



Theories of Change

Linking Employment and
Stability in Fragile and Conflict-
Affected Situations



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author: **Tilman Brück, Kinga Krisko, and Andrew Tedesco**
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Corresponding author: Tilman Brück, tilman.brueck@isd-center.org

Introduction

This scoping study analyzes whether employment (or unemployment) and stability (or instability) correlate with each other and what channels of impact may be at play. In particular, it examines how recent academic publications, policy documents, and practitioners understand the link between employment creation and stability identifies gaps in the literature and policy, and meshes this analysis with the experiences of practitioners involved in implementing employment creation programs. The study also considers the risks and risk mitigation in employment-creation schemes and potential third factors associated with related programs. It uses a broad definition of employment and a micro-macro distinction between stability of state institutions and stability of society to frame the analysis and delve more deeply into social cohesion elements than most other analyses. The results are derived from a critical review of the literature, the authors' work in the field, and a series of seven practitioner interviews to explore and test accepted theories.

The study begins by providing working definitions of employment and stability, outlines issues related to data availability in fragile states, and considers the most significant recent reviews and analyses of the links between employment and stability in fragile states. It examines four broad analytical categories using both existing literature and examples and analysis drawn from the practitioner interviews. It notes how theories of change inform the thinking and activities of development actors and initiatives. It discusses the wide range of employment and employment generation options, their potential to influence stability, and the risks, risk mitigation, and external factors that must be considered. The analysis scrutinizes significant issues such as quality of employment, drawing from case interviews as much as possible.

The study concludes by identifying three priority areas of knowledge building: the need to learn about the impact channel that links social capital and cohesion with stability and employment; the need to collect better micro-level data in conflict and fragile environments, bearing in mind the need to adopt methodologies to these contexts; and the benefits of conducting rigorous impact evaluations in conflict and fragile environments to support the systematic learning of researchers and practitioners from practical experiences.

Methodology

The study is based on a literature review, case study analysis, and structured interviews with practitioners. Interviewees – who were identified by members of the Working Group Employment for Stability of the Dutch government’s Knowledge Platform Security & Rule of Law and their implementing partners – either ran or were associated with employment promotion programs in fragile situations (see table 1). The interviews explored and tested accepted theories linking employment and stability and solicited practical feedback regarding new or untested theories of change, third or external factors, and risks and risk mitigation associated with the promotion of employment in fragile contexts. The five broad and sixteen detailed questions that guided the case interview discussions are included in the appendix.

1 Case Study Interview List

Organization	Outcome data
Buchanan Renewables, Liberia	October 2013
Compromiso, Department of Santander, Colombia (partner of Cordaid)	October 2013
Dutch Ministry Foreign Affairs, Bujumbura, Burundi	October 2013
Dutch Ministry Foreign Affairs, Juba, South Sudan	October 2013
Ma’an Development Centre (Gaza Strip, Jordan Valley and West Bank), Palestine (partner of Cordaid)	October 2013
SPARK Burundi: BBIN; Rural Entrepreneurship Program	October 2013
SPARK Liberia: Business Start-up Center Monrovia, Liberia	October 2013

Definition of employment

Employment is defined here as any engagement in a paid or self-earning position in which a material gain or service provision is expected and typically rendered as the result of work. This is a broad definition intended to capture as many forms of productive work as possible, including in subsistence or market agriculture, the formal and informal sectors, licit or illicit activities, and peaceful or war-related sectors. Official employment statistics rarely cover these activities, although household and individual survey statistics can cover them in detail.

In many contexts, the terms *employment*, *livelihood*, and *unemployed* are loaded with context-specific meaning. This is especially true of the informal sector, where people may believe that their work, despite being productive, is not significant enough in some sense to be deemed employment. For example, motorcycle taxi drivers may self-identify as unemployed despite providing a service throughout the day because they only recognize formal paid positions as employment. This example shows not only how broadly the net is cast in examining employment, but also how the meaning of employment is context-specific. This specificity should be kept in mind within projects supporting employment creation.

Definition of stability

Stability is defined here as the preservation of the social contract that reflects, at the state level, perceptions of legitimacy, adequate service provision, the monopoly over the legitimate use of force; capacity to mediate nonviolent expressions of grievance; and, at the society level, results from or leads to social norms that reinforce social cohesion, social inclusion, and the expectation of security of person and property. This definition takes particular account of challenges from within society, but external challenges to stability are of course also possible. In this discussion, the terms *stability*, *social cohesion*, *social capital*, *social contract*, and *social inclusion* are related but not identical. It is beyond the scope of this short report to account fully for the significant differences.

The definition enables a focus on both micro and macro levels of analysis of the stability of state institutions and of society. This micro-macro lens demonstrates how stability can relate to different but interrelated experiences from the perspective of state actors, which are responsible for executing processes that govern and provide public services, versus individuals and communities, who rely on sets of social norms and expectations to determine their behavior.

At the state level, stability is closely related to the concept of good governance, following the literature's emphasis on legitimacy, authority, and capacity to control force; effectiveness in providing basic social services to meet the needs of the populace; and ability to accommodate changing needs and expectations.

At the society level, stability is closely related to the perceptions, attitudes, and expectations of individuals. These are the basis for the development of social norms supporting peace and stability. The related concepts of social cohesion, social inclusion, and security articulate the set of norms crucial for stability. Social cohesion and inclusion are related to a sense of belonging to society based on interpersonal trust, the perception and expectation of receiving respect, enjoying a voice and expecting mediation for grievances, and the expectation of enjoying freedom from violence, abuse, and expropriation.¹ Ultimately, these concepts are a basis of social capital that individuals and communities leverage to facilitate production and exchange.

This micro-macro distinction encapsulates and allows for multiple levels of analysis and institutional arrangements, including local, subnational, and national government, as well as

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Jane Jenson, *Defining and Measuring Social Cohesion* (London: Commonwealth Secretariat, 2010), <http://www.unrisd.org/80256B3C005BCCF9/search/170C271B7168CC30C12577D0004BA206>.

various modes of decentralized levels of control or authority. Stability can be explicitly conceptualized at each level of analysis.

Data availability

Fragile and conflict-affected states are notorious for the extent of gaps in data. What is available tends to be at the state level, focusing on institutional data measuring the operations of the state, or high-level aggregates of economic activity, such as national employment figures and the broad structure of the economy. The gaps in the data record are structural: as conflict escalates, institutional motivation and capacity to collect statistics ebbs and researchers are denied access. Despite this, the need to fill the gaps in statistics is pressing for the simple reason that study and understanding of how to prevent conflict and promote stability is not possible without a meaningful record of events.

Although data on fragile and conflict-affected states is rarely high quality, some indicators are more available and reliable than others. High-level aggregates and state-level indicators are relatively reliable and have broad coverage. Employment statistics, including youth unemployment, are available for most fragile states. Gini coefficients, even if they do not reflect horizontal inequalities, may serve as a rough proxy of the equality of employment and have broad and comparable coverage. The Doing Business Index and luminosity indicators (light levels visible from satellite) provide good coverage of the enabling environment for the private sector. Likewise, tax and social spending indicators are widely available: the size of the tax take, compliance with value added tax, social spending in the national budget, official budget support, and subjective assessments of corruption, among others. These indicators shed light on the level of effectiveness and legitimacy of the state, a key component of stability. At the more micro level, some indicators are available; these include the murder rate, which is a useful proxy for the extent of crime and personal security, and levels of interpersonal trust, which are available and comparable for many fragile states.

The major gaps in the data are at the micro level. The extent to which employment influences individual perceptions, attitudes, and expectations in important categories for stability—such as security, economic growth, risk, and resumption of conflict—are not well understood. Policy practitioners have increasingly realized the importance of surveying conflict-affected areas with a conflict specific approach.² These micro-level data are often missing in surveys of conflict-affected areas, where surveyors often adopt approaches more suited to peaceful countries.³ This leads to treatments of fragile environments that are

² World Bank, *World Development Report 2011: Conflict, Security, and Development* (Washington, DC: World Bank, 2011).

