



International
Labour
Office
Geneva

**Employment Sector
Employment Working Paper No. 67**

2010

**What role for labour market policies and
institutions in development?**

**Enhancing security in developing countries and emerging
economies**

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First published 2010

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ILO Cataloguing in Publication Data

Cazes, Sandrine; Verick, Sher

What role for labour market policies and institutions in development? Enhancing flexibility and security in developing countries and emerging economies / Sandrine Cazes and Sher Verick ; International Labour Office, Employment Sector, Employment Analysis and Research Unit, Economic and Labour Market Analysis Department. - Geneva: ILO, 2010
1 v. (Employment working paper ; No.67)

ISBN: 9789221240334;9789221240341 (web pdf)

International Labour Office; Employment Sector

labour flexibility / social security / employment policy / developing countries / OECD countries

13.01.2

ILO Cataloguing in Publication Data

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Printed in Switzerland

document2

Preface

The primary goal of the ILO is to contribute, with member States, to achieve full and productive employment and decent work for all, including women and young people, a goal embedded in the ILO Declaration 2008 on *Social Justice for a Fair Globalization*,¹ and which has now been widely adopted by the international community.

In order to support member States and the social partners to reach the goal, the ILO pursues a Decent Work Agenda which comprises four interrelated areas: Respect for fundamental worker's rights and international labour standards, employment promotion, social protection and social dialogue. Explanations of this integrated approach and related challenges are contained in a number of key documents: in those explaining and elaborating the concept of decent work,² in the Employment Policy Convention, 1964 (No. 122), and in the Global Employment Agenda.

The Global Employment Agenda was developed by the ILO through tripartite consensus of its Governing Body's Employment and Social Policy Committee. Since its adoption in 2003 it has been further articulated and made more operational and today it constitutes the basic framework through which the ILO pursues the objective of placing employment at the centre of economic and social policies.³

The Employment Sector is fully engaged in the implementation of the Global Employment Agenda, and is doing so through a large range of technical support and capacity building activities, advisory services and policy research. As part of its research and publications programme, the Employment Sector promotes knowledge-generation around key policy issues and topics conforming to the core elements of the Global Employment Agenda and the Decent Work Agenda. The Sector's publications consist of books, monographs, working papers, employment reports and policy briefs.⁴

The *Employment Working Papers* series is designed to disseminate the main findings of research initiatives undertaken by the various departments and programmes of the Sector. The working papers are intended to encourage exchange of ideas and to stimulate debate. The views expressed are the responsibility of the author(s) and do not necessarily represent those of the ILO.

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¹ See http://www.ilo.org/public/english/bureau/dgo/download/dg_announce_en.pdf

² See the successive Reports of the Director-General to the International Labour Conference: *Decent work* (1999); *Reducing the decent work deficit: A global challenge* (2001); *Working out of poverty* (2003).

³ See <http://www.ilo.org/gea>. And in particular: *Implementing the Global Employment Agenda: Employment strategies in support of decent work*, "Vision" document, ILO, 2006.

⁴ See <http://www.ilo.org/employment>.

Foreword

The role of labour markets policies and institutions in the development process has not received enough attention by policymakers of emerging economies and developing countries. In recent years, however, there has been an acknowledgment that the most effective and sustainable mechanism to reduce poverty is the creation of decent jobs as recognized by ILO's Decent Work Agenda. Given this fundamental poverty-employment nexus, looking at the specific role of labour market institutions and labour market and social policies for development is highly relevant, in particular since those have been generally assessed in terms of 'costs' only and potential side effects those regulations could have on (formal) employment growth.

For this reason, this paper makes an important contribution to the flexibility-security-efficiency debate in advocating for a realistic and affordable policy agenda, based on synergies between employment and social policies that promote development. Its aim is not to propose a simple transfer of European notions of 'flexicurity'. Rather, it seeks to draw from the findings of the previous literature and debate on this topic and discuss possible lessons that can be made in the context of emerging economies and developing countries given the characteristics of their labour markets, the lack of fiscal space and inadequate administrative/institutional capacity.

Over the medium-and long term, governments together with social partners should promote a coherent labour market and social policies mix for enhancing security, and not only focus on flexibility. Even if emerging and developing countries are often characterized by the absence of important elements, such as active and passive labour market policies and representative actors and strong institutions of social dialogue, some building blocks can be identified to serve as a floor enhancing negotiated solutions to the employment and development challenges facing these countries.

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Contents

| | <i>Page</i> |
|---|-------------|
| Preface..... | iii |
| Foreword..... | v |
| 1. Introduction..... | 1 |
| 2. Flexicurity: the debate..... | 3 |
| 2.1 A backgrounder to the EU flexicurity agenda..... | 3 |
| 2.2. A broader view of combining flexibility and security in the labour market..... | 5 |
| 3. Combining flexibility and security in developing countries and emerging economies..... | 8 |
| 3.1 Relevance and applicability of the flexicurity approach..... | 8 |
| 3.2 Identifying building blocks in emerging economies and developing countries..... | 12 |
| 3.3. Evidence from the global financial crisis of 2007-2009..... | 17 |
| 4. Concluding policy remarks..... | 19 |
| References..... | 21 |
| Appendix..... | 25 |

Tables and Figures

| | |
|--|----|
| Table 1: Challenges facing developing countries in their search to combine flexibility and security..... | 9 |
| Table 2: Examples of how enhancing labour market policies and institutions can contribute to development outcomes..... | 13 |
| Table A1: Labour market policies and institutions across selected OECD and non-OECD countries ... | 25 |
| Figure 1: Multi-dimensional flexibility and security..... | 5 |
| Figure 2: Perceptions of constraints among enterprises around the world (percentage of firms reporting constraints as a major obstacle)..... | 10 |
| Figure 3: Employment protection in non-OECD countries..... | 14 |
| Figure 4: National labour market policy responses to the current global financial crisis..... | 17 |

1. Introduction

The role of labour markets in development has not always received the attention by policymakers it deserves. For some decades, particularly in the 1980s and early 1990s, the development process was understood in terms of raising economic growth and hence income levels of the poor.⁵ In this sense, the prevailing wisdom was that sustaining a level of growth was enough to eradicate poverty. The labour market had only a peripheral position in this view, which dominated the development discourse and policy advice provided to developing countries.

In recent years, however, there has been an acknowledgment that the most effective and sustainable mechanism to reduce poverty is the creation of decent jobs as recognized by ILO's Decent Work Agenda. Given this fundamental poverty-employment nexus, looking at the specific role of labour market institutions and labour market and social policies for development is highly relevant. Some caution, however, is needed since most labour market concepts and terminology, such as 'active labour market policies', 'labour market security', or the overarching concept of 'flexicurity', have been developed by and for advanced economies. Hence, reflecting on the relevance and applicability of such concepts and policies to developing and emerging economies is indeed crucial, in particular, given the specific characteristics of the labour markets of these countries (a sizeable informal economy, the lack of enforcement of legislation, inadequate formal safety networks, etc.).

The last few decades have also been a period of intense and often passionate debate on the pros and cons of labour market flexibility. This discourse has mostly been in the context of OECD countries, with considerable focus on the sharp contrast between the flexible US labour market and rigid Western European labour markets. Generally assessed in terms of costs, labour market regulations, such as employment protection legislation, generous welfare systems and high taxation have been blamed by some economists for persistently high unemployment or lower job creation rates in Europe (see, for example, Blanchard and Summers 1986, Layard et al. 1991, Nickell 1997, Blanchard and Wolfers 2000).⁶

There is indeed a vast literature on this topic covering both theoretical models and empirical evidence, but results are far from clear-cut. Employment protection legislation (EPL), for example, generates a number of effects on labour costs, employment and productivity, some favourable and some unfavourable. So the net impact is likely to vary by size of firms, type of activities and economic conditions. Theoretical models suggest more clearly, however, that stringent EPL reduces job destruction in recessions as well as labour turnover (Bertola et al. 1999). Empirical research tends to be quite inconclusive in terms of potential adverse impact of employment protection legislation on employment and unemployment (for instance, Pissarides (2001)). At the same time, it has been claimed that labour market regulations are an important driver of informality in emerging and developing economies (see, for example, the discussion in Freeman (2009)).

