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28.02.2023

DEG AND OeEB

# STUDY ON QUALITY JOBS

**External Publication**

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## LIST OF ABBREVIATIONS

BIO	Belgian Investment Company for Developing Countries
BMZ	German Federal Ministry for Economic Cooperation and Development
CSRD	Corporate Sustainability Reporting Directive
DEG	German Investment Corporation
DERa	Development Effectiveness Rating
DFC	US International Development Finance Corporation
DFI	Development Finance Institution
EDFI	Association of bilateral European Development Finance Institutions
E&S	Environmental & Safety
GIIN	Global Impact Investing Network
FI	Financial Institution
Finnfund	Finnish Fund for Industrial Cooperation
HISPO	Harmonised Indicators for Private Sector Operations
IFC PS	International Finance Cooperation Performance Standards
ILO	International Labour Organization
IRIS	Impact Reporting & Investment Standards
NGO	Non-Governmental Organisation
OeEB	Development Bank of Austria
OECD	Organisation for Economic Co-operation and Development
SDG	Sustainable Development Goals
Swedfund	Sweden's Development Finance Institution
UN	United Nations

## ACKNOWLEDGEMENT

Deutsche Investitions- und Entwicklungsgesellschaft (DEG) and Oesterreichische Entwicklungsbank AG (OeEB) commissioned Syspons GmbH for this study. It was conducted by Dr Patricia Oliveira Dias, Lilli Maurice, and Simon Wallisch with additional assistance from Daniela Veigl. We thank Daniela Jann, Simon Frank, and Kristin Duchateau from DEG's and OeEB's impact teams for their guidance and Marijn de Haas for valuable contributions.

This study also benefitted from interviews with industry experts from DEG and OeEB as well as other Development Finance Institutions, whose experiences were taken into consideration for the development of frameworks and approaches.

# EXECUTIVE SUMMARY

The German Investment and Development Company (DEG) and the Development Bank of Austria (OeEB) continuously support clients in the creation of jobs in compliance with international labour standards. While momentum is building among development finance institutions and other investors who recognise the importance of **quality jobs**, challenges remain in regard to the complexity of the concept and its appropriate operationalisation. This study presents new insights into how **Development Finance Institutions can contribute to assess and promote the job quality** of their investments.

The study had two **objectives**: First, to develop a comprehensive **conceptual framework** for defining job quality, compatible with existing (international) concepts. This was done with the aim to build a common understanding of what job quality constitutes. Second, to further explore and **prioritise job quality topics** that are operationally feasible for Development Finance Institutions to work on with their clients.

To define and select appropriate job quality topics for action, this study has drawn from the complementary methods of literature review and data collection through expert interviews. Based on the **literature review**, it was possible to identify core aspects of job quality. Interviews with other financial institutions were the basis for a **comparative analysis** to identify existing approaches and best practices for the promotion of quality jobs for further consideration. Corroborating the comparative analysis, **internal analysis** with DEG and OeEB resulted in further refinement of suggested topics for addressing job quality based on relevance and feasibility for the two institutions.

Recent discussions in the **literature** about quality jobs have focused on the **interface** between aspects of **compliance with (inter-)national standards** and aspects that go **beyond compliance**, with an emphasis on **intentionally improving the impact** on livelihoods of workers. A clear distinction between the two domains remains difficult, as job quality inherently includes aspects that are also related to standards and rights compliance, such as those related to workers' health or freedom of association. Even though those are included in established compliance procedures, their impact for job quality cannot be overlooked. However, a broad conceptualisation of job quality can be derived from the literature.

Based on the results, a comprehensive **job quality framework** was developed including both **conceptual and operational** considerations of job quality. The proposed job quality framework consists of **six subordinate dimensions (Earnings and Wealth; Skills development and career prospects, Terms of Employment, Work-life balance and intrinsic characteristics of work, Health and well-being, Representation and voice)**

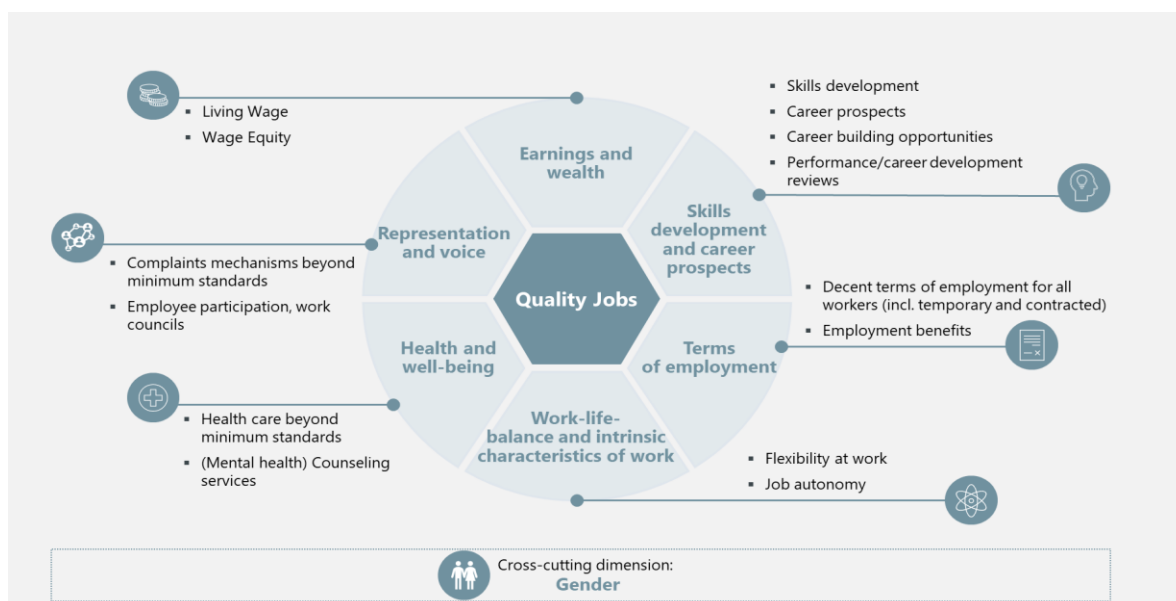


Figure 1: Job Quality Framework (developed by Syspons)

Source: Syspons (2023); own illustration

**characteristics of work, Health and Well-being, Representation and Voice**), which in turn encompass more **specific job quality topics** that are feasible for action. Gender is understood a cross-cutting dimension, as illustrated in Figure 1.

The comparative analysis with other Development Finance Institutions found that there is **no universal standard or approach** to promoting quality jobs. Given the **complexity** of the topic, a **lack of data and benchmarks** to clearly differentiate between compliance and beyond is one of the main challenges. Portfolio-wide **monitoring** is currently based on ILO core labour standards, Fundamental Conventions and basic terms and conditions of employment, as well as IFC Performance Standard 2. This is a harmonised procedure generally followed by EDFIs. Increasingly, DFIs are approaching the topic by focussing on specific **priority sectors** or **selected job quality topics**. Yet, some job quality topics show to be more prominent than others based on their relevance and feasibility, including **gender, living wages, employment benefits** and **skills development**. In the absence of benchmarks, qualitative indicators (e.g., existence of relevant policies) and best practices can help in the assessment of companies and guide them on their path towards higher quality jobs. In addition, employee surveys are found to be a useful tool to collect data on job quality dimensions beyond compliance to better understand the actual and wider impact of quality jobs on employees, their families, and wider communities.

To meet this complexity, the study proposes a prioritisation of job quality topics that are feasible for (short-term) implementation taking into account DEG's and OeEB's sector portfolio, existing best practices, and emerging methodologies. As a result, **three job quality topics were selected** for a deep dive into potential assessment methods and/ or areas where DFIs can potentially promote job quality at client level, including:

- **Living Wages** (from the dimension Earnings and Wealth)
- **Skills Development** (from the dimension Skills Development and Career Prospects)
- **Employment Benefits** (from the dimension Terms of Employment)

This study is exploratory in nature and is a first attempt to approach job quality holistically. Given the prioritisation for the purpose of initial operationalisation, not **all job quality topics** are covered in equal detail and no claim is made to completeness. Topics that are covered to a lesser extent in this study are considered **equally important** to the discussion of job quality. The initial approaches proposed in this study can serve as a basis for further discussions with other development finance institutions and investors on practical implementation and solutions to common challenges to ultimately promote job quality of clients and their workers. The use and further elaboration of methodologies and findings on these topics can solidify the knowledge base and monitoring strategies.

# 1 INTRODUCTION

## 1.1 BACKGROUND AND OBJECTIVE OF THE STUDY

**Development Finance Institutes (DFIs)** are at the forefront of delivering on the United Nation’s **Sustainable Development Goals** (SDGs) via the private sector and creating impact through targeted investments<sup>1</sup>. While job creation has always been central for DFIs, international and European Development Finance Institutions (EDFI) and the Global Impact Investing Network (GIIN) have increased the focus on job quality. Due to the leverage associated with their investments and technical assistance offered, DFIs are especially well-suited to support the advancement of innovative job quality approaches.

Against the backdrop of **DEG’s new Impact & Climate Strategy**, DEG and OeEB are currently reviewing their impact measurement system, the so-called **Development Effectiveness Rating (DERa)**, to foster net-positive impact through targeted private sector investments in developing and emerging markets. The DERa captures development effects of investments made by DEG and OeEB and looks at clients’ contributions to the SDGs along five impact categories, namely: decent jobs, local income, market and sector development, environmental stewardship, and community benefits.

Job creation is at the core of DEG’s and OeEB’s developmental impact mandate and reflected in the DERa impact measurement system. However, not all jobs automatically improve people’s livelihoods. It thus needs to be ensured that the jobs supported and created enable people to improve their living standards, increase their well-being and support social cohesion. DEG and OeEB define decent jobs in accordance with the International Labour Organisation (ILO) core labour standards and other ILO Conventions on basic terms and conditions of employment, in addition to applying the International Finance Corporation (IFC) Performance Standard 2 “Labour and Working Conditions”. Both DFIs are currently aiming to promote quality jobs beyond compliance to these international standards by further developing the job-related impact measurement dimension ‘decent jobs’. With the focus on quality jobs, DEG and OeEB are elaborating how their definition of decent jobs could be expanded to complement “do-no-harm” risk mitigation with a stronger focus on a **“do-good” approach**.

