Knowledge Support to Welfare Analysis of Private Sector Interventions

Distributional Impacts of Private Sector Interventions and Job Quality Measure

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IFC-WB POV GP Collaboration and Objectives

Distributional Impact –Jobs Initiative

WBG

Poverty Reduction
Shared Prosperity

SDGs

IFC 3.0

Promote collaboration on WBG diagnostics

Link between IFC 3.0 and WBG Twin Goals

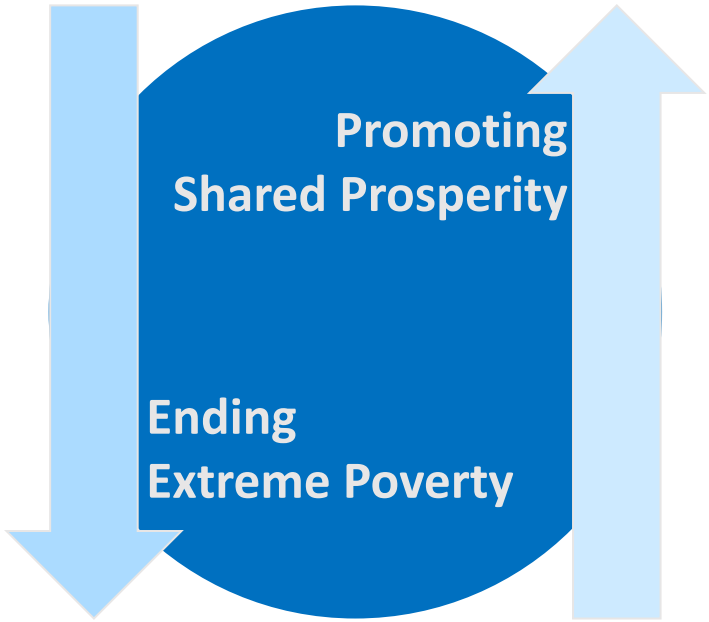
Mainstream Distributional Impact Analysis

Distributional Impact Assessment Tool and Job Quality Measure

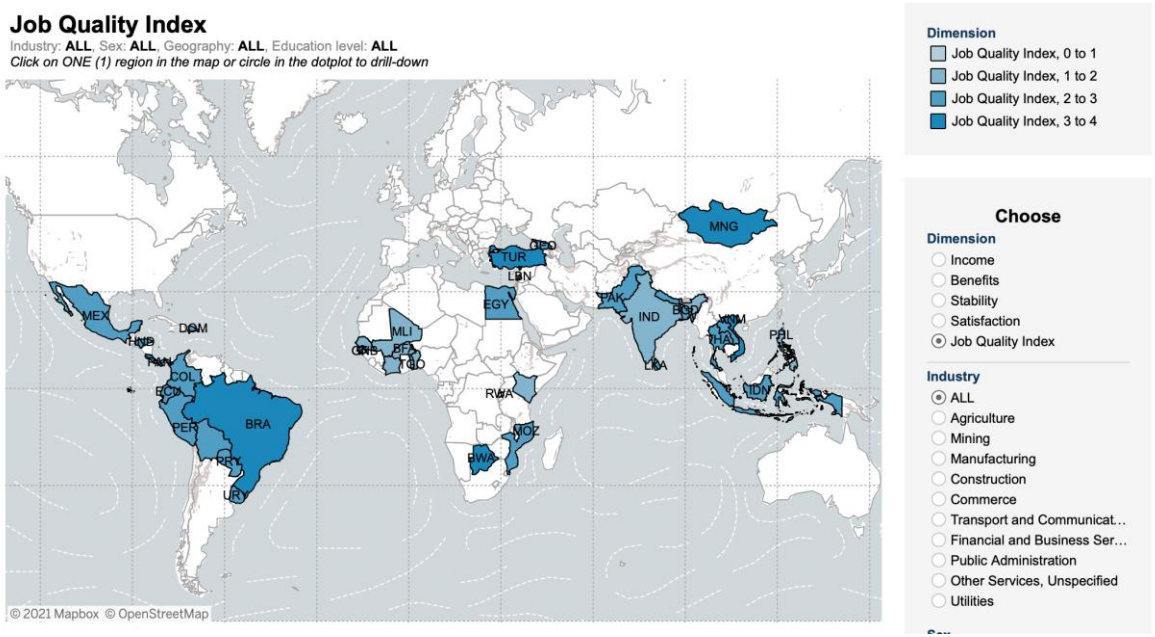
Coverage and Uses

Distributional Impact of Private Sector Interventions

Bolivia
Colombia
Rwanda



Global Job Quality Measure



Country Private Sector Diagnostics/Country Strategies
AIMM Impact Assessments – Ex-ante and Ex-post Project Assessment
Upstream Initiatives

Distributional Impact of Private Sector Interventions

Measuring IFC's Contribution to WBG Twin Goals

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Distributional Impact of Private Sector Interventions