³ Tilman Brück, Patricia Justino, Philip Verwimp, and Andrew Tedesco, “Measuring conflict exposure in micro-level surveys,” LSMS-ISA Working Paper, World Bank, 2013, <http://www.worldbank.org/lsms-isa>.

underprepared and incomparable across contexts. This unsystematic approach has led to misfiring interventions and counterproductive outcomes.⁴

Additionally, no systematic evaluation of programs in fragile states has been undertaken.⁵ Some evaluations exist but they are rare. A study commissioned by the British Department for International Development (DFID) found only seven studies analyzing the effect of employment programs on poverty or stability, with only one focusing on the employment stability link.⁶ Programs promoting employment and economic recovery and those promoting health, poverty alleviation, demobilization, and security need a systematic structure for evaluation in conflict-affected contexts.

Carlos Bozzoli and others have provided guidelines for how a systematic evaluation could work in practice.⁷ Several points need special consideration and emphasis. First, the security threats to respondents and researchers need to be incorporated into the research design and procedures. Second, studies need to capture the process and mechanisms behind the results in order to explain the cause of success or failure. Third, sample retention should be emphasized between baseline and follow-up surveys as fragile societies tend to have significant individual mobility. Fourth, researchers should seek advice from local nongovernmental organizations (NGOs) and agencies in sample design where official records are outdated. Finally, the crucial point is to make the research conflict sensitive by accounting for conflict dynamics.

Creating conflict-sensitive surveys is a large topic in its own right. Tilman Brück and others have examined the methodological considerations about measuring individual conflict exposure and the wider impact of conflict in household surveys.⁸ Conflict-sensitive surveys need to account for the direct and indirect channels through which conflict affects individuals' behavior and welfare, often in ways that may or may not support stability after conflict has ended. Important considerations of conflict exposure across the wide areas of typical household surveys include demographics, economic welfare, conflict activities, health and harm, displacement, education, and perceptions of security, life satisfaction and expectations.

More broadly, donors have noted the absence of appropriate evaluations of the impacts of employment-related programs, including the need for (job skills) training programs to “assess their impact on not only short-term, but also long-term employment, wages, incomes, and

⁴ Philip Verwimp, Patricia Justino, and Tilman Brück, “The analysis of conflict: A micro-level perspective,” *Journal of Peace Research* 46, no. 3 (2009): 307–14.

⁵ Bozzoli, Carlos, Tilman Brück and Nina Wald (2013). “Evaluating Programmes in Conflict-affected Areas”. In: P. Justino, T. Brück and P. Verwimp, eds. *A Micro-Level Perspective on the Dynamics of Conflict, Violence and Development*. Oxford University Press, Oxford.

⁶ Rebecca Holmes, Anna McCord, and Jessica Hagen-Zanker with Gina Bergh and Franzisca Zanker, *What Is the Evidence on the Impact of Employment Creation on Stability and Poverty Reduction in Fragile States? A Systematic Review* (London: Overseas Development Institute, May 2013).

⁷ Bozzoli, Brück, and Wald, “Evaluating programmes.”

⁸ Brück et al., “Measuring conflict exposure.”

development prospects that result from building human capital and increasing economic diversification.”⁹

⁹ Nora Dudwick and Radhika Srinivasan with Jose Cuesta and Dorsati Madani, *Creating Jobs in Africa's Fragile States: Are Value Chains an Answer?* (Washington, DC: World Bank, 2013), 35.

Existing reviews

A number of studies examine the literature on promoting employment in fragile states or the link between employment and stability.¹⁰

A February 2013 special issue of the *Journal of Conflict Resolution* on entrepreneurship and conflict assesses the impact of violent conflict on entrepreneurship in developing countries.¹¹ It notes that, although the impacts of violent conflict on investment, production, incomes, and inequality have been well studied at an aggregate level, comparatively less is known about the more diverse impact of such conflict at the micro level. This issue fills the gap in both empirical and theoretical analyses across a diverse range of countries on the impact violent conflict has at the micro level on the firm or on the entrepreneur.

Some of the special issue's articles provide insights gained from micro-level survey data from developing countries in conflict. They suggest that even though entrepreneurship can be tenacious, and may quickly recover from conflict, it is typically severely affected by conflict. Firm failure rates are higher, and the price of survival for those that do is regularly uprooted supply chains, technological atrophy, and lower investment, financing, and productivity. This issue also includes articles that extend the theory of how entrepreneurial decisions may contribute to conflict, including by taking it as given that entrepreneurs are affected by violent conflict and by extending understanding of the role of entrepreneurship in contributing to conflict.

A review published by the Overseas Development Institute in May 2013 includes only studies that provide primary quantitative or qualitative evidence, based on documented analytical methods, on the impacts of job creation on stability and poverty.¹² Of the seven studies included in the review, only one examined impacts on stability, reflecting the scarcity of empirical research into this question, in part because of "methodological problems in quantifying 'stability' as a dependent variable." It notes a theoretical rather than empirical bias in relevant literature and policy documents, in that they are based on the assumption that employment creation will promote stability. It also cites the United Nations Post-Conflict

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See also Darryl McLeod and Maria E. Dávalos, "Postconflict employment creation for stabilization and poverty reduction," Working paper (New York: Fordham University Press, April 2008), <http://www.fordham.edu/economics/mcleod/PostConflictEmployment10.pdf>.

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Journal of Conflict Resolution 57, no. 1 (February 2013), Special issue on entrepreneurship and conflict, edited by Tilman Brück, Wim Naudé, and Philip Verwimp.

¹²

Holmes et al., *What Is the Evidence*.

Employment Creation, Income Generation and Reintegration (PCEIR) policy document and the 2011 World Development Report in this regard.¹³

Such assumptions are linked to the identification in the mainstream development literature of employment as a central determinant of the links between growth and poverty reduction.¹⁴ According to this study, the literature adopts a variety of techniques to argue that unemployment is a driver for instability.¹⁵ The evidence base on the impact of employment creation on stability is non-existent, however: “As with poverty, the policy developed in this area is primarily intuitive (e.g., the UN PCEIR, ILO [2009]), and based on the assumption that if unemployment contributes to instability, then employment creation will promote stability.”¹⁶ The study concludes by calling for movement from a focus on job creation output indicators toward an evaluation culture that assess the distribution and outcomes of employment on poverty and stability at the micro, meso, and macro levels. This 2013 study included data only to 2010.

Built on World Bank work to 2011, including the *World Development Report 2011*, studies of youth employment in Africa, and work on agribusiness in Africa, a 2013 World Bank report reviews donor-funded employment generation activities in fragile and conflict-affected countries, particularly in sub-Saharan Africa.¹⁷ The report highlights promising emerging evidence that value chain development may be effective both in generating economic opportunity and rebuilding social cohesion lost in conflict, focusing in particular on the potential for agricultural value chain development in sub-Saharan Africa:

The core of value chain development involves strengthening relationships, which are critical in fragile and post-conflict environments where trust and social cohesion have been shattered. As they are rebuilt, relationships and networks can provide small and medium actors in a value chain a basis for collective action against predation and rent seeking, as well as greater government responsiveness and accountability. In fragile contexts, there is still a role for governments, but it is a facilitating rather than a leading role.¹⁸

The report raises the idea that value chains have the potential to “restore social capital and provide a basis for collective action to limit rent seeking.”¹⁹ It does not, however, delve into

¹³ ILO, *Policy for Post-Conflict Employment Creation and Income Generation, and Reintegration (PCEIR)* (Geneva: International Labour Organization, 2009); and World Bank, *World Development Report 2011*.

¹⁴ Citing Rizwanul Islam, “The nexus of economic growth, employment and poverty reduction: An empirical analysis,” *Issues in Employment and Poverty discussion paper no. 14* (Geneva: International Labour Organization, 2004).

¹⁵ See, for example, Paul Collier, Anke Hoeffler, and M. Söderbom, “Post-conflict risks,” CSAE WPS/2006-12, 2006. See also Paul Collier, Anke Hoeffler, and Dominic Rohner, “Beyond greed and grievance: Feasibility and civil war,” CSAE WPS/2006-10 (Oxford: Oxford University Press, 2006).

¹⁶ Holmes et al., *What Is the Evidence*, v.

¹⁷ Dudwick et al., *Creating Jobs*.

¹⁸ *Ibid.*, 3–4.