Beyond just “doing good”, there is a **business case** for providing quality jobs. Business performance can be increased by both mitigating operational and financial risks and leveraging opportunities, as

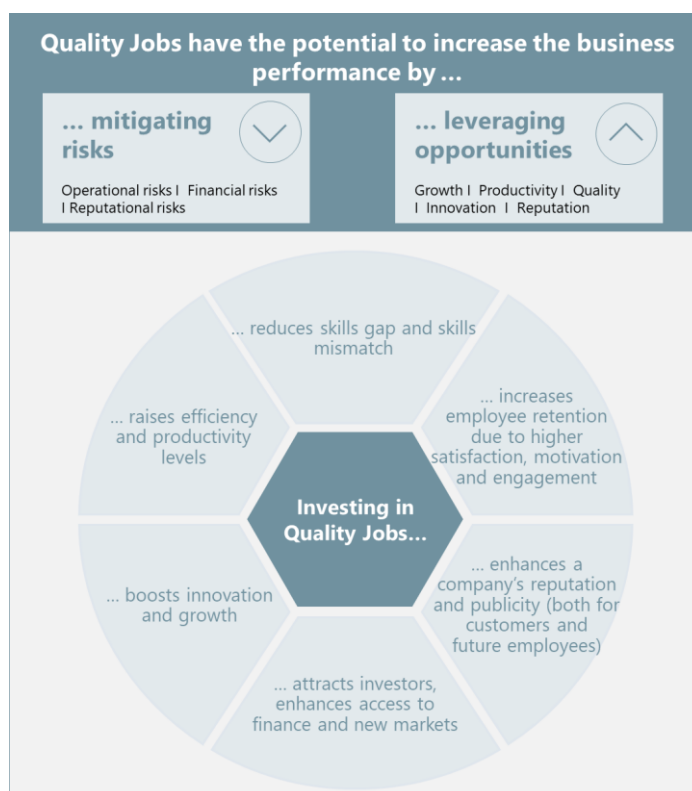


Figure 2: Business Case  
Source: Syspons (2023); own illustration based on literature review

<sup>1</sup> Investment and loans are used as synonyms.

illustrated in Figure 2<sup>2</sup>. When jobs are financially rewarding, provide health care, training opportunities, and a good work-life-balance, employees tend to be more motivated, engaged, and loyal as a result. This can reduce staff turnover, which positively effects a company's resilience, productivity, and profitability. Equally, a highly skilled, self-motivated, engaged, and satisfied workforce is found to foster creativity and innovation and may give a company a competitive edge. Externally, the provision of quality jobs will enhance a company's publicity and reputation, which in turn attracts new talent, customers and improves customer loyalty.<sup>3 4</sup> Whether or not a company offers quality jobs may also be considered by investors as a condition for access to finance.<sup>5</sup> For export-oriented businesses, a commitment to high labour standards can and will increasingly be required by (international) buyers and is a prerequisite for remaining successful in the market. One example is the recently introduced supply chain law in Germany, a pacemaker for stricter regulations and a reflection of increasing consumer demand.<sup>6</sup>

While the benefits of quality jobs for both, employers and employees are widely acknowledged, achieving positive impacts on job quality currently still poses operational **challenges**: differences across sectors and regions, as well as challenges in collecting data from clients, make it difficult to effectively measure and manage clients' efforts to create quality jobs. Therefore, within the scope of this **study** a job quality framework based on the existing literature was developed and relevant job quality topics for DEG and OeEB were defined. The study also takes into account existing approaches towards job quality by other DFIs. In a second step, given the complexity and diversity of approaches, selected topics related to the defined dimensions were prioritised for further consideration and operationalisation to ultimately support clients to provide higher quality jobs beyond compliance.

This publication is structured along **five chapters**:

- **Chapter 1:** Introduction of the guiding principles and methodology of this study.
- **Chapter 2:** Overview of existing discussions and approaches on how to define and measure job quality with findings feeding into the development of a multi-dimensional framework of job quality used in this study.
- **Chapter 3:** presentation of existing job quality tools and approaches of other DFIs.
- **Chapter 4:** Outline of the rationale for and prioritisation of selected job quality topics focusing on living wages, employment benefits and skills development. Here, the relevance of respective job quality topics is further detailed for DFIs, and complemented with the general business case, initial approaches for operationalisation as well as challenges and limitations.
- **Chapter 5:** Key learnings and limitations.

## 1.2 GUIDING PRINCIPLES AND METHODOLOGY

The study is based on the following **guiding principles**:

### **1. Incorporation of multifaceted, theoretically sound concepts of job quality that go beyond risk mitigation.**

Through a literature analysis, rigorous conceptual discussions provide important underpinnings for the study, focusing on the multidimensionality of job quality. Important conceptual distinctions (i.e., distinction between objective and subjective perspectives on quality jobs) are highlighted. Compounding to this, the analysis takes into account sector-specific characteristics and priorities. Furthermore, the operationalisation of broader concepts into practice-oriented guidelines and knowledge products is key for supporting **transformative approaches for job quality beyond the mitigation of labour risks**, with clear procedures for identifying opportunities and engaging with clients towards broader positive impact.

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<sup>2</sup> Better Work. Policy Brief: The Business Case for Quality Jobs. Evidence from Better Work. Online available at: <https://www.enterprise-development.org/wp-content/uploads/Quality-jobs-policy-brief-1.pdf>

<sup>3</sup> Pacific Community Ventures. Good Jobs, Good Business. Online available at: <https://goodjobs.pacificcommunityventures.org/employee-compensation/the-business-case/>

<sup>4</sup> United Nations Global Compact. Existenzsichernde Löhne. Online available at: <https://bhr-navigator.unglobalcompact.org/issues/existenzsichernde-loehne/?lang=de>

<sup>5</sup> GIIN. Understanding Impact Performance: Quality Jobs Investments. Online available at: [https://thegiin.org/assets/Understanding%20Impact%20Performance\\_Quality%20Jobs\\_webfile.pdf](https://thegiin.org/assets/Understanding%20Impact%20Performance_Quality%20Jobs_webfile.pdf)

<sup>6</sup> Business and Human Rights. Supply Chain Act. Online available at: <https://www.csr-in-deutschland.de/EN/Business-Human-Rights/Supply-Chain-Act/supply-chain-act.html>



## 2. Awareness of the current business environment regarding Environmental, Social and Corporate Governance (ESG) performance.

Private sector companies and DFIs operate in a business environment marked by advanced due diligence requirements on social and environmental risks. This is associated with growing efforts to go beyond risks and promote more positive impacts (e.g., some companies are taking a leadership role in promoting the adoption of clean energy even in the absence of strong government regulations<sup>7</sup>). As companies strive to systematically achieve robust ESG performance, transparent and meaningful monitoring and reporting strategies receive increasing attention. Those have become widespread in the context of voluntary schemes such as the Global Reporting Initiative and requirements for compliance within the growing body of national and international regulations<sup>8</sup>. Standards and regulations increasingly incorporate a rights-based approach<sup>9</sup> and often include consideration to quality<sup>10</sup>.

## 3. Participatory and iterative elaboration of applicable tools.

The different deliverables from this study are closely intertwined and build upon each other. For instance, conclusions of this study will be considered in further development of DERA indicators, while at the same time feeding into the development of tailored guidance for potential interactions with clients on these topics. The study was therefore understood as an iterative knowledge construction process. Close exchange with DEG and OeEB was prioritised, resulting in feasible, sector-relevant strategies for helping clients realise their job quality potential and associated benefits.

**Methodologically**, the study provides an evidence-based answer to existing challenges, by **defining a robust conceptual basis** and **selecting feasible approaches and measurements**.

To define and select appropriate job quality topics for action, this study has drawn from the complementary methods of literature review and data collection through interviews. Based on the literature review, it was possible to identify core aspects of job quality, which are necessary according to well-established definitions. Furthermore, interviews with other DFIs were the basis for the comparative analysis to identify opportunities and linkages regarding DEG's and OeEB's current practices on labour-related standards. Corroborating the comparative analysis, internal analyses further indicated required refinements of suggested entry points for addressing job quality. This was done through the assessment of the E&S requirements and procedures of OeEB and DEG, as well as of the impact framework DERA.<sup>11</sup>



## GROWING FOCUS ON SUPPLY CHAINS

Broader supply chain due diligence legislation is being continuously introduced worldwide. Examples include France, Germany, and the EU in general, which requires assessment of potential adverse environmental and social impacts throughout supply chains and the development of action plans to address impacts. Though this study focuses on job quality for employees of DEG and OeEB clients, this should not preclude consideration related to segments of supply chains whenever there is a possibility to improve labour practices by leveraging commercial terms or other influence.

<sup>7</sup> <https://www.unilever.com/planet-and-society/climate-action/strategy-and-goals/>

<sup>8</sup> Waas, B. (2021). The 'S' in ESG and International Labour Standards. *International Journal of Disclosure and Governance*.

<sup>9</sup> Office of the United Nations High Commissioner for Human Rights (2022). *Benchmarking Study of Development Finance Institutions' Safeguard Policies*. Consultation draft. Online available at [https://www.ohchr.org/sites/default/files/Documents/Issues/Development/DFI/OHCHR\\_Benchmarking\\_Study\\_HRDD.pdf](https://www.ohchr.org/sites/default/files/Documents/Issues/Development/DFI/OHCHR_Benchmarking_Study_HRDD.pdf)

<sup>10</sup> Braun, B.; Duscha, M.; Hock, A.-L.; Kern, W.; Wüdsch, M.; Würth, A. (2022). *Briefing Paper: Selected human rights indicators in the context of current EU regulation: Towards more social sustainability in the financial and economic system – Part II: Substantial Contribution*.

<sup>11</sup> DEG and OeEB's impact measurement system, the so-called Development Effectiveness Rating (DERA), was developed to foster positive net-impact through targeted private sector investments in developing and emerging markets and is currently under review as part of the Impact & Climate Strategy. The DERA captures development effects of investments and looks at clients' contributions to the SDGs along five impact categories, namely: decent jobs, local income, market and sector development, environmental stewardship, and community benefits.

## 2 THE BROADER JOB QUALITY FRAMEWORK

This chapter provides an overview of existing discussions and approaches on how to define and measure job quality. It concludes with a multi-dimensional framework of job quality dimensions and respective topics developed for this study. This framework served as a basis for later prioritisation of topics for DEG and OeEB in view of their relevance for portfolio clients and priority sectors as well as their feasibility for timely implementation. A summary of key takeaways is included in the box below.



### KEY TAKEAWAYS

- ✓ Job quality is a multi-dimensional concept for which there are different formulations encompassing different dimensions, although consensus is strong on main components.
- ✓ For achieving a robust job quality concept, it is necessary to include a spectrum of dimensions ranging from objective to subjective ones. Relatedly job quality measurements should not be unidimensional.
- ✓ The proposed job quality framework includes six dimensions: earnings and wealth, skills development and career prospects, terms of employment, health and wellbeing, representation, and voice, as well as work-life balance and intrinsic characteristics of work. Gender is a cross-cutting dimension of the above.