⁵ See, for example, Stiglitz (2003) for a discussion on the Washington Consensus.

⁶ See Galbraith and Roy Chowdhury (2007) and Howell (2005) for a discussion on this debate.

Overall, economists have failed to reach a consensus on the potential for deregulation to improve employment performances: for many, regulations continue to constitute a warranty of fair employment conditions, while others steadfastly point to labour market regulations as an obstacle to employment growth. In that context, one should recall that regulations are actually put in place with the main objective of improving workers' welfare, even if those regulations could lead to adverse impacts for the same workers that regulations seek to protect. Despite the controversy and lack of consensus, deregulation of labour markets and the flexibility-efficiency trade-off have gained considerable prominence in the employment policy agenda of most countries in the world.

Many international organizations have subsequently expressed more nuanced views about the detrimental effects of legislation on labour market outcomes. The OECD 1999 *Employment Outlook* found, for example, no influence of EPL on the level of unemployment (OECD 1999). Part of the problem may be due to the lack of satisfactory indicators, despite the innovative and rich work developed to measure hiring and firing rules (OECD 1999, 2009; Heckman and Pagès 2003; Berg and Cazes 2007). There are other critical conceptual issues, such as the omission of potential benefits of regulations for both individuals, but also firms (for example, in building up loyalty and trust, or inducing works to invest in specific technology/human capital, etc.); and other issues, such as interactions amongst the different labour market institutions.

Moving away from the narrow focus on the costs of labour market regulation, this paper takes a broader perspective on the flexibility-security-efficiency nexus in the labour market, particularly as it relates to emerging economies. In this respect, the main objective of this paper is to advocate for a realistic and affordable policy agenda, based on synergies between employment and social policies that promote development. The aim of the paper is *not* to propose a simple transfer of European notions of flexicurity. Rather, it seeks to draw from the findings of the previous literature and debate on this topic and discuss possible lessons that can be made in the context of developing countries and emerging countries. For example, the European flexicurity approach may be considered a 'lighthouse' pragmatic agenda for policymakers in all countries, insofar that it informs them that flexibility should be combined with a certain level of security that is compatible with long-term economic and social progress. At the same time, the associated policy implications have to match the labour market realities in developing countries and be aligned to its development goals as encapsulated by their national development plans and poverty reduction strategies.

The remainder of the paper is structured as follows. The paper first introduces in section 2 background elements of the flexibility and security debate in advanced (OECD) countries, and Europe in particular. This review provides a concise appraisal of the key concepts and discussions surrounding the EU flexicurity agenda over the last decade or so. In section 3, this study focuses on the relevance to and feasibility of these concepts in developing countries and emerging economies. In addition, this part of the paper underscores the importance of flexicurity principles during the global financial crisis of 2007-2009. Finally, the paper concludes in section 4 with policy recommendations on the contributions of labour market institutions and policies to promoting a combination of flexibility and security in developing countries.

2. Flexicurity: The debate

2.1 A backgrounder to the EU flexicurity agenda

The search for a better combination of flexibility and security has been increasingly emphasized within the European Union (EU) as an indispensable means to improve competitiveness, while maintaining the principles of the European social model. Promoting economic and social security systems that support rapidly evolving labour markets and not compromise efficiency has indeed been of great concern for both European policymakers and social partners. Auer and Cazes (2003) provide examples of Western industrialized countries, which have organized their systems of employment and social protection in such a way as to allow flexibility for enterprises, while ensuring income (and broader social) protection to workers at the societal level. This was done by allowing other than permanent, full-time contracts and extending social protection to persons on such contracts, while maintaining employment protection at the enterprise level, or by ensuring a minimum of protection at the enterprise level, but a good level of easily accessible income and social protection in the case of redundancy.

Along these lines, the ‘flexicurity’ approach gained prominence in Europe as a solution to the dilemma of how to maintain and improve competitiveness while preserving an effective policy framework for social inclusion. The term ‘flexicurity’ stems originally from a Dutch law that provided prospects of permanent employment to temporary agency workers after two years of temping, and thus links employment security with flexible assignments of staff.⁷

In spite of intensive discussions on this issue, there is no shared understanding of flexicurity, but instead some common principles.⁸ The main idea of the concept is that flexibility and security, if designed in the right way, can be mutually supportive and in the interest of both employers and employees. This approach thus transcends the simple trade-off between flexibility and security. Policies associated with security, providing adequate levels of unemployment benefits combined with activation policies, can also increase flexibility, by providing workers with the confidence that they will be helped to find a new job as quickly as possible and that they will be protected financially during the transition. This will reduce fears among workers of losing their jobs. These policies should thus be part of a wider policy mix stimulating job transitions and job creation.⁹ Moreover, the flexicurity approach emphasizes the paramount role of collective bargaining and social dialogue in negotiating the balance among the institutional and policy package.

⁷ Wet Flexibiliteit and Zekerheid (Flexwet) from 1999.

⁸ Nor is there a well-established definition. The first definition introduced by Wilthagen (2001) provides a fair framework by defining flexicurity as ‘a policy strategy that attempts, synchronically and in a deliberate way to enhance the flexibility of labour markets, the work organization and labour relation on the one hand, and to enhance security – employment security and social security – notably for weak groups in and outside the labour market on the other hand’.

⁹ In today’s labour market, high employment protection legislation (EPL) does not in itself guarantee a high overall feeling of security among workers. See European Commission (2006), Clark and Postel-Vinay (2005), and Auer (2007).

Since the early 2000s, flexicurity has also become a topical theme in the European Commission.¹⁰ In the ‘Common Principles of Flexicurity’ endorsed by the EU Council of Ministers in 2007, a loose definition of the concept has emerged around four basic principles: i) flexible and reliable contractual arrangements and work organization, from both the perspective of the employer and the employee; ii) comprehensive lifelong learning strategies to ensure the continual adaptability and employability of all workers, and to enable firms to keep up productivity levels; iii) effective active labour market policies (ALMPs) which help people to cope with rapid change, unemployment spells, reintegration and, importantly, ease transitions to new jobs; iv) modern social security systems that provide adequate income support, encourage employment, and facilitate labour market mobility. The latter category includes unemployment benefits, pensions, and healthcare that help people combine work with private and family responsibilities such as child care.¹¹

At the 7th ILO European Regional Meeting (ERM) held in 2005 on the flexibility-stability-security nexus, some consensus was reached: ‘A policy of flexibility and security for enterprises and for workers by providing new training opportunities to improve employability, job search assistance, income support and social protection has worked well in some countries. Critical elements in balancing flexibility with security are tripartite social dialogue in the framework of broader national macroeconomic strategies, collective bargaining and respect of labour legislation’.¹²

The principles of flexicurity clearly evolved in a European context, where the institutional requirements were largely in place: governments have long employed a range of passive and active labour market policies (though to different degrees). Moreover, while the strength of social dialogue varies in countries, these structures have facilitated the development of flexicurity policies that offer a negotiated outcome for both employers and workers. Flexicurity policies can be observed in various national and international governance systems, such as the EU Lisbon strategy and the ILO Global Employment Agenda, and in the systems used in Austria, Belgium, and Scandinavian countries.

¹⁰ At the Lisbon Summit of 2000, the EU had already referred to this concept, and after the meeting in Villach in January, it became a topical theme in the European Commission. It is now at the core of the European Commission initiatives, with two important documents calling for flexicurity approach to labour market reforms, namely: the EU’s Green Paper (European Commission 2006) and Towards Common Principles of Flexicurity: More and better Jobs through flexibility and Security (European Commission 2007).