¹⁹ *Ibid.*, 4.

the issue of social capital in significant depth beyond noting that strengthening it alongside local governance is a common goal of community-driven development programs in fragile environments.²⁰

A 2009 Clingendael paper examines how economic activities can contribute to the overall stability of fragile states, particularly as part of an integrated reconstruction strategy.²¹ The analysis sets out three tracks of economic interventions, or phases of early economic recovery. Track 1 entails employment of high-risk and high-needs groups. Track 2 entails income-generating activities, private sector development, and micro-finance for communities. Track 3 entails creation of an enabling national environment.

The chapter on Track 2 highlights the potential for a productive private sector to create jobs, stimulate the local economy, and build trust between potential business partners. The analysis distinguishes two types of private sector actor typical in fragile states: large enterprises (often multinationals) and a vast number of small local family- or individual-run businesses. The paper views the dearth of enterprises between these two types as a neglected opportunity.

²⁰ Ibid., 29.

²¹ Hugo de Vries and Leontine Specker, *Early Economic Recovery in Fragile States: Priority Areas and Operational Challenges* (The Hague: Clingendael Institute, November 2009).

Linkage channels

Numerous theoretical channels link employment to stability in varied ways. The analysis here, incorporating examples and analysis gathered from the case study consultations with the seven practitioners, condenses the various arguments into four broad categories that summarize the essence of these disparate arguments (see figure 1).

A variety of formal and informal institutions mediate and influence the links between employment and stability. Although serious data gaps exist, a range of state- and micro-level data and indicators inform stakeholders regarding the nuances and effects of these theoretical channels on employment and stability. A variety of external factors can have an impact on the entire dynamic in a number of ways (as illustrated by the circle to the right side of figure 1). This visualization of the broad categories permits consideration of the various nuances of the relationship, including for example the influence of external factors and institutions on the potential causal links of employment's effect on reduced poverty, inequality, grievance, and stability:

While it is argued that employment can be a key nexus in the relationship between growth and poverty, structural factors relating to national and global economic contexts as well as specificities of different sectors play a key role in determining the impact of employment creation on poverty, and the broader (non-fragile) labor market literature argues that it cannot be assumed that the creation of employment *per se* will result in either improved poverty outcomes or stability at micro or macro levels. The distribution and nature of employment created and the macro-policy environment are likely to be critical determinants of impact, with factors such as the distribution of employment, terms of employment (wage, duration, etc.), sector in which employment is created, formal/informal nature of employment, and the relative productivity of employment created playing a significant role in determining outcomes.²²

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Holmes et al., *What Is the Evidence*, 25.

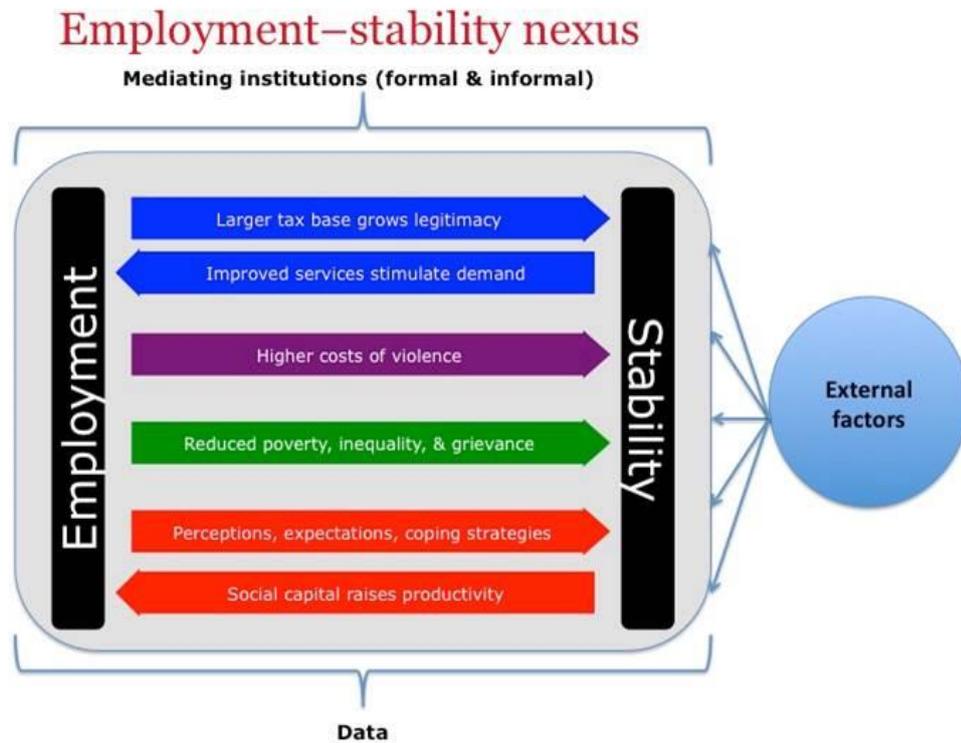


Figure 1. The employment - stability nexus

In broad terms, the link between post-conflict economic performance and continued peace is both strong and demonstrated by evidence. In high-level cross-country regressions, the risk of slipping back into conflict during the first decade of peace falls from approximately 40 per cent in a stagnant economy to 25 per cent in an economy averaging 10 per cent growth (a growth rate not uncommon during the recovery phase).²³ Edward Miguel and others found that in African economies a strong negative shock to the economy can double the risk of conflict.²⁴ This implies that economic recovery should take primacy in development programming for fragile states, but sheds little light on the process of how economic growth supports stability and at which point development practitioners can best intervene.

The practical questions of process and cause need better answers. Does economic performance create employment that makes key groups in society more peaceful? Is it the satisfaction of employment or the removal of labor from the war economy that is important? Does economic growth lead to lower poverty or inequality, creating a more cohesive society? Is economic performance linked with peace because it requires or produces the social cooperation that supports a stable society? Or does it provide a way for the state to extend key social services that become a pillar for legitimacy and stability?

²³ Collier, Hoeffler, and Söderbom, “Post-conflict risks.”

²⁴ Miguel, Edward, Shanker Satyanath and Ernest Sergenti, “Economic shocks and civil conflict: An instrumental variables approach,” *Journal of Political Economy* 112 (2004): 725–53.

Employment increases state effectiveness and legitimacy

Political scientists, most recently James Fearon and David Laitin, argue that employment may improve state effectiveness by extending the tax base and allowing for greater social service provision.²⁵ Charles Tilly argues that taxes drawing from broad employment rather than natural resource extraction encourage state-citizen bargaining that can in turn be the political-economic foundation backing social service provision that meets the needs and expectations of the populace.²⁶ This relationship is typically analyzed at the macro or state level, though much of the recent literature on decentralization posits that the link continues in the local level, where authority to tax by local authorities results in increased service provision that is both more accountable and more responsive to local needs.²⁷

This channel reveals a key mechanism by which the state positively engages with society. This link is likely to be strongest, however, at later stages of economic and bureaucratic development. For example, a post-conflict country such as Kosovo may be able to draw on the formal sector and bureaucratic resources enough to benefit from an expansion of formal employment in ways that cannot occur in a developing country such as Liberia, where neither the bureaucratic capacity to tax personal income nor the scale of the formal sector exist to support the link. The link between employment and state effectiveness may depend on the structure of the economy.

In less developed states, where employment only has a weak impact on taxation, the channel of causation is likely to flow from the provision of state services to economic performance and employment. State services have an impact on employment by supporting an enabling environment through better security, rule of law, access to justice, and infrastructure. Public goods—such as infrastructure, health care, and education—stimulate demand because the state can provide these goods more effectively than the private sector. In the longer term, improved education and health raise productivity, further increasing employment. In a related point on enabling environments, an interviewee in South Sudan highlighted the criticality of decent road infrastructure in post-conflict environments. Roads permit security forces to access conflict areas to provide minimum security, which in turn enables the population to engage in economic activity and link to related economic processes.

Two interviewees based in Burundi highlighted their experiences with and interpretation of the weaker links between employment, taxation, and state legitimacy in a context like Burundi's. One noted that pervasive corruption issues negate the link between employment creation and increased state legitimacy, in that any relatively successful businesses would be likely to face significant formal or informal taxation (corruption), in an atmosphere of little or

²⁵ James Fearon and David Laitin, "Ethnicity, insurgency, and civil war," *American Political Science Review* 97 (2003): 75–90.

