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13 – JOBS AND LIVELIHOODS

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ISSUE PAPER ON JOBS AND LIVELIHOODS

KEY WORDS

Employment, jobs, livelihoods, decent work, productivity, urban form, infrastructure, inclusive growth

Cities and towns will be unsustainable if their residents do not have productive, decent jobs to support their lives. There are many challenges related to employment creation and improvement of employment conditions. While such themes are very broad, this paper limits its focus to key information that will help improve the understanding of the status and existing challenges in urban areas with some recommendations for local action. It is beyond the scope of the paper to address in depth all facets of jobs and livelihoods.

MAIN CONCEPTS

- **Decent work:** Decent work sums up the aspirations of people in their working lives. It involves opportunities for work that is productive and delivers a fair income, security in the workplace and social protection for families, better prospects for personal development and social integration, freedom for people to express their concerns, organize and participate in the decisions that affect their lives and equality of opportunity and treatment for all women and men.
- **Gender pay gap:** The phenomenon whereby men are paid more than women for work of equal value. The gap is the difference between pay that remains after the variables of experience, education, occupational category, economic activity, location and work intensity are removed.
- **Inclusive growth:** Increasing the pace of growth and enlarging the size of the economy, while leveling the playing field for investment and increasing productive employment opportunities for all.
- **Livelihoods:** A set of activities, involving securing basic needs, working either individually or as a group using human and material endowments. The concept of sustainable livelihood goes beyond the conventional definitions and approaches to poverty eradication. Employment is a necessary means to secure one's livelihood.



FIGURES AND KEY FACTS

- Employment and decent work are central to the achievement of inclusive, sustainable development. Stronger targeting of urban areas in terms of investments and subsidies is needed in order to generate more and better jobs and to address decent work deficits.
- Over 60% of GDP in most countries comes from urban-based economic activities, with the share reaching 80-90% in developed countries. Some 75% of future GDP growth is expected to come from cities and towns.¹
- Inequality and poverty have a drag effect on economic growth. Developing countries that have promoted decent work have experienced faster economic growth as well as declines in poverty. As the share of wage and salaried workers in the labour force increases, productivity also increases.²
- Youth unemployment, at 13% globally, is three times the adult rate, with young women more affected than young men.³ Even if employed, youth are often challenged with lower salaries and underemployment, and barriers to progress to better jobs.
- Informal employment makes up over half of non-agricultural employment in most developing regions, and is often a greater source of jobs for women than men.⁴ Informal employment is often characterized by poor working conditions and lack of access to social protection (see Issue Paper on Informal Sector).
- Small and medium size enterprises (SMEs) provide two thirds of formal sector jobs in developing countries, and up to 80% in low-income countries.⁵ Urban areas facilitate clustering, which enables SMEs to benefit from economies of scale, and increase investment and job creation.

ISSUE SUMMARY

Employment creation is fundamental to sustainable urban development. Although urbanization is acknowledged as a major driving force, urban policy and investment are often weak or absent from national development strategies and sectoral policies for economic transformation. National economic policies tend to focus on employment in general and do not link jobs to cities and towns. This was particularly true in the national economic stimulus packages of developed and developing countries after the 2008-2009 global economic crisis. Without targeted national urban policies, opportunities to link industrial areas to urban development will remain under-exploited.

¹ World Bank, *Reshaping Economic Geography: World Development Report*, (Washington: The World Bank, 2009)

² International Labour Organization (ILO), *World of Work Report 2014 Developing with Jobs*, (Geneva: ILO, 2014).