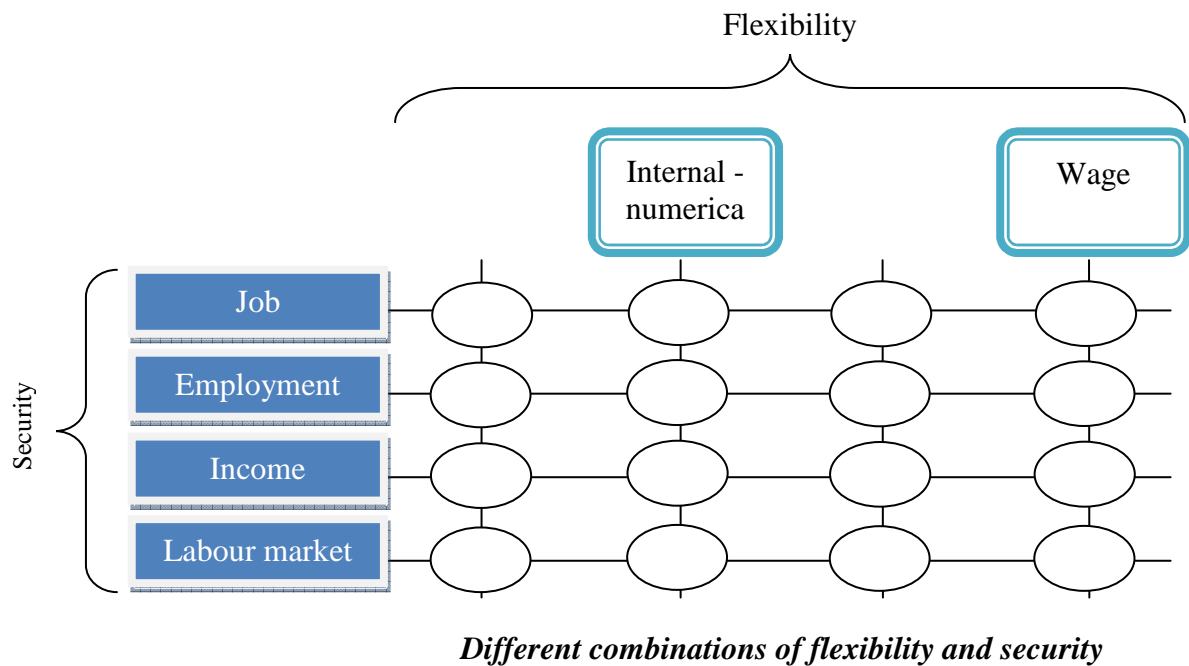
¹¹ See Commission of the European Communities (2007) Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions - *Towards Common Principles of Flexicurity: More and better jobs*, COM(2007) 359 final, Available at: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2007:0359:FIN:EN:PDF>

¹² See ILO (2005).

2.2. A broader view of combining flexibility and security in the labour market

Since both flexibility and security are in fact multidimensional concepts, it is not surprising that a broader view has emerged in the European context. In this respect, labour market flexibility can be seen as the degree to which employment and/or working time (labour input adjustment) or wages (labour cost adjustment) can vary with the business cycle and structural changes to the economy. Moreover, flexibility can be seen in terms of external versus internal adjustment; the former referring to job changes involving a different employer and to labour turnover and geographic mobility, while the latter refers to job changes within the same enterprise. Flexibility can also be viewed as consisting of either numerical or functional adjustment; the former relating to changes in the number of workers, while the second element means occupational changes and mobility within the enterprise. The adjustment process may thus take place through external (or internal) numerical flexibility, functional flexibility or wage flexibility. This process will in turn depend on the hiring and firing rules (due to employment protection legislation), the ability to use temporary workers (also determined by legislation), the possibility for employers to change working time, and the ability to outsource or to change the organization of work. The important point here is that flexibility is not just about being able to easily hire and fire workers but more generally about the ability for employers to adjust in response to changes in economic conditions or structural trends.

Figure 1: Multi-dimensional flexibility and security



Security can also be described along different dimensions: job security, labour market security, employment protection and income security. Job security entails the protection of a particular job, i.e. traditional employment protection legislation, while employment security refers to the protection of employment but not necessarily in the same job or for the same employer, which is supported by labour market policies. Income security consists of protection to earnings provided by social security. A

comprehensive approach to security (though employment security, labour market policies and social rights) can also be defined as labour market security.¹³

As captured by Figure 1, these multiple dimensions of both flexibility and security and their potential combinations clearly show that there isn't a one-size-fits-all model. Although there has been considerable discussion on the Danish flexicurity model as a 'golden triangle' of flexible hiring and firing rules, generous income security and active labour market programmes, it is just one illustration of those possible combinations.¹⁴

Data on the main characteristics of the institutional and policy settings are fundamental to assessing the initial conditions of a country and establish a rough mapping of labour market policies and institutions in countries.¹⁵ To this end, Table A1 in the Appendix summarizes data for selected OECD countries on some dimensions of flexibility, measured here by the OECD Employment Protection Index¹⁶ and coverage of collective agreements, and security represented by spending on active and passive labour market policies, and the unemployment gross replacement rate. These indicators reveal that spending on active and passive labour market policies in OECD countries varies considerably, with the highest allocations in Germany, the Netherlands and Scandinavian countries. Similarly, the generosity of unemployment benefits (gross replacement rate) ranges from just 6 per cent (Czech Republic) to 48 per cent (Denmark). These figures also reflect the well-known contrast between the less rigid Anglo-Saxon countries and more regulated markets of continental Europe. Finally, there is also considerable variation in the coverage of collective agreements from 12 in Korea to 99 per cent in Austria.

These statistics can also help highlight the gaps in flexibility and security for employers and workers, though more information is desirable to get a more comprehensive picture of the institutional and policy conditions of a country. For example, data is also needed on the numbers of persons participating in ALMP and lifelong learning programmes, on the share of unemployed receiving benefits, more detailed information on employment security provisions (legislation, collective agreements, and enforcement), and on the wage setting institutions.¹⁷ The question of data availability remains the most critical one for non OECD countries (see below).

Overall, evidence on labour market flexibility in the EU shows that there has been increasing flexibilization of employment relations over the last two decades. This has

¹³ See Auer (2007).

¹⁴ See Madsen (2003) .

¹⁵ The EU for example provides draft indicators in the annex to the Commission's communication on flexicurity (See 'Towards a set of composite indicators on flexicurity: a comprehensive approach', European Commission Joint Research Centre, 2010).

¹⁶ An important caveat is the usual shortcomings of composite indicators designed to capture qualitative features of labour legislation and translate it into a measurement. However, due to the lack of satisfactory indicators, the OECD index seems to display less flaws than other international indicators, such as the EWI of the Doing Business: it considers different types of workers by tenure, considers important aspects of employment protection other than those provided in legislation, such as collective agreements; enforcement and exemptions for some groups of firms and workers from employment protection rules are also considered in the OECD indicators.

¹⁷ See, for example, Cazes and Nesporova (2006).

occurred due to legislative amendments to employment laws during the 1990s that facilitated growth in typical forms of employment in older member States, and more recently for the new EU member States, in terms of reducing protection of regular individual contracts and collective dismissals (OECD 2006; Venn 2009). In Central and Eastern European countries, for example, the OECD EPL index shows a trend towards liberalization in all countries, while flexible forms of employment have further developed, resulting in deeper labour market segmentation.¹⁸

Despite this higher flexibility, labour market mobility did not increase as indicated by the average stability of job tenure data (9.9 years on average in both 1999 and 2006 for the EU26¹⁹), with potentially negative implications for labour reallocation and labour productivity. In Central and Eastern Europe, the low mobility has been partly explained by perceived insecurity and the fact that many workers were hesitant to quit their jobs voluntarily, even in periods of economic recovery, because of the weak labour market institutional and policy setting.²⁰ Moreover, analysis of the situation in Western European countries shows that, while they still have a relatively high level of stable jobs, tenure is not necessarily synonymous with a perceived sense of overall employment security (which has most likely be influenced by the increased use of temporary work arrangements).²¹

The assessment of the flexibility-security nexus, therefore, needs to take into account the stability/mobility dimension of individuals in the labour market. Clearly, if workers have the confidence to leave their jobs and benefit from a high level of protection during their transition to another job, they feel less 'locked in' and have greater choice of employment. In that context, a system for ensuring labour market security in transitions (protected mobility) between jobs and other labour market states would facilitate labour reallocation and prevent long-term unemployment.²² The challenge for policymakers is to know when labour reallocation is necessary and should thus be facilitated (due, for example, to structural transformation), or if it should be mitigated (for instance, in response to a temporary demand shock such as witnessed during the global financial crisis).

