools for alleviating poverty, particularly in rural areas, such as in Ethiopia and in India, through the National Rural Employment Guarantee Act (NREGA). But, in general, labour market programmes were not used comprehensively. Often, they were designed *ad hoc* to tackle employment emergencies and implemented through a variety of uncoordinated agencies. Young people were a favourite target, with training and entrepreneurship a common mode of intervention, at times without the necessary linkage

to the country's genuine priorities for private sector development. Overall, the effects on containing inequalities were limited and the importance of improving design through accurate assessments of the impact on the target group was perhaps the main policy lesson.

**Policy and institutional preferences did make a difference.** In Chile, emphasis on deregulation and private provision of essential services – such as education, health, transport and pensions – did little to prevent the country from developing record income inequality – as measured by the Gini coefficient – among OECD countries (Velásquez Pinto, forthcoming). In Portugal, employment recovery and reduction in working poverty were supported through a policy mix that included: pre-market measures, such as strong investment in quality public education, health and transportation; in-market measures, including good industrial relations, collective bargaining and regular increases in the minimum wage; and post-market redistributive measures, including progressive taxation and pensions for the most vulnerable groups (Escária and Pereira, forthcoming).

## 5. INTEGRATED EMPLOYMENT POLICY FRAMEWORKS TO BETTER DELIVER ON SDG 8

Good jobs matter. Decent work is the linchpin of the new types of transformation required for SDG 8: towards job-rich, inclusive and environmentally sustainable economies that thrive on technology and innovation. Country experiences over the past two decades exhibit pockets of success and a variety of steps forward, but also setbacks, faltering political commitment and the lack of a coherent policy approach.

Uneven progress in achieving SDG 8 in the past and the need to accelerate economic recovery – as soon as the Covid-19 pandemic is under control – call for a reinvigorated approach to promoting decent and productive jobs. Robust economic and labour market policies and institutions are central. They should not be regarded as operating in isolation, but as supporting and reinforcing each other. An integrated agenda could foster enabling conditions for a cumulative and circular process towards SDG 8 (ILO, 2019). This approach, for example, would stimulate the economy through wage and income growth, thereby boosting sustainable consumption, production and investment, which

<sup>3</sup> See Rodrick and Sabel (2019) for a review of so-called place-based policies, such as regionally targeted employment subsidies and infrastructure investment, suggesting that the (few) programmes that do perform well have a built-in capacity for continuing adjustment through an iterative process of strategic interactions between public agencies and private firms.

would lead to more productive and decent jobs. By setting secure and safe jobs as a clear priority, the commitment to deliver can be reinforced, as the political demand for security and safety grows stronger in most countries.

There is no one-model-fits-all approach, rather a country-specific strategic policy mix. The entry points and the appropriate package of economic and social policies to boost employment generation can differ from country to country. Some countries can put their strategic focus on public investment, for instance, green investments for job creation (as in Portugal and Costa Rica), others on investment in education, health care and basic infrastructure (as in Ethiopia and Rwanda). In yet other countries, the priority is to strengthen domestic firms by means of

business reforms, access to credit and, as in Peru, promoting a progressive transition to formality. Some may prefer to prioritize social spending, as suggested recently by the IMF, others minimum wage policy and improvements in labour market legislation through social dialogue, as Portugal has done. Indeed, a key lesson from the Covid-19 pandemic is the importance of employment policies to protect enterprises and workers, along with solid labour market institutions and comprehensive and well-resourced social protection systems that kick in automatically – and based on fairness – as crises occur.

How can an integrated approach be insured? Through a policy spiral driven by the interaction of three distinct elements (Figure 5):

**Figure 5 An integrated policy agenda for SDG 8**



Source: ILO, 2019

**1. A new breed of national employment policies to promote a human-centred future for work:** what we need are a coherent whole-of-government policy framework that fosters synergies across active macroeconomic policies that support employment and aggregate demand; sectoral and skills policies for structural transformation that promote supply; and inclusive and gender-responsive labour market policies that facilitate successful labour market transitions.

**2. Labour market institutions, labour standards and social protection:** to improve and protect the quality and stability of jobs and incomes, so that the gains from structural transformation translate into a dynamic process of successive improvements in wages, working conditions and standards of employment. Those policies and institutions also play a role in driving the economics of transformation forward by boosting consumer demand, enhancing productivity and fostering social cohesion.

**3. Effective mechanisms for policy implementation:** Delivering on SDG 8 will depend on political will and buy-in by national stakeholders. Political leadership is key to ensuring that the actions of different ministries and agencies are effectively coordinated and employment promotion is a collective responsibility. For that, we need independent and representative trade unions and employers' organizations and social dialogue. We also need better monitoring by way of clear benchmarks and targets, and robust labour market information systems.

These are not easy steps, but countries are increasingly recognizing the value of a more comprehensive approach to their national employment policies, and how they could contribute to achieving the goals of sustainable and inclusive economic growth, full employment and decent work for all (Box 1). International cooperation, robust partnerships and financial assistance will be key to complementing and supporting national efforts, especially for the most vulnerable countries, in the current difficult situation.

## BOX 1 NATIONAL EMPLOYMENT POLICIES IN AZERBAIJAN, COSTA RICA AND ETHIOPIA

In **Azerbaijan**, the National Employment Strategy 2019–2030 is aligned with SDGs and seven SDG 8 targets have been adapted and adopted, including the lowering of the unemployment rate to 4 per cent and the NEET share to 15 per cent by 2030. The strategy is part of a series of large-scale economic and public administration reforms. As part of its design process the country's economic and employment situation was reviewed, including macroeconomic challenges. The focus is on addressing bottlenecks in skills that stand in the way of diversifying the economy away from a dependency on oil. A sizable increase in government funding of employment programmes is envisaged, including reorganization of public employment services to strengthen capacities to run business, self-employment, wage subsidy and vocational training programmes (Valiyev, forthcoming).

Through its free trade zones, **Costa Rica** has been able to diversify its export basket from simple agricultural products to electronics components and, most recently, highly skilled activities in the IT, medical implements and back-office sectors. However, this has not been translated into sufficient domestic jobs and the unemployment rate has risen above 8 per cent in recent years, a historical high. In September 2019, the Government launched a Growth, Employment and Wellbeing strategy to address this challenge. It combines multiple policy areas: public investment promotion, enabling conditions for private investment, improving employment services and dual education, household debt management and product market competition. The strategy is accompanied by a tripartite Employment Pact, signed recently, encompassing programmes and regulatory reforms to encourage domestic firms in their transition to formality (Sauma, forthcoming).

Despite much progress, **Ethiopia** faces the challenge of generating 1 million new jobs a year just to keep up with population growth. The Job Creation Commission (JCC) was established in 2018 under the auspices of the Prime Minister's Office as part of a package of ambitious economic reforms to promote private sector development. Its main tasks are to drive the national job agenda to bridge the jobs gap by 2030, coordinate stakeholders, monitor and evaluate. The JCC has engaged in an extensive consultation and review process to design a National Plan for Job Creation and Employment. The Plan calls for a job rich macroeconomic policy framework, services and skills to facilitate employability, support for micro, small and medium-sized enterprises, and productive transformation by targeting promising value chains in agribusiness, leather and textiles, ICT and creative arts. Considerable attention is being paid to the cohesion and alignment of administrative structures and programmes, resource mobilization and strengthening labour market information (Job Creation Commission, 2019).

*Source: Information retrieved from the country studies.*

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