Motivation

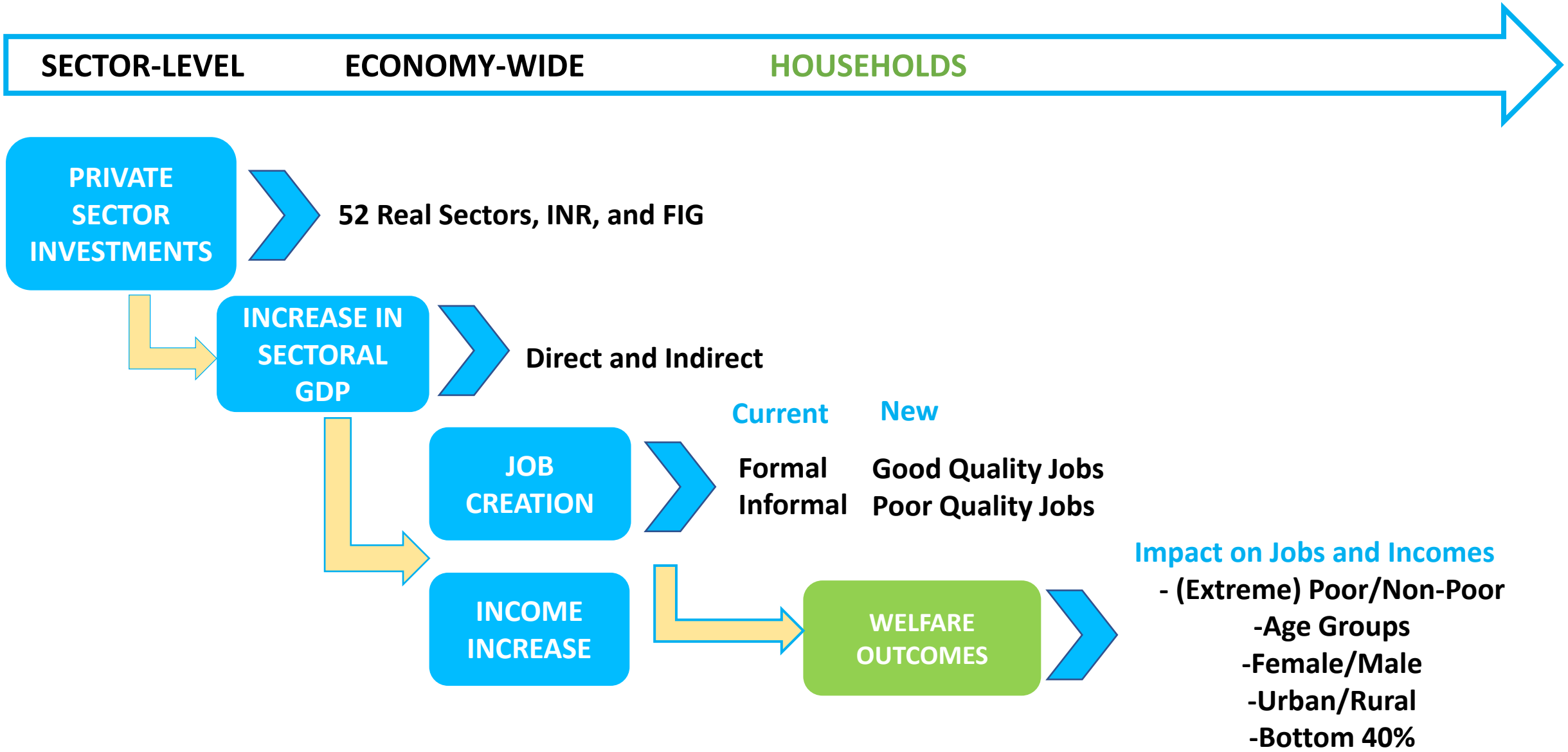
- **Private sector investments can improve household welfare through the labor market**
  - The labor market channel is expected to be crucial for the impact on wellbeing since labor income is the main source of income for households in developing countries
- **Link private investments to the WB twin goals**
  - Distributional impacts of private investments allows to estimate their impact on poverty and inequality

Contribution

- **Macro-micro simulation tool that links the IFC SAM approach to an adjusted ADePT model**
  - IFC approach allows flexible selection of sectors
  - Adjustment of ADePT model allows to accommodate relatively small investments
- **Global public good:** This simulation can be applied to any country that has microdata with information on household income or consumption, individual income and employment status, and other sociodemographic characteristics.

Theory of Change:

Distributional Impact of Private Sector Investments



Distributional Impact Assessment Methodology:

Macro-Microsimulation Model

IFC: Macro Inputs

- Output and Value Added Multipliers
- Employment Multipliers

Simulation (ADePT Style)