¹⁸ Measured through the ratio of workers with long tenure (> 10 years) to those with short job tenure (<1 year); see ILO's 8th European Regional Meeting; op cit.

¹⁹ EUROSTAT data; this figure matches with the figure of 4 jobs/life of the European Foundation for the improvement of Living and Working Conditions, *Mobility in Europe, 2007*. See Cazes and Tonin (2010) for this calculation. Average data should, however, be used with great caution since aggregate data may hide more specific trends. The paper finds, for example, a trend towards shorter tenure of young workers (15-24) in most European countries.

²⁰ See Cazes and Nesporova (2003) and Cazes and Nesporova (2007). This pattern contrasts with economically advanced countries where labour turnover (all moves in and out of employment) typically accelerates with economic growth. In such a period, enterprise start-ups and expansions create new jobs, attracting newcomers to the labour market and increasing the hiring of unemployed job seekers. At the same time, though dismissals for economic reasons decline, the growing number of job opportunities encourages more people to change their jobs *voluntarily* (see for example, Boeri (1996)).

²¹ See Auer and Cazes (2003).

²² See, for example, Schmid (2000) who suggests that traditional policies put too much emphasis on economic growth and raising the numbers of people in work; instead, Schmid proposes a strategy of qualitative growth, which would provide some bridging arrangements to facilitate transitions between periods of work, unemployment, education and non activity.

One critical aspect of the flexicurity debate in Europe relates to the potential economic benefits of such systems. In other words, besides the whole issue of defining the forms of regulations that should accompany rapidly evolving labour markets, what could be said about the employment performances of countries with flexicurity systems? As mentioned before and advocated by some observers, Scandinavian countries typically display well-balanced systems together with remarkable economic and social outcomes.²³ However, the extent to which these performances are due to the institutional flexicurity package needs further empirical investigation. This in turn would require looking at not only the interactions of the different institutional and policy components of the employment and social protection systems, but also the relationship to the macro-economic level. A recent reassessment of the OECD Jobs Strategy goes in that direction in highlighting the importance of considering policy packages and complementarities, rather than single policies, when evaluating labour market performance (OECD 2006).

3. Combining flexibility and security in developing countries and emerging economies

3.1 Relevance and applicability of the flexicurity approach

As outlined in section 2, the principles of flexicurity have clearly evolved in a European context. The debate in these countries was precipitated by persistent levels of unemployment and the challenge of creating jobs for the unemployed, especially for the long-term jobless. The contribution of flexicurity to this discourse was to offer an alternative to a purely deregulatory narrative, which was feasible because the building blocks of the flexicurity approach were largely in place. Governments already employed a range of passive and active labour market policies. Moreover, while the strength of social dialogue varies in European countries, these structures have long existed, which helped facilitate the development of flexicurity policies that offer a negotiated outcome for both employers and workers. In general, all that was required in these countries was a shift in policy stance through reforms rather than establishing entirely new institutions and interventions.

In contrast to the situation in Europe and other industrialized countries, labour markets in developing countries are characterized by (see, for example, Ghose et al. (2008)):

- A rapidly growing labour force;
- Relatively low levels of unemployment but high levels of underemployment;
- A small formal economy with large urban informal and rural labour markets accounting for the majority of workers, who are not afforded employment or social protection;
- Low levels of productivity and wages, and hence, high rates of working poverty;
- Gender disparities particularly in terms of underrepresentation of women in the formal economy (and overrepresentation in the informal economy and unpaid work); and

²³ See, for example, Auer (2007).

- A high proportion of youth in the labour force, who are more likely to be un- and underemployed than the adult population.

Thus, the main issue for these countries is not unemployment and the lack of jobs per se, but the lack of better paid and more protected jobs in the formal economy and the inadequacy of social protection in general. These characteristics of the labour market have fundamental implications for the relevance and feasibility of policies that combine flexibility and security in developing countries.

While there are clearly differences across and within developing regions, it is possible to summarize some stylized constraints to implementing policies that promote both flexibility and security in developing countries and emerging economies (Table 1). Arguably, the two principal constraints for such countries are the lack of fiscal space and inadequate administrative/institutional capacity.²⁴ In addition, social dialogue is weak, while active and passive labour market policies only reach a small proportion of the population.

Though EPL in developing countries can be *de jure* rigid, low levels of enforcement render the legislation ineffective. Moreover, the majority of workers in developing countries are located in the informal economy and are hence beyond the scope of regulations, implying that employers are not directly affected by the impact of rigidities arising from labour laws and the like. Many of those operating in the informal economy are in fact own-account workers, which means that there is no employer-employee relationship to govern since the employer and worker are the same individual.

Table 1: Challenges facing developing countries in their search to combine flexibility and security

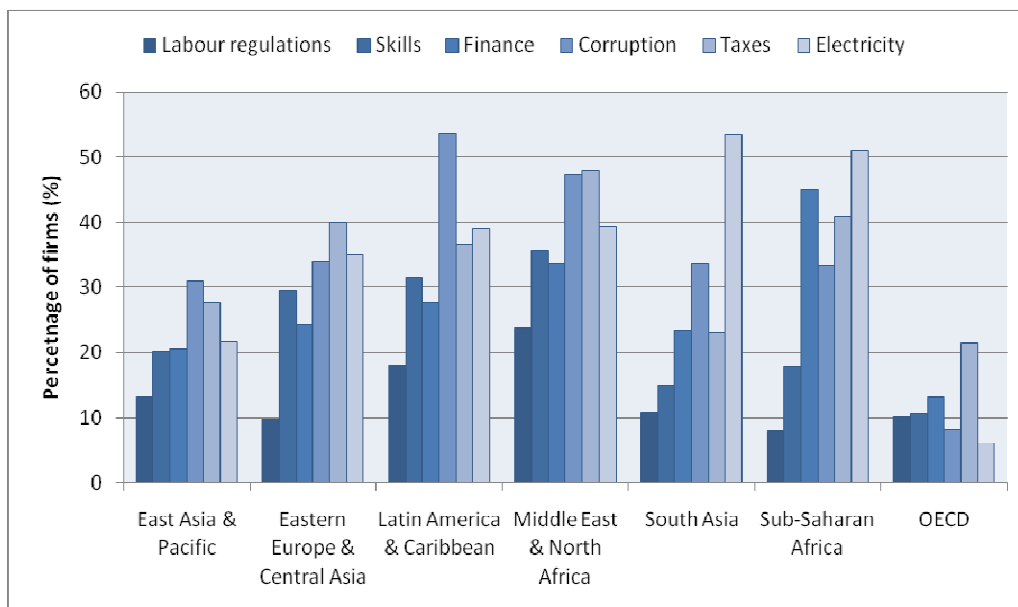
| Policy element | Challenges for developing countries |
|---------------------------------------|---|
| Fiscal capacity | Many developing countries have inadequate tax bases and little fiscal space. |
| Institutional capacity | Often there is little administrative and institutional capacity to administer labour market and social protection, and enforce labour legislation |
| Social dialogue | Worker and employer organizations are often weak in developing countries, and social dialogue and collective bargaining mechanisms are typically inadequate. |
| Passive labour market policies | Income replacement mechanisms, such as unemployment insurance, are either inadequate or non-existent. |
| Active labour market policies | ALMPs, such as training systems, are few, often weak, and inappropriate for relevant skill development. Public employment services are also inadequately developed and ineffective. However, innovative employment guarantee and conditional cash transfer programmes are nonetheless observed. |

²⁴ See Islam (2009).

