



THE WORLD OF WORK

Employment, Entrepreneurship, & Job Creation Approach & Principles

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Overview

Jobs. From Africa to the Middle East and across the Americas, adults and youth alike are searching for meaningful work and a decent income. Global unemployment figures are staggering, with rates reaching as high as 50% in countries like Yemen. Particularly for those in emerging markets, and especially for youth and women, the prospects of finding decent, safe, and equitable work are often severely limited or are accessible by only a small portion of the population. In 2016, close to 71 million youth worldwide were unemployed.¹ In that same year, more than 600 million youth were not involved in education, employment, or training.² Over the past few years, economic inequality and inadequate job opportunities have fomented tensions across the globe, often exacerbated by conflict, mass migration, and displacement. Although governments and the international development community have responded to the jobs challenge in various ways, what most agree on is this: Unemployment is a critical issue in developed and developing countries alike. Failure to effectively address these issues now will impact the global economy for years to come.

¹ Global Youth Unemployment is on the Rise Again (UN, 2016).

² World Bank, 2016.

**Mercy Corps' employment programs are more than just training:
We promote relevant, demand-driven skills and ensure linkages to safe, decent, and equitable work.
Beyond focusing on supply and demand, we also address the enabling environment and the
informal norms that often influence labor market participation.**

Mercy Corps' Theories of Change

Mercy Corps views the employment challenge as an opportunity rather than a crisis. Our Theories of Change reflect the importance of finding local, sustainable solutions to widespread unemployment and underemployment and promoting efficient and effective labor market systems rather than short-term interventions.



If job creation occurs alongside building transferable and market-driven technical skills within a supportive enabling environment, individuals are more likely to secure safe, decent, and equitable employment.

We know that labor markets are complex and dynamic; therefore, we cannot work with jobseekers, employers, or any other stakeholder in isolation. To improve the economic situation of individuals, we first ensure that programs and interventions are responding to the actual needs of the market and availability of jobs. All technical and business trainings must reflect market demands and the needs of potential employers. Furthermore, Mercy Corps believes that employability and skill-building activities (supply) must occur hand-in-hand with job creation initiatives (demand). We can't train individuals for work and place them in jobs that don't exist. Complementing market-driven technical skills, jobseekers need transferable skills (such as effective communication, financial literacy, etc.) to assist them in finding steady employment and navigating other life transitions. Finally, we address the enabling environment and the cultural, gender, and social norms that often play a large role in hiring practices, perceptions of employees and the private sector, etc.



If aspiring entrepreneurs and those seeking self-employment have access to inputs and appropriate services and operate a sound business concept within a supportive enabling environment, they are more likely to achieve success in starting, growing, and maintaining a profitable business.

Due to both necessity and opportunity, many individuals are interested in self-employment and entrepreneurial pathways. However, in environments that lack adequate services, easy access to reliable market information, relevant training, and mentors, this journey can be extremely difficult. In any context, appropriate business and financial services must complement a supportive enabling environment (ease of registering businesses, etc.) to allow more individuals to succeed as entrepreneurs. Additionally, aspiring entrepreneurs must have well-researched business concepts, possess the acumen to make sound business decisions, and demonstrate personal resolve when faced with the frequent roadblocks often associated with self-employment and entrepreneurship.

Our Principles of Engagement

1. Start with the market

Any program focused on improving labor market outcomes must first understand the health of the private sector and the current landscape for both employment and self-employment. Therefore, labor market assessments are the first step to designing impactful employment, entrepreneurship, and job creation initiatives. These studies typically identify supply side factors (current skills of jobseekers, quality of available technical training, etc.) and demand side issues (skills in demand by local employers, hiring trends, etc.) Additionally, an effective labor market assessment will analyze the informal and formal rules that promote or prevent positive labor market outcomes. For example, assessments may uncover gender and cultural norms that govern labor markets, such as the perceptions towards youth and women in the workforce and any social, cultural or religious barriers that prohibit them from equal participation. Assessments should also understand the larger regulatory environment (labor laws, etc.) as it pertains to employment and entrepreneurship. Programs and specific interventions should only be designed after determining the constraints and opportunities in any given labor market system.