The relevant literature on job quality refers to models for defining, achieving, and measuring job quality for different stakeholders. Job quality is a concept that has been widely used in **defining and measuring the qualitative dimension of employment**. Despite substantial advances, there remain challenges in pinpointing the precise scope of job quality, and therefore, what constitutes a quality job. Importantly, a quality job is understood as beneficial not only for the job holder but also for employers: “Achieving a high quality of jobs is both a means to an end and an end in itself. In the first place, for those employed, the quality of a job has a significant effect on the quality of life. In the second place, the quality of jobs is related to the productivity of the workforce. As such, improving the quality of work is one of the means to improving productivity”<sup>12</sup>.

While job quality refers to all workers, some areas of intervention prove more complex due to the different categories of workers in any given company. Workers contracted through labour agencies and other types of **subcontracted workers** might have radically different objective conditions and subjective experience of job quality than workers in the directly hired workforce, which creates both visibility and measurement challenges. Furthermore, the issue of **workers in the value chain** has been increasingly raised regarding the reporting and remediation responsibilities companies might have<sup>13</sup>. While the sphere of influence is more limited for contracted workers and those along the value chain, quality jobs are to be promoted for all, e.g., through fair contracts with suppliers, training and stakeholder engagement.

One of the most widely utilised definitions of what a good job is derives from the **Decent Work Agenda**, which has acquired a strategic importance for DFIs. Launched by the International Labour Organization (ILO) in 1999, the Decent Work Agenda focuses both on the state of labour markets and on workplaces within countries. It defines employment as decent whenever it provides “fair income, security in employment, good prospects for personal development and social integration, freedom for people to express their concerns, organise and participate in the decisions that affect their lives, and equality of opportunity and treatment for all women and men”.<sup>14</sup> Since the Decent Work Agenda unites

<sup>12</sup> de Kok, J. et al. (2011). “Do SMEs create more and better jobs?” EIM Business & Policy Research.

<sup>13</sup> ILO (2016). Decent work in global supply chains. Report IV, International Labour Conference, 105th Session, Geneva, 2016 (Geneva).

<sup>14</sup> <https://www.ilo.org/global/topics/decent-work/lang--en/index.htm>

several ILO labour standards, it provides a core goal around which to consolidate performance standards in relation to labour and working conditions that are required for clients. In its comprehensive formulation, it has also helped advance the discussion beyond compliance with minimum standards.

The concept of decent work can be applied to two interlinked approaches of DFIs: **avoidance and remediation of labour-related risks** (do no harm) as well as support to clients in **achieving positive impacts on better jobs** (do-good approach). However, there is a stronger connection of decent work to upholding human rights on work that should be abolished (child labour, forced labour and human trafficking), as expressed in the selected indicators for SDG8 on decent work. Inasmuch the Decent Work Agenda foresees a continuum between those standards and high-quality jobs, the term “decent work” is often associated with a more risk-based perspective. It should be remarked that decent work and job quality are often used as synonyms. The decent work agenda is one of the main frameworks related to job quality due to its comprehensiveness and wide employment in development cooperation, including in the Sustainable Development Goals.

Besides decent work, conceptual definitions and proposed measurements have increasingly coalesced around a **multidimensional job quality concept**. Accordingly, a wide range of job quality dimensions have been advanced pertaining to both objective or subjective aspects: adequate earnings, in-kind benefits, job security, promotion opportunities, degree of control over work and non-work activities, skills use, work intensity, the social environment and the physical setting of jobs, autonomy at work, and the experience of a meaningful job, among others. While different frameworks might not always converge in their classification of different aspects, researchers agree on the need to include both economic compensation and non-economic benefits and characteristics.

Within this context, one focus of the study was to **assess the suitability of job quality systematisations** for DFIs and for impact investment in developing countries. For this, a literature review was carried on the most utilised systematisations of job quality. At the centre of the review were definitions that encompass different dimensions, as summarised below for exemplary definitions:



### OBJECTIVE AND SUBJECTIVE ASPECTS OF JOB QUALITY

Common among most of the definitions of job quality is the distinction between two main dimensions: objective and subjective. While **objective** aspects of job quality are usually associated with economic compensation and with observable workplace conditions, **subjective** aspects are often related to either intrinsic characteristics or to job holders' perception of their jobs. Subjective aspects are often expressed in a general measurement of job satisfaction. However, there are other variables that influence the perception of job satisfaction that are not related to the quality of the employment and work conditions. It is thus advisable to combine objective aspects such as earnings with personal judgement about fulfilling job.

	Job Quality Dimension	Topics covered
ILO: How to measure job quality <sup>15</sup>	Pay and benefits	Timeliness and type of payment (for example, fixed salary, performance pay) and non-wage fringe benefits (such as pension and health cover)
	Job security and stability	Presence of a contract / informality / nature of contract length / perceptions of job security
	Skills and employability	Opportunities for training, development, and in-work progression
	Health and well-Being	Physical safety and health in the workplace, and psycho-social risks
	Work intensity	Working time arrangements such as duration, scheduling, and flexibility, as well as the ability to fulfil family and social obligation
	Representation and voice	Trade union involvement/representation and employee involvement in decision-making

<sup>15</sup> ILO (2021) ILO Brief “How to” Measure Job Quality in value chain development projects.

	Equality of opportunity and treatment	Equality and treatment at work and non-discrimination
	Human rights	Child labour, forced labour and human trafficking
	Job satisfaction	Intrinsic aspects of job quality (such as autonomy, control, variety, work effort) and satisfaction (such as meaningfulness, fulfilment, social support and powerfulness)
<b>GIIN IRIS+ Quality Jobs Framework</b> <sup>16</sup>	Job Skills for the future	Career progression, ability to find and retain employment
	Earnings and wealth through employment and entrepreneurship	Income and earnings, pay equity
	Rights, representation, and respect in the workplace	Workers' voice and representation, equality of employment
	Health and well-being across the workforce	Occupational safety, mental health and well-being
	Security and stability for workers in precarious positions	Predictability of pay, terms of employment
<b>Chartered Institute of Personnel and Development: Understanding and measuring job quality</b> <sup>17</sup>	Pay and other rewards	Wage level, type of payment (e.g., fixed salary, performance pay) and non-wage fringe benefits (e.g., employer-provided pension, health cover) and subjective satisfaction with pay
	Intrinsic characteristics of work	Skills, autonomy, control, variety, work effort and subjective perception of meaningfulness and fulfilment
	Terms of employment	Contractual stability and opportunities for training, development and progression and subjective perception of job security
	Health and safety	Physical and psycho-social risks
	Work-Life balance	Working time arrangements such as duration, scheduling, and flexibility, as well as work intensity
	Representation and voice	Employee consultation, trade union representation and employee involvement in decision-making
<b>OECD Framework for Measuring and Assessing Job Quality</b> <sup>18</sup>	Earnings quality	Average earnings, earnings inequality
	Labour market security	Unemployment risk, unemployment insurance, labour market security against extreme low pay
	Quality of the working environment	Job demands, job resources
<b>United Nations Economic Commission for Europe: Handbook on Measuring Quality of Employment</b> <sup>19</sup>	Safety and ethics of employment	Safety at work, child labour and forced labour, fair treatment in employment
	Income and benefits from employment	Income and non-wage pecuniary benefits
	Working time and work-life balance	Working hours, working time arrangements, work-life balance
	Security of employment and social protection	Security of employment, social protection
	Social dialogue	Collective bargaining and representation
	Skills development and training	Training and skills
	Employment-related relationships and work motivation	Job autonomy, work intensity, feedback

Table 1: Exemplary Job Quality systematisations and frameworks

<sup>16</sup> These dimensions are defined as Strategic Goals and for each of them, key questions and a set of indicators that can guide an impact investor in aligning decisions strategically. In addition, the GIIN IRIS+ Quality Jobs Framework provides recommendations and practical guidance in support of analysis and implementation and analysis at <https://iris.thegiin.org/>.

<sup>17</sup> Chartered Institute of Personnel and Development (2018) "Understanding and measuring job quality".

<sup>18</sup> OECD (2014). "How good is your job? Measuring and assessing job quality", OECD Employment Outlook 2014, OECD Publishing, Paris; OECD (2017) "OECD Guidelines on Measuring the Quality of the Working Environment", OECD Publishing, Paris.

<sup>19</sup> UNECE (UN Economic Commission for Europe) (2015). "Handbook on Measuring Quality of Employment – A Statistical Framework", United Nations, New York and Geneva.

As an overarching observation, the presented systematisations regard job quality holistically, including issues pertaining to core labour rights and standards. Compliance to those specific issues (such as earning minimum wages, right to collective bargaining, free association and adequate health and safety conditions) is required by national legislation or ratification of ILO conventions. Overall, by including those compliance-related topics and further topics focusing on positive impact, those frameworks and systematisations strive to **sufficiently address job quality as multidimensional**. This is seen as necessary for properly measuring job quality, since the ability to measure is inherently connected to an evidence-base that lends credibility to achieved improvements.

While the above systematisations and frameworks were advanced by multiple stakeholders, special reference should be made to DFI-related approaches for measuring job quality in its multidimensionality. For a wide range of subjects, DFIs increasingly use **harmonised impact indicators** in order to achieve comparable data on contributions to the SDGs<sup>20</sup>. Currently, frameworks such as **IRIS+** include definitions and metrics addressing job quality, as included in table 1. In 2021, HIPSO started a working group to attempt to harmonize job quality indicators. The European DFIs also formed a working group on job quality to discuss whether or not it is feasible to have a common fixed set of indicators to measure job quality across all investments based on previous work done by IRIS+ as part of the Navigating Impact project. Both groups joined forces and the discussions reveal again the complexity and challenges of measuring job quality through a simple set of a limited number of indicators. One major challenge is the fact that the interpretation of most job quality indicators is highly context specific, and no clear benchmarks exist (e.g. a low number of injuries/ fatalities might be one proxy indicator for health and safety, but depending on the sector it is very hard to achieve (e.g. mining) or just normal (e.g. financial institution)). It is important to note that, in line with other systematisations presented above, those include metrics related to aspects both already addressed in labour-related compliance and those that concern aspects not yet systematically addressed in compliance procedures, such as skills development in the IRIS+ framework.

According to the focus of the study, a **multi-dimensional definition of job quality** is proposed focusing on job quality dimensions that go beyond a risk-mitigation perspective. As a result, six job quality dimensions and a cross-cutting dimension (gender) were identified as a sufficiently broad coverage of job quality. Within these dimensions, specific topics were identified, which are related to concrete actionable areas for DFIs to cooperate with clients. The topics depicted present areas that are not yet addressed in labour-related compliance procedures of DFIs. Those topics are results-oriented and serve as a guidance on how to make tangible progress within each of the dimensions. The selected dimensions and their related topics are depicted in figure 2 below:

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<sup>20</sup> One recent example of alignment on common metrics, as advanced by EDFI and the GIIN, is the in 2021 launched Joint Impact Indicators (JII), a subset of HIPSO and IRIS metrics with an initial thematic focus on jobs, gender and climate.

