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## **Pursuing decent work goals: Priorities for research**

Gerry Rodgers and Christiane Kuptsch

**Pursuing decent work goals:**  
Priorities for research

International Institute for Labour Studies

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## Preface

The present volume has its origins in a research conference on “Decent Work, Social Policy and Development” held from 29 November to 1 December 2006 and organized by the ILO’s International Institute for Labour Studies (IILS). The conference brought together over 150 scholars from different disciplines, ILO staff and participants from government, business and labour. It aimed at strengthening the ties between the ILO and the academic community and gaining new perspectives on the research needs of the Decent Work Agenda. The purpose of this volume is to present the broad research topics arising from these discussions.

What comes out is a rich menu of themes that require new analysis. In particular, the growth in underground economy and informal employment is rightly regarded as a key issue which is not properly understood. This is only partly due to difficulties in grasping the phenomenon statistically. Indeed, a more general problem lies with the fact that the conceptual framework for labour market analysis tends to rest on the assumption of regular, stable employment arrangements.

There is also a strong call for a renewed effort to analyse the role of policies and institutions in improving the socio-economic impacts of globalization. Countries need to know how to adjust their labour regulations and social protection systems so as to ensure that globalization leads to better living standards for all. This is far from being the case at present, given the trend increase in social inequalities recorded in many countries. The case for action at the international level, by way of international labour standards, also requires new analysis.

Finally, all the authors emphasize the importance of an integrated approach which examines the inter-linkages between the different policy planks. This is an area where much remains to be done.

More fundamentally, the volume emphasizes the need for a solid knowledge base for the ILO to be able to deliver credible policy advice. This is of course difficult to build in the context of rapidly changing economic and social environments. Empirical analysis on how to achieve decent work goals in developing countries also faces strong limitations owing to the paucity of data. The contributors to the present volume, however, are all optimistic that these challenges can be met. Indeed they offer a comprehensive range of crucial research questions.

Looking ahead, this volume should help support the new work programme of the ILS, notably the new periodic publication which has been launched on key challenges to the world of work.

Raymond Torres  
*Director*  
*International Institute for Labour Studies*  
  
*December 2007*

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# Introduction: Perspectives on the ILO's research agenda

*Gerry Rodgers and Christiane Kuptsch*

## 1. The knowledge base of the ILO's work

An organization like the ILO, which works on a diverse set of issues throughout the world, has enormous needs for information and understanding. The credibility of its policy advice and advocacy depends on the quality of its analysis of social relationships, problems and policies, and the accuracy of the information on which it is based.

Within the ILO, different activities need different types of knowledge.

Much of the ILO's work is built around the development or promotion of particular policy instruments, from micro-finance to anti-discrimination laws. Here the need is for accurate knowledge on the impact of such policies. Since policy impacts depend on many factors which vary from country to country, comparative analysis across a range of national and local settings is essential. This concerns not only state policy, but also the policies of the ILO's worker and employer constituents, either individually — e.g. the effectiveness of enterprise policies for social responsibility — or together, through social dialogue and concertation.

The recent development of decent work country programmes points to another type of need, because such programmes are made up of a package of activities aimed at different dimensions of decent work. They therefore need to be based on an understanding of how policy interventions in different fields interact, and which constellations of policies are together most effective in generating progress towards decent work goals.

Building up international policy perspectives requires understanding of a different order, covering broader economic and social relationships, such as the factors responsible for change in the global economy and the implications for employment or poverty, or the causes of patterns of formality and informality in labour markets.

The development of international labour standards calls for analysis of yet another nature — identifying gaps in legal and regulatory frameworks, exploring how they might be filled, and designing the corresponding international instruments.

These needs concern not only the Office, but also each of the ILO's constituents — for workers, employers and governments may have different *specific* needs.

The ILO is therefore heavily dependent on an adequate foundation of research to deliver this knowledge. At the same time, the labour and social policies at the heart of the ILO's agenda raise complex and often ill-understood issues, which lie on the intersection between different disciplines — economics, law, sociology, political science. Questions such as the conditions under which universal social protection or full employment can be achieved, the optimal design of legal instruments for labour market regulation, or the development of institutions to increase the synergy between economic and social goals, are central concerns for the ILO's constituents (who hold divergent views on them), yet the knowledge base which the ILO can use to address them is, to say the least, patchy.

So the ILO needs a research strategy, both to consolidate the knowledge that exists and to try to fill the gaps. This is not just about the research which the ILO undertakes itself. The knowledge base of the organization draws on research from many sources.

Indeed, there are intrinsic difficulties in developing research freely in a bureaucratic, interest-based organization such as the ILO. There is always the risk that research will be designed to provide legitimation for an existing political position, or that questions which might adversely affect dominant views or interests will be avoided. There may be a tendency to pay excessive deference to particular slogans or perspectives, because that is needed for recognition and is more likely to help career development than a critical perspective. Similar considerations apply even to the ILO's external collaborators, since they too will often be bearing future contracts in mind. It is also difficult for a “results-based” organ-

ization to accept the essential uncertainty of research, since by its nature research may not deliver the results expected, or particular lines of research may prove to be barren.

It is therefore necessary to draw on independent outside expertise. But this can only be a complement to a core research capacity within the Office. A research strategy needs to consider both research within the ILO and outside it, the means to ensure interaction and cross-fertilization between the two, and the conditions under which research of different types, and undertaken under different conditions, can most effectively serve the interests of the Organization.

## 2. The focus and organization of the ILO's research

The ILO does quite a lot of “research”, broadly defined — internal estimates suggest that this accounts for 25 per cent of technical resources (mainly staff) at Headquarters in Geneva, rather less in external offices.