At the same time, the assumption that employers in the informal sector of developing countries have maximum flexibility is not entirely accurate, particularly if flexibility is seen as not only the ability to reduce employment but also to increase it. In this respect, though there are no regulations that hinder hiring or firing (external numerical flexibility) or working time (internal numerical flexibility), these employers nonetheless are constrained by poor access to credit, infrastructure and other factors, which act as a break on employment growth in these enterprises.

Evidence from the World Bank Groups' Enterprise Surveys indicates that labour market regulations are not reported as a major constraint by firm operating in the formal sector in developing regions (see Figure 2).²⁵ These responses indicate that firms perceive other constraints as far greater obstacles, namely shortage of skills, poor access to credit, inadequate power supply, high taxes and corruption. To date, there is only scant empirical evidence that employment regulations can have a negative impact on output, productivity and labour market outcomes in developing countries. This growing literature is still in its infancy and draws on evidence mostly from Latin America and India, much of which has been more recently disputed.²⁶

Figure 2: Perceptions of constraints among enterprises around the world (percentage of firms reporting constraints as a major obstacle)



Source: World Bank Group's Enterprise Survey, www.enterprisesurveys.org.

²⁵ See also Fox and Oviedo (2008) who find that 'labor regulations are the not the main 'binding constraint' on job creation in sub-Saharan Africa.'

²⁶ For a further discussion and varying views on the empirical evidence, see Boeri et al. (2008); Freeman (2009); and Djankov and Ramalho (2009). There is scant evidence on the impact of EPL reforms in developing countries. One exception is Kugler (2004) who finds that weakened EPL in Colombia in the 1990s was associated with growth of employment, a decline in job tenure in the formal sector relative to the informal sector, and increased job separations and hires in the formal sector. The findings of Heckman and Pagés have, however, been questioned by Berg and Kucera (2008) among others.

Due to the informalization of the labour market and the absence of unemployment benefits schemes, the vast bulk of the population in developing countries have no institutionalized form of income protection. Without this support, laid-off workers do not have the luxury to search for a job and usually have no choice but to seek employment in the informal economy. Income support for such individuals would have traditionally come from the family or community. This support mechanism has, however, weakened as a consequence of urbanization and changes in societal norms.

In recent years, governments in both low and middle-income countries (often together with development partners) have been devoting more effort and resources to establishing social protection schemes. However, this approach has typically focused on conditional cash transfer programmes such as the *Bolsa Familia* in Brazil, which reaches a sizeable proportion of the population, but is not directly linked to labour force participation or employment outcomes. A major constraint for governments is that universal social security schemes involve considerable financial and institutional capacity, which are typically not in place in most developing countries. Nonetheless, these constraints can be overcome as witnessed in some middle- and even low-income countries, which have established such measures (for example, Vietnam).

As discussed in section 2, labour market security is also provided by active labour market policies, which assist the unemployed/underemployed find new employment through such measures as job search assistance and training. These interventions are typically administered by public employment services, though there is a tendency in some countries to shift these activities to the private sector. Due to financial and technical constraints, developing countries do not have well staffed and resourced public employment services. Even so, these countries are increasingly using various types of ALMPs, often targeting youth, women and other vulnerable groups (see sections 3.2 and 3.3 for specific examples). Common schemes include public works programmes (which also play a social protection role) and entrepreneurship incentives. In terms of human capital, a major issue for developing countries is not only the low levels of education but also the degree of skills mismatch. Many young people leave universities without skills that are demanded by employers and thus are unable to find jobs in growth sectors (Ghose et al. 2008).

Finally, constructive dialogue between the government and the social partners, employers and workers, has been a key part of developing flexicurity policies in Europe. To reach a negotiated outcome, these parties have to come together to negotiate over how workers can be compensated for increases in flexibility. In most developing countries, social dialogue is weak because of a lack of trust amongst stakeholders and the lack of capacity of social partners. Moreover, because the majority of workers are in the informal economy, unions would only be representing a small minority. At the same time, there are other forms of organizations that are relevant to those outside the formal economy including entrepreneurs' associations and cooperatives.

Despite these constraints in terms of relevance and applicability, the concept of flexicurity and its principles have, nonetheless, important implications and relevance for developing countries, particularly if a long-term perspective on the labour markets is taken. This in turn requires a broader conceptualization of flexicurity not just a simple transfer of the European model. In developing countries, there has been a push to deregulate labour markets, which has been driven by the argument that over-regulation has been a barrier to employment growth in the formal economy (see the discussion above). This is perhaps where the concept of flexicurity is most useful: it informs policymakers in all countries that the goal does not need to be fully deregulated labour markets; rather, there is a combination of flexibility and security that is compatible with long-term development. At the same time, the concept of flexicurity cannot be applied to

developing countries in isolation. In particular, the approach and associated policy implications have to match the labour market realities in these countries and aligned to its development goals as encapsulated by their national development plans and poverty reduction strategies. When this approach is taken, the relevance of the key principles of flexicurity becomes more apparent, and how this role changes over different stages of development.

Table 2 illustrates how promoting different labour market institutional schemes providing flexibility and security can contribute to development outcomes in both low and middle-income countries, particularly in terms of creating more decent jobs and reducing poverty. This process in turn requires a long-term view of capacity development especially with respect to public employment services and social security schemes. For example, promoting flexibility in terms of improving the enabling environment for enterprises and strengthening protection of workers serves to lower volatility in the labour market and increase productivity and growth. At the same time, improved security in terms of social protection will help reduce poverty and advance social inclusion. Active labour market policies would support these interventions by enhancing labour mobility, improving the skill match and reducing un- and under-employment. Finally, strengthening social dialogue would help governments develop more effective and equitable labour market policies and institutions that in turn lead to better governance and stronger social inclusion.

3.2 Identifying building blocks in emerging economies and developing countries

Building on the issues presented in section 3.1, this section argues that efforts to combine security and flexibility can be *de facto* observed in other parts of the world, despite the constraints to their implementation. Actually, many countries have tried to locally adapt or enhance schemes that follow flexicurity principles. The question is, however, whether all the key elements, such as active and passive labour market policies, representative actors and strong institutions of social dialogue are in place — and if so, are being properly balanced and negotiated. This requires a comprehensive assessment of the country position in regard to its legislative, institutional, policy reforms and involvement of social partners.

Unsurprisingly, there is considerable variation in developing countries and emerging economies in terms of the policy and institutional mix that is not only explained by differences in income level and labour market characteristics, but also by the different priorities governments have set to achieve security and flexibility. Due to the lack of data on these dimensions, it is not possible to list detailed figures on different dimensions for all developing regions as was done for OECD countries (Table A1). For this reason, data on non-OECD countries reported in Table A1 in the Appendix largely addresses the EPL dimension, for which better data is available. These figures also illustrate the large variation within low and middle-income countries. Firstly, though data is missing for most countries, spending on both active and passive labour market policies tends to be much lower than the OECD average.