-Predict probability of switching to new jobs

-Predict income changes

POV GP: Micro inputs

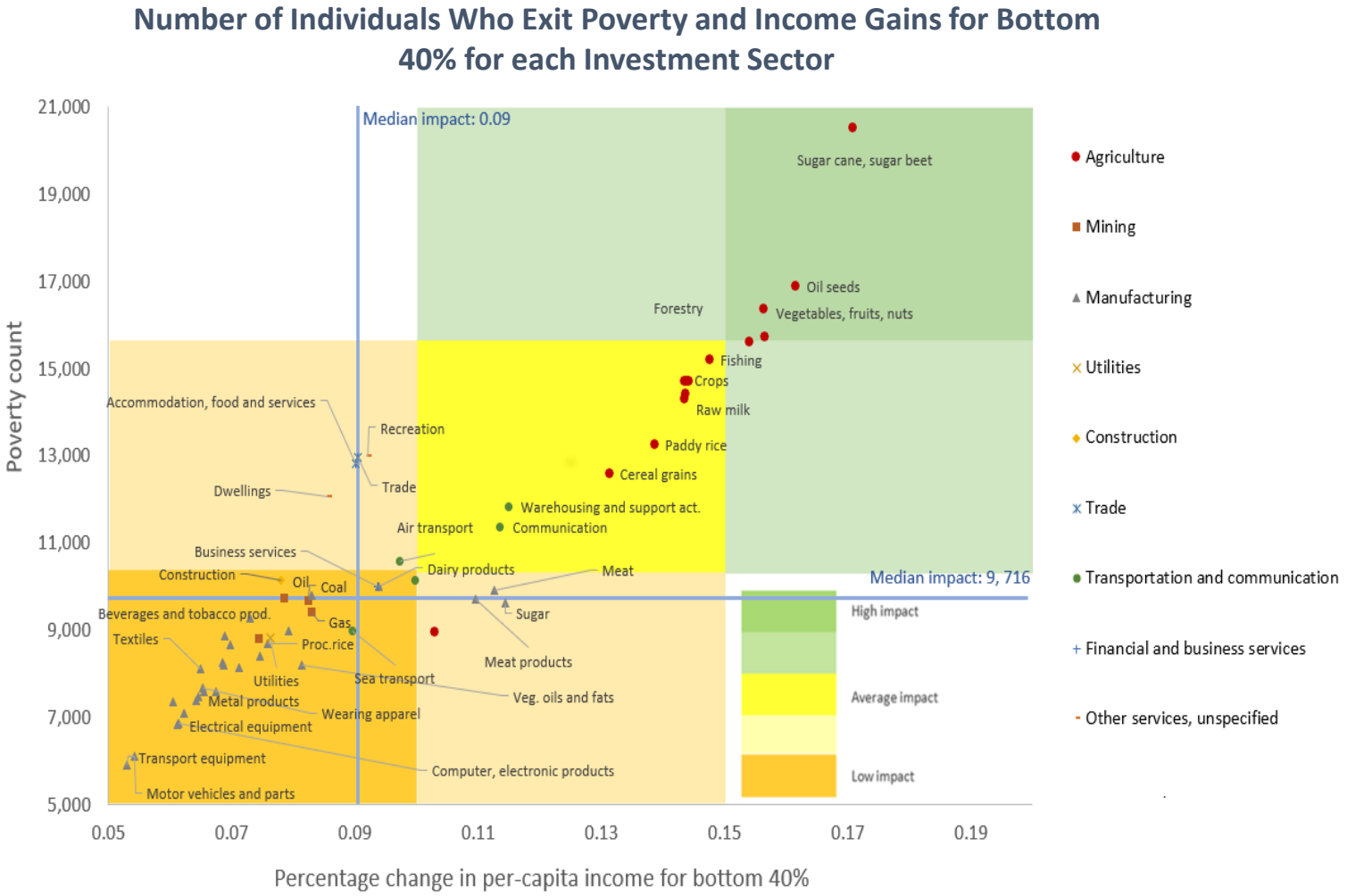
- Individual characteristics
- Individual main job characteristics
- Household characteristics

Movement from Unemployed to Employed | Movement across Sectors | Wage Changes for all Employed

OUTCOMES

- Profile of Workers
- Income and Distributional Impact
- Poverty Impact

Distributional Impact Assessment: Colombia – Impact on WBG Twin Goals

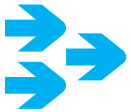


Agriculture

Large income gains for the bottom 40% generated by investments in agriculture sectors are mostly due to sector-wide wage increases rather than job creation.

Services, transportation, and communication

Investments in these sectors generate sizeable income gains for the bottom 40%, mostly due to job creation for individuals who were previously not working.