²⁶ Charles Tilly, ed., *The Formation of National States in Western Europe* (Princeton, NJ: Princeton University, 1975).

²⁷ Pranhab Bardhan and Dilip Mookherjee, "Decentralization, corruption and government accountability," in *International Handbook on the Economics of Corruption*, ed. Susan Rose-Ackerman (Cheltenham: Edward Elgar, 2006), 161–88; and Jesse Ribot, *African Decentralization: Local Actors, Powers and Accountability* (Geneva: UN Research Institute for Social Development, 2002), [http://www.unrisd.org/80256B3C005BCCF9/\(httpPublications\)/3345AC67E6875754C1256D12003E6C95](http://www.unrisd.org/80256B3C005BCCF9/(httpPublications)/3345AC67E6875754C1256D12003E6C95).

no government service provision. Citizens' and businesses' preoccupation with basic accountability issues impedes the development of demand for economic reform. A second interviewee focused on Burundi's low level of economic development, noting that because subsistence-level or other low-level agricultural activities are currently among the few feasible employment options, the income generated was typically so low that it had a negligible influence on the tax base.

An interviewee whose organization partners with a Colombia-based NGO emphasized that this taxation, legitimacy, and service-demand links between employment and stability exist in a different form in Latin America than in Africa, given that many Latin American government systems are sufficiently strong and centralized that people already expect basic government services and economic reforms. The broad accountability and economic development contexts are thus demonstrated to be key aspects in determining whether employment influences the social contract in a given situation.

The level of employment has a direct effect on stability by imparting legitimacy to the status quo.²⁸ If the government and institutions of the state preside over an economy generating adequate employment, the populace tends to see the state as legitimate, regardless of whether the state had an active role in employment creation.

If employment boosts legitimacy of the state directly, then the question becomes what type of employment is most important in society. This is often a context-specific question but important to consider for many employment programs. These will be less effective in increasing stability if agriculture or informal employment are considered inferior. In this way, employment programs may consider adding formality to informal sectors in some way to bolster people's perceptions of the quality of their employment. Determination of what types of employment satisfy people, or shifting their perceptions, would be important in this context.

Employment raises the costs of violence

Economists argue that broad employment raises the opportunity cost of joining a rebel movement and participating in other antisocial behavior. The work most associated with Paul Collier argues that, regardless of motivation, conflict tends to occur where it is feasible.²⁹ Broadly speaking, feasibility depends on the presence of a lootable resource available for financing and high unemployment, which facilitates inexpensive recruitment. Youth unemployment is particularly important because young males are typically the major source of recruits into combatant groups. These arguments have a particular importance in justifying the targeting in programs of at-risk groups, such as young people, ex-combatants, and others involved in the war economy. Indeed, multiple interviewees noted this link as justification for

²⁸ World Bank, *World Development Report 2011*.

²⁹ Paul Collier and Anke Hoeffler, "On economic causes of civil war," *Oxford Economic Papers* 50 (1998): 563–73; Paul Collier and Anke Hoeffler, "Greed and grievance in civil war," *Oxford Economic Papers* 56 (2004): 563–95; Collier, Hoeffler, and Söderbom, "Post-conflict risks"; and Collier, Hoeffler, and Rohner, "Beyond greed and grievance."

most short-term employment-generation programs, particularly agribusiness and other initiatives targeting ex-combatants.

A variant of this argument, associated with the work of Gary Becker, holds that individuals refrain from antisocial behavior, including violence, when they have “something to lose,” making the cost and risk of rebuke for antisocial behavior too high.³⁰ These arguments are based on choice at the level of individuals. Yet, in their application to conflict, they have been studied most commonly as high-level cross-country regressions using aggregate unemployment data.³¹ These broad studies tend to neglect the fine-grained analysis of process that is most useful as a guide for practitioners.

This channel applies a standard economic framework to the decision to engage in violent behavior and delivers a clear and practical message. If wages and the extent of employment rise, groups predisposed to violence will find violent behavior more costly and will reject it in favor of peace. These groups, usually thought of as urban youths, male youths, or ex-combatants, can be readily identified by development practitioners and programs designed to bolster their employment.

Several interviewees noted broad acceptance of this linkage as the theoretical foundation of short-term employment creation programs. One interviewee based in South Sudan observed that linking people into an economic process creates mutual dependencies, including a sense that there is something to be lost from a relapse into violence or instability. Employment influences how people assess the value of engaging in conflict but the break-even point at which people assess those values remains unclear. Another interviewee cited the significance of this linkage based on observation of the effect of the introduction of credit to Palestine on employment-related decisions there. The introduction of credit, she noted, spurred people’s interest in purchasing goods that had previously been out of reach in the cash-only economy. The population’s increased focus on material goods and striving to maintain a certain associated lifestyle increased interest in obtaining and maintaining jobs. This interviewee contrasted such material- and employment-focused individuals with the unemployed, who have few comparable concerns and are more likely to join demonstrations.

Despite the compelling clarity of some aspects of this channel, it lacks micro-level studies showing the link between at-risk group employment and the decline in antisocial behavior. One recent study of youth in Northern Uganda found no evidence that successful self-employment promotion has led to improved social cohesion or reduced antisocial behavior.³² Yet another shows that an agricultural employment project in Liberia has led to modest increases in social integration and modest declines in illicit activities and interest in joining

³⁰ Gary Becker, “Crime and punishment: An economic approach,” *Journal of Political Economy* (1968).

³¹ Collier, Hoeffler, and Söderbom, “Post-conflict risks”; and Therese Azeng and Thierry Yogo, “Youth unemployment and political instability in selected developing countries,” Working paper no. 171 (Belvédère, Tunisia: African Development Bank, May 2013).

³² Chris Blattman, Nathan Fiala, and Sebastian Martinez, “Generating skilled self-employment in developing countries: Experimental evidence from Uganda,” *Quarterly Journal of Economics* 129, no. 2 (2014): 697–752.

the conflict in neighboring Côte d'Ivoire.³³ More such studies are needed to demonstrate the link between employment and peaceful youth at the micro level.

Employment may reduce poverty, inequality, and grievance

The links between employment, poverty reduction, equity, and stability are the least well understood and most subject to ambiguous causation. Although employment may interact with poverty reduction and equality in myriad ways to promote stability, it may also provide the poor with a way to express grievance that cannot be effectively mediated, or widen inequalities between groups with privileged access to employment and those without. Alternatively, employment may relieve poverty and, inasmuch as poverty is a grievance that motivates violence, support stability.

Frances Stewart champions the importance of horizontal inequalities—that is, inequalities between groups in access to economic, political and social resources—as a key source of instability.³⁴ Policies intended to correct these imbalances, including targeted employment schemes, have been shown to support peace processes, most notably in Malaysia and Northern Ireland. Unfortunately, as Stewart notes, addressing horizontal inequalities has been neglected in post-conflict reconstruction programs more often than not, even when it has been clear that horizontal inequalities were a major source of the original conflict.³⁵

It is important for employment-promotion programs to note that neglecting horizontal inequalities may not only miss an opportunity but also even exacerbate tension by reinforcing patterns of privilege. Grievances may be based on central government policies that formally or informally exclude certain groups from civil service employment.

Nearly all the practitioners interviewed for this study raised the risk of creating or exacerbating inequalities and tensions as a crucial aspect of employment promotion activities. A Liberia-based interviewee whose program activities focus on entrepreneurship and employment activities noted that the programs' inclusion of ex-combatants, women, and different ethnic groups is designed to reduce inequalities between groups and thus help prevent conflict. This assumption that employment activities to reduce inequalities would have a positive impact on stability dynamics was a common theme of most of the interviews. The Liberia-based practitioner noted that though the design of entrepreneurship and employment activities explicitly includes targeting various ethnic groups, women, and former combatants, such targeting is not emphasized in the implementation out of concern that explicit targeting would arouse perceptions of favoring those groups, risking further exacerbation of tensions related to real or perceived inequalities.

³³ Chris Blattman and Jeannie Annan, "Reintegrating and Employing High Risk Youth in Liberia: Lessons from a randomized evaluation of a landmine action agricultural training program for excombatants" (New Haven, CT: Yale University, Innovations for Poverty Action, 2013), https://www.poverty-action.org/sites/default/files/blattman_annan_ex-com_reintegration_ipa_liberia_1.pdf.