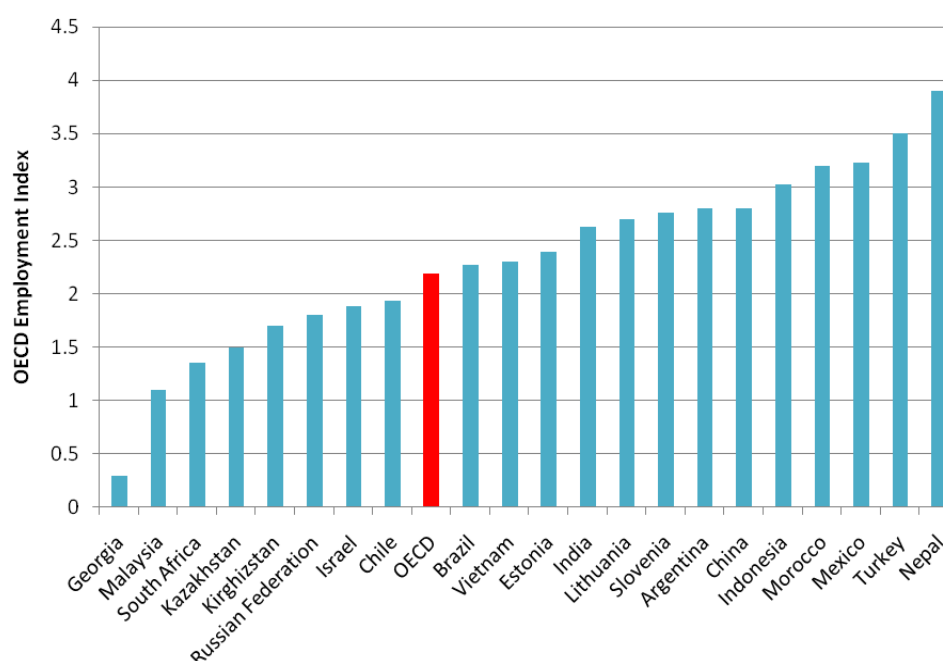
Table 2: Examples of how enhancing labour market policies and institutions can contribute to development outcomes

| Country category | Policy areas | | | |
|-------------------------|---|--|--|--|
| | Flexibility | Social security | ALMPs | Social dialogue |
| Low-income countries | <ul style="list-style-type: none"> Promote flexibility of enterprises through better access to credit, infrastructure, etc Develop capacity to enforce laws against child and bonded labour, discrimination, etc Improve health and safety in the workplace (informal and formal economy) Develop capacity of labour inspectors | <ul style="list-style-type: none"> Implement/broaden social protection schemes including micro-insurance and conditional cash transfers to reach those in the informal economy and poor households in general Establish a universal social security system | <ul style="list-style-type: none"> Develop ALMPs that target poor households including public works programmes, employment guarantees, entrepreneurship incentives Improve capacity of the public employment service | <ul style="list-style-type: none"> Strengthen capacity of social partners, including those operating in the informal economy Develop tripartite mechanisms that are part of the development policymaking process, i.e. key components of formulating national development plans and poverty reduction strategies |
| Middle-income countries | <ul style="list-style-type: none"> Continue to promote the adaptability of firms and internal flexibility that help enterprises adjust to external shocks Improve effectiveness of labour laws Strengthen capacity of labour inspectors to enforce legislation | <ul style="list-style-type: none"> Expand/establish a universal social security system together with activation strategies (i.e. ALMPs) | <ul style="list-style-type: none"> Implement ALMPs for both under- and unemployed such as training and job search assistance Strengthen capacity of PES in all regions of the country | <ul style="list-style-type: none"> Further strengthen the tripartite system to develop better policies that promote flexibility and security in the labour market |

| Potential development outcomes | | | |
|---|---|--|---|
| <ul style="list-style-type: none"> Lower volatility in the labour market Higher productivity, economic growth and poverty reduction More decent work | <ul style="list-style-type: none"> Accelerated poverty reduction and improved social inclusion | <ul style="list-style-type: none"> Enhanced voluntary mobility, better skills match, lower levels of un/under-employment, and reduced levels of poverty | <ul style="list-style-type: none"> Stronger social inclusion More effective and equitable policies Better governance |

Taking advantage of newly compiled figures for non-OECD countries, Table A1 demonstrates that the degree of employment protection ranges from just 0.3 in Georgia to 3.9 in Nepal (compared to the OECD average of 2.19). Most of the low and middle-income countries, however, provide de jure greater employment protection than OECD countries, which is evident in Figure 3: 13 out of the 21 countries for which data are available have legislation that results in greater restrictions on employment than the OECD average. The key message here is that most developing countries provide protection to workers only through legislation, which is inadequate because it merely covers the small formal sector. Moreover, as discussed above, lack of enforcement means that even the formal sector workers are afforded little protection in practice. This gap in worker protection remains one of the key challenges to policymakers in developing countries and emerging economies.

Figure 3: Employment protection in non-OECD countries



Source: OECD Employment Protection database and ILO figures

Notes: Data for the Overall EPL Index is for 2008. The overall summary measure of EPL strictness relies on three main components related to protection of regular workers against (individual) dismissal, specific requirements for collective dismissals and regulation of temporary forms of employment. The scale is from 0 (least restrictions) to 6 (most restrictions).

Beyond these statistics, studies conducted by the ILO and other institutions provide further country-level insights into the situation in Asia, Africa and Latin America. In particular, this research reveals that despite the various constraints mentioned above, some elements of flexibility and security policies are already in place in developing countries, particularly in emerging economies.²⁷

²⁷ See, for example, Auer et al. (2008); Berg and Kucera (2008); De Gobbi (2007); Shark (2008).

Firstly, there is significant heterogeneity in the types of labour market institutions and policies used in Asian countries.²⁸ For example, India and Sri Lanka provide stronger job security rather than relying on a broader approach of labour market security. Enforcement of labour market regulations, however, tends to be weak in these countries. For instance, although the administrative authorization for retrenchment in Indian firms with more than 100 workers is potentially a major constraint, weak enforcement means that many enterprises are able to evade these regulations.²⁹

To cope with the subsequent restructuring of the labour market, China has expanded unemployment insurance and active measures in recent years to improve labour market security for retrenched workers. Active and passive labour market policies are stronger and cover more of the workforce in Korea, though they spend less than the OECD average. In comparison, Singapore and Malaysia have more flexible labour markets and strong active policies, but low security in terms of employment and income protection.

Overall, Asian countries are increasingly using active labour market policies to reach the un- and underemployed, particularly through public works programmes.³⁰ One of the best known programmes is the National Rural Employment Guarantee Scheme in India, which confers the right of employment of up to 100 days per year in public works programmes per rural household.³¹ Moreover, income support policies are not only the purview of richer economies. For example, while high-income countries like Singapore do not have an unemployment insurance scheme, poorer ones such as India and China have introduced or expanded benefits in recent years, though these programmes only cover a small proportion of the population.

Africa is arguably the most challenging region in terms of the gaps in the policy and institutional mix to promote both flexibility and security. Most African countries have low levels of income and labour markets that are dominated by informal employment.³² Moreover, weak enforcement and poor implementation of EPL implies that regulations do not in practice provide much protection to workers and is thus unlikely to overly restrict hiring and firing in the formal economy. Only five countries in Africa, all middle-income, have an unemployment benefits scheme: Algeria, Egypt, Mauritius, South Africa and Tunisia.³³ Even in these countries, coverage remains low because of strict eligibility requirements. For example, the Unemployment Insurance Fund of South Africa receives contributions from around 8 million workers (representing more than 60 per cent of total employment), but less than 10 per cent of the unemployed are receiving payments at any point in time (for a maximum of 238 days) (Leibbrandt et al. 2010). In other countries, workers are afforded little income protection, aside from a small number of public sector employees. Nonetheless, although public employment services are typically underfunded and inadequate, governments across the continent increasingly utilize a range of active labour market policies, including public works programmes, entrepreneurship incentives

²⁸ See Vandenburg (2008).

²⁹ See Venn (2009).

³⁰ See Betcherman et al. (2004).

³¹ See <http://nrega.nic.in/> and Sjoblom and Farrington (2008)

³² See United Nations Economic Commission for Africa (ECA) (2005).

³³ See United States Social Security Administration (SSA) and International Social Security Association (ISSA), 2009.

and training schemes. For instance, according to some studies, spending on ALMPs exceeds 1 per cent in such countries as Algeria and Tunisia.³⁴

Social dialogue in Africa is constrained by the lack of capacity and mechanisms for negotiating on these issues. Most workers are located in the informal economy and are subsequently unrepresented, or are represented by informal organizations, which are typically not consulted by governments. Exceptions to this include Ghana, Niger, Senegal, South Africa, and Togo, which have a well developed tripartite system and active social partners.³⁵ In general, African countries have deficits in terms of flexibility and security for both employers and workers.