2. Match supply and demand

Systemic unemployment is often a result of myriad compounding factors, including the mismatch between jobseekers' skillsets and employers' needs. Traditional employment programs often work to increase income by building skills through vocational training or other non-formal education initiatives. However, this supply-side approach is often not synced with the needs of the market and may overlook the fact that the primary constraint may be a lack of appropriate, available jobs. Even a sophisticated, highly-educated population will struggle to find work if appropriate jobs simply do not exist. After market analysis, Mercy Corps facilitates supply side (training based on local needs) and demand side (job creation through targeted private sector development) initiatives. Mercy Corps' approach to job creation involves facilitating the strengthening and expansion of businesses with high potential for creating employment.

3. Enable the enabling environment

The supply of and demand for labor sit within powerful enabling environments comprised of formal and informal rules and norms. The informal: These rules and norms can play an influential role in both preventing and promoting positive labor market outcomes. For example, gender, social, and cultural norms often impact employers' hiring practices.

Perceptions of young people as professional employees, attitudes towards women in the workforce, and a reluctance to hire people outside of immediate networks are all examples of informal norms that can thwart or propel employment efforts. The formal: Formal rules such as government regulations around business registration processes and requirements, informal work, etc., can be hindrances in securing income. For many refugee and migrant populations, the primary factor preventing work is inability to obtain legal work permits in host countries. While influencing the

THE JOB CREATION CHALLENGE

If the trends of the past decade continue, Africa will create 54 million new, stable wage-paying jobs over the next ten years—but this will not be enough to absorb the 122 million new entrants into the labor force expected over the same period.

McKinsey & Company, 2012

enabling environment and other macro-level issues is often a long-term process requiring the participation of many stakeholders, our programs must understand the role of rules and norms and how they impact job seeking populations for better or for worse.

4. Strengthen portfolios of work

The world of working is changing. Long gone are the days of a single company resume. Not only are short-term jobs on the rise in ‘gig’ economies, but the preferences of job seekers are also changing. Many individuals, youth especially, who enter the labor market are not looking for long-term work, nor are those positions abundantly available in many contexts. Mercy Corps recognizes that ‘employment’ in much of the world is not a singular state, nor is ‘unemployment.’ Rather, many individuals have a ‘portfolio of work,’ or a series of different income streams which come together to provide income, life security, and meaning for the individual, their family and their community. For example, an individual may sell beans at local market once a week, and also receive income from operating a motorcycle taxi business. This same person may also periodically work at a relative’s second-hand clothes shop, as ‘on call’ help during busy periods. These multiple income streams, although not providing formal employment, come together to provide the individual with a portfolio of work (also often referred to as mixed livelihoods or poly-employment). Mercy Corps believes that this definition is rooted in practicality and the reality of many economies. Our programs are therefore unlikely to follow a narrow path that moves an individual from ‘unemployment’ to formal ‘employment,’ as many individuals are already working to some degree and most economies do not have an adequate number of formal sector jobs. Our programs are grounded in the reality of the situation on the ground and support people in 1) strengthening the breadth and diversity of their portfolios; 2) by making work more regular and meaningful; and 3) by increasing chances for higher income.

5. Understand entrepreneurship

Due to both necessity and opportunity, many individuals turn to self-employment and entrepreneurship to meet their income needs. However, both carry considerable risk of failure. While we often promote self-employment and entrepreneurship, we do not see these pathways as a panacea to a lack of jobs, unemployment, or underemployment. Instead, we recognize that three conditions must ideally be in place to support successful, sustained self-employment and entrepreneurship:

- Individuals should have access to appropriate services, such as financial services.
- Individuals should operate within a supportive enabling and regulatory environment.
- Individuals must demonstrate sound business acumen and a viable, thought-out concept.

When the above factors are aligned, Mercy Corps supports self-employment and entrepreneurship. However if one of the elements is not present, our interventions may not only be unsuccessful but may also exacerbate the frustrations of aspiring entrepreneurs. For example, in countries where the regulatory environment presents seemingly insurmountable obstacles (such as inability to register new businesses) we should not promote entrepreneurship without also aiming to address these larger enabling environment constraints. We recognize the power that the self-employed and entrepreneurs play in a labor market – we know that strengthening new and existing businesses and enabling them to expand networks, diversify, grow, and expand is the true pathway to real private sector job creation.