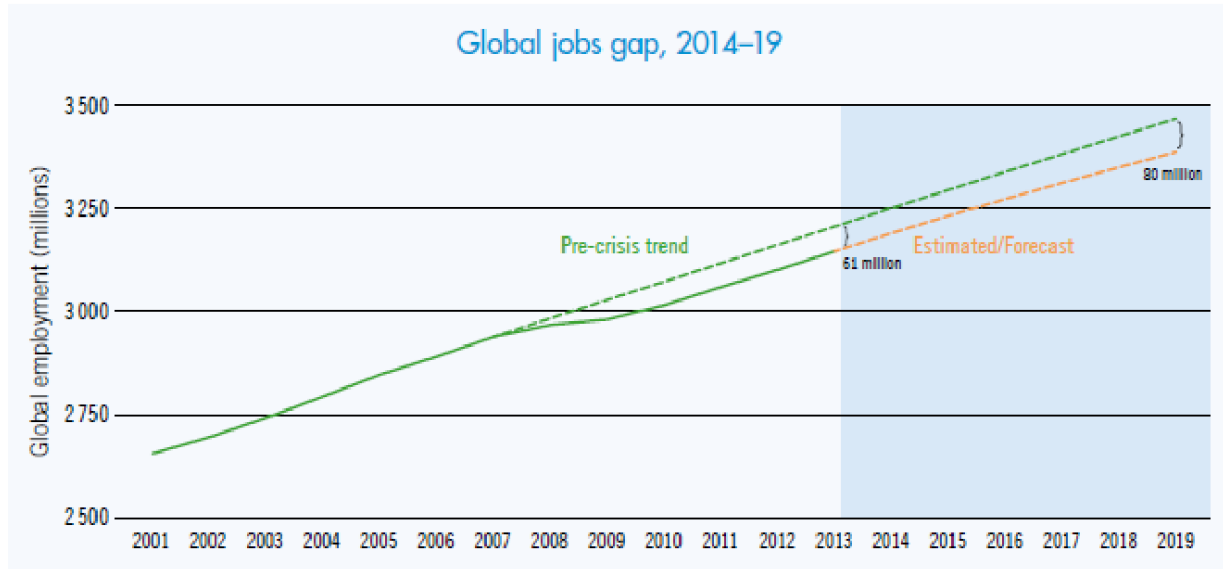
³ ILO, *World of Work Report 2014 Developing with Jobs*, (Geneva: ILO, 2014).

⁴ WIEGO reports

⁵ ILO, *Is small still beautiful*. (ILO: Geneva, 2013)



Figure 1



Note: The figure shows the evolution of global employment and its current forecasts until 2019 (solid and orange line) in comparison with employment growth as expected prior to the crisis in 2008 (green dashed line).

Source: ILO, *Trends Econometric Models*, October 2014.

1. Without good planning productivity and employment creation are constrained. Cities are engines of growth, yet they could be much more productive and effective in generating employment and livelihood opportunities. Urban areas must overcome the constraints of infrastructure deficiencies, ineffective and costly regulation, weak local governments, and the lack of adequate mechanisms for long-term finance. Cities should plan in advance for urban population growth and demographic dividends with a view to fostering job creation and the development of social capital that is inclusive of women and youth.

Poor planning, negative externalities, and disconnects between public and private investment result in ineffective economic multipliers, low productivity, weak investment, and slow job creation (see Figure 1 for jobs). Economic activities in cities such as Kuala Lumpur are slowed down by excessive regulation in the construction sector.

Transport efficiency has major consequences for productivity, investment, supply chains, and the creation of decent jobs. Bangkok is mired down in its traffic, losing four per cent of GDP because of congestion. If workers have to travel two hours each way to their work in the Gauteng or Cape Town metropolitan areas in South Africa or in metropolitan Atlanta, or Mexican workers in maquiladoras in Ciudad Juarez have to use 29 per cent of their income for urban transport, the transport system represents a significant constraint on the welfare and productivity of workers. Poorly planned transport also impedes families from sending their children to school, going long distances on expensive buses, as in Dakar. At the same time, the poor are often forced to live in peripheral locations, with high commuting costs putting them at a further disadvantage.



If public investment does not help to create public goods, it will not “crowd in” or mobilize private investment. The active role of public investment in Brazilian cities such as Belo Horizonte and Porto Alegre shows how public spending can create the framework for private investment.

2. Lack of Investment in infrastructure hinders job creation and skills development among workers. Lagging job creation in the formal economy reflects infrastructure deficiencies at the city level. Research at the firm level in Bangkok, Jakarta, and Lagos, among other cities, shows that public infrastructure deficiencies such as water supply, electricity, sanitation, transport, and solid waste management are met by private investment at the firm level, consuming from 12 to 35 per cent of their gross fixed investment, in effect acting as an additional tax on firms and undermining their profits.⁶ When cities such as Dhaka or New York lose their electricity, their textile factories or their financial institutions cannot work. When San Francisco or Sao Paulo face severe water shortages, their manufacturing processes are much less productive.