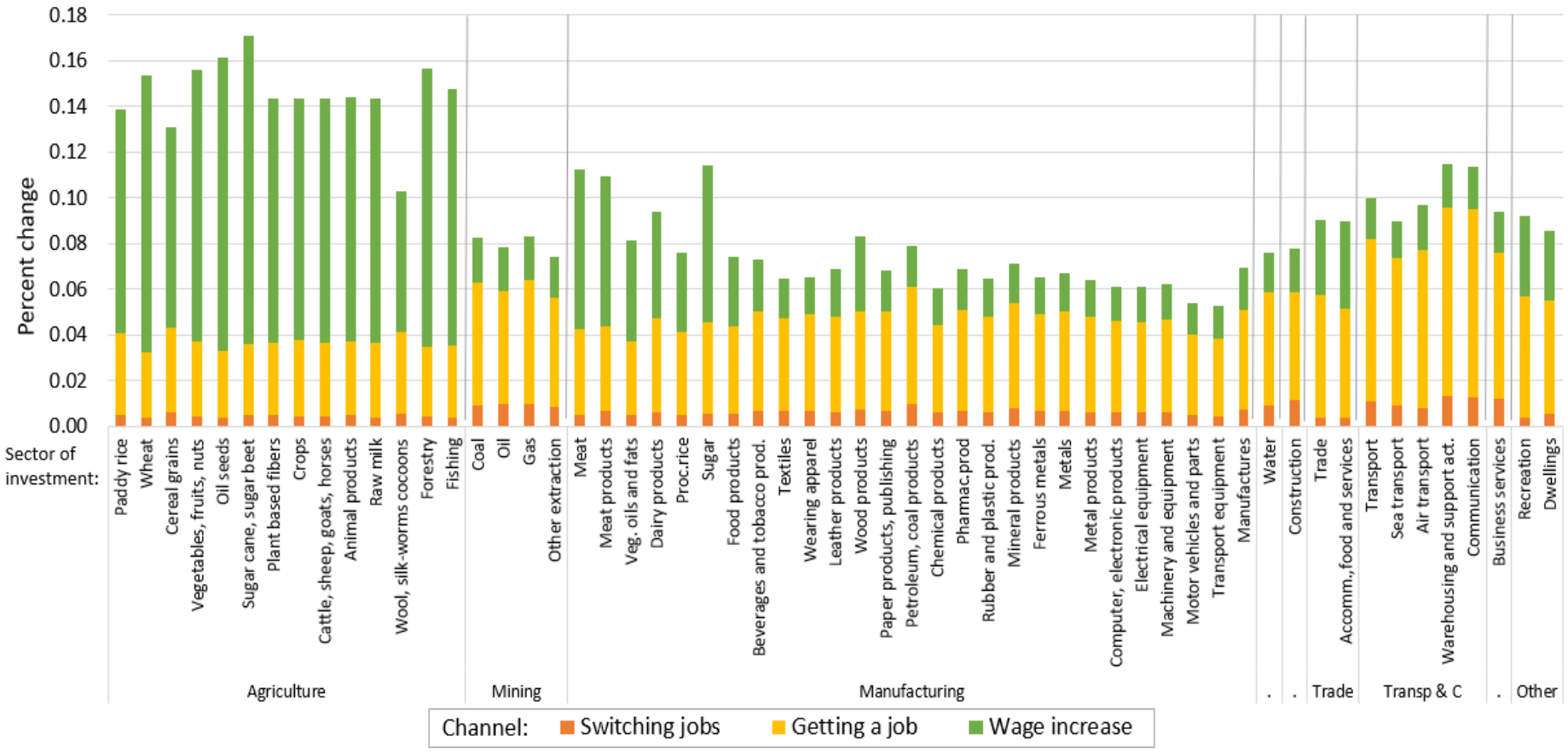


Each marker represents the total impact on poverty and income in the sector in response to $100 mln. increases the domestic output in that sector

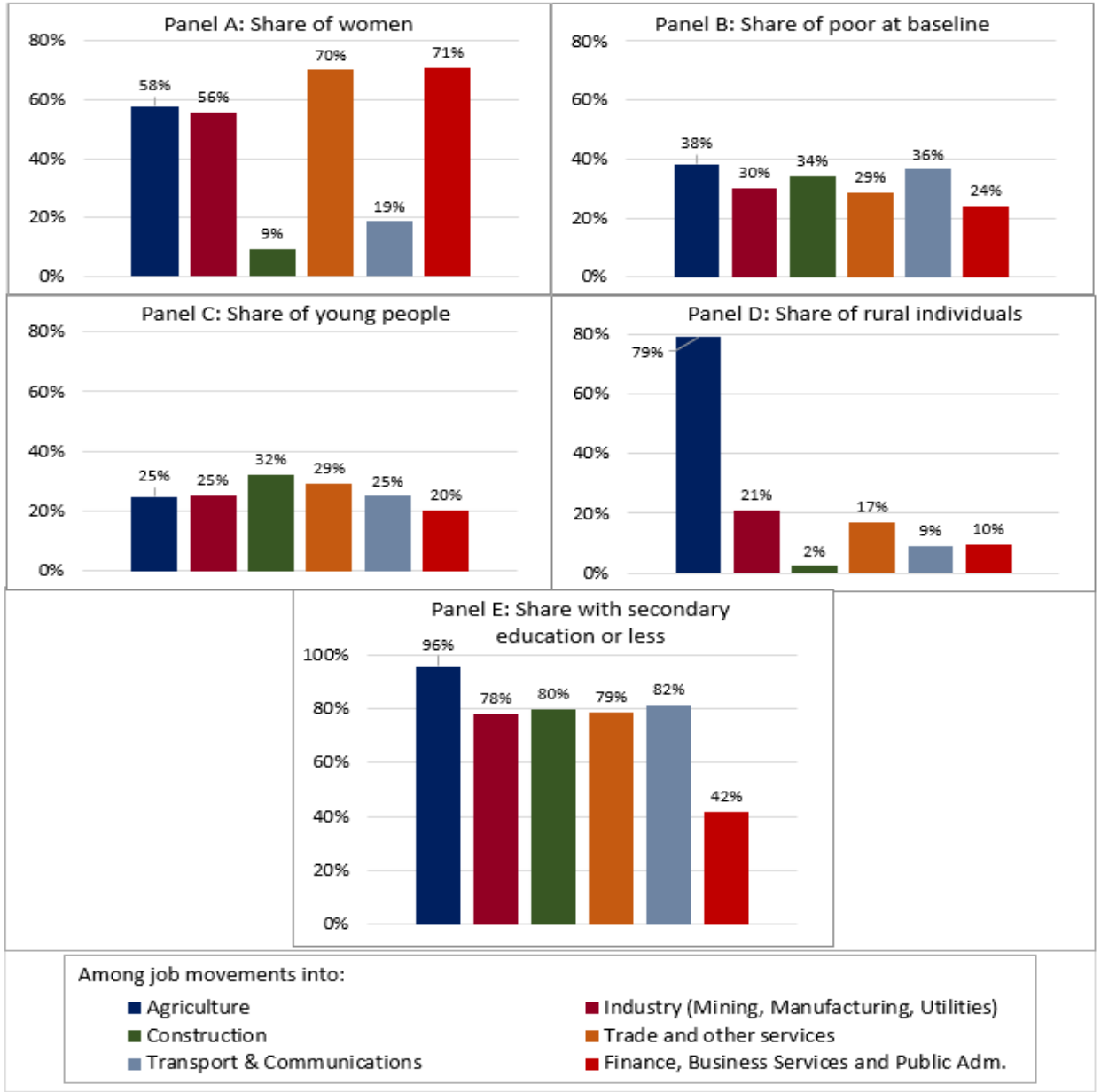
Distributional Impact Assessment: Colombia – Impact on income changes