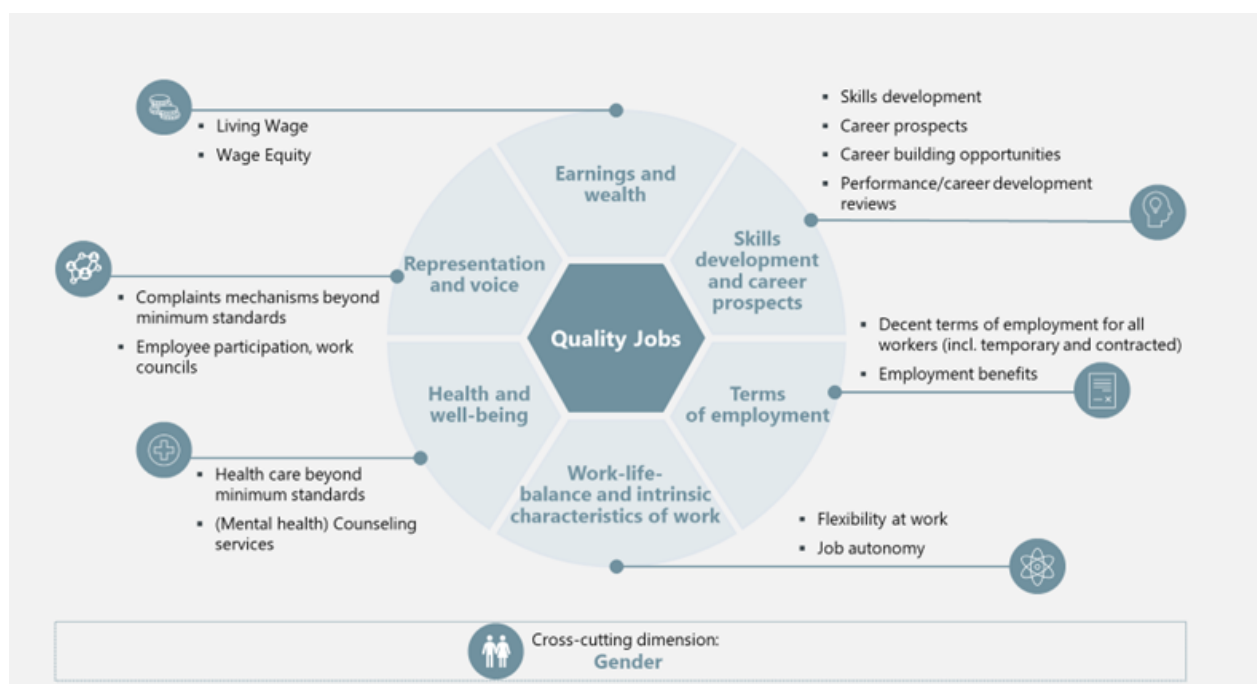


Figure 3: Quality Jobs Framework  
Source: Syspons (2023); own illustration

This coverage encompasses both **objective and subjective dimensions**, thus avoiding the pitfall of narrowly defining the quality of jobs based on a limited set of characteristics. Since the dimensions are, as is the norm in the literature, sector-agnostic, they present a set of possible intervention areas that are adequate to all DFI client groups. Moreover, the selected dimensions are amenable to assessments at client level due to their focus on concrete areas and opportunities.

In the following, **guiding questions for action** in the selected seven job quality dimensions are listed. The non-exhaustive list of issues is meant as indicative of the full spectrum of the selected dimensions, which is linked to potential for positive impact beyond risk mitigation.

- **Earnings and Wealth:**
  - Are wages sufficient to meet basic needs?
  - Are workers earning a living wage?
  - Are earnings allowing households to build wealth and progress out of poverty?
  - Is there a pay gap between subpopulation groups (e.g. gender pay gap)
- **Skills Development and Career Prospects**
  - Are workers able to regularly receive job-related non-formal education and training?
  - Do workers have the opportunity to use their knowledge and skills in their current job?
  - Are workers actively consulted regarding the improvement of skills they would like to engage in?
  - Do workers perceive good prospects for career progression?
- **Terms of Employment**
  - Are workers entitled to paid leave and sick leave (above minimum legal requirements)?
  - Do workers receive non-wage benefits such as housing, transport, meal, and other allowances; and/or performance bonuses?
  - Do workers face additional disadvantages due to their gender, ethnicity, or race?
  - Do the same terms of employment apply to permanent, temporary and contracted workers?

- **Health and Well-Being**
  - Is there healthcare provision beyond what is legally required for workers and/ or their families?
  - How do workers perceive work affecting their physical and mental health?
  - How does worker health and well-being affect wider family and community wellbeing?
  
- **Representation and voice**
  - Are workers consulted about changes in work organisation?
  - Are regular employee satisfaction surveys employed?
  - Is there systematically anchored encouragement for workers' organisation or best practices for supporting representation?
  
- **Work-life balance and intrinsic characteristics of work**
  - Are workers satisfied with their work-life balance? Do team members decide by themselves on the division of tasks?
  - Do workers have the possibility to work from home?
  - Are workers able to perform their work autonomously?
  
- **Gender equality**
  - Cross-cutting dimension for all the above: what gender aspects exist for the topics in the above mentioned guiding questions?

Further data collection on specific needs and opportunities of DFIs was conducted for deepening findings and strengthening the evidence base for a selection of feasible and appropriate job quality topics for DEG and OeEB, which will be discussed in the following chapter.

## 3 EXISTING APPROACHES OF OTHER DFIS

Interviews with other DFIs were conducted to learn about existing approaches to promote quality jobs including priorities, topics, and sectors as well as current challenges and best practices in measuring and managing job quality. In total, several DFIs were consulted. The selection was based on these institutions being frontrunners in the field of quality jobs for specific topics and approaches.

### 3.1 MAIN FINDINGS

While interviews demonstrated general interest and engagement of DFIs in the promotion of quality jobs, **most approaches** discussed with DFIs are currently still **under development** or have recently been **piloted** so that empirical data from experience is limited to date. In general, rather than taking a comprehensive approach of trying to cover all job quality dimensions as illustrated in the framework above, DFIs are following a more **targeted approach** either by focusing on specific priority sectors or client clusters/types or by placing emphasis on selected job quality topics in an effort to develop feasible solutions.

Given the early stages of approaches being developed, **technical support options** currently offered by DFIs and **specifically geared toward job quality** aspects are limited. One exemption is technical assistance for gender aspects with all DFIs being part of the 2X Challenge. Interview partners reiterated the **close link** between **gender** and job quality, with some job quality topics such as complaints mechanisms, which is part of the job quality dimension “representation of voice”, being addressed through a gender-lens.

As a common **challenge**, DFIs reported the difficulty of **differentiation between compliance and going beyond** since the lines in between are fluid. Due to regional, national and sector differences, thresholds and **benchmarks** are **rarely available** to clearly indicate what constitutes job quality apart from “going beyond legal requirements”. To meet this challenge, some DFIs are using checklists of best practices and qualitative indicators for assessment and guidance but do not monitor job quality indicators in a systemised manner yet, if at all.

### 3.2 SELECTED DFI APPROACHES

In the following, more detailed information is provided on the various approaches of other DFIs including challenges and possible solutions to circumvent them.

**Finnfund’s Survey Tool.** Finnfund developed a [video survey tool](#) in collaboration with the Finnish tech company WorkAhead in 2020/2021 that allows companies to reach out to and engage with their stakeholders, such as employees, communities, and suppliers. The survey includes standardised questions, and allows for tailored questions, including **job quality aspects** such as participation, training, trust in and satisfying management as well as adequate living and household / family situation. Acknowledging that data on living wages is mostly inaccessible, the survey allows for subjective assessment of employees’ own experience by asking “do you have enough?” instead of doing a more objective comparison to other salary levels. Equally, a question on the ability to save money is meant to indicate workers’ resilience, for instance. Answering options include “yes”, “partially”, “no”, “I do not know”. Thus, the survey is a very practical tool that facilitates a broader understanding of sectoral and context-related issues and provides the company with a clear picture on where problems may lie and what to work on in the future. So far, no indicators have been used and measured systematically but the aim is to gather data on the wider **impact on how secure income can change lives more broadly** (not just the one of the employees but also their family and community, e.g., how many children are able to go to school as a result). Pilot surveys were conducted with agriculture clients, being one of Finnfund’s priority sectors. Although companies had some reservations and concerns about revealing sensitive information with Finnfund, in the end they were pleased and confirmed its usefulness - being reassured by owning the data themselves and having a veto-right for not sharing sensitive findings with Finnfund. Today, Finnfund has started



to apply the tool systematically in an increasing number of investments, utilizing the tool also in supporting due diligence and in setting baselines for new investments.

**DFC's Bonus System.** Launched in 2020 and based on consultation with different stakeholders including investors, think tanks, the development community and government counterparts, DFC developed its Impact Quotient (IQ) to measure the impact of supported projects. The IQ is used along the entire lifecycle and assesses projects in regard to three pillars: Growth, Inclusion and Innovation, with each of them containing standardized key indicators and metrics in alignment with IRIS+ and HIPSO. The IQ provides opportunities for extra points for those projects that have implemented or commit to implement exemplary policies pertaining to job quality, inclusive governance, and reducing its environmental footprint. As for job quality, the IQ awards extra points and encourages voluntary initiatives in the area of **benefits** (e.g., extended maternity or paternity leave, subsidised childcare, nursing rooms, benefits for employee's family members, flexible work schedules) and **opportunity** to maximise development impact (e.g., initiatives to advance women in the workforce, advanced education stipends or other higher education opportunities for local employees, formal mentor programmes). The assessment also considers the country context and gender aspects. So far, answers to the questionnaire are self-reported by the company (e.g., question: "Do you have a policy on X? If so, please elaborate how this is implemented."). Subsequently, E&S and impact experts verify information by either reviewing those policies shared by clients or, where policies are not available, a call is set up to confirm that policies are in place and respective action is taken. Aspects of benefits and opportunity are found to be easier to operationalise than other topics. However, DFC is still exploring how it can better measure and benchmark job quality impacts in the context of the project's sector and country.

**Swedfund's Handbook on Decent Work.** Swedfund recently developed a Good Practice Handbook on Decent Work for its portfolio companies to share background information on the decent work agenda, international standards, and requirements for compliance and good practice. The handbook is designed to be a practical guide for companies, which can equally be shared within their supply chains. It speaks to the four pillars of decent work (promoting jobs and enterprise, guaranteeing rights at work, extending social protection, and promoting social dialogue), indicating both minimum requirements for compliance and a list of **recommendations / best practices to go "beyond"** (e.g., training and performance reviews). While the main purpose of the handbook is informational, it also includes a set of tools such as a questionnaire for self-assessment of alignment with the Decent Work agenda for companies and setting up a workers committee amongst other things. The handbook is rather meant as a comprehensive guidance tool and, as such, contains more aspects on job quality than those currently monitored. So far, the handbook does not address regional, national or sector differences, but country and sector specifics are considered on a case-by-case basis. Given that many aspects of job quality are linked to it, **gender** aspects are highlighted throughout. As for technical assistance, Swedfund offers for example a standardised programme called "Women4Growth" which supports job quality aspects within the fourth pillar of Decent Work – Social Dialogue, revealing synergies and potential entry points with the 2X Challenge.

