



Labour Market Analysis

The Challenge

The global financial crisis has underscored the importance of intervening in the labour market to protect workers and promote better employment outcomes. In both developed and developing countries, active labour market policies (ALMPs) have proved to be successful in averting lay-offs (for example through job retention), increasing employability (training), creating job opportunities (wage/job subsidies). Many of these are planned and implemented through public employment services. Interventions to support income are also essential to cope with the loss of salaries and prevent poverty. While such measures are typically provided in richer (OECD) countries through unemployment benefit systems – so-called passive labour market policies – other schemes have been introduced or expanded in poorer countries, although these programmes often cover only a small proportion of the population.

The rights of workers can also be protected through labour market institutions such as wage-setting institutions, legislation on employment protection, mandatory social benefits or minimum wages – and enforcement of the legislation.

How have labour markets been adjusting to economic shocks? And to what extent has the policy and institutional mix been able to provide fair adjustments? The debate on the economic effects of labour market regulations, policies and institutions has been going on for over two decades and is still conflictual and divisive. One lesson learnt from the East Asian financial crisis in the 1990s is that the lack of institutions and programmes, especially established social security schemes, hindered how these countries could respond to the impact of the crisis on their labour markets and thus on household well-being.

Developing countries face many challenges in building well-functioning labour market policies and institutions including the lack of fiscal space and inadequate administrative/institutional capacity. In addition, social dialogue is often weak, the formal sector underdeveloped and labour regulations poorly enforced.

The ILO Response

All ILO work on employment derives its current mandate from the Global Employment Agenda (2003) and the ILO Declaration on Social Justice for a Fair Globalization (2008). In its efforts to promote decent work throughout the world, the ILO emphasizes the importance of comprehensive and coherent policies to create more and better jobs and promote inclusive labour markets. Many ILO Conventions are directly linked to the theme of labour market regulation and policies. Among the most important of these are the Employment Policy Convention, 1964 (No. 122) and the Termination of Employment Convention, 1982 (No. 158). The *Toolkit for mainstreaming employment and decent work* contains a list of key questions to help assess linkages and draw attention to the potential contributions of the policies and programmes of the different international agencies; the roles of both labour market policies and institutions are highlighted as critical for country development and decent work. Labour market policies and social protection measures are among the key items listed in the Global Jobs Pact adopted by the International Labour Conference in 2009.



The ILO's Programme on Labour Market Analysis devotes its main efforts to research and publications about labour market institutions and policies, providing advisory services as well as capacity building to governments and organizations of employers and workers. In addition, through a worldwide network of employment specialists it provides assistance to countries in developing coherent and coordinated labour market policies. The main topics researched concern labour market adjustments and the role of institutions and policies in mitigating the costs of external shocks; the flexibility–stability–security nexus has been the overarching frame of most of these studies. Work in this area includes:

- data collection on labour market policies and institutions; measurement of labour legislation: conceptual and methodological issues such as the Doing Business debate;
- analysis of labour markets in advanced, emerging and developing economies and of their adjustment patterns to the global economic crisis;
- policy advice on ALMPs and social policy to accelerate jobs recovery, inputs for the G20 meetings;
- publications and reports on the role of labour institutions, on ALMPs and on the need for balancing flexibility and security around the world;
- collaboration with other international organizations such as the European Commission, the World Bank and OECD in the field of labour market analysis and policy;
- participation in international workshops, academic conferences and networks on labour market analysis ;
- training and capacity-building activities in collaboration with the ILO International Training Centre in Turin, Italy, in particular the design and organization of the Summer School on Labour Economics for Development;
- providing technical advisory support to ILO country programmes.

Key Tools and Resources

In addition to the above-mentioned ILO standards: Auer, P.; Efendioglu, U.; Leschke, J. 2005. *Active labour market policies around the world: Coping with the consequences of globalization* (Geneva, ILO).

Berg, J.; Kucera, D. (eds). 2008. *In defence of labour market institutions. Cultivating justice in the developing world* (Geneva, ILO and New York, Palgrave MacMillan).

Berg, J.; Cazes, S. 2008. "Policymaking gone awry: The labor market regulations of the Doing Business Indicators", in *Comparative Labor Law and Policy Journal*, Vol. 29, No. 4.

Cazes, S.; Nesporova, A. 2003. *Labour markets in transition: Balancing flexibility and security in Central and Eastern Europe* (Geneva, ILO).

Cazes, S.; Verick, S.; Heuer, C. 2009. *Labour market policies in times of crisis*. Employment Working Paper No. 35 (Geneva, ILO).

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http://www.ilo.org/dyn/terminate/termmain.home?p_lang=en



Sandrine Cazes-Chaigne
Chief, Employment Analysis and
Research Unit

Contact us:
Employment Analysis and
Research Unit, Economic and La-
bour market Analysis Department
International Labour Office
Route des Morillons 4
CH-1211 Geneva 22
Tel: +41 22 799 6924
Email: empanalysis@ilo.org
www.ilo.org/empelm
ILO Employment Sector