Infrastructure investment provides much needed employment, particularly for youth, stimulates private sector growth, and promotes local economic development. USD 1 billion spent on large infrastructure projects in advanced economies created about 28,000 jobs, both directly and indirectly roughly in equal proportions. Infrastructure spending in developing countries has much greater impact on jobs creation. For example, USD 1 billion spent on infrastructure in Latin America can create about 200,000 direct jobs.⁷

Adequate investments in rural-urban infrastructure, particularly transportation and communication infrastructure, also improve rural productivity and allows better access to markets, jobs and public services in both areas. Linkages between urban and rural areas in the form of division and/or exchanges of labour, value chains and capital transfers affect the economic and social development of both areas. There is a positive relationship between adequacy of infrastructure connecting rural and urban areas; ease of mobility; access to jobs and livelihood opportunities; and enhancement of urban food security and incomes.

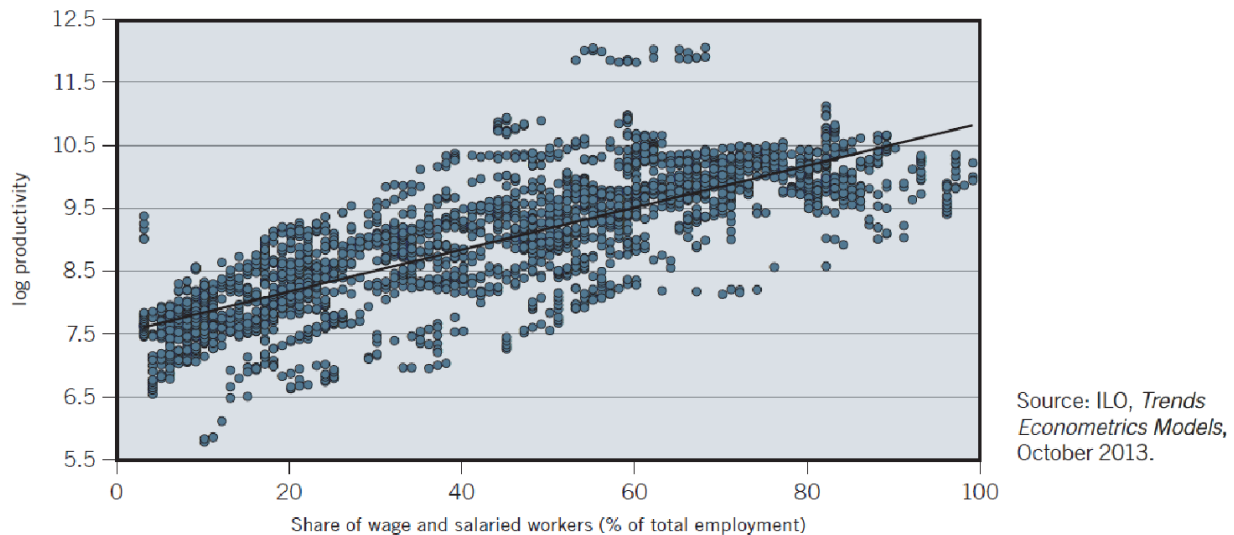
3. Poor working conditions have a drag effect on economic growth. Where decent work is promoted, developing countries have experienced faster economic growth and higher productivity as well as declines in poverty (see figures 2 and 3). The urban economy’s share of GDP will determine national growth and development performance in all countries.