% Change in Per-Capita Income for Bottom 40%

By channel: Wage increase, getting a job, switching jobs



Distributional Impact Assessment: Colombia, cont'd



Average Share of **Demographic Characteristics** among **Job Takers** Across all Investments

According to sector where job was created

Global Job Quality Measure

Measuring Jobs that Matter for Development

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Global Job Quality Measure (JQM)

Motivation

- **Higher quality employment is associated with higher productivity and with raising the living standards of individuals** (World Bank, 2012)
- **Measuring and monitoring the quality of employment has proven to be an elusive quest**, and the few available indicators are not amicable to (valuable) disaggregation nor are they standardized across countries
- **Jobs and Economic Transformation in IDA20 - Transformation for more and better jobs:** IFC's IDA19 Policy Commitment #12, confirmed in IDA20: […] track direct jobs and estimates of indirect jobs associated with all IFC PSW investments. Where feasible, **jobs reporting will be disaggregated by the quintile, gender, FCS, disability and youth.**

Contribution

- **Develop a measure of job quality that can gauge and track labor market development across developing countries**
- **Derived from microdata which can be disaggregated by sociodemographic groups, across industries and location:**
  - Valuable to investigate characteristics about employment that are correlated with poverty and livelihoods
  - Combined with other information on local context, can also allow further research on the determinants of good jobs and help assess the development impact beyond job creation

Global Job Quality Measure:

Measuring Jobs that Matter for Development

JOB QUALITY Measure

INCOME

Labor earnings enough to lift family out of poverty

Earnings above:
$1.90, $3.20 or $.5.50 PPP 2011 / DAY
(WB poverty lines for different income groups of countries)
x
Dependency ratio of 1.5 (Anker, 2011)

BENEFITS

The job provides *at least one* of the following benefits:

Health insurance,
Pension,
Social security,
Annual leave,
Sick leave

STABILITY

The job has *at least one* of the following qualities:

Permanent job,
Employer is formal,
Based on written contract

WORKING CONDITIONS

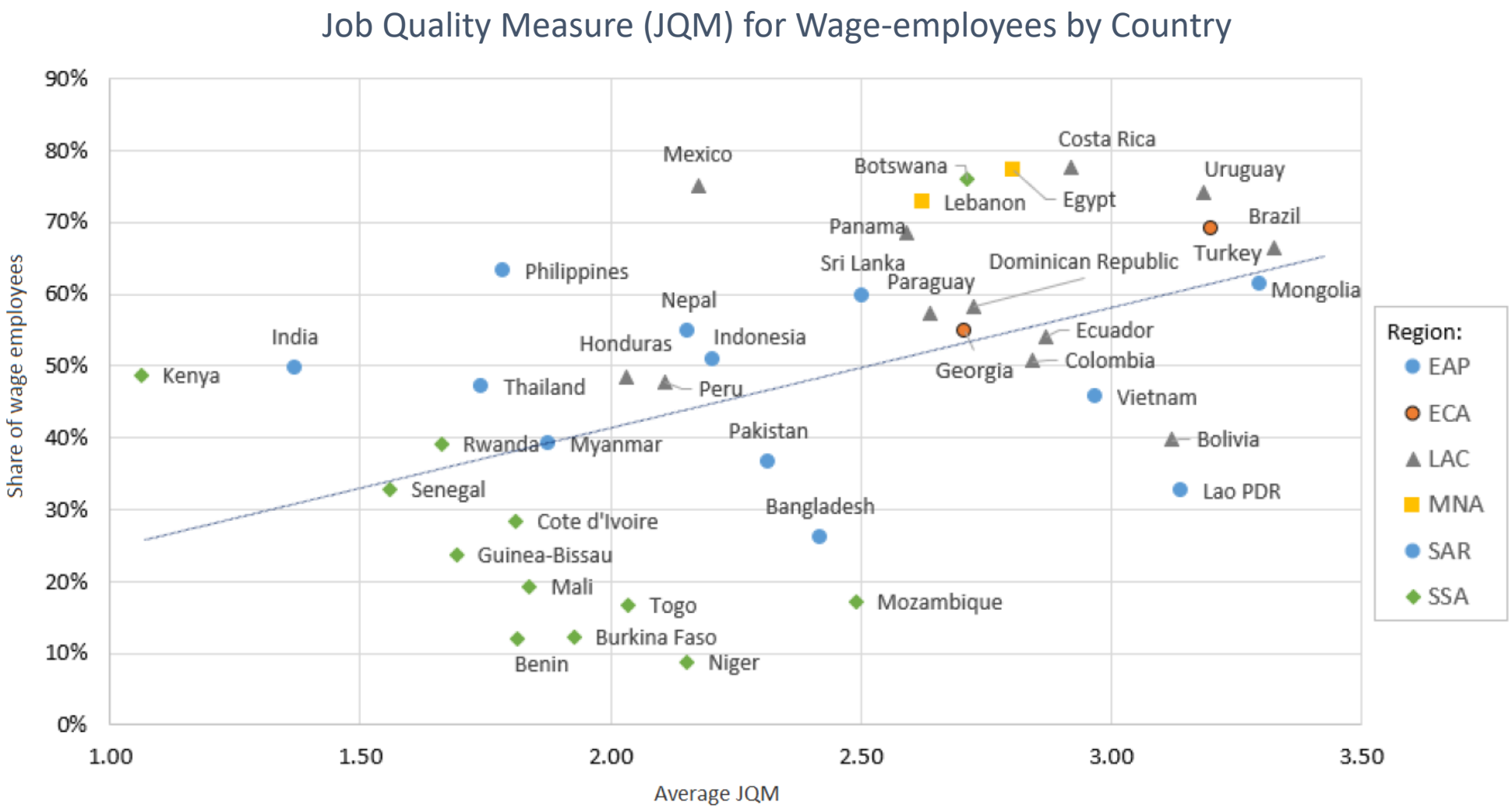
The worker does not:

Work excessive hours,
Would like to work more,
Nor has a second paid job

- **All four job quality dimensions are aggregated into a single measure which counts the number of dimensions in which the worker is successful.**
- **Aggregation follows well-known Alkire-Foster (AF) method**

Global Job Quality Measure (JQM) for Wage-employees

JQM is constructed <u>only for wage employees</u>: large share of wage employees is associated with a high JQM.



Global Job Quality Measure (JQM): the relevance of considering all dimensions

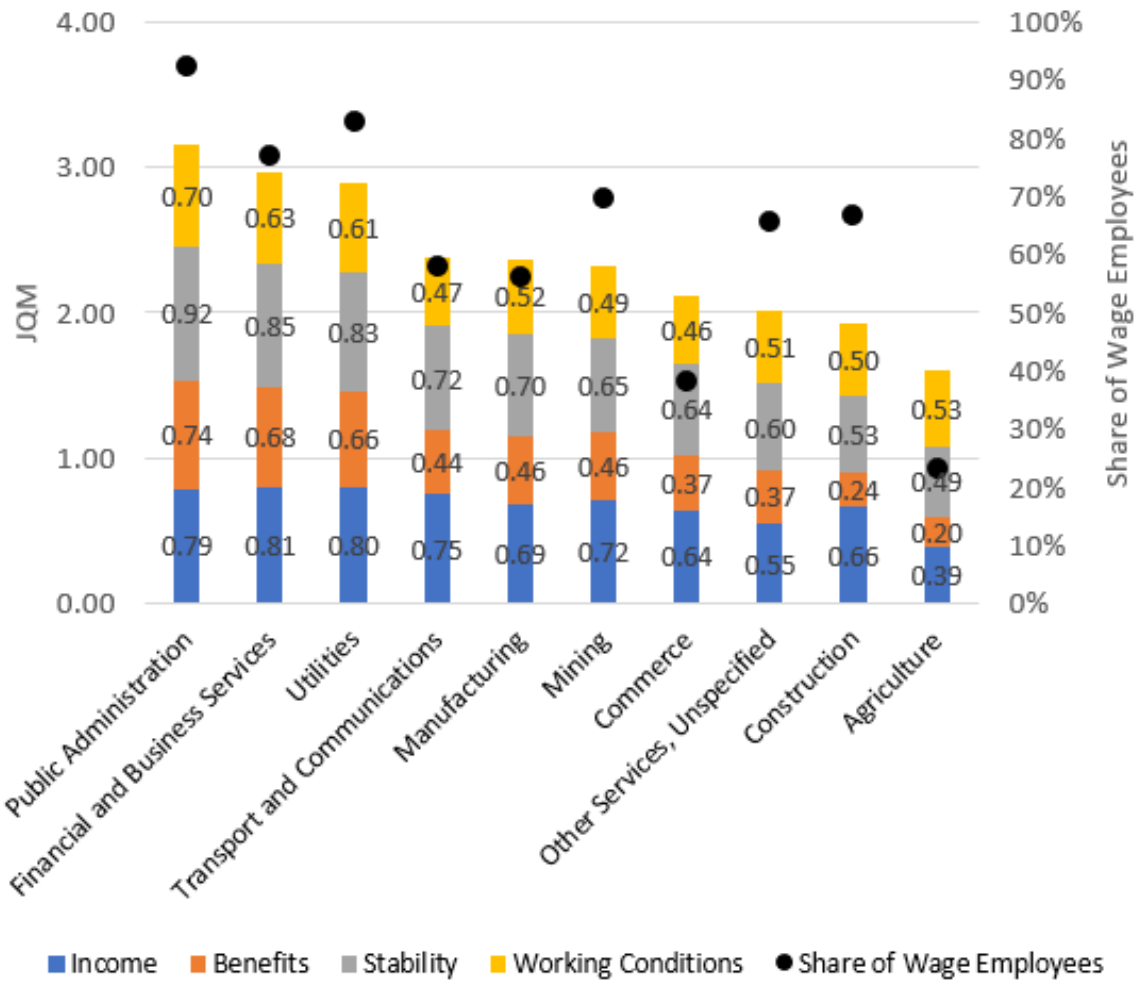
- **JQM results can differ from those from commonly used single indicators**

Comparison of industry sector ranking by type of indicator

Single indicator: formality			Composite indicator: JQM			Single indicator: Income		
Industry sector	Ranking	Share formal	Industry sector	Ranking	Average JQM	Industry sector	Ranking	Median income
Public Adm.	1	100%	Public Adm.	1	3.35	Public Adm.	1	$ 7,674
Fin & Business	2	76%	Fin & Business	2	3.03	Utilities	2	$ 7,102
Utilities	3	74%	Utilities	3	2.92	Fin & Business	3	$ 6,955
Transp & Comm.	4	59%	Transp & Comm.	4	2.37	Mining	4	$ 6,526
Manufacturing	5	51%	Mining	5	2.34	Transp & Comm	5	$ 5,806
Mining	6	48%	Manufacturing	6	2.28	Other Services	6	$ 5,431
Commerce	7	48%	Other Services	7	2.14	Construction	7	$ 5,046
Other Services	8	40%	Commerce	8	2.03	Manufacturing	8	$ 4,817
Construction	9	30%	Construction	9	1.89	Commerce	9	$ 4,725
Agriculture	10	21%	Agriculture	10	1.50	Agriculture	10	$ 2,889