Latin America countries have traditionally focused more on the role of employment protection legislation in providing security to workers, though enforcement of regulations has often been weak. Specific requirements for collective dismissals (above and beyond requirements for individual dismissals) are, however, not in place in countries like Brazil and Chile.³⁶ Spending on active and passive labour market policies is typically well below the level of spending in most OECD countries. For instance, average spending on training and employment programmes in seven Latin American countries was calculated to amount to just 0.4 per cent of GDP in 1997.³⁷ Using more recent data for 2007, Mexico allocates negligible amounts to active labour market policies (just 0.01% of GDP), while employment protection is stricter than the average in OECD economies (3.23 on the OECD Employment Protection Index versus the OECD average of 2.19).³⁸

While labour market policies spending has been relatively low, most Latin American countries have devoted considerable resources in recent years to targeted social protection measures such as conditional cash transfers, though these interventions are not directly related to participation in the labour force. For example, the Brazilian Bolsa Familia programme reaches over 11 million poor families, who receive an average transfer of R\$70.00 (about US\$35). In return, they commit to keeping their children in school and taking them for regular health checks. This conditional cash transfer scheme has been successful in helping reduce poverty and income inequality in the country, and has not led to a decrease in labour force participation, despite earlier claims to the contrary.³⁹ Other countries in the region such as Mexico and Chile have similar schemes.

³⁴ See Auer et al. (2008).

³⁵ See Twerefou et al. (2007); ILO (2008).

³⁶ However, in a recent case concerning the dismissal of 4200 workers by Brazilian aeronautic company *Embraer*, the Appeal Court deviated significantly from established jurisprudence. It ruled that because there had been no consultation with the union, the Court ordered *Embraer* to make certain concessions to mitigate the impact of the dismissals, which were however upheld.

³⁷ Countries are Argentina, Brazil, Chile, Costa Rica, Jamaica, Mexico and Peru. See Auer et al. (2008), and references cited therein.

³⁸ The degree of enforcement will affect how EPL impacts enterprises.

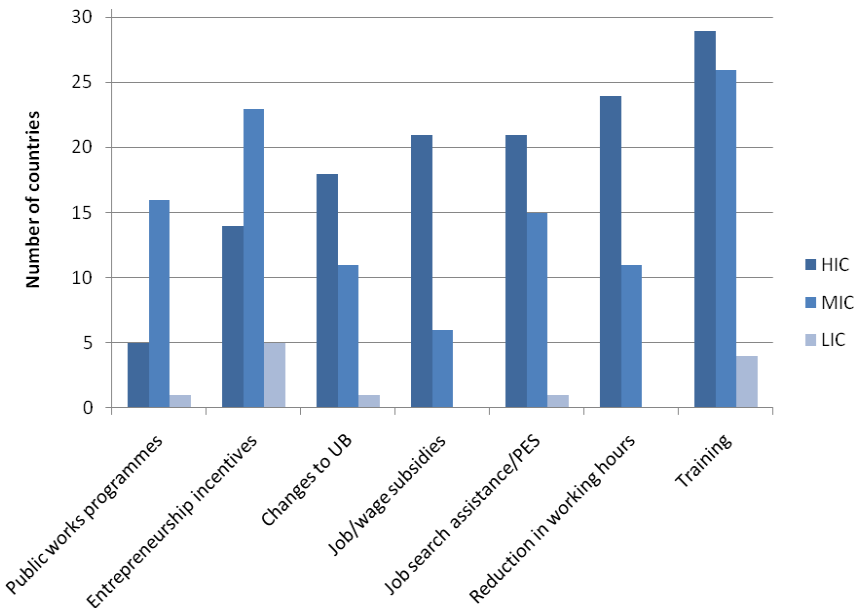
³⁹ See Soares et al. (2007). The Brazilian Minister of Social Development and Fight against Hunger, Patrus Ananias, announced during his presentation to ILO's 304th Governing Body Session in March 2009 that the scheme would be expanded during the global economic downturn to include an additional 1.3 million families. See http://www.ilo.org/global/About_the_ILO/Media_and_public_information/Feature_stories/lang--en/WCMS_103947/index.htm.

3.3. Evidence from the global financial crisis of 2007-2009

In times of increased insecurity and uncertainty, sharing fairly the costs of economic crises between firms, individuals and public authorities is a fundamental challenge. More specifically, the global financial crisis of 2007-2009 (and previous crisis episodes) illustrates the importance of flexicurity principles at different stages of the business cycle, specifically in terms of balancing the need for enterprises to adapt to a collapse in aggregate demand and freezing of credit channels with the increased requirement for security of workers.

Drawing on a range of recent surveys on the response to the global financial crisis (Cazes et al. 2009), it is apparent that a large number of high-income countries have implemented various labour market policies in response to the impact of the downturn, in particular to prevent layoffs (Figure 4). The most commonly used intervention in high-income countries is training for both those threatened by layoffs and the unemployed (including work experience and apprenticeship initiatives) (27 countries), followed by work sharing (24 countries), increased resources for public employment services, including job search assistance measures (20 countries), and job and wages subsidies (20 countries). The least-implemented intervention in this group of countries is public works programmes (5 countries), which is not surprising given the limited effectiveness of this intervention in such advanced labour markets. In terms of income protection provided by passive labour market policies, 17 high-income countries have made changes to unemployment benefits schemes (usually extensions of coverage and broader eligibility criteria).

Figure 4: National labour market policy responses to the current global financial crisis



Source: Cazes et al. (2009).
 Notes: HIC = high-income countries; MIC = middle-income countries; LIC = low-income countries, which are grouped according to the World Bank’s classification of countries, see <http://go.worldbank.org/D7SN0B8YU0>. UB = unemployment benefits schemes.

Overall, the use of labour market policies during the global financial crisis in terms of scope and diversity is declining with the income-level of countries, which reflects the financial and technical constraints hindering the response of these governments. Nonetheless, a range of policies have been utilized in low and middle-income countries, in some cases in a similar fashion to more developed nations. As displayed in Figure 4, the

most utilized policy response in the middle-income group is training (with 25 countries) followed by job search assistance, entrepreneurship incentives and public works programmes. Recognizing the potential benefits of the latter type of schemes, South Africa established in 2004 the Extended Public Works Programme (EPWP) with the aim of ‘creating at least 1 million work opportunities, of which at least 40% of beneficiaries will be women, 30% youth and 2% people with disabilities.’⁴⁰ A second phase launched in 2009 aimed to increase the number of beneficiaries to 2 million full-time equivalent jobs. EPWP beneficiaries participate in a range of infrastructure, economic, environmental and social projects.

The most widely-discussed measure during the global financial crisis is short-time working arrangements, which involves the reduction of working hours together with a reduction in wages that may be subsidized by governments to ease the burden on workers (see, for example, Cazes et al. (2009)). The German ‘Kurzarbeit’ and other similar schemes clearly helped employers respond to the downturn by relying on internal numerical adjustment (i.e. reduction in working hours) rather than external adjustment (i.e. shedding employment). This was crucial for export-oriented firms in Germany and other European countries, which had been experiencing skills shortages in the period leading up to the global financial crisis. Their strategy has paid off with a recent return to strong export growth, which has been largely driven by demand in China and other emerging economies.

Despite the well-known challenges articulated in section 3.1, middle income countries such as Mauritius have looked for ways to keep people in jobs. In May 2009, the Government of Mauritius announced that its National Employment Foundation will run a ‘Work cum Training’ scheme to enable companies in the manufacturing and tourism sectors, facing a reduction in their turnover, to send their employees on training instead of laying them off.⁴¹ The government announced that it would provide Rs 300 million (US\$10.1 million) for the scheme and expects to save some 6,000 employees from retrenchment while at the same time improving their skills.⁴² Training will be provided for up to two days a week and will run for a maximum period of 18 months until Dec 2010. There are far fewer low-income countries implementing such policies in response to the crisis. In general, low and middle-income countries tend to rely on labour market policy measures that do not require complex institutional structures and social dialogue.