³⁴ Frances Stewart, "Policies towards horizontal inequalities in post-conflict reconstruction," CRISE working paper no. 7 (Oxford: Oxford University Press, March 2005).

³⁵ Frances Stewart, *Horizontal Inequalities and Conflict: Understanding Group Violence in Multiethnic Societies* (Basingstoke: Palgrave Macmillan, 2008).

Cagatay Bircan and others note that the results of previous studies on the conflict-inequality nexus are mixed: vertical income inequality was not found to increase the risk of war onset, but horizontal inequalities (that is, social and economic disparities between societal groups) seem to be positively related.³⁶ They use cross-country panel data to estimate war-related changes in income equality, an approach relevant for its analysis of the potential chain of events linking stability (or instability), inequality, and poverty.³⁷ Their results indicate rising levels of inequality during war and especially in the early period of post-war reconstruction, but a decline again to pre-war levels before the end of the first post-war period. The authors suggest that lagged effects of conflict and only subsequent adjustments of redistributive policies during post-war reconstruction seem to be valid explanations for these patterns of inequality.

As Samuel Huntington famously points out, rising employment, especially in vibrant urban environments, may lead to rising expectations that can outpace development and lead to grievance.³⁸ Somewhat conversely, poverty, especially when concentrated in rural areas, may remove the time, opportunity, and resources required to articulate grievance and form an organization for instability. A Burundi-based interviewee noted that fighting rarely begins at the lowest economic levels of society because such individuals are too busy trying to survive on a daily basis. Conflict is instead more likely to be incited by those who have certain material comforts, who then mobilize masses sharing a certain idea.³⁹

As with several other elements described in this analysis, the link between poverty alleviation and reduced conflict is often assumed, but supported by little evidence or from few case studies to date. There is a gap in the literature on whether poverty alleviation reliably creates stability across various settings and how this may be achieved.

Interviewees echoed much of this third uncertainty. A Burundi-based interviewee noted strong doubts about the applicability of this link from employment creation to stability via a reduction in poverty and inequality. She emphasized that although employment leads to poverty reduction, the links between poverty reduction and peace and stability have so many other complexities that stability cannot be attributed to job creation in any direct way. Meanwhile, a South Sudan-based interviewee noted that—despite some of the uncertainty related to the causal links between employment, poverty, and inequality reduction and stability—this theoretical category has merits but would benefit from being considered as an iterative process that can flow in both directions: not only does employment reduce poverty, but poverty reduction may increase employment.

³⁶ Cagatay Bircan, Tilman Brück, and Marc Vothknecht, “Violent conflict and inequality,” IZA discussion paper no. 4990 (Bonn: Institute for the Study of Labor, June 2010); Collier and Hoeffler, “Greed and grievance in civil war”; Fearon and Laitin, “Ethnicity, insurgency, and civil war”; and Gudrun Østby, “Polarization, horizontal inequalities and violent civil conflict,” *Journal of Peace Research* 45, no. 2 (March 2008): 143–62.

³⁷ Bircan, Brück, and Vothknecht, “Violent conflict and inequality.”

³⁸ Samuel Huntington, *Political Order in Changing Societies* (New Haven, CT: Yale University Press, 1968).

³⁹ Compare with Carlos Bozzoli and Tilman Brück, “Determinants of Protests: Longitudinal Evidence from Ukraine’s Orange Revolution,” DIW Berlin discussion paper No. 1115 (Berlin: Deutsches Institut für Wirtschaftsforschung, July 2010), <http://dx.doi.org/10.2139/ssrn.1650592>.

Employment reinforces the social norms underlying stability

Conflict and instability affect a household's economic, political, and social environment in ways that most often lead to heightened uncertainty in the lives of individuals and households.⁴⁰ This uncertainty affects individuals' attitudes and expectations, creating and reinforcing the social norms that characterize an unstable and fragile society. Understanding how a major initiative such as employment promotion affects these norms is a major shortfall in knowledge of how fragile societies become more stable. This analysis requires a micro-level perspective, aimed at uncovering the behavioral foundations of individuals and households struggling to cope with uncertain and fragile situations.

Employment may also react strongly with the coping strategies households develop. Such strategies may constrain future choices and even determine economic and asset-accumulating activities. One example, albeit extreme, is the choice to become a refugee, which can be understood as a narrow and undiversified strategy to abandon home and seek shelter. Such a choice affects future strategies such as attempts to seek employment, reacquire assets, or return. Ultimately, it affects stability because displaced populations may be excluded in society or even excluded within their hosting households.⁴¹

Similarly, expectations may have a strong role in adopting strategies closely linked to instability. Bozzoli and others show that the conflict Ugandans are exposed to predicts pessimism about the future of the economy, potentially prompting social disengagement and entrenching vulnerability.⁴² Expectations may have other destabilizing consequences. For instance, the more people expect conflict to occur, the more likely they might be to join a rebel group or other collective violent action. Employment may cause people to feel more included in a community either by generating higher levels of respect or through membership in professional groups. This may produce the expectation that social and economic rights will be respected, increasing the sense of security and promoting longer-term engagement economically and socially. The dynamics of how programs interact with perceptions, expectations, and coping strategies is largely unknown and a fruitful area of research.

In a variant on the role of expectations feeding grievances (see also linkage 3), a Liberia-based interviewee noted that unfulfilled expectations about employment generated by a large-scale renewable energy company posed potential risks to local stability when the company's plans shifted. Buchanan Renewables evidently promised significant employment and income generation at all levels of the value chain through partnerships with small-holder farmers to provide biomass fuel woodchips, construction of a new power plant that would transfer technology and capacity to the country, and more. The interviewee pointed to serious anger and grievances related to unfulfilled expectations, particularly among ex-

⁴⁰ Christine Binzel and Tilman Brück, "Analysing conflict and fragility at the micro level: Extending the vulnerability framework," unpublished manuscript, 2009; and Maarten Voors, Eleonora Nillesen, Phillip Verwimp, Erwin Bulte, Robert Lensink, and Daan Van Soest, "Does conflict affect preferences? Evidence from field experiments in Burundi," *American Economic Review*, 2011.

⁴¹ Brück, Tilman and Kati Schindler (2009). „The Impact of Violent Conflicts on Households: What Do We Know and What Should We Know about War Widows?“. *Oxford Development Studies*, vol. 37, no. 3, pp. 289-309.

⁴² Carlos G. Bozzoli, Tilman Brück, and Tony Muhumuza, "Does war influence individual expectations?" *Economics Letters* 113, no. 3 (2011): 288–91.

combatants. An interviewee in Palestine also highlighted the risk in employment programs to create falsely high expectations.

Employment may be integral to the social norms underlying peace at both the micro and macro levels. It may also have a strong role in building social recognition and providing a platform for respectability in society, which may itself be a source of stability. Further study of these mechanisms would yield valuable insights for practitioners and fill important theoretical gaps. In an interesting contextual variant of this concept, a Palestine-based practitioner noted that, given the prevalence of unemployment resulting from local and regional political and economic factors, unemployment is not looked down on in the area. The links between having a job, a higher sense of self-worth, and engaging in less violence do not hold when internal political tensions, road closures, and restrictions on movement prevent most from securing employment.

The World Bank's *World Development Report 2011* (WDR) focuses on the erosion of trust between social groups as a potential obstacle for private sector investment and development following violence.⁴³ It notes the potential for value chain interventions to help restore connections among producers, traders, and consumers and to provide information about market trends that may create jobs and rebuild social cohesion. The report notes that evidence about the impact of value chain projects on social cohesion as mixed.⁴⁴ It further notes that "Programs that reinforce the role of disengaged youth as community members and support job creation with social and cultural activities merit investment and further evaluation."⁴⁵

A South Sudan-based interviewee stressed that this link might not apply well in rural communities where most people are busy in some way trying to take care of basic necessities. He questioned whether employment in that context has the capacity to instill a sense of social norms, pointing out that the idea that employment can shift attitudes and preferences is a rather Western notion and based on an assumption of more formal employment than is available in most rural settings. A person's position in rural society and interaction with others in such communities is more often governed by family origins or status symbols, such as the number of wives, than by employment.