- For example, relative to the median-income based ranking, manufacturing moves up two positions and construction moves down two positions according to the JQM based ranking
  - JQM accordingly rewards or penalizes these sectors based on their scores in other dimensions

Global Job Quality Measure (JQM) by Industry



Income

There are some sectors, like construction and mining, that have a relative high score in this dimension relative to their scores in other dimensions

Benefits

This is the dimension that shows greatest variation between the higher-skilled sectors and lower skilled sectors

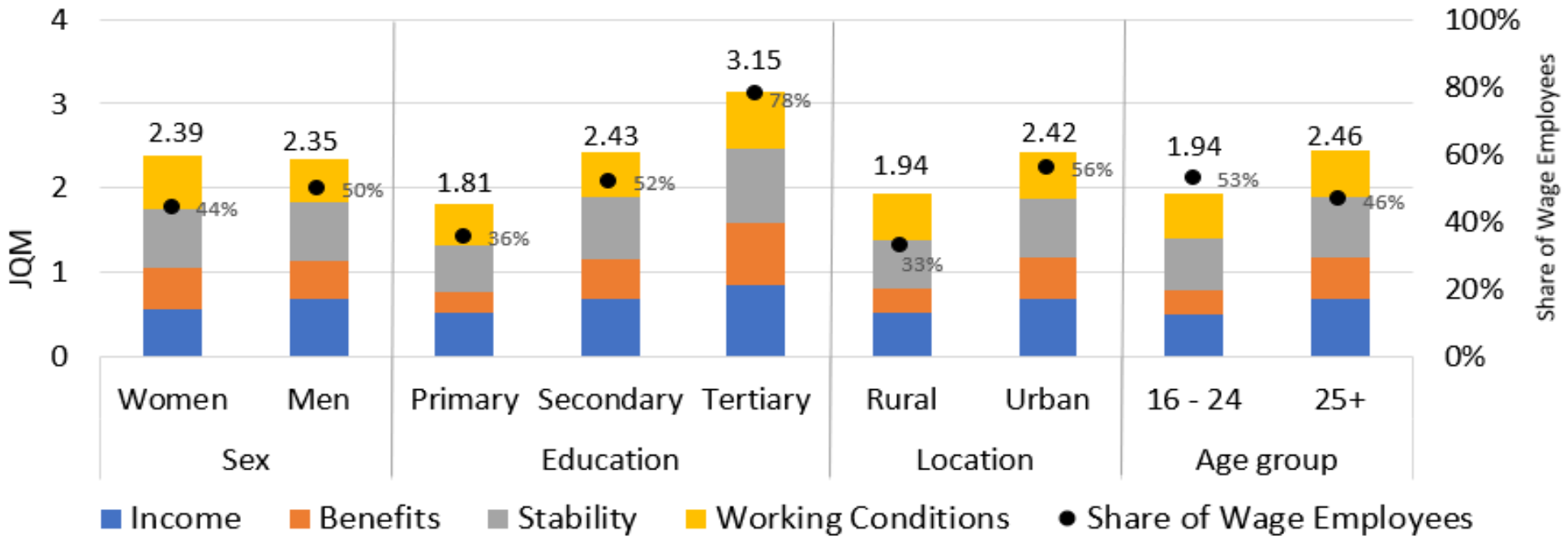
Stability

Public administration, utilities, and financial and business services have very high levels of stability (above 0.8) while agriculture and commerce have around 0.5

Working Conditions

This dimension, while higher in the higher skilled sectors, does not change as much between high-skilled and low-skilled sectors as do the other two non-monetary dimensions.

Global Job Quality Measure (JQM) by Sex, Education, Location, and Age



By sex

JQM **similar** between men and women, but **men** fare considerably better in the **income dimension** while **women** fare better in the **working conditions** dimension

By education

Starkest gradient: average JQM of those with tertiary education is **30% higher** than for those with secondary education and **74% higher** than for those with primary education

