



### List of priority issues for PAGE' call for proposals/funding round

In what follows, we briefly introduce the specific policy research issues identified for the second round of PEP's call for research proposals for its PAGE program. In order to ensure that the outputs (findings and recommendations) yielded by PAGE-supported projects will eventually serve to address the most salient issues and needs in terms of policymaking in developing countries, a group of international policy experts have been convened to identify the series of priority topics – under the broad theme of inclusive growth and employment – outlined below for this call for proposals.

We encourage applicants to consult an **overview of the overall thematic focus** for the PAGE program at:

[http://www.pep-net.org/fileadmin/medias/pdf/Call\\_for\\_proposal/PAGE/PAGE-Themes.pdf](http://www.pep-net.org/fileadmin/medias/pdf/Call_for_proposal/PAGE/PAGE-Themes.pdf)

**IMPORTANT:** For each policy research issue outlined below, applicants are encouraged to explore impacts on inequality across gender, socio-demographic groups and age groups. Consideration of gender aspects should be included for all issues.

#### 1. Improving the targeting of public expenditures and social assistance

The sectorial/geographical allocation of public expenditures and targeting of social assistance (including cash transfer) schemes can have important impact on current and future poverty. Understanding and optimizing targeting is particularly important in contexts in which financial resources are limited and in which technical constraints and political risks are significant, as is the case for most developing countries. This theme seeks to explore how public expenditure and social assistance schemes can better target disadvantaged and vulnerable households and individuals (male/female, formal/informal, skilled/unskilled, rural/urban, unemployed, young/old) and allow them to access better and more secure sources of income. In some contexts, this also raises important issues of complementarities between interventions and conditionalities imposed on beneficiaries.

Examples of possible policy research questions:

- *How do we extend social assistance to low income earners in the informal sector?*
- *How can conditionalities in social assistance better ensure a secure future for disadvantaged or vulnerable populations?*

- *Who benefits from public expenditures and social assistance programs?*
- *How do they favor or discourage employment and job quality/security?*

## **2. Design of minimum wage policies and impact on youth and female workers**

While minimum wage policies can be important to ensure a minimum standard of living, their design can have positive or negative implications of employment, formalization, and youth and gender based segregation. Countries with relatively high monthly minimum wages (say above 25 percent of average wage) tend to suffer from informalization of the labor market. This tends to affect female workers disproportionately as female workers tend to have maternal and family responsibilities, which limit their ability to work full time. In such countries, female and youth workers working less than full time are likely to receive less than the minimum monthly wage, and therefore, stay in the informal sector and not benefit from the various forms of social protection.

Examples of possible policy research questions:

- *Do minimum wages provide disincentives for employment and formality, especially among youth and women? Do hourly versus monthly wages impact these outcomes differently?*
- *Beyond their direct impacts, how do minimum wage policies affect the economy and income distribution indirectly through their macro (general equilibrium) effects?*
- *How well do minimum wage policies target vulnerable workers, notably women and youth?*

## **3. Youth employment**

Over the last decade and following the international and national efforts for the achievement of the MDGs, many developing countries have made enormous efforts in investing in primary and secondary education. Despite often being at the expense of the quality of education provided, many have succeeded in reaching both higher participation and completion rates. A mass of better educated people is entering the labor force, but the economy (and the formal sector, in particular – as it depends more on skilled workers) is not sufficiently able to absorb it. Poor aggregate labor demand has been recently identified as a major obstacle for youth employment in most developing countries.