Employment also has an important role to play in building institutions. Employment, especially when organized into formal and semiformal institutions, may build cross-cutting relationships that build interpersonal and intergroup trust. Jutta Tobias and Karol Bourdreaux show evidence that liberalization in the Rwandan coffee sector led to improved perceptions

⁴³ World Bank, *World Development Report 2011*.

⁴⁴ The WDR cites Joan C. Parker, "A Synthesis of Practical Lessons from Value Chain Projects in Conflict-Affected Environments," Micro Report 105 (Washington, DC: U.S. Agency for International Development, 2008); and Jutta Tobias and Karol Bourdreaux, "Entrepreneurship and conflict reduction in the post-genocide Rwandan coffee industry," *Journal of Small Business and Entrepreneurship* 24, no. 2 (2011): 217–42, 217.

⁴⁵ World Bank, *World Development Report 2011*, 274.

of economic satisfaction and interpersonal and interethnic trust.⁴⁶ Wim Naudé and others suggest that this type of economic success has also been linked to reconciliation, supporting intergroup contact to reduce prejudice, promoting equal group status and cooperation, and support for authorities.⁴⁷

The social reintegration aspects of many employment programs targeting ex-combatants rely implicitly or explicitly on this concept of building cross-cutting relationships to enhance social cohesion and stability. A Burundi-based practitioner noted that, although most jobs created through a reintegration program are rather simple, the nature of working in a restaurant or hair salon naturally helped people reintegrate socially, suggesting that these professional interactions with a range of people bolstered social cohesion.

Formal and semiformal employment institutions are important to stability. They become channels for articulating grievance and platforms for representing groups in society. They are also important sources of recognition and respect, elevating professional groups to a more respectable status. As employment institutions formalize, they grant access to political, economic, and social rights, as well as form the conduit for taxation.

This channel is particularly important for its strong potential to enable a virtuous cycle between employment and stability. Whereas employment leads to stability, the resulting increase in social capital feeds into more employment. Furthermore, social capital is built on trust, social cohesion, and inclusion. Participation by people in groups of various sorts may help reduce grievances that can fuel instability, including resistance to government authority. These norms also help promote employment through the productivity effects of reduced transaction costs and heightened security. A Burundi-based interviewee noted that higher levels of trust in society enable key business and employment functions. These virtuous cycles may happen at the local, regional, or even national levels.

A Liberia-based practitioner emphasized that consideration of social norms and social capital would be an interesting avenue for further research. He noted how various management or other employment skills programs can support learning about how to inspire and support others and integrate a sense of fairness in business that might resonate outside strictly professional life. The degree to which the practices and habits underlying social cohesion and inclusion can be taught is unclear, but an interesting area for further research. As with, or perhaps as part of, entrepreneurship or business training, can these norms be socially engineered? Such discussion suggests a need for further analysis and data on how the quality of employment influences social norms and cohesion, and ultimately stability.

In the light of promising early research on the influence of employment on perceptions, expectations, and coping strategies, as well as the impact of stability on social capital formation, productivity, and employment, this area merits further empirical study.

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Karol Boudreaux, "Economic Liberalization in Rwanda's Coffee Sector: A Better Brew for Success," 2008, http://siteresources.worldbank.org/AFRICAEXT/Resources/258643-1271798012256/YAC_chpt_11.pdf; and Tobias and Bourdreaux, "Entrepreneurship and conflict reduction."

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Brück, Tilman, Wim Naudé and Philip Verwimp (2013). "Business under Fire: Entrepreneurship and Violent Conflict in Developing Countries". *Journal of Conflict Resolution*, vol. 57, no. 1, pp. 3-19.

Employment-stability linkages as seen by policymakers

A variety of development agents, donors, and initiatives assume a strong link between employment generation and increased stability; however, the theoretical foundations are neither widely agreed upon nor well understood.

One major initiative, the Global Facility for Employment Creation in Fragile Situations (GF)—made up of representatives of the World Bank, the African Development Bank (AfDB), the United Nations Development Programme, the International Labour Organization (ILO), the United Nations Peacebuilding Support Office, and the United Nations Economic Commission for Africa (UN ECA)—broadly notes the significance of several aspects of the four broad theoretical categories outlined. However, the GF's existence stems from the common recognition that the links between employment and stability are too little understood and would benefit greatly from joint efforts to expand the evidence base while minimizing duplication of efforts. The GF, which is currently on course to come into effect as a World Bank- and recipient-executed multi-donor trust fund, acknowledges a significant discrepancy between the scale of the necessity for job creation, the lack of understanding of how to do so, and clear understanding of employment's linkages with stability.

That said, the limited number of publicly available GF documents suggests that generating employment is a critical element for social cohesion and political stability in fragile and conflict-affected states. "Failure to promote economic and employment activities can undermine social stability, limit state legitimacy and contribute to the persistence of shadow economies."⁴⁸ The GF is based on theories developed or expounded in the 2011 WDR, the companion operationalization paper, and the 2013 WDR on jobs; the UN Policy for Post-Conflict Employment Creation, Income Generation and Reintegration; the AfDB Accelerating the Response to the Youth Unemployment Crisis in Africa; and the upcoming Youth Employment Initiative, developed by the AfDB, the UN ECA, the ILO, and the African Union Commission.⁴⁹

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Global Facility on Employment Generation in Fragile Situations, Back to Back Meeting on the Youth Employment Initiative, Draft Agenda, April 17, 2012, Tunisia Workshop, <http://youthemployment.wikispaces.com/agenda+workshop+Tunis>.

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World Bank, *World Development Report 2011*; World Bank, "Operationalizing the 2011 World Development Report: Conflict, Security, and Development" (Washington, DC: The World Bank, 2011), [http://siteresources.worldbank.org/DEVCOMMINT/Documentation/22884392/DC2011-0003\(E\)WDR2011.pdf](http://siteresources.worldbank.org/DEVCOMMINT/Documentation/22884392/DC2011-0003(E)WDR2011.pdf); United Nations, "Policy for post-conflict employment creation, income generation and

The New Deal for Engagement in Fragile States, developed through the International Dialogue for Peacebuilding and Statebuilding, and associated with the G7+ voluntary association of countries that are or have been affected by conflict, notes employment generation and improvement of livelihoods under the economic foundations facet of its peace-building and state-building goals. The New Deal's goals are still under development, however, so the degree to which various theories about the links between employment and stability will inform these goals remains to be seen.

On the topic of the links between economic policy, employment, and stability, the 2011 WDR notes that “Economic policy assistance still tends to be focused more on growth than employment, despite rising demands for assistance on employment policy from countries facing fragile situations due to unemployed and disengaged youth populations” and

A bolder approach could draw together capacities from [varied stakeholders] ... Focusing primarily on job creation through project finance, advisory support to small and medium businesses, training, and guarantees, the initiative would also support social and cultural initiatives that promote collaborative capacities in communities, social tolerance, and recognition of young people's social and economic roles.⁵⁰

In practice, donors support a variety of employment creation programs. Comparing donor monitoring and evaluation frameworks with the four linkage channels is one way to verify how donors understand and subscribe to such frameworks as foundations for their activities. That said, donors frequently rely on short-term emergency-type job creation efforts in the broadly based belief that keeping people “off the streets” in a post-conflict or unstable environment will prevent them from engaging in further destabilizing violence. This practice stems from prioritizing the second theoretical category, which links employment to stability via increases to the cost of violence. A Dutch Ministry of Foreign Affairs interviewee based in Burundi suggested that, as part of the Netherlands' Defense, Diplomacy, and Development (3D) approach, stability and employment are considered two sides of the same coin. Stability provides opportunities for employment that did not previously exist, and employment decreases the chance of instability by giving youths and other at-risk individuals a viable reason to avoid engaging in violence.

reintegration,”

http://www.ilo.org/wcmsp5/groups/public/@ed_emp/@emp_ent/@ifp_crisis/documents/publication/wcms_117576.pdf; Agnes Soucat, Ginette Muteta Nzau, Nawsheen Elaheebocus, and Joao Cunha-Duarte, “Accelerating the AfDB's response to the youth unemployment crisis in Africa,” *Africa Economic Brief* 4, no. 1, 2013, http://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/Economic_Brief_-_Accelerating_the_AfDB's_Response_to_the_Youth_Unemployment_Crisis_in_Africa.pdf; and Global Facility for Employment Creation in Fragile Situations, “Putting jobs on center stage,” policy document, 2012.