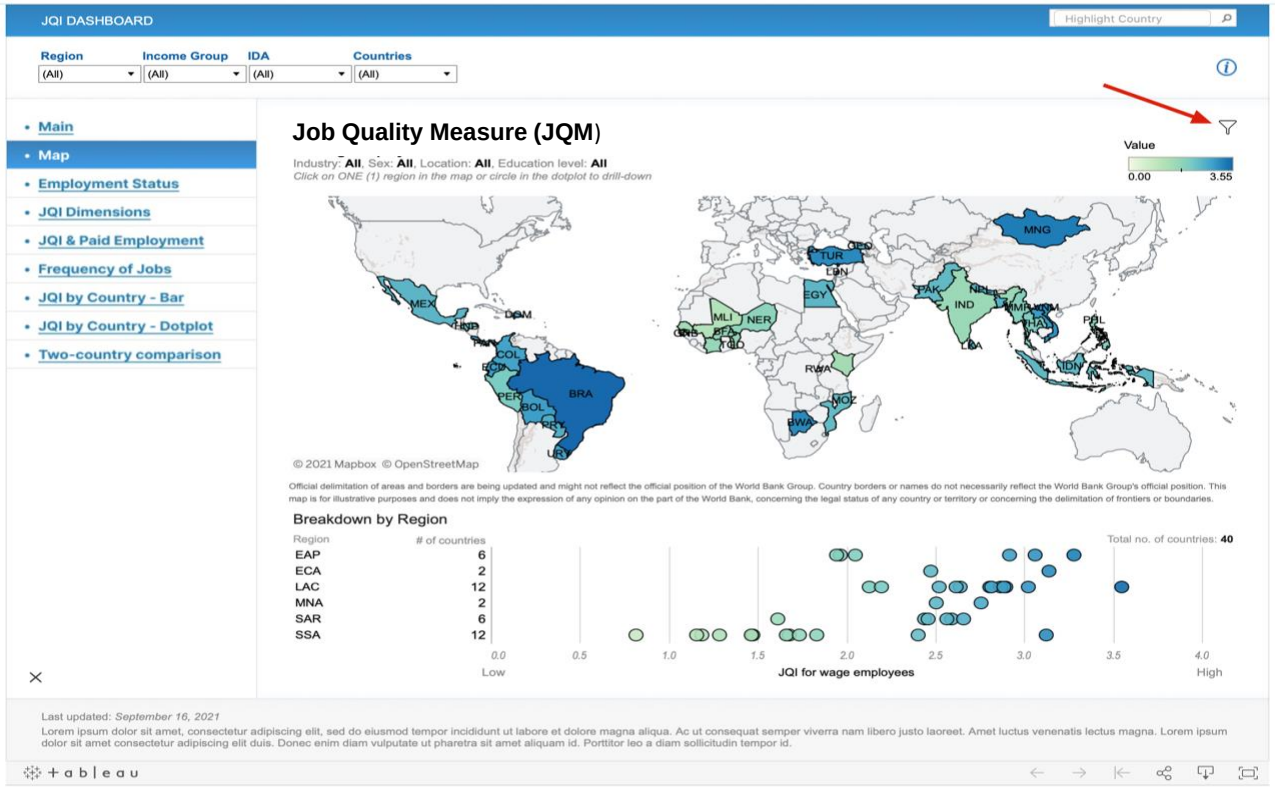
By location

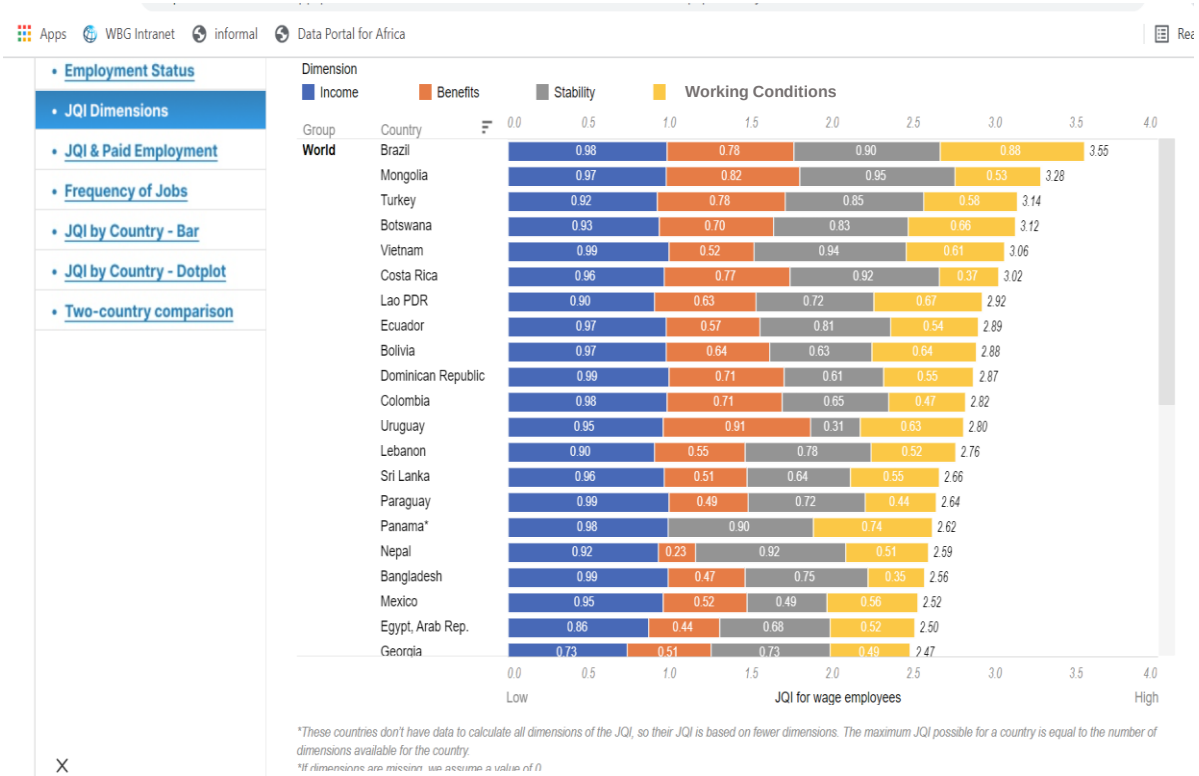
By age group

Similar gradient: average JQI of urban and older individuals is on average 25% higher than the average JQI of rural and younger individuals respectively

Greatest difference: benefits dimension

Global Job Quality Measure (JQM): Dashboard





DISCUSSION
Q & A