Though there is strong consensus that creating jobs is one of the key contributions of the private sector to poverty reduction, there is limited knowledge about which interventions, and in what country conditions, are most likely to catalyze job creation—and which activities are most beneficial to poor people. To address this knowledge gap, the International Financial Corporation (IFC) conducted a meta-evaluation or review of evaluations. The objective was to determine the employment effects of private sector interventions and the tools and combination of tools that can be used to estimate their effect on job creation, to help shape the strategies and operations of IFC and other private sector–oriented development financial institutions. This note summarizes the preliminary findings from the review.

The meta-evaluation examined 33 evaluations from 2000-11 commissioned by IFC and other organizations to address the job creation effects of private sector interventions in four areas: access to finance, access to infrastructure, the investment climate, and skills development and training.

### MAIN FINDINGS

- **Due to the diverse set of methodologies applied across different areas, it is difficult to determine the best approach to estimate the job creation effects of private sector interventions.**

- **Only about 20% of evaluations (33 of 141 evaluations with an employment component extracted from databases of the World Bank Group and other relevant organizations) address job creation. Thus more attention needs to be devoted to this topic.**

- **Improving access to finance can help firms expand their operations, which can have a positive effect on the quality and number of jobs created. The effects tend to be greatest for smaller firms. Combining access to finance with advisory services also tends to have a more positive effect on employment generation.**

- **Improving access to infrastructure has economy-wide positive effects on job creation, but some sectors can be hurt by competition from imports after the construction of roads and ports. The predominant effects tend to be indirect.**

- **Investment climate reforms — particularly business entry/registration reform and investment promotion—tend to lead to the creation of new firms and can have positive employment generation effects. But firms that enter after the reform may be less likely to survive their first two years than firms that enter prior to the reforms. So even though new jobs may be created, their duration and quality are not always clear.**

- **Training for youth produced either no effect or positive effects depending on the country and the way training was designed and delivered. Combining in-class training with on-the-job training tended to have positive effects. Training was the most beneficial for women and disadvantaged youth.**

### Access to finance

Access to finance is one of the main obstacles for private business growth in developing countries, and micro, small, and medium-size enterprises (MSMEs) suffer particularly from these constraints. To address some of the financial obstacles, various interventions are aimed at improving access to credit, such as investments in or advice to financial institutions that lend to entrepreneurs. There are also advisory service programs to help develop or improve financial infrastructure products such as credit bureaus or collateral registries. Research also shows that developing sustainable financial institutions and improving access to finance can help firms grow in terms of sales, revenues, and operations. The effect tends to be greatest for smaller firms. The findings also indicate that increasing the presence of financial institutions can help create both formal and informal firms.
The study reviewed seven evaluations that focused on the provision of loans and advisory services to MSMEs and households, carried out in Sub-Saharan Africa, South Asia, and East Asia and the Pacific. They used different methods of data collection and analysis, including anecdotal evidence, and found mainly positive effects on job creation. Increasing access to loans helped firms expand, facilitating the hiring of more workers. For example, despite difficulties in attributing the increase in permanent employees directly to loan provision, one evaluation found a significant average increase in the hiring of permanent employees by microfinance clients in Africa.

An evaluation of a lending institution found that there was an increase in the number of employees after an SME received a loan—and this effect was more prominent in trade, manufacturing, and services. That evaluation also found poverty rates among workers to be higher in rural areas and in enterprises with more female and unskilled workers. Finally, one evaluation showed that combining access to finance with advisory services such as financial literacy training for loan recipients or capacity building for financial institutions (for example, on corporate governance or sustainable lending) tended to contribute to job creation.

Access to Infrastructure

Access to infrastructure, particularly power, is among the top constraints for private sector growth in developing countries. Due to externalities, infrastructure projects tend to have effects far beyond immediate project outputs and direct outcomes. While infrastructure projects are likely to have the most significant economy-wide job creation effects, their complexity and difficulty in finding appropriate counterfactuals make it challenging to estimate the effects.

The study reviewed one meta-evaluation and seven evaluations covering Brazil, Georgia, Indonesia, Nepal, Peru, South Africa, and Vietnam. Job creation effects were positive across the five sectors reviewed (roads, power, water, ports, and telecommunications infrastructure). Two-thirds of the evaluations were quantitative, but few were able to construct a proper counterfactual to evaluate the effects of the intervention on job creation. Nevertheless, some managed to capture the secondary in addition to direct and indirect job creation effects and differentiated between employment generated by construction and maintenance phases. Notably, road and port projects tended to have both positive and negative effects, helping some sectors such as services grow while depressing others such as local manufacturing through higher competition with imports. These projects were also found to diversify the occupation mix in the area away from agricultural projects.

Investment Climate

The private sector can play a prominent role in the growth of an economy—but its performance can be significantly affected by the business climate. Economic and regulatory uncertainty, deficiencies in law enforcement, and infrastructure bottlenecks can be major barriers to entrepreneurship.