We believe that the entrepreneurs of today are the employers of tomorrow.

6. Layer the technical with the transferable

Individuals need demand-driven skills so they can fill gaps in the local economy. Mercy Corps understands the needs of local employers via labor market analysis and then facilitates technical training opportunities through existing technical or vocational centers. In addition to promoting sector-specific skills, Mercy Corps understands the importance of transferable, or life skills, which often include effective communication, leadership, and decision-making skills. Today's employers place a strong and sometimes higher emphasis on these skills that are often not taught in formal education systems. Transferable skills are often critical in conflict and post-conflict environments where many individuals may have a limited or non-existent employment history. Ideally, employability programming will include a blend of demand-driven technical skills training with transferable skills development so that jobseekers are fully equipped to enter the labor market as competitive candidates.

› MORE THAN INCOME

Mercy Corps understands that jobs are more than just income – they often represent status, a place of belonging, and a sense of purpose and meaning for many individuals. When individuals are not working, the situation may also have deep personal, social, and cultural impacts, in addition to affecting economic status. According to the World Development Report 2013, “Jobs are transformational... Jobs are more than just the earnings and benefits they provide. They are also the output they generate, and part of who we are and how we interact with others in society. Through these outcomes, jobs can boost living standards, raise productivity, and foster social cohesion.”

7. Embrace the informal

In today's world, informal is the new normal. Mercy Corps often works with populations operating in the informal economy rather than the formal economy. Although much depends on context, our approach is not to simply push informal businesses and workers into the formal sphere. When possible, we work to enable small enterprises and entrepreneurs to formally register their businesses with the government, etc. When this process is not feasible or necessary, we work to ensure that informal market actors have increased protections. The constraints of the informal economy can include poor job security, irregular and inconsistent working hours, indecent and unsafe working conditions, lack of access to formal financial services, and limited protection mechanisms for workers' rights, etc. Therefore, we recognize that many market actors can benefit from a more organized and regulated informal economy. When possible, we enable informal actors to build internal systems and processes by linking businesses owners to trade groups or unions, etc., and facilitating access to both formal and informal financial services.

8. Promote safe, decent, and equitable work

Mercy Corps does not endorse any type of work; rather, we promote work that is safe, decent, and equitable. These characteristics of work are particularly important for youth and women and become especially critical in highly informal labor markets and fragile contexts.

- **Safe work:** Mercy Corps promotes safe work, or work that is not hazardous, dangerous, or taking place in unhealthy conditions that can result in injury or death. We also seek to improve safety related to transportation, sanitation facilities, and the inclusion of female mentors and/or staff in the

workplace. Mercy Corps focuses on the larger enabling environment and ensures that private sector partners (employers) are providing safe working conditions for their employees.

- **Decent work:** The inability to find decent jobs can drive individuals towards work that is not only physically unsafe but also exploitative and illegal, such as involvement in the narcotics trade, commercial sex work, or paid participation in militant movements. Although the types of jobs vary in any economy, Mercy Corps promotes legal, decent work that does not threaten the positive growth of an individual, community, or society. We encourage work that is productive, delivers a fair income, provides security in the workplace, and is meaningful.
- **Equitable work:** In many countries, a vast inequity exists between salaries and benefits for people with diverse characteristics and demographic profiles. This is especially true for women – where they perform the same duties and tasks as a man but with a lesser title and lower wages – as well as for different populations within countries experiencing an influx of migrants and refugees. Mercy Corps promotes merit-based employment. We believe in equitable work, where salary and wages are based on responsibilities and performance, regardless of gender, age, ethnic background, etc.

Employment in Fragile Contexts: What We Know

The complexities of getting a job – and even earning income for one single day – take on new meaning in the face of blistering conflict, highly informal economies, mass forced migration and displacement, and political instability. In fragile and conflict-affected contexts, environments are constantly evolving, incentives and power dynamics are often in flux, and the rules of the game of life are frequently changing. Finding decent work, maintaining employment, starting a business and managing an enterprise – these processes become highly unpredictable and grueling in the face of a crisis.