**BIO's Approach to Living Wages.** BIO recently published a new Decent Work Policy including a section on **living wages** that describes a method to assessing wages level and raising awareness among companies. To this end, BIO reviews national minimum wages, provided that data is still up-to-date, and compares with available benchmarks of salaries paid within the sector. Here, similar clients within BIO's portfolio are analysed with cross checks from various sources, including NGOs and industry association. Where wages are very low, the absolute poverty line is checked based on World Bank data and adapted to country context by considering purchasing power. Finally, the salaries are compared with the living wage reference value, if available. When a wage gap is identified with the national minimum wage or the World Bank poverty line, an improvement plan can be set up to help clients improve salaries over time. With more advanced clients, BIO raises awareness on the importance of living wages, and how BIO can support to progressively increase the (lowest) wages. The wage approach applies to all direct investments (enterprises, infrastructure) where there is most leverage. FI clients need to comply with the legal minimum wage but given the often-higher salaries, living wage gaps are considered less likely. For Private Equity Funds, if relevant in the context of the fund's investment strategy, BIO will encourage the Fund Manager to adopt a similar wage approach. While BIO is aspiring to promote living wage and incentivise maximum effort of clients to be more inclusive with workers and recognise their contributions, BIO acknowledges that wages levels are influenced by many factors such as local workforce market,

local regulation, and labour productivity. Living wages are usually not paid by the industry and companies struggle to increase wages when trying to stay competitive. **Focusing on high-risk labour sectors and fragile and very low-income countries** is said to help build up procedures in close collaboration with clients and ensure that those are relevant and feasible. Apart from wages, BIO follows the IFC performance standards, while some job quality topics related to **gender** are looked at more closely under the 2X Challenge (e.g., training, HR policies, gender empowerment). BIO also has a technical assistance fund to support its client with sustainable and development impact practices.

### 3.3 RELEVANCE FOR THE STUDY

Interview findings show that there is **no universal standard or approach** to promoting quality jobs. Given the complexity of the topic as well as the **lack of data and benchmarks** to clearly differentiate between compliance and beyond, DFIs are approaching the topic by either focussing on **specific priority sectors or selected job quality topics**, while portfolio-wide monitoring is currently limited to ILO labour and IFC performance standards. Yet, some job quality topics show to be more **prominent** than others based on their relevance and feasibility, including **gender, living wages, employment benefits and training**. In the absence of clear benchmarks and thresholds to define job quality, qualitative indicators (e.g., existence of relevant policies) and best practices can help in the assessment of companies and guide them on their path towards higher quality jobs. In addition, employee/ stakeholder surveys are a useful tool to collect data on job quality dimensions beyond compliance to better understand the actual and wider impact of quality jobs on employees, their families, and wider communities.

The following chapter sets out the rationale and prioritisation of selected job quality issues for DEG and OeEB, bringing together the general job quality framework and evidence from other DFIs to refine a job quality approach to selected topics that are relevant and feasible for DEG and OeEB.

## 4 PRIORITISATION OF JOB QUALITY TOPICS

While this study has defined a suggested job quality framework and highlighted the need for a multi-dimensional perspective on job quality, this section provides recommendations for DEG and OeEB in **selecting actionable job quality topics**. Since engagement with clients on job quality requires specific focus, in this chapter suitable topics are discussed among those comprised in the different job quality dimensions (see Figure 2). This chapter presents both the rationale for the prioritisation of selected job quality topics and the prioritised job quality topics for DEG and OeEB.

### 4.1 REASONS AND IMPLICATIONS FOR PRIORITISATION

Job quality is a **multidimensional concept**, so that focusing on a limited number of dimensions or topics presents **limitations**. By definition, those dimensions or topics, however important, are not sufficient for delivering a comprehensive picture of job quality. Nonetheless, a prioritisation is considered necessary for identifying focus areas and for guiding short-term action. The main reason for this is the difficulty in operationalising job quality in its complexity, both for measurement and for intervention. Additionally, some topics within job quality prove more difficult to measure, which make them less suitable given DFIs' orientation towards measurable impact.

A prioritisation, however, is not to be equated to addressing job quality in a narrow way. Prioritised topics are not regarded as isolated but rather identified as part of a **range of topics that can progressively be addressed and expanded**. Accordingly, though the prioritisation proposed in this chapter highlights topics that are recommended for engagement with clients, all identified dimensions and topics depicted in the job quality framework refer to important action areas for DFIs. Furthermore, the interplay of the selected priority topics is another aspect that supports this incremental approach: focusing on selected **topics that complement each other** and pertain to both more objective and more subjective dimensions of job quality can offset the impossibility of a multidimensional approach. Lastly, one further implication of the prioritisation of job quality topics is that those built upon compliance with international labour standards are already included in social and environmental due diligence at DFIs (see chapter 2). The proposed job quality topics, in accordance with the focus of the study, refer to aspects not yet addressed in those procedures; notwithstanding, complementarity with areas included in compliance procedures was a criterion for the prioritisation, as a means of enhancing multidimensionality.

### 4.2 RATIONALE FOR PRIORITISATION

In this study, the prioritisation aspects were further elaborated in an iterative process and addressed in the exchanges with key stakeholders. This has led to a rationale for the prioritisation. As it will be further discussed below, the basis for this rationale is twofold: firstly, it relies on key aspects regarding the **general business environment of DFIs** engaging in job quality; secondly, it draws from the **consideration of DEG and OeEB's sector portfolios** and the general suitability of different job quality topics for those.

First, concerning the **current environment** of DFIs engaging in job quality, an important overarching feature refers to the growing efforts in systematising and harmonising impact measurements, including job creation and quality (see chapter 2). Through those efforts, job quality has been generally referred to as **important, yet multi-faceted and hard to aggregate**. Consequently, the Aspen Network of Development Entrepreneurs advises, for instance, that "practitioners can move past the job quality label by breaking it down into component parts"<sup>21</sup>. This approach can also be seen in the current efforts of consulted DFIs in tackling job quality, as described in chapter 3.

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<sup>21</sup> Aspen Network of Development Entrepreneurs (2022). Measuring Decent Work in the Small and Growing Business Sector. How-to Guide", p.8. Available at [https://andeglobal.org/?action=tracking&file=2022/08/ANDE-Measuring\\_Decent\\_Work-ENG-final.pdf](https://andeglobal.org/?action=tracking&file=2022/08/ANDE-Measuring_Decent_Work-ENG-final.pdf).

In view of that, prioritising of job quality topics is especially important for DFIs implementing approaches directly aimed at increasing job quality. As DFIs might provide support for clients to **intentionally enhance job quality**, tackling many different topics at the same time is mostly seen as not feasible. In supporting clients, DFIs **usually define priorities that are adequate** for the sector and region, as seen in the comparative analysis (chapter 3). Some topics also benefit from a heightened attention and momentum in the DFI and impact investment environment.

Accordingly, a main criterion for the prioritisation takes into account that short-term action should concentrate on topics in which DFIs and clients can achieve **relevant improvements**. Those should be **especially relevant for workers** and for employee satisfaction. As a cross-cutting dimension, **gender equality** fits this definition and is to be considered throughout efforts to improve job quality, as reflected in the current DFI environment (see chapter 3). Current efforts to advance gender equality in the workplace span a wide range of topics and have a high transformative potential.

When further applying the relevance criterion to the job quality dimensions, the centrality of **earnings and wages** becomes clear as a long-established priority. In this context, **living wages** has become an increasingly important topic for DFIs, complementing compliance with labour-related standards<sup>22</sup>. This emerging focus places DFIs at the forefront of efforts towards Sustainable Development Goal (SDG) 8 on Decent Work and Economic Growth. Even though the widely applied IFC Performance Standard (PS) 2 defines requirements as a means to achieve “a job that guarantees workers’ fundamental rights while paying them a decent and fair wage”<sup>23</sup>, the focus on living wages presents DFIs with the opportunity to take more tangible action. This is due to the fact that IFC PS 2 set the standard of wages that meet or exceed the higher of applicable legal minimum wages, prevailing industry wages or wages agreed through collective wage agreements; however, wages meeting this requirement might still be insufficient for employees to cater for their basic needs and for those of their families. As a result, in recent years, several international non-profit initiatives as well as governments contributed to the development of measurement approaches and benchmarks for living wages. These developments created a continuously building momentum and an increasing level of attention. As one example, the World Economic Forum published its “Good Work Framework” in May 2022, in which its first core goal is to “ensure at least a living wage for all”<sup>24</sup>.

Another topic that has been further reinforced as crucial in the current DFI and impact investment environment is **skills development**. Complementing more widespread topics related to compliance to international standards, skills development has been increasingly included in labour-related reporting schemes. As an example, under the disclosure requirements of the European Sustainability Reporting Standards, training and skills development have been included, setting an important precedent for this growing focus. Skills development was also recently selected as one of the priorities in moving beyond compliance to measure fulfilling work by the Aspen Network of Development Entrepreneurs members<sup>25</sup>. The already mentioned “Good Work Framework” by the World Economic Forum includes skills development prominently and proposes a key metric related to employees with access to impactful reskilling and upskilling opportunities.<sup>26</sup>

One last topic that is widely included in job quality frameworks such as IRIS+ is employment benefits. As a related to **multiple job quality dimensions**, employment benefits as a part of terms of employment can target health and well-being, work-life balance, and earnings. This is due to the wide range of benefits that can be provided, according to the needs related to the country, sector, or workforce characteristics. One advantage of focusing on benefits for the achievement of higher job quality regards the **adaptability** of the topic to different sectors: due to varied nature of benefits, clients can be supported in assessing suitable benefits for the workforce. Additionally, the provision of employment benefits can strongly contribute to gender equality<sup>27</sup>, promoting a more equitable access to job quality.

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<sup>22</sup> For a summary of recent institutional developments concerning living wages, see the information compiled by the UN global Compact (available online at <https://unglobalcompact.org/what-is-gc/our-work/livingwages>).

<sup>23</sup> International Finance Corporation (2013). IFC Jobs Study. Assessing Private Sector Contributions to Job Creation and Poverty Reduction, p. 137.

<sup>24</sup> World Economic Forum (2022). The Good Work Framework: A new business agenda for the future of work.