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World Bank, *World Development Report 2011*, 271–74.

Employment heterogeneity

The wide range of employment and employment-generation options is referred to as *employment heterogeneity*. Several issues that should be considered in designing employment-promotion programs in fragile settings merit discussion.

The figure 2 scatter plot offers a way to conceptualize some of the employment possibilities, highlighting the significance of the quality of employment and considerations.

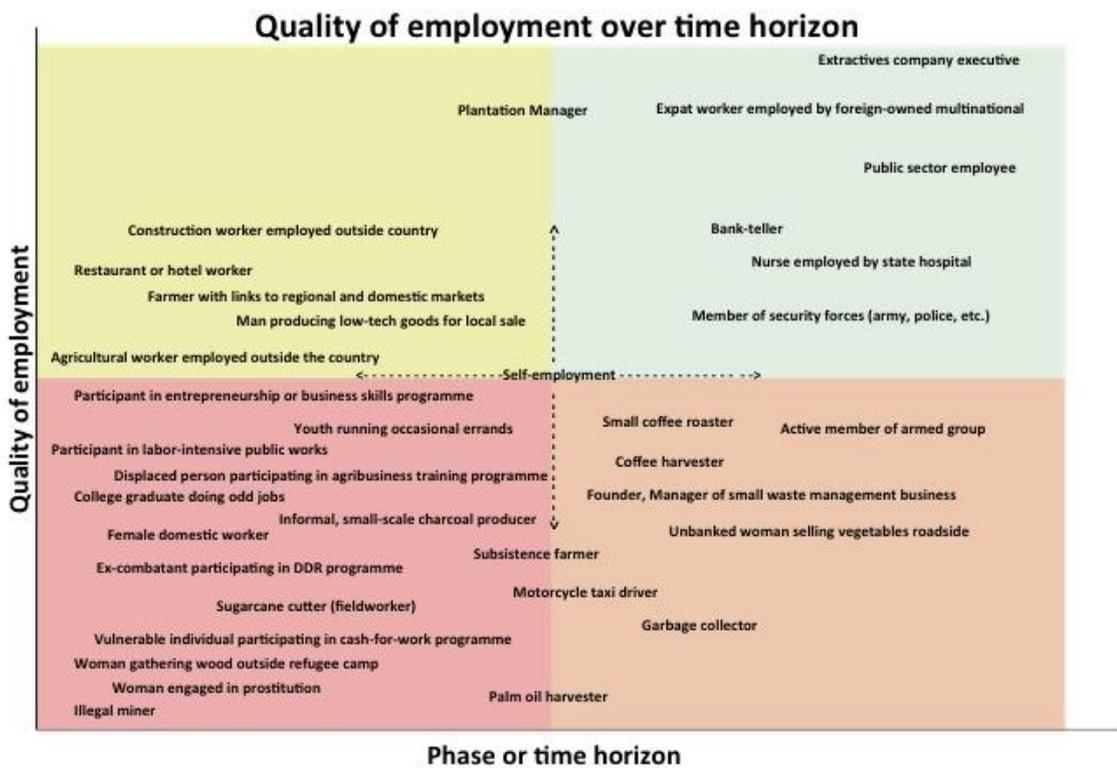


Figure 2. The role of employment heterogeneity

The chart is not intended to be interpreted literally (e.g. stating that all participants in labor-intensive public works programmes are engaged in low- to medium-quality employment of short duration) or to capture the full range of sectoral possibilities. Clearly, the quality and duration of any employment example noted on this chart may depend on the gender, age, combatant status, nationality, in-group or out-group (by ethnicity, linguistic or clan affiliation, etc.), property rights, and legal status of the person or population in question. Rather, this chart provides a means of demonstrating how the quality of employment and phasing of interventions and employment activities are important in considering the four theoretical categories discussed in this analysis, and linking several examples from the case interviews.

This chart could also be considered in terms of the four quadrants indicated by the colored shading to provide a sense of which categories of work individuals and communities seek, and how a critical mass (or absence) of employment in one category or another may influence stability at a community, regional or state level. This simple quadrant exercise accentuates the bottom-left quadrant as low-quality work of short duration, the bottom-right quadrant as low-quality work of longer duration, the top-left quadrant as high-quality work of short or questionable duration, and the top-right quadrant as high-quality work of longer duration.

It is important to note that the quality of employment can be measured objectively only to a certain degree. An individual's sense of the quality of their employment is likely to be informed by their previous (economic, social and political) experiences, attitudes towards and comparisons with other members of their community, and other factors detailed in the fourth category linkage of the perceptions, expectations and coping strategies that influence employment and stability.

Self-employment is indicated in the center of the chart, with arrows radiating in four directions to represent the extreme latitude in quality, duration and formality of self-employment. A woman engaged in prostitution (highlighted in the bottom-left quadrant), a motorcycle taxi driver (highlighted on the top-left side of the bottom-right quadrant), a small coffee roaster (highlighted near the top of the bottom-right quadrant), and a man producing low-tech goods for local sale (highlighted near the bottom-right of the top-left quadrant) may all be self-employed, however their forms of work vary significantly in terms of quality and time horizon, based on individual and contextual factors. In certain contexts, a state's ability to gradually bring these types of existing self-employed position into the formal sphere (if they are not already part of it) may provide mechanisms to bolster state legitimacy, as discussed in the first channel.

The four-quadrant chart mapping quality of employment against time horizon may also help in consideration of how use of different types of employment creation for different stability challenges may have different results, rendering the four linkage channels analyzed in this study more or less applicable in a given context. Two examples may elucidate.

First, consider the case of a female domestic worker (noted in the bottom-left quadrant) employed regularly outside the home. Whether in a rural or urban area, her income may provide crucial support to her immediate or extended family, lifting them out of poverty and reducing some of the economic inequalities that might undermine their role in the community. However, if that domestic worker's husband is unemployed and disgruntled with his wife's activities outside the home, those domestic troubles influence both the husband's and the wife's perceptions and expectations in a manner that

can degrade the social norms that otherwise might bolster community stability. Such effects might obviously shift depending on the level of social conservatism, community gender norms and urban versus rural locations.

Alternatively, consider the case of a sugar cane field worker, employed in a remote rural area (noted near the bottom of the bottom-left quadrant). Such agricultural jobs are often pointed to in the context of the second linkage channel, as an example of a form of employment that raises the cost for that cane cutter to engage in violence. Furthermore, his employment may contribute to the regional or central government's tax base, allowing for more effective provision of services and a gradual increase in demand for economic reforms along the lines outlined in the first linkage channel. However, the cane cutter's expectations for the future, his perceptions about the quality of work, and his ability to plan for his or his family's future may evolve quite differently, depending on the context. For instance, if mechanization of cane harvesting seriously threatens cane-cutting jobs, his uncertain expectations about the future may damage rather than bolster stability in the community. Alternatively, if this cane cutter views his work as somehow inferior (perhaps media exposure or his family network in urban areas informs this perception), he would be less likely to feel a sense of social cohesion or trust through his employment.

A Liberia-based interviewee noted his interest in knowing more about how the quality of work influences stability dynamics, citing two interesting and interlinked queries related to his work on entrepreneurship and employability programmes in Liberia. In the first instance, his programme worked with an individual to start up a small waste-collection and -management company that now employs around 40 people, who essentially go around collecting rubbish with wheelbarrows. He noted that, although such activities provide income and jobs for those involved, he wondered how much such work contributes to a person's sense of self-worth, and in turn how that person's sense of self-worth contributes to social cohesion and community-level stability. He contrasted the rubbish-collection work with the idea of helping an individual to set up a cinema, which might be perceived as 'cool', attract more young people and generally enhance a person's sense of self-worth to a greater degree. The interviewee also cited the dilemma of whether focusing on coffee roasting and sales (these two positions noted in bottom-right chart quadrant) rather than cultivation jobs would have a stronger impact on social cohesion and stability dynamics. Focusing on promotion of jobs higher up the value chain might result in the creation of fewer jobs but with potential higher impact, in terms of the influence on social cohesion and stability.