Mercy Corps' foundational principles for the world of work apply in even the most complex, unpredictable environments. In all contexts, we are committed to applying sound, intentional market systems development principles that address supply, demand, and the enabling environment of labor markets. However, while the principles remain steady, our approaches recognize the fluidity of these contexts and their unique characteristics including high informality of work, short-term nature of income opportunities, extreme competition for limited legal job opportunities (particularly in contexts with high numbers of displaced, migrants, and refugees), importance of social capital and trust in hiring practices, increase in child labor, etc.

In these environments, Mercy Corps develops employment-related interventions on the spectrum from fragility to resilience. Our initiatives are agile in responding to the evolving needs of dynamic labor markets. While cash transfer programming may be a starting point during a crisis, we look ahead to build pathways for more comprehensive programming that includes early investments in jobs and labor market development. Using adaptive management approaches, our programs are designed so that they have the ability to swiftly and efficiently 'pivot' activities in response to emergencies or sudden shocks. We believe that change is possible in any environment, even in the most unpredictable labor markets and contexts in the world.

Our definitions

Apprenticeships: Apprenticeships refer to a system by which a learner (the apprentice) acquires the skills and experience for a trade or craft in an enterprise learning and working side-by-side with an experienced craftsman, usually complemented by classroom-based instruction. Traditionally, apprenticeships last one to two years. *(International Labour Organization)*

Employability: A set of skills (technical and transferable), knowledge and competencies that enhance a worker's ability to secure and retain a job, progress at work, and cope with changes in the working environment. *(International Labour Organization)*

Employment: Employment entails labor agreements that generate income in the form of a wage or salary in exchange for a service provided. Employment can be formal and informal, including engagement in agriculture.

- **Full-time employment:** Ongoing employment in which a person works a minimum number of hours as defined by the Ministry of Labor/local government or his/her employer. Full-time employment and number of hours worked varies by context.
- **Part-time employment:** Ongoing employment where hours worked are less than full-time counterparts or less than normal for the context.
- **Seasonal employment:** When the timing and duration of the labor contract is significantly influenced by seasonal factors such as the climatic cycle, public holidays and/or agricultural harvests. Seasonal employment can be part-time or full time.

Internships: Similar to apprenticeships, internships are a form of on-the-job training. However, internships are typically shorter in duration. Length of internships usually varies between four weeks and six months. Internships cover a limited set of skills relevant for an occupation. Mercy Corps recommends that compensation (if any) for an intern should be the responsibility of the employer. *(International Labour Organization)*

Job creation: Employment creation or job creation is the process of generating new wage employment positions in an economy. Mercy Corps promotes job creation by working with high-potential existing businesses to diversify, expand, and grow.

Mixed livelihoods or portfolios of work: When individuals earn income from many sources, from agriculture to casual labor to petty trade and formal work, in part because it mitigates the risk and seasonality inherent in any one source, and because it is often not possible to sustain sufficient income from a single occupation. *(World Bank)*

What is NOT a job? Cash-for-work or similar short-term emergency/, humanitarian interventions or the provision of start-up tools.

Self-employment and entrepreneurship: Being self-employed is the act of generating one's income directly from customers, clients or other organizations as opposed to being an employee of a business (or person). Self-employment can include work in agriculture. We differentiate between necessity driven self-employment (those who start a business to sustain their livelihood by necessity) and opportunity driven self-employment (those who pursue a perceived opportunity and choose to start their own business, despite having the option of generating an income through employment elsewhere at the time of starting or considering to start a business).

Entrepreneurs are a sub-set of self-employed persons who seek to generate value, through the creation or expansion of economic activity, by identifying and exploiting new products, technologies, processes or markets.

CONTACT

Tara Noronha
Senior Advisor | Markets, Economic Recovery & Growth
Technical Support Unit
tnoronha@mercycorps.org

Sasha Muench
Senior Director | Markets, Economic Recovery & Growth
Technical Support Unit
smuench@mercycorps.org

About Mercy Corps

Mercy Corps is a leading global organization powered by the belief that a better world is possible. In disaster, in hardship, in more than 40 countries around the world, we partner to put bold solutions into action — helping people triumph over adversity and build stronger communities from within. Now, and for the future.



45 SW Ankeny Street
Portland, Oregon 97204
888.842.0842
mercycorps.org