<sup>25</sup> Aspen Network of Development Entrepreneurs (2022). Measuring Decent Work in the Small and Growing Business Sector. How-to Guide”. Available at [https://andeglobal.org/?action=tracking&file=2022/08/ANDE-Measuring\\_Decent\\_Work-ENG-final.pdf](https://andeglobal.org/?action=tracking&file=2022/08/ANDE-Measuring_Decent_Work-ENG-final.pdf).

<sup>26</sup> World Economic Forum (2022). The Good Work Framework: A new business agenda for the future of work.

<sup>27</sup> Kristal, Tali, Cohen, Yinon, and Navot, Edo. 2018. “Benefit Inequality among American Workers by Gender, Race, and Ethnicity, 1982–2015.” *Sociological Science* 5:461–88.

The second consideration that guided the prioritisation of job quality topics was the **suitability for a wide range of sectors and industries**. The client portfolio of DEG and OeEB covers a broad range of sectors and regions.

Given the diversity of these sectors, different labour profiles and types of employment become relevant, as well as different job quality challenges associated with those. Moreover, the literature review regarding key sectors points out that there is a wide variability of levels of job quality between companies, differing along criteria such as company size and country. Consequently, defining job quality topics that are amenable for a wide range of sectors and job profiles is key.

The consideration of relevance of the selected job quality topics for the sectors confirms their suitability. As a starting point, **earnings** are considered central for all workers, as mentioned above. Earning adequate wages is one of the most acknowledged objective dimensions of job quality. The topic of living wages offers an increasingly important approach for working with all sectors, as previously explained. An equally broad job quality topic that offers opportunities for cooperation with clients from different sectors is **skills development**, since, many sectors present acute needs regarding skills gaps and skills mismatches. As such, focusing on skills development has a clear business case for clients from different sectors. Further benefits accrued from this area of work are equally well-established, since spill-over for communities and especially vulnerable groups have often been reported for different sectors. Finally, the provision of **employment benefits** is one of the more flexible and widely employed strategies for enhancing job quality and satisfaction across sectors. Inasmuch as benefits are often accounted for as part of total rewards and thus associated with reaching living standards, providing benefits in addition to living wages is considered the best-case scenario for job quality in most sectors. As mentioned above, employment benefits can have a direct positive impact on gender equality, especially in sectors in which women comprise the majority of workers. Benefits such as on-site childcare, flexible schedules, and paid family leave to help employees balance work and family responsibilities.

**Examples for selected sectors** are illustrated below that represent how the selected topics are relevant for those, according to the literature available on those sectors:






Sector	Priority topic based on sector-specifics
<b>Manufacturing</b> 	<b>Living wages</b> were identified as a priority for achieving job quality in the manufacturing sector, due to the prevalence of low wages in the sector of many developing countries. One good practice example is Fairphone, which states that “there is no excuse for not paying a living wage to the workers who assemble our phones, on nothing stopping all of us from insisting on this”. Together with their strategic suppliers, Fairphone develops worker-driven impact programs that increase worker satisfaction through clear strategies for bridging the gap to a living wage. <sup>28</sup>
<b>Agriculture</b> 	In most countries, <b>living wages and living income</b> in agriculture are not the standard, despite work in the sector being strenuous and possibly hazardous. Companies in the sector operate either with larger plantations with workers (own or supply chain) or source their product from smallholder farmers. When a company has its own workers, one main actionable area which has been increasingly pursued in the sector is reaching living wages <sup>29</sup> . Whenever a company sources from smallholder farmers, the applicable concept is that of living income instead.
<b>Financial services</b> 	Providing <b>non-wage benefits</b> is one of the most commonly identified strategies to attract and retain talent <sup>30</sup> in face of demanding jobs and long working hours, which are common in the financial services sector. Additionally, low skilled workers might lack <b>equal access</b> to benefits compared to high skilled workers of the sector. In order to <b>strengthen gender equality</b> , job access and career opportunities for women is a further commonly identified priority area.
<b>Textile</b> 	In sectors that mainly employ women, such as textile, <b>gender</b> considerations, <b>living wages</b> and <b>employment benefits</b> such as (extended) maternity leave or childcare are crucial to enable women to join and remain in the workforce. Moreover, research finds that the apparel industry is characterised by a lack of access to living wages and benefits such as health insurance and maternity leave; among many other challenges. <sup>31</sup>
<b>Tourism and hospitality</b> 	The tourism and hospitality sector is a strong service-based industry, making <b>skills development</b> one of the most crucial and significant factors for success. <sup>32</sup> As an example, in the Philippines, DEG supported Pardon/Heider Touristik GmbH through the develoPPP programme funded by the German Federal Ministry for Economic Cooperation and Development (BMZ) in developing a comprehensive programme of skills development for a range of services necessary for environmentally and socially responsible tourism. The company was thus able to expand its own programme to include attractive destinations. This was done in close cooperation with the ethnic communities, thus extending co-benefits for the community. <sup>33</sup>

Table 2: Exemplary sector priorities

It should be noted, however, that this preliminary analysis was subject to several **limitations**, as most of the literature on sectors relates to risks rather than job quality aspects beyond labour-related compliance. Moreover, the available

<sup>28</sup> Fairphone. (2021). Fairphone’s impact 2021. Change is in your hands. Available at: <https://www.fairphone.com/wp-content/uploads/2022/06/Fairphone-Impact-Report-2021.pdf>

<sup>29</sup> AP7 (2021). AP7 Theme Report Working Conditions in Food Supply Chains. Online available at <https://www.ap7.se/app/uploads/2021/10/ap7-theme-report-working-conditions-in-food-supply-chains.pdf>

<sup>30</sup> Crowe LLP (2022): 2022 Crowe bank compensation and benefits survey highlights. Online available at: <https://www.crowe.com/-/media/crowe/llp/widen-media-files-folder/2/2022-crowe-bank-compensation-and-benefits-survey-highlights-cfs2304-003b.pdf>

<sup>31</sup> BSR. (2017). Empowering Female Workers in the Apparel Industry. Three Areas of Business Actions. Online available at: [https://www.bsr.org/reports/BSR\\_Empowering\\_Female\\_Workers\\_in\\_the\\_Apparel\\_Industry.pdf](https://www.bsr.org/reports/BSR_Empowering_Female_Workers_in_the_Apparel_Industry.pdf)

<sup>32</sup> Agarwal, P.K., Naidu, K. (2021). Study on the importance of training and development in hotel and tourism industry in Uttarakhand. VSRD International Journal of Accounts, Economics and Commerce Research, Vol. VII Issue I June 2021e-ISSN: 2455-425. Available at [www.vsrjournals.com/](http://www.vsrjournals.com/)

<sup>33</sup> develoPPP (n.d.). Tourism company develops offers with indigenous groups. Online available at: <https://www.developpp.de/en/projects-success-stories/tourism-company-develops-offers-with-indigenous-groups>

data does not provide consistent and comparable information on the different regions and their interfaces with specific sectors. As the information often relates to specific cases and countries, indications of relevant topics and priorities can be inferred from the available data but cannot be generalised to all regions.

In conclusion, the sector analysis confirmed the importance of gender as a cross-cutting dimension and of the following topics: living wages, skills development and employment benefits. As the previous analysis has shown, these job quality topics are also present in the approaches of other DFIs, which have been piloting tools, systems, and guidelines to promote quality jobs in these areas. As such, those topics are associated with growing implementation experience from DFIs. These corroborating findings from both the literature and interviews with DFIs confirmed their relevance and supported the selection of priority topics.

In the following, the suggested priority job quality topics will be further detailed, including general guidance on how DFIs can engage with clients on the topics for achieving impact.

## 4.3 JOB QUALITY TOPICS

According to the analysis presented above, the following section presents selected job quality topics that have been prioritised by DEG and OeEB for further consideration. Following a brief definition, the relevance of each topic is illustrated for DFIs together with a more general business case. In addition, preliminary guidance on how to address those job quality topics in cooperation between DFIs and clients is provided, drawing upon available methodologies and best practices. Sector highlights and good practice examples are further provided, as well as limitations and challenges that might apply for each of the topics.

### 4.3.1 LIVING WAGES



#### **DEFINITION: LIVING WAGES**

A living wage is the remuneration a worker receives for a standard workweek to be able to have a decent way of living for himself/herself as well as for his/her family. As per living wage definition, one individual income needs to be sufficient for a whole household: “The net annual income required for a household in a particular place to afford a decent standard of living for all members of that household” ([Global Living Wage Coalition](#)). Elements of a decent standard of living include food, water, housing, education, health care, transportation, clothing, and other essential needs including provision for unexpected events. The concept of living wage is to be differentiated from the concept of minimum wage which describes a legal construct that is required by law. Additionally, policies and practices of companies often describe the work on wages as “decent wages”, which is mostly not to be equated to living wage, since the concept of decent wages is not as clearly and uniformly defined.

#### **Relevance for DFIs**

Earning a living wage is considered a human right and a substantial contribution to job quality. Ensuring living wages are paid is directly linked to efforts to overcome global poverty and to achieve the Sustainable Development Goals (SDG), especially SDG 8 “Decent work” and SDG 1 “No poverty”.

The upcoming EU's Directive on corporate sustainability due diligence, which complements the recently enforced Corporate Sustainability Reporting Directive (CSRD)<sup>34</sup>, details how companies should perform human rights due diligence in their supply chains. This directive will likely include living wage as a topic on which companies should perform due diligence on. By focusing on living wages, DFIs will prepare themselves and clients for these future regulations.

### Business Case

Beyond being a human right, there is a clear business case for paying living wages. A sense of improved financial well-being has the potential to increase the productivity, performance and service delivery of employees and can lead to a more motivated, committed and engaged workforce. Employee retention is boosted which leads to lower turnover rates and lower rates of absenteeism. Consequently, companies can save costs on rehiring and retraining its staff. Apart from that, it can lower rates of sick pay abuse. Providing decent wages is also a way to attract (talented/better quality) employees and to improve the reputation of a company, which in turn helps to attract customers. The number of strikes, work slowdown and labour unrest can be reduced.<sup>35</sup> Higher costs due to increased wages may be a challenge for clients striving to stay competitive. While living wages are expected to improve motivation, engagement etc. and thus productivity, this link is not always clearly verifiable / measurable in practice. Yet, good practice examples can give an indication of its potential impact.