Examples of possible policy research questions:

- *Which investment and structural policies can best stimulate demand for new skilled workers in the public and private formal sectors?*

- *Do the current formal education system, technical and vocational education and training systems (TVET), on-the-job training, back-to-school programs, apprenticeships and internships provide the proper skill set (including soft skills) to respond to demand of a (productive and competitive) labor market?*
- *What is the evidence on the impacts of national school to work employment programs?*
- *Which types of programs - wage subsidies, tax breaks/holidays for companies, active labor market policies (public employment, employment subsidies, etc.), etc. - are most effective in improving the quality and security of employment among youth and women? Relatedly, do labor market regulations represent a barrier that particularly affects youth employment?*

#### **4. The inclusiveness of growth: the role of labor markets**

Indicators of the functioning of the labor market, including the prevalence of self-employment, the extent of unemployment and the extent of market segmentation, can help capture the influence of the labor market on the inclusiveness of growth. Disaggregation of the levels and evolution of such indicators across levels of human capital, migration status, ethnicity, age and gender can be particularly useful in that regard. The effect of removing institutional imperfections and barriers to labor market entry can be substantial, both at a macro level (for influencing wages, productivity and production) and at a micro one (for affecting labor participation, inclusiveness and poverty reduction).

Examples of possible policy research questions:

- *How important are institutional barriers, industry composition, and other market barriers to producing efficient labor markets?*
- *Do these barriers contribute to the exclusion of vulnerable groups from high quality labor markets?*
- *What policies - including information and communication technologies (ICT) - could improve job search and matching in the presence of mismatching, coordination problems and asymmetric information affecting workers and firms alike?*

#### **5. Natural resources and employment**

The exploitation of natural resources can have profound and far-ranging impacts on the labor market. While the natural resource sector directly creates jobs for workers with a specific skill set, the overall labor market can be impacted by Dutch disease, where real exchange rate appreciation indirectly penalizes other sectors, notably manufacturing and agriculture. With employment elasticity being much lower in mining and services than for manufacturing and agriculture, the impact can be one of high unemployment rates and informalization of the

economy. Natural resource exploitation also often brings substantial foreign investment and, in some cases, foreign workers, which can influence the domestic labor market. In other cases, natural resources constitute an important source of public revenue, which may be partly invested in interventions to create employment and/or increase social protection for the most vulnerable.

Examples of possible policy research questions:

- *How do discoveries of new reserves of natural resources influence the growth process and labor market demand?*
- *How does the exploitation of natural resources affect income disparities across regions and population groups (male/female, formal/informal, skilled/unskilled, etc.)?*
- *How important are “Dutch disease” effects in mediating this and what macro and micro policies can best address them?*
- *How could the revenue from exploiting these natural resources be invested in the labor market or social protection?*
- *What policies could government consider to mitigate eventual negative impacts of external natural resource price or demand shocks?*

## **6. Micro and small enterprises for economic empowerment and poverty reduction**

Micro and small enterprises have great potential to create employment and incomes among the disadvantaged and vulnerable. However, they also face equally great barriers to their creation and growth. Access to start up and growth capital is essential to the success of any business, and is one of the greatest challenges faced by small entrepreneurs worldwide. Under traditional lending models, small entrepreneurs may be rejected for credit because of informality, lack of credit histories and collateral, not fitting banks’ marketing strategies or client profiles, low education levels, lack of formal work experience and exclusion from larger entrepreneurial networks. Accurate policy targeting poses challenges, as informality and entrepreneurship populations tend to overlap according to common indicators (self-employment, income, etc.), whereas evidence clearly distinguishes distinct drivers for both phenomena. The challenge consists then in encouraging entrepreneurship without deteriorating job quality.

Examples of possible policy research questions:

- *Which policies best promote small entrepreneurship: business training programs; guarantees to commercial banks to lend to prospective entrepreneurs; effects of business friendly legislation; risk pooling ventures through microfinance; innovation incubators, etc.?*

- *Which policies best target micro and small enterprises, particularly those led by disadvantaged or vulnerable groups? Which policies are most effective at generating jobs, particularly among disadvantaged or vulnerable groups?*
- *What are the most important market, institutional and industry barriers limiting access to financial services, including credit?*
- *How important are discriminatory practices and attitudes by both formal and informal financial institutions in limiting access to specific groups (women, vulnerable groups)?*
- *How important are information asymmetries and imperfections regarding micro and small enterprises in limiting access, particularly for women or vulnerable groups? g*
- *What policies have been most effective in addressing discriminatory attitudes and information failures?*