⁶ A. Anas and KS. Lee, “Costs of Infrastructure Deficiencies for Manufacturing in Nigerian, Indonesian and Thai Cities”, *Urban Studies*, (November 1999) Vol. 36 no. 12, pp. 2135-2149

⁷ ILO, *Global jobs Pact Policy Brief No. 1. Investments in infrastructure: an effective tool to create decent jobs*, (ILO: Geneva, 2010)



Figure 2

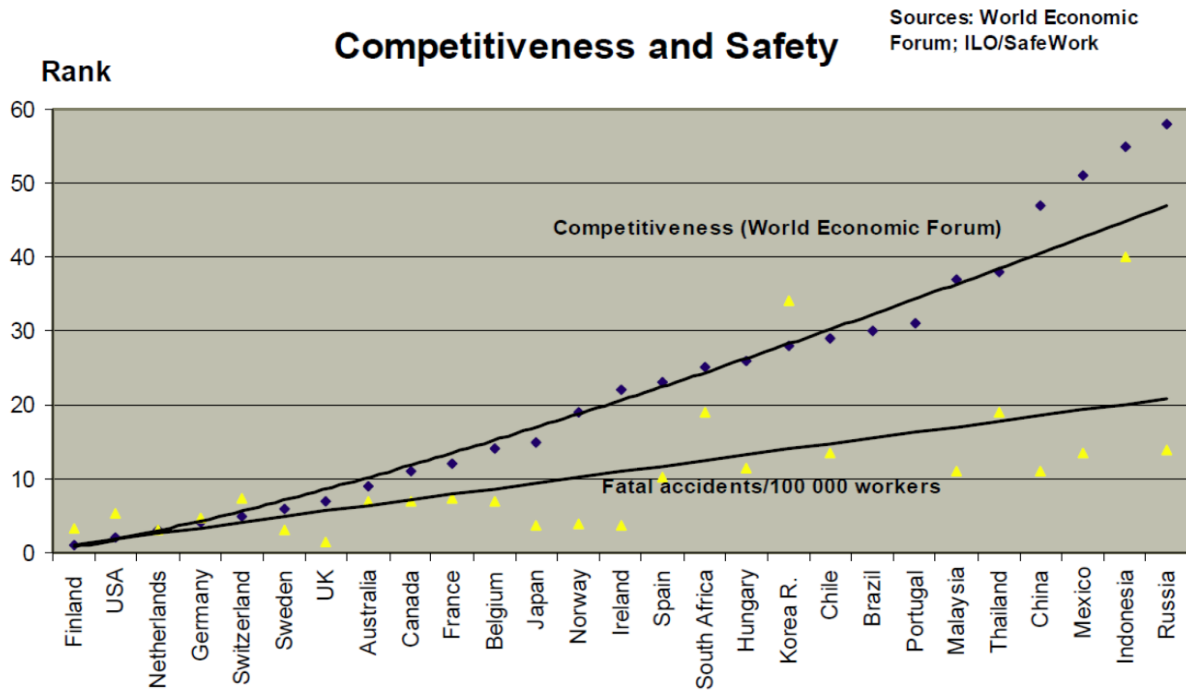


The ability of urban economies to generate jobs and surpluses and consequent tax revenues to finance public expenditures will be essential for achieving the ambitious post-2015 sustainable development agenda. Increasing investment to generate employment is a critical priority that must be addressed at all levels. Enhancing use of public private partnerships can expand benefits of investment while reducing barriers to business startups and growth of existing firms. Strong urban economies generating decent work for all will be necessary to achieve proposed SDG Goal 8 on sustained and inclusive economic growth, full and productive employment and decent work for all; and Goal 11 on making human settlements inclusive, safe, resilient and sustainable.

High levels of unemployment, informal employment and other decent work deficits, indicate the need to generate not just more jobs, but decent jobs. The working poor are often subject to dirty, difficult and dangerous conditions. It is necessary to improve working conditions, provide social protection, respect labour rights, provide freedom of association and promote social dialogue for all. Urban public works can provide an integrated approach to promote decent work.



Figure 3



4. Lack of opportunities for youth and women continue to hinder the urbanization we want.

Demographic trends in industrialized countries have resulted in predominantly urban societies with low fertility and mortality rates. Many lower income countries are in transition and have younger populations with high shares of people aged between 15 and 29 years.

A young population can be an asset for economic development as the labour force is growing more rapidly than the population depending on it. High levels of youth unemployment and underemployment represent a significant loss in potential contribution to GDP, a missed opportunity, with cities unable to fully use employment as a basis for wealth creation and an instrument for equitable distribution of wealth.