The downturn of the last couple of years has also underscored that governments can respond most effectively to such crises when relying on existing labour market institutions and programmes, which all rest on permanent structures. For example, a well-staffed and equipped public employment service is needed to manage programmes that target the unemployed. Subsidies require legislation that stipulates how these financing measures are provided to employers. The lesson learnt from the East Asia crisis in the 1990s was that the lack of institutions and programmes, especially in terms of established social security schemes, hindered how these countries could respond to the adverse impact on labour markets and household welfare across the region. This situation is however being repeated in many countries during the global financial crisis of 2007-2009.⁴³

⁴⁰ See www.epwp.gov.za/index.asp?c=Home.

⁴¹ See Budget Speech from 22 May 2009, www.gov.mu/portal/goc/mof/files/budspeech09.pdf.

⁴² Rs 300 million = US\$9,255,831 at the exchange rate on 23 June 2009.

⁴³ See the discussion in ILO (2009).

Over the longer term, governments should aim to develop a comprehensive and integrated policy and institutional framework that will enable them to better respond to future crises. This involves the development of ALMPs as a counter-cyclical measure. In addition, more efforts need to be made to monitor and evaluate the impact of specific policies to ensure that interventions are effective. It is also necessary to identify potential linkages between different labour market institutions such as articulating ALMPs properly with unemployment benefit schemes, in line with activation principles in a context of weak labour demand (keeping in mind the role of unemployment benefits as an automatic stabilizer). This would also involve considering possible employment protection legislation adjustment since countries with a combination of ALMPs, unemployment benefits and flexible EPL typically have lower long-term unemployment rates (such as seen in Nordic countries), i.e. taking a more comprehensive and integrated approach as outlined in section 2.

In some countries, the global financial crisis has already reignited a debate about the right balance between flexibility and security in the labour market. During the post-crisis period, attention is likely to shift to focusing on hiring and firing flexibility as means to reduce the lag in unemployment. Coming under tremendous pressure to tackle soaring unemployment, it is important for policymakers to remember the role of both flexibility and security policies in improving outcomes in the labour market, particularly for vulnerable groups, and not to focus alone on a deregulatory narrative.

4. Concluding policy remarks

Promoting a coherent labour market and social policies mix for balancing flexibility and security is not only relevant to policymakers of advanced economies but also to those in developing countries, though this requires a broader understanding of the EU flexicurity approach. In this sense, the overriding message of the paper is that as countries expand their fiscal space and institutional capacity to develop labour market policies and institutions, it is crucial to take a holistic view of flexibility and security in the labour market, rather than any of these dimensions in isolation. While these issues are by in large more relevant for richer emerging economies, there are also implications for low-income countries that are anyway attempting to utilize policies and institutions to improve outcomes in the labour market. This is no more evident than the diverse array of policies implemented in most countries in response to the global financial crisis.

Drawing from the analysis presented in this paper, it is possible to highlight a number of other key issues for policymakers.

- Firstly, the policy debate most often focuses on flexibility only rather than on the combination of flexibility and security in developing countries and emerging economies and is therefore characterized by the absence of important elements, such as active and passive labour market policies and representative actors and strong institutions of social dialogue, even if some key elements can be identified.
- Secondly, due to low levels of enforcement and the predominance of the informal economy, the priority for policymakers should not only be on reforming regulations but also on increasing both flexibility and security through other means. In particular, security through more effective and inclusive active and passive labour market policies should be improved in the vast majority of developing countries regardless of changes to labour regulations.
- Thirdly, governments should consider policy packages and not address dimensions in isolation – ultimately, complementary policies are needed to address both flexibility and security. At the same time, it is important to sequence policy and institutional changes to ensure that the goals of improved flexibility and security can be achieved in the context of fiscal and institutional constraints. For example, low-income countries can

focus initially more on such social protection measures as conditional cash transfers while they establish the pre-conditions for implementing a broad-based unemployment benefits scheme. In general, low-income countries should start with security concerns.

- Fourthly, in order to expand the scope of labour market policies, governments should improve the capacity of public employment services through increases in financial and technical resources.
- Fifthly, given the weak level of social dialogue, the capacity of social partners should be enhanced to ensure that the pathway to flexibility and security is a negotiated solution to the employment and broader development challenges facing the country.
- Finally, labour markets policies and institutions should ultimately contribute to creating decent jobs and poverty reduction, and thus be aligned to national development plans and poverty reduction strategies.

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Appendix

Table A1: Labour market policies and institutions across selected OECD and non-OECD countries

| | ALMP/GDP (%) | PLMP/GDP (%) | Unemployment benefits, Av. gross replacement rate (%) | Overall Employment Protection Index (OECD) | Collective agreement coverage (%) |
|--|--------------|--------------|---|--|-----------------------------------|
| OECD range | 0.01 - 1.31 | 0 - 2.00 | 6 - 48 | 0.85 - 3.39 | 12 - 99 |
| Denmark | 1.31 | 1.50 | 48 | 1.91 | 82 |
| France | 0.92 | 1.24 | 39 | 2.90 | 95 |
| Germany | 0.77 | 1.63 | 24 | 2.63 | 63 |
| Korea, Rep. | 0.14 | 0.27 | 9 | 2.13 | 12 |
| Netherlands | 1.09 | 1.39 | 34 | 2.23 | 82 |
| Sweden | 1.12 | 0.66 | 32 | 2.06 | 92 |
| United States | 0.13 | 0.31 | 14 | 0.85 | 13 |
| United Kingdom | 0.32 | 0.16 | 15 | 1.09 | 35 |
| Low and middle-income countries | | | | | |
| Argentina | n.a. | n.a. | n.a. | 2.8 | n.a. |
| Brazil ^a | 0.08 | 0.43 | n.a. | 2.27 | n.a. |
| Chile | n.a. | n.a. | n.a. | 1.93 | 24 |
| China | n.a. | n.a. | n.a. | 2.80 | n.a. |
| Estonia | 0.07 | 0.21 | n.a. | 2.39 | 22 |
| Georgia | n.a. | n.a. | n.a. | 0.3 | n.a. |
| India | n.a. | n.a. | n.a. | 2.63 | n.a. |
| Indonesia | n.a. | n.a. | n.a. | 3.02 | n.a. |
| Israel | n.a. | n.a. | n.a. | 1.88 | 56 |
| Kazakhstan | n.a. | n.a. | n.a. | 1.5 | n.a. |
| Kirghizstan | n.a. | n.a. | n.a. | 1.7 | n.a. |
| Lithuania | n.a. | n.a. | n.a. | 2.7 | n.a. |
| Malaysia | n.a. | n.a. | n.a. | 1.1 | n.a. |
| Morocco | n.a. | n.a. | n.a. | 3.2 | n.a. |
| Mexico | 0.01 | n.a. | n.a. | 3.23 | n.a. |
| Nepal | n.a. | n.a. | n.a. | 3.9 | n.a. |
| Russian Federation | 0.09* | n.a. | n.a. | 1.80 | 62 |
| Slovenia | 0.18 | 0.27 | n.a. | 2.76 | 100 |
| South Africa | n.a. | n.a. | n.a. | 1.35 | n.a. |
| Turkey | n.a. | n.a. | n.a. | 3.5 | n.a. |
| Vietnam | n.a. | n.a. | n.a. | 2.3 | n.a. |

Source: Auer et al. (2008), Venn (2009), EUROSTAT and OECD online data bases.

Notes: ALMP/GDP = expenditure on active labour market policies as a percentage of gross domestic product. PLMP/GDP = expenditure on passive labour market policies as a percentage of gross domestic product. EPL = employment protection legislation index. Data for ALMP/GDP, PLMP/GDP, average gross unemployment benefit replacement rate are for 2007. Data for the Overall EPL Index is for 2008. ^a – ALMP/GDP and PLMP/GDP figures are for 2001. The overall summary measure of EPL strictness relies on three main components related to protection of regular workers against (individual) dismissal, specific requirements for collective dismissals and regulation of temporary forms of employment. The scale is from 0 (least restrictions) to 6 (most restrictions). The gross unemployment benefit replacement rates is calculated as the average at two earnings levels, three family situations and three durations of unemployment.

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