It is critical to consider the contextual specificity of the social contract in fragile or conflict-affected areas. For example, the degree to which an ex-combatant participating in a disarmament, demobilization and reintegration programme (noted in the bottom-left chart quadrant) recognizes his employment activities as either being of decent quality or a positive mechanism that contributes to local or state-level governance and legitimacy may vary based on whether a particular rebel faction controls the territory where his programme is conducted. Similarly, a household that identifies with the government will face a different social contract than a rebel-affiliated household in the same area. This varied social contract will, of course, influence how such employment among such household members may or may not influence the legitimacy of government.

The degree of fragility and violence in a given area is another context-specific consideration with these channels linking employment and stability. For instance, if conflict or insecurity prevents nurses

(noted in the top-right chart quadrant) at a state hospital from showing up to work or from being paid for their work, the legitimacy and service provision-oriented first channel will be less significant.

A variety of risks must be considered in the design and implementation of employment-promotion programmes in fragile states. Practitioners interviewed for this study raised two broad categories: (a) that of creating or exacerbating real or perceived inequalities between groups, and (b) that of insufficient contextual understanding leading to programme issues (this is often related to the first concern). The issue of creating or exacerbating horizontal inequalities links closely to the fourth channel, as employment-related impacts on people's perceptions, expectations and social capital influence stability. Multiple interviewees emphasized that transparent, well-thought-out and community-oriented decisions regarding the targeting of employment programme beneficiaries was raised as a mitigating factor.

The risk of insufficient contextual understanding with regard to employment creation was raised by an interviewee in relation to the entry of a biomass-producing company, Buchanan Renewables, into Liberia. The interviewee noted that the absence of sophisticated, transparent and realistic due-diligence analysis about the potential impact on local and regional employment patterns and associated stability dynamics enabled a variety of harmful consequences to transpire. Rather than the creation of a variety of jobs at multiple levels of the value chain, from small-scale farmers to construction and operation of a promised power plant, Buchanan's activities exerted pressures on small-scale farmers and informal charcoal processors to the point that many were driven permanently out of business. Furthermore, the promised transfer of technology and capacity to the Liberian population did not bear out, as high-quality employment went primarily to expatriates and a promised power plant was never constructed. In this case, the entry of a large foreign-owned company disrupted existing sustainable income streams and employment (both formal and informal), raised and then dashed people's perceptions and expectations about their economic potential, and seems to strengthened the tax base and government legitimacy weakly at best. This case thus has links to all four of the linkage channels. In a slightly different vein, the impact of various types of employment creation on informal institutions that often perform significant stability-related functions must be considered—and have not been assessed thoroughly by systematic studies.

In assessing the relationship between employment and stability, and the degree to which each of the four theoretical channels can inform how best to increase employment and enhance stability, it is important to consider how external or third factor channels that are not directly related to either employment or stability dynamics in a fragile and conflict-affected situation may nevertheless influence the relationship between the two. These include factors that are exogenous to the community or area, potentially including natural disasters, climate change, disruptions to international trade, transit or communications, regional or international political crises, the impact of trade liberalization, or a variety of other factors. For instance, excessive rainfall may reduce employment possibilities or fighting in a given area, and a false correlation between employment and conflict would then be observed.

The case interviews conducted for this study solicited interviewees' perspectives on the possible influence of third factors on the relationship between employment and stability in their respective cases. One interviewee raised the effects of the 2008-2009 global financial crisis, noting that although Burundi's lack of trade integration initially cushioned it from the impact of the crisis, the lagged

decline of donor contributions had an impact on the context significantly. Another Burundi-based interviewee noted food security as a factor that must be considered, given that food scarcity can trigger population displacement, conflict and other destabilizing effects.

Conclusions and policy recommendations

The broad definition of employment and the emphasis on a micro-macro distinction between stability of state institutions and of society used here frame the analysis of four categories linking employment and stability. The distinction is illuminating: the perspective of those responsible for executing processes that govern and provide public services against that of those who rely on sets of social norms and expectations to determine their behavior. The interviews demonstrate that practical experience can validate and extend theories linking employment with greater stability. The selections from the wide range of employment options similarly demonstrate the importance of heterogeneous quality and phasing or time horizons for employment.

Three themes and areas for policy action related to remaining knowledge gaps are key to moving forward.

First, the most important gap in the academic literature on employment and stability relates to the fourth channel. The influence of perceptions, expectations, and coping strategies on stability and the effect that stability may have on social capital and productivity is the least researched. The need for additional studies is compelling. In the light of the uncertainty around the key question of whether it is better to focus on employment creation, hoping that it will increase stability, or to build stability directly, hoping that it will increase employment, further study may suggest that donors should concentrate their efforts on strengthening social cohesion and social capital to increase both employment and stability. This could substantially change the focus of future programming.

Second, and in a cross-cutting way, the need for more and better micro-level data to bolster understanding of the linkages between conflict and employment generally is urgent. Specifically, comprehensive and comparable data about the extent to which employment influences individual attitudes, expectations and perceptions related to security, economic growth, risk, and resumption of conflict are scarce. As practitioners have increasingly realized the importance of surveying conflict-affected areas with a conflict specific approach, these micro-level data are often missing in surveys of conflict-affected areas, as surveyors often adopt approaches more suited to peaceful contexts. A more systematic, micro-data driven analysis of fragile and conflict-affected environments would better inform policymakers about how to achieve the productive outcomes they seek with employment- and stability-related interventions in fragile situations.

Third, and finally, learning also comes from doing. Hence, the need to improve knowledge of what works and what does not in conflict-related interventions is clear and should be based on rigorous, research-based impact evaluations. Such studies conducted alongside interventions, and designed from the outset of the intervention and working side-by-side for years if need be, can help to alleviate the scarcity and paucity of data, knowledge and learning in this critical policy field. Impact evaluations are no panacea for overcoming a backlog of research on stability and employment. However, impact evaluations do augment the knowledge base on which lessons learned can be built.

Just as it has been learned over the last generation how hundreds of millions of people around the world living in poor but stable environments were lifted above the poverty line, it is not impossible to assemble over the next generation the knowledge base for doing the same with those people living below the poverty line in fragile and conflict environments, which in turn is likely to reduce further conflict and fragility.

Annex 1 Practitioner case interview questions document

Broad Discussion Questions *(shared with interviewees before the interview)*

- 1 Broadly and in your program activity, how do you (and/or your program) understand the links between employment creation and stability?
- 2 What type of risks are most important to consider when designing and implementing employment creation programs in fragile contexts? What are some ways to mitigate those risks?
- 3 What other factors are important to understand when thinking about stability?
- 4 What data would you like to have to better understand how employment leads to peace?
- 5 What strategies or policies should donors adopt for employment creation programs in FCS settings and do these strategies work in practice? *(question added after preliminary presentation)*

Detailed Practitioner/Case Study Questions *(posed during interviews)*

- 1 Please provide your name, position, and contact details.
- 2 What is the name of the program, its activity, the case name, location, and duration?
- 3 Please provide a basic description of the program.
- 4 What type of employment creation activity is associated with the program?
- 5 What are the most important stability, conflict, or fragility factors that your program takes into account?
- 6 What are the specific peace and stability-related objectives of this program, activity, or case?
- 7 In your view, what are the top four ways that employment leads to peace? How has the design and implementation of this program taken into account the various

understandings and theories of the relationship between employment creation and stability/peace?

- 8 How can employment create insecurity and conflict?
- 9 What are the risks associated with the employment creation activities in the specified program?
- 10 How has the program taken account of and tried to mitigate these risks?
- 11 What other factors are important to understanding the links between employment creation and stability in relation to this program? Examples include price shocks, natural disaster, regional integration, regulatory, or trade issues.
- 12 Broadly, what data would you like to have to understand how employment leads to peace?
- 13 What strategies or policies should donors adopt in FCS settings and do these strategies work in practice? (*question added after preliminary presentation*)
- 14 In your view, what are some successful examples in which employment helped stabilize the situation? If possible, please provide the program name, location, and duration. Were these examples documented through either data collection or qualitative assessment? If so, when, with whom, and how?
- 15 Do any elements of these successful examples strike you as being replicable elsewhere?
- 16 Can you offer feedback or suggestions regarding projects or studies you found helpful or informative in forming your views on linkages between employment and stability in fragile and conflict-affected situations?



Sophialaan 10
2514 JR The Hague
The Netherlands

T +31 (0)70 302 8130
info@kpsrl.org
www.kpsrl.org