### Approach for operationalisation

While there are different approaches to promoting living wages, the **IDH Sustainable Trade Initiative**<sup>36</sup> is at the forefront of providing a clear **roadmap** to achieving living wages, which is guiding other DFIs. Through the roadmap a comparison between worker's current earnings and living wage **benchmarks** is achieved. Advantages of the roadmap concern the uniformity in how living wage gaps are verified, the availability of practical solutions to remove barriers and close living wage gaps, and access to best practices and learnings on how the gaps can be reduced over time. There are various initiatives that offer **external certifications**, which also address the issue of living wages (among other aspects). While such certifications do not guarantee that living wages are consistently paid to workers, clients who wish to promote living wages can link their efforts with various such initiatives (e.g., Fair Wear Foundation, Fairwage Network, Ethical Trading Initiative, Sedex Members Ethical Trade Audit (SMETA), Green Button 2.0, UTZ/Rain Forest Alliance, Fairtrade International, Bonsucro, SAI's SA8000) to exploit synergise and promote joint learning.



#### SECTOR SPOTLIGHT:

#### AGRICULTURE

Two thirds of the global population living below the poverty line are farmers, workers in agriculture and their dependants. Working towards a living wage/living income should be seen as the most important step towards decreasing global poverty. Many workers in this sector do not have a formal employment contract as they are informal or seasonal workers. It is important to discuss in what way the clients' workforce and workers in their supply chain can afford their day-to-day livelihood, with all aspects that are part of the living wage definition.

### Challenges and limitations

In general, paying a living wage typically requires companies to increase the amount they pay their employees, which can result in **higher labour costs**. The cost implications for companies vary depending on several factors, including the size of the company, the industry in which it operates, the location of its operations, and the current wages being

<sup>34</sup><https://www.idhsustainabletrade.com/news/idh-along-with-63-other-signatories-have-signed-an-advocacy-letter-calling-on-the-eu-to-include-living-wage-and-income-in-eu-directive/>

<sup>35</sup> <https://goodjobs.pacificcommunityventures.org/employee-compensation/the-business-case/>

<sup>36</sup>IDH is a social enterprise that works with businesses, financiers, governments, and civil society to realize sustainable trade in global value chains.



paid to employees. Ultimately, the cost implications will depend on the specific circumstances of each company and the methods it uses to implement the change. Some companies may choose to gradually phase in higher wages over time, while others may make a more dramatic change all at once. The key is to carefully consider the costs and benefits and to develop a strategy that is sustainable over the long term.

The **lack of data and benchmarks** can be a significant challenge for efforts to promote living wages. Without accurate information on the cost of living in different regions, it can be difficult to determine what constitutes a living wage in a given area. This can make it difficult for companies to make informed decisions about wage levels and to set goals for improving the standard of living for workers. Additionally, the lack of benchmarks can make it difficult to measure progress and to determine the effectiveness of efforts to promote living wages. Several institutions aim at addressing these challenges and to develop more robust databases and benchmarks for living wages that can help to provide a more solid foundation for decisions and policy-making.



**GOOD PRACTICE EXAMPLE**

**MIBANCO BANCO DE LA MICROEMPRESA DE COLOMBIA S.A. (FINANCIAL SERVICES)**

Milbanco has undertaken a strategy to improve income levels for its direct employees. Under development as of November 2021, this strategy will update remuneration valuations of job functions and positions, conduct internal and external equity analysis, and define an action plan to reduce existing salary gaps relative to industry standards and demographic inequities such as race and gender. These efforts, even though not fully formed, have begun to enhance employee’s satisfaction with their income levels; in an internal ‘Climate and Employee Experience Survey’ conducted in 2021, 68% of employees reported a favourable view of their “remuneration and benefits”, up from 62% in 2020. These figures reflect the role of increased incomes through employment in improving overall quality of life, especially for disadvantaged groups (Source: GIIN 2021, p. 48)

4.3.2 EMPLOYMENT BENEFITS



**DEFINITION: EMPLOYMENT BENEFITS**

As a collection of tangible or intangible, non-wage compensations, employment benefits refer to any benefits provided to employees by a company that go beyond what is required by the laws and regulations of the country where the company operates. Employment benefits contribute to a range of job quality dimensions, such as: health and well-being, work-life balance and intrinsic characteristics of work, gender equality, among others. Those are usually provided for permanent, full-time workers and, to a lesser extent, to part-time and temporary workers as well as to family members. Since countries differ greatly in terms of which benefits are legally required, whether a company provides a good employee benefit package cannot be determined on a general level but needs to be identified on a case-by-case basis.

Relevance for DFIs

Providing adequate employment benefits is a powerful way of enhancing job quality, directly contributing to **employee well-being and talent retention**. DFIs' support of companies that provide generous benefits packages strengthens investment in the well-being of employees and the path towards socially responsible organizations. This can also help companies in building **stronger relationships** with local communities and other stakeholders, thus maximising positive impacts.

The provision of employment benefits is closely linked to the achievement of **SDG 3** (Good Health and Well-being), **SDG 8** (Decent Work and Economic Growth) and **SDG 10** (Reduced Inequalities).

### Business Case

Offering non-wage benefits **attracts (talented) employees** and encourages staff **retention**. Adequate employment benefits give employees a **sense of security and stability** and enhances motivation and a feeling of belonging. As a result of higher job morale, **indirect costs** e.g., costs associated with missed work, staff turnover and lower productivity can be **decreased**.

Providing employment benefits, such as health insurance, retirement plans, and paid time off, can be a way for companies to **improve the overall compensation package** for their employees. Certain employment benefits may be tax-free or tax-advantaged for employees. For example, in some countries health insurance or retirement benefits may be tax-free or taxed at a lower rate. Employers may also be able to claim tax deductions for certain benefits they provide to their employees. Therefore, the provision of benefits is often seen as a way to balance the needs of the company and the needs of the employees<sup>37</sup>.

Demonstrating the company's commitment to providing benefits and can enhance the company's **reputation** as socially responsible organization. Benefits such as health insurance, retirement savings plans, and paid time off above local law usually lead to **increased job satisfaction and motivation**, which can in turn lead to improved **productivity** and **performance**.

### Approach for operationalisation

Given the broad range of different benefits, the actual costs can vary immensely, which gives the employer a wide range of decision making (e.g., starting with cost-effective benefits like flexible hours, public transportation cards, free parking spaces). Technical support from DFIs can focus on finding a suitable strategy for clients willing to engage in a transformative approach towards better and more employment benefits. As a first step, a costs-benefit analysis can be conducted to avoid a high financial burden. In this way, possible costs must be examined prior to the benefit's introduction. For the further implementation of a transformation approach, the definition of the benefits to be provided must be guided by a range of considerations besides cost effectiveness. The provision of employment benefits can be considered a good practice if it meets the following criteria:

- meaningful improvement in the overall well-being of employees and their families
- responsiveness to the needs and priorities of the workforce, guaranteed through **participative processes** (e.g., employee survey)
- **alignment with the characteristics of the workforce** and the work performed: if work is strenuous and possibly hazardous, a focus on health benefits is considered good practice. If the workforce is comprised mainly of women, benefits such as extended maternity leave and nursing rooms should be considered
- **transparency** ensuring that benefits are well-communicated as well as broad availability for all employees, regardless of their role, seniority, race, gender, age, or sexual orientation
- **formalisation** guaranteeing that benefits are legally binding and enforceable. This can be done in contracts, collective agreements (in companies with unionised workers), internal policy documents or corporate strategies

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<sup>37</sup> Even though the provision of benefits is often subject to less tax liabilities for companies and employees than raising salaries, the best approach is likely to be a combination of both, where companies can provide a comprehensive package of benefits and wages that are sufficient to meet employees' basic needs and support their well-being.

Depending on the region, sector and the company's demographics, employees may show different needs. Thus, to implement the most impactful benefits, it is crucial to investigate what the workforce needs and wants. On this basis, an action plan with goals can be agreed between DFIs and the clients. Regarding the action plan, DFIs should take note of whether both permanent/regular workers and temporary workers are eligible for benefits. In some cases, eligibility for benefits does not translate in equal access since some workers might face further obstacles. For a more in-depth analysis, monitoring data can be collected both eligibility and on whether and how frequently employees from different categories (fulltime or parttime, temporary or permanent, for example) accessed those benefits.

### Challenges and limitations

In general, the quality of employment benefits is difficult to assess given the lack of universal standards, varying needs and preferences of employees, as well as financial and legal constraints. While it is desirable to ask workers what benefits they need or prefer, offering targeted and individualised benefits may not be feasible for many companies. Besides financial and legal restrictions, preferences among the workforce may vary (e.g., across different generations), making it difficult to keep up with changing expectations and provide benefits that are relevant and attractive to all employees. Finally, there is an overlap between living wage and employment benefits in that both aim to improve the financial well-being of employees. Employment benefits may complement wages by helping employees cover the costs of healthcare and education, for example. A living wage should be high enough to meet basic needs, also including healthcare and education. Where living wages are not yet paid, improvements can be achieved both through higher wages and/or benefits. A clear distinction is not always possible.



### SECTOR SPOTLIGHT: FINANCIAL SERVICES (SME/MICROFINANCE)

A popular instrument for providing employment benefits in this sector are performance incentives. However, incentives are often offered to frontline employees only, excluding back-office staff.

A broad range of benefits can be offered by the sector, ideally in close consultation with the workforce, which is key for hiring and retaining high skilled staff. Those can include extended paid leave, extended maternity and paternity leave as well as health benefits.



### GOOD PRACTICE EXAMPLE

#### Virú Group (Agriculture)

Virú, a leading producer of agricultural products in Peru, is aware of the importance of additional benefits for its employees and spends 2.7 million EUR on this annually. After recognizing that employees living in remote areas face a lack of transportation options to the workplace, Virú started to offer free transportation to its production facilities. Additionally, the company offers medical centres, childcare, canteen, products at reduced prices and social insurance schemes as part of their integrated Corporate Social Responsibility (CSR) strategy. On top of that, employee birthdays are celebrated and welcome packages for every newborn of an employee are provided. Virú has been rewarded for its internal Social Responsibility Activities by BSCI (Business Social Compliance Initiative), ABE AMCHAM (Asociación de Buenos Empleadores de la Cámara Comercio del Perú) and FLO CERT. In total, Virú spends EUR 2.7m per year on additional benefits for its employees (Source: [KfW DEG 2018](#))

### 4.3.3 SKILLS DEVELOPMENT



#### DEFINITION: SKILLS DEVELOPMENT

Skills development is defined by the ILO as the full range of formal and non-formal vocational, technical, and skills-based education and training for employment and/or self-employment, including pre-employment and livelihood skills training; vocational training and apprenticeships; training for employed workers; and employment-oriented and job-related short courses. It can include both job-related technical skills, cognitive skills (e.g., critical thinking), socio-emotional skills (e.g., teamwork), and digital skills. Increasingly, skills development is associated with companies' ability to harness opportunities from new technologies, as well as those related to current transitions such as towards net-zero economies and low-carbon means of production and service delivery. For DFIs, investments in skills development aim at enhancing employee's employability and labour mobility – especially if the employee can demonstrate his/her acquired skillset, either in practice or via certificates or proof of qualification.