Urbanization has also created gender-differentiated impacts, including in employment. Women have lower labour force participation rates than men, and are overrepresented in lower paid, informal and vulnerable jobs. Legal and regulatory barriers to female participation in the labour market persist, and discrimination or traditional expectations can add further barriers. Yet relative social mobility within urban areas gives women new opportunities. Promoting gender mainstreaming in policy and programming is an essential part of urban development, and will have a significant impact. If the employment participation and wage gaps between men and women were closed, women would increase their income by up to some 76 per cent, adding up to a



global value of US\$17 trillion.⁸

KEY DRIVERS FOR ACTION

Employment is at the core of sustainable urbanization and must be integrated into national and local urban policies. This means:

- Strengthening data collection to promote evidence based policy on job creation, including through better collection of social indicators disaggregated by geography, age and sex by local, national and global urban observatories.
- Developing new spatial forms for cities to promote decent job creation. Urban areas that are higher density and well connected; that integrate work and residence; and reduce transport costs facilitate job creation.
- Creating an enabling environment for urban job creation through investment in education and skills linked to labour market demand; investing in labour intensive and growth industries including housing and infrastructure; and promoting a business environment that encourages investment, entrepreneurship and innovation.
- Harnessing the urban demographic dividend is critical for increased productivity and prosperity in cities. Youth need access to skills development to enable full and effective participation in the urban economy, as well as an enabling environment promoting economic inclusion and entrepreneurship.
- Promote gender equality and women's empowerment through effective mainstreaming in policy, access to skills development and financial services.

PLATFORMS AND PROJECTS

Decent work on urban food markets and city-to-city cooperation Durban-Maputo

- In September 2013, an initiative to promote food security through decent work was successfully concluded. Decent and productive employment in the food system can have positive impacts on food security. The International Labour Organization (ILO), in partnership with United Cities and Local Governments (UCLG), focused on an exchange between Maputo, Mozambique and Durban, South Africa with the overall objective of promoting food security by addressing decent work challenges in the food system and improving urban food markets. Activities included technical visits, knowledge exchange, peer-to-peer consultations and technical training to market workers and local government officers.

Project 16/6 Port-au-Prince, Haiti

⁸ Actionaid, *Close the Gap! The cost of inequality in women's work*, (2015) p. 9.

www.actionaid.org.uk/sites/default/files/publications/womens_rights_on-line_version_2.1.pdf (accessed 27 May 2015)



- Project 16 neighbourhoods/6 camps (Project 16/6) is designed to facilitate the return of internally displaced persons (IDPs) to their places of origin. Currently, an estimated 400,000 people are still living in tents around Port-au-Prince following the devastating 7.0-magnitude earthquake of January 2010. The project offers residents and returnees durable housing solutions. It also helps to improve living conditions through better access to basic services and income-generating activities.

Start and Improve Your Green Construction Business

- The Start and Improve Your Green Construction Business training is a green sectoral business development programme that aims to support emerging and established entrepreneurs who wish to engage in the green building construction sector.

Generating employment and improving labour conditions in cities hosting mega events.

- The hosting of mega events in cities throughout the world is frequent and recurrent – the Olympic Games, world and regional soccer cups, cups of other sports, Commonwealth Games, Pan-regional Games, etc. Preparation for these games often entails significant urban works in the host cities, with the potential to boost the economic sectors directly and indirectly involved in the tournaments. A large number of the host cities, especially in developing countries, face significant problems related to labour, such as unemployment, under-employment and inappropriate working conditions. Urban poverty is intrinsically related to such problems. The ILO implemented an initiative to promote Decent Work in the World Football Cup in Brazil in 2014. It led to at least eight cities which established Decent Work “Pacts”. Given the magnitude and visibility of the World Cup, good practices will leave a legacy. Further activities have been implemented in the preparation for the carnival in Salvador 2015, and the 2016 Olympic games in Rio. The ILO is also designing a manual that could be applied in other major events worldwide.

This Issue Paper has been elaborated with contributions of UN-Habitat, ILO, WFP, UNDP and CBD.