The study reviewed seven investment climate evaluations conducted in Burkina Faso, Liberia, Mexico, Peru, Portugal, Rwanda, and Sierra Leone. Six showed positive economy-wide effects on job creation. The license simplification reform evaluation could not demonstrate effects on firm performance indicators, including income, credit, or jobs. The six evaluations that showed positive effects focused on business entry, registration reform, and investment promotion.

One evaluation found that the introduction of one-stop shops facilitated business entry and increased employment in eligible industries by 2.8 percent, and people who were previously unemployed or out of the labor force were more likely to work as wage earners after the reform. But another evaluation found that firms that entered after the reform were less likely to survive their first two years than comparable firms prior to reform. So despite the fact that the reform can increase the number of business startups, the duration of the jobs created was not clear.

The other four evaluations showed that combining entry reforms with other regulatory reforms such as investment promotion and trade logistics can be associated with job creation. But three caveats need to be considered when assessing the economy-wide effects of these interventions: (i) all had issues with attribution because they could not account for other factors or interventions that could have influenced the results; and (ii) due to the nature of the business (e.g. legislative and regulatory reforms) it was difficult or impossible to construct a counterfactual; and (iii) the timeframe needed to estimate the effects on job creation is long and often would need to be extended beyond the project lifetime.

Training and skill development

Lack of properly trained workers and managers can be a concern for firms seeking to grow. Adequate skill training and certification are seen as remedies for youth unemployment. Training for entrepreneurs or managers can also affect job creation on the demand side. There is some evidence that managerial quality is one of the determinants of firm growth and employment. But few managerial training programs have been properly evaluated to address these effects.
Box 1. The challenges of evaluating job creation effects

**Different job estimation methods.** Depending on the research questions and the objectives of interventions, studies focused on different aspects of employment effects such as “jobs created”, “jobs provided”, “jobs supported”, and “new jobs” as opposed to existing jobs, direct, indirect, induced and net job creation. Moreover, it is often not apparent which effects are being estimated (gross or net effect).

**Difficulty in what employment to count.** There is little agreement in the literature on what employment to count. Some researchers only include paid work outside the household (as a proxy for formal employment) while others use a more inclusive definition that incorporates all types of employment (self, family—paid or unpaid—and paid work outside the household).

**Difficulty in constructing counterfactuals.** Evaluations are most effective when an evaluator can detect the impact of an intervention based on comparisons between pre- and post-intervention between treatment and control groups. All these require a control or comparable group and require baseline data that portray the situation before the intervention. Capacity, timing, resources, and other considerations often prevent the use of a control group and collection of such data. This issue was identified in many of the evaluations reviewed.

**Attribution to the intervention.** There are often multiple interventions and variables in place that make it difficult to isolate and quantify the effects and link them to specific interventions. Changes could result from one intervention, a combination of interventions, or other development activities by IFC or other donors.

The study reviewed two meta-evaluations, one meta-analysis and eight evaluations, covering mainly Latin America and the Caribbean, and Eastern Europe. The interventions included youth training, training for the unemployed, re-training, and managerial training. Results were mixed. Managerial training was not found to have an impact on the survival of the business (linked to the stability of the job) or the number of employees. But some evaluations showed that supervisory training programs can have a positive effect on employee and manager work relations and worker productivity.

Vocational training for youth was deemed successful in some but not all countries in terms of increasing the probability of being employed after training. Wages and future earnings were found to be higher after training. The probability of finding employment in the formal sector was found to increase in all the evaluations that tracked this outcome indicator, and job quality also tended to improve after training. Vocational training seemed more beneficial for women in all the evaluations. Still, the fact that the training evaluated targeted specific demographics means that results cannot be generalized to the entire population. Results from retraining programs and training for the unemployed were also mixed.

**Data and methodology**

The findings in the report are based on a synthesis of results from individual evaluations, not all of which had the same objectives and methodologies. Methodological approaches ranged from quantitative analysis such as randomized control trials to focus group discussions and qualitative anecdotes from interviews. The evaluations covered Latin America, Asia, Africa, and Eastern Europe, but no evaluations were identified in the Middle East.

Overall, 88 IFC and 53 external evaluations were identified. Evaluations not yet completed, public sector interventions, those that did not measure or estimate job creation, or cases where copies could not be obtained were excluded. Hence only a portion of private sector interventions were covered, so the report did not encompass all sectors/products across institutions. The intensity of the services provided also varied. Some of the challenges in evaluating the impact of job creation effects are described in Box 1.
**EVALUATIONS REVIEWED (#)**

<table>
<thead>
<tr>
<th>ACCESS TO FINANCE (7)</th>
<th>ACCESS TO INFRASTRUCTURE (8)</th>
<th>INVESTMENT CLIMATE (7)</th>
<th>TRAINING (11)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Meta-evaluation of 33 studies in the energy sector (2011)</td>
<td></td>
<td>• IFC Dialog (2011)</td>
</tr>
</tbody>
</table>

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