#### Relevance for DFIs

Skills development and the related concept of career prospects are important focus areas for DFIs. By offering skills development programs and career prospects, DFIs' clients can **improve business results** and **positively impact employees' careers**, helping to reduce inequality, unemployment and poverty. Moreover, skills development is essential in face of the **changing nature of work and skills requirements**. Challenges related to new forms of organizing work, digitalization and automation increasingly require lifelong learning, as do global trends such as globalization, urbanization, and climate change. As such, skills development is considered an essential pre-requisite for sustainable development and is uniquely positioned as a topic that is connected to different SDGs. Therefore, it is **central to the Agenda 2030**, under SDG 4 on ensuring inclusive and equitable quality education and promoting lifelong learning opportunities for all and SDG 8 on promoting sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all. Skills development programs can also facilitate and improve **equity of opportunity** and treatment by ensuring that employment opportunities are not restricted on the basis of sex, race, ethnicity, or belief. Finally, skills development can also benefit the **local community** and contribute to enhancing employability in the region. This can be reinforced through the provision of more broadly available trainings and apprenticeships beyond the own workforce.

#### Business Case

Emerging **skills gaps** (the difference between the skills required for performing a job properly and employee's current skills) pose challenges for companies, requiring new investments in the **education, training, and reskilling** of workers. Conversely, ensuring that employees have the right skills and knowledge to do their job (whether by internal trainings or by external skills provider) is essential for the **business performance**: it goes along with higher quality and productivity, greater efficiency, increased profitability, less wastage, avoidance of errors, less



#### RELEVANT MODELS OF SKILLS DEVELOPMENT

**Apprenticeship:** long-term training for a designated occupation that combines on- and off-the-job training involving a workplace and an education or training institution. The apprentice is contractually linked to the employer and receives remuneration.

**Upskilling:** Training which supplements and updates existing knowledge, skills and/or competencies. This is related to the current focus on developing lifelong learning.

**Reskilling:** the process of learning new skills or attaining training to do a different job. Reskilling programmes cover a range of topics and not solely technical skills; for example, socio-emotional skills, time management, digital skills, mental health and wellbeing.

product rework, shorter turnaround time, more production runs and improved work safety. Skills development **boosts job satisfaction** and aligns employee goals more closely with company goals. Clear career progression opportunities and ways of upward mobility is also associated with an **improved workforce morale**.

Providing training, mentorship and growth opportunities is also an effective strategy for enhancing **employee retention and career progression**. A **larger internal talent pool** effects the company's **innovation level**, leads to **improved problem-solving capacities** and improves employees' ability for new and additional tasks.<sup>38</sup> This is important as high turnover rates can come along with significant costs (incl. declines in productivity) and resources for hiring. In fact, a 2017 report from the consulting firm FSG listed entry-level employee training, mentorship, and the creation of career pathways as essential parts of effective employee retention strategies ensuring employees have sufficient knowledge and skills to do their jobs well and progress within the company.

#### Approach for operationalisation

DFIs can provide technical assistance for clients willing to improve on skills development. In principle, all DFI clients can benefit from working towards more and better skills development, regardless of whether they already engage in related activities or not. For the transformative approach to skills development, the first important step is determining the scope of support. DFIs might start with the definition of eligible activities for an approach towards client transformation. Training that is mandatory (according to IFC Performance Standard 2 GN80<sup>39</sup>) should not be considered eligible for this approach. According to this, occupational Health and Safety (OHS) training as well as instructions on the basic operations and requirements of the job (for instance basic operation of required machinery) are important for employees' safety, but do not enhance employees' skills and career prospects.

While there are no benchmarks and one-size-fits-all solutions for DFIs engaging with clients to strengthen skills development, there are various indications for good quality approaches. This refers to skills development that is:

- targeted
- individualised
- demand-driven (based on employee consultation)
- certified
- inclusive
- enhances career progressions
- includes the community
- provides future skills
- broad access to employees,
- strategically anchored (e.g., in HR policy)



### SECTOR SPOTLIGHT:

#### HOSPITALS

In the hospital sector, the presence of both high-skilled and low-to medium-qualified staff is one defining characteristic, so that equality in skills development opportunities becomes a central area of action. Hospital Sírio Libanês (HSL), a private hospital operator in Brazil, had difficulties in recruiting and retaining low- to medium-qualified operational workers for auxiliary medical tasks, nursing work, and technical support functions. To address this issue with DEG support, HSL invested in assessing training needs, providing respective training, building a multi-disciplinary qualification centre and a neighbourhood qualification project, which provides three months of training to people from the local area to work in catering, hygiene, or other auxiliary services. Those measures helped HSL to maintain its high-quality standards, fill positions internally, and bridge its skills gaps. HSL's employees benefitted by better career prospects and higher salaries.

<sup>38</sup> Gilsdorf K. Hanleybrown F. (2017). Investing in Entry-Level Talent: Retention Strategies that Work. Kimberly and FSG.

<sup>39</sup> "Training should be provided to all workers on relevant aspects of OHS associated with their daily work, including emergency arrangements and OHS briefing for visitors and other third parties accessing the premises".

## Challenges and limitations

The lack of universal standards for what constitutes good quality skills development programmes makes it difficult for DFIs to assess the quality of skills development provided by clients. Programmes, therefore, need to be evaluated on a case-by-case basis, which may be time-intensive. The above listed indicators can help Investment Managers to understand how advanced a given client is in providing relevant and quality training. However, while the existence of a clear strategy or policy for skills development may be indicative of the client's commitment to develop its workforce, for example, it is important to also look at how or whether these strategies or policies are indeed applied in practice. In addition, the labour market is constantly changing and so is the relevance of training contents. Hence, the appropriateness of programmes needs to be assessed on a regular basis, including whether a company is consulting its workforce in defining training needs. If the training does not match the skills that employers are looking for, it may not lead to better job quality or higher wages. From the perspective of the employer, the provision of skills development also requires resources, which are often limited for companies, especially when operating in lower-income countries. Therefore, it is important for DFIs to support their clients in identifying the right training needs and providing respective development programmes.



## GOOD PRACTICE AREAS

### **Skills for future requirements**

In many sectors, workers are regularly confronted with new procedures and demands. In this changing scenario, attaining sufficient skills for performing their jobs and for developing professionally is key. Companies can be proactive and focus their skills development programmes on upcoming challenges specific for the sector. This supports workers in timely adapting or even in identifying new opportunities for professional growth. Depending on country context, those could be automatization, new operational requirements, or quality standards.

### **Skills development targeted to individual needs**

For progressing in their professional development, workers have unique needs and paths for improving their skills. Personalised skills development is therefore relevant for effectively achieving targets and empowering workers through decision-making. The development of skills development programs that are adapted to the company's and/or the employees individual can be done using surveys, individual consultations or app-based programmes, for instance. Companies might offer an individual learning budget, with which workers can take courses or engage in growth programs not directly linked to their work. Employees are thus encouraged to broaden their skills and pursue continuous learning focused on their individual needs. Further examples are mentoring programmes that can be tailored to employees' priorities.

### **Skills development targeted to disadvantaged groups**

Since it is a powerful tool to promote equality in the labour market, the provision of skills development from companies can have far reaching impacts. For example, in many developing countries, apprenticeships and on-the-job skills development provided for youth play an important role in countering youth unemployment and broadening access to education. Additionally, companies might expand skills development opportunities for local communities. This can generate twofold positive outcomes: recruiting of skilled workers and enhancing the employability and career prospects of local disadvantaged groups. See for example the [Canon Miraisha](#) program or [Afripads](#).

## 5 CONCLUSIONS: KEY LEARNINGS AND LIMITATIONS

Given the scope of the study and the complexity of the subject area, this study comprises first approaches to systematise existing frameworks and prioritise job quality topics relevant for DFIs. Findings may serve as a basis for further analysis and guide decision-making processes in the pursuit of promoting higher quality jobs.

Firstly, some **limitations** confine the generality of the study findings.

- Existing job quality **frameworks differ in scope and foci**. While this study developed a framework suitable for DFIs based on research and expert interviews at the time, there is **no common understanding** of what constitutes job quality. Therefore, caution should be exercised when using similar terms from different sources.
- The **availability of literature and up-to-date data** varied across regions and limited the comparability and drawing of generalised conclusions.
- The **lack of thresholds and benchmarks** to clearly distinguish job quality beyond labour-related compliance make the development of practical indicators to measure and manage job quality aspects difficult.
- Given the **finite timeframe** of the study, interviews were conducted with selected industry experts only and do not cover all DFIs or additional approaches that may exist. Findings are therefore to be understood as **spotlight in time**.
- While DFIs are dedicated to promoting quality jobs, **most approaches** are still **under development** or have recently been **piloted** so that **empirical data from experience is limited** to date.

Building on data gathered in the study, some of the **key learnings** and conclusions regarding quality jobs are summarised below.

- The **varying definitions** of what constitutes job quality has direct implications for **measuring** job quality. While the literature presents different measurements and proxies for different aspects of job quality, the study concludes that there is **no one-size-fits all approach** to measuring job quality.
- Specifically relating to DFIs, **clear standards and benchmarks** on job quality beyond labour-related compliance requirements are still emerging. Currently, DFIs strive to contribute to more positive impacts on job quality beyond risk avoidance and mitigation. While ensuring relevant labour standards are upheld by clients is a well-established practice among DFIs, standards for a “do-good” approaches beyond risk mitigation vary considerably.
- This leads to the need of strengthening efforts on two levels: first, **expanding the scope of job quality topics** beyond those addressed by the applied labour standards (for example, focusing on skills development) and second, **setting more ambitious targets** (for example, working in achieving living wages beyond complying with minimum wages).
- **Defining intervention areas for DFIs** acting globally is further complicated by different (at times inadequate) regulatory environments, including weak labour laws, lack of enforcement mechanisms, and limited social protection. Differences across countries make tailor-made implementation necessary and present further hurdles to the ability of DFIs to promote quality jobs.
- The selection of methods and priorities depends on various factors including the strategic direction and the ambition of a given DFI, its portfolio composition, as well as the relevance and feasibility of the job quality topic. According to the results of the study, DFIs are approaching the topic by either focussing on **specific priority sectors or selected job quality topics**.
- In this context, **emerging methodologies and roadmaps** such as on living wages (i.e. the IDH Roadmap on Living Wages) provide an opportunity for a standardised approach on key areas of job quality. **Qualitative indicators** (e.g., existence of relevant policies) and **best practices** can also help in the assessment of companies and guide them on their path towards higher quality jobs. Additionally, **employee surveys** are a useful tool to

collect data on job quality dimensions to better understand the actual and **wider impact** of quality jobs on employees, their families, and wider communities.

- While it is difficult to derive general recommendations applicable to all, some job quality topics show to be more **prominent** than others based on their relevance and feasibility, including **gender, living wages, employment benefits** and **skills development**.



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