The current programme includes work to strengthen knowledge on the linkage between rights at work and labour standards and the decent work agenda as a whole; in-depth analysis of the factors underlying employment generation and the building up of a knowledge base on good practice in employment policy; assessment of specific policies on occupational safety and health and HIV/AIDS; policy development on social security coverage, migration and conditions of work; the compilation of systematic information and case studies on labour legislation, collective bargaining and labour administration; research into policy coherence and gender equality; studies of decent work in development paths and global governance.

Only a relatively small part of this is advanced research aimed at extending the current state of knowledge, conceptualization and methodology. Much is in reality synthesis of existing knowledge as background for the preparation of ILO reports, or the preparation of policy manuals and guides. And with some important exceptions, most of this work is based on existing data sources rather than new data collection.

In this situation, how are choices made about what research to undertake? There are several sources of demand: the ILO's organs of governance — the International Labour Conference, Regional and Techni-

cal Meetings, Governing Body discussions; technical cooperation and policy advice at the country level; the international community, which expects the ILO to be able to deliver the knowledge base to back up its international policy agenda; and more generally, the research, teaching and NGO communities worldwide, which see the ILO as the premier international source of knowledge on the world of work.

A crucial question is the extent to which the ILO actually has the capabilities to pursue this research. Only a rather small number of staff members are actually engaged full-time in research, and they are scattered thinly across the organization. There has been a decline in research effort in recent years, for a number of reasons, including pressure from constituents for concrete results on the ground in the context of a zero growth budget. The relative lack of visibility of research, combined with the need for medium term commitment beyond a two year programme and budget, seems also to have shifted priorities away from research. This trend needs to be reversed.

### 3. Principles for a research strategy

The foregoing suggests that the ILO has to overhaul its research strategy.

What might be the goals of a new research strategy? Clearly the overriding goal is to provide the knowledge base needed to implement the Decent Work Agenda, the centre of the ILO's work today. But this can be broken down into several components<sup>1</sup>:

- To generate the knowledge needed to guide organizational strategy, policy development and the design of international instruments
- To respond to the needs of ILO operations, policy advice and technical assistance, especially at country level, including providing the means to assess progress towards national decent work goals
- To assist in developing research capacity on labour and social policy issues among constituents and at national level

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<sup>1</sup> This formulation draws on, but is not identical to, the stated goals of the research strategy of the World Bank. See A. Bannerjee, A. Deaton, N. Lustig and K. Rogoff, "An evaluation of World Bank Research, 1998-2005", Washington, World Bank, 2006.

- To generate knowledge, considered as a public good, in all areas of ILO concern.

To achieve these goals, the ILO needs to be able to draw on different types of research, including:

- Conceptual and methodological research. This is needed for the setting of goals and targets and the measurement of progress, and is the foundation for both empirical research and policy development.
- Empirical research into the impact of diverse policy measures on social and labour outcomes. This may consist of straightforward policy evaluations, or it may involve more complex attempts to understand how the actions of the ILO's constituents change social and economic relationships.
- Integrated studies of the mechanisms responsible for economic and social outcomes, and the way they respond to specific policy measures.

In developing this strategy, a number of important general considerations should be taken into account. The ILO has specific advantages and should make use of them. These include the potential for interdisciplinary research, notably in the interaction between law, economics and other social sciences; the ability to engage with the key actors of the production system, both workers and employers; and the potential for international comparative analysis. The ILO will have to achieve critical mass in research on particular topics, through focus and concentration of resources. Spreading research resources too thinly is likely to produce weak research results. It will be important to ensure that research results are robust — weak relationships and poor empirical work can undermine the credibility of policy positions. And there is a need to pay adequate attention to trade-offs, i.e. the fact that policies which deliver gains in one respect may also generate losses in another, as may happen if social protection measures increase labour costs, leading to a reduction in either wages or employment. Regional research concerns will have to be balanced with a global agenda, sectoral concerns with the Decent Work Agenda as a whole. And finally, it will be in the Organization's best interest to work with and support external research networks concerned with ILO issues in the academic world.

## 4. Research priorities: the perspectives in this volume

The issue of research priorities for the ILO was addressed by the first ILS Research Conference on “Decent Work, Social Policy and Development”, which was held in late 2006. The conference brought together an interdisciplinary group of academics, ILO staff and constituents from government, business and labour to gain new perspectives on the research needs of the Decent Work Agenda and to discuss in depth two topics of concern to the ILO: (a) changing social models in Europe and Latin America, and (b) links between global production networks and the local creation of decent work. The conference sessions on social models examined national responses to globalization as well as differing regional perspectives on the linkages between social rights, labour law and economic objectives. The sessions on global production networks looked at the implications for employment and workers of global production, and the role of various social actors in promoting decent work in these networks. Some of the contributions have already been published as discussion papers or journal articles; other publications are in preparation.

Beyond these two topics, a series of plenary presentations in the conference explored the broader research agenda, and suggested a number of priorities for analysis and policy. Six papers based on those presentations make up this volume. They do not attempt to lay out a complete research agenda for the ILO, either individually or collectively, since they have not been written with the aim of consistency or completeness. But they do draw on a diversity of disciplines — particularly economics, sociology and law — and reflect a range of regional perspectives, so the concerns which they raise merit attention.

Part I of this volume groups together three papers that identify global research gaps and priorities. *José Antonio Ocampo* examines four major links between economic and social policies and calls for integrated policy frameworks and the mainstreaming of social objectives into the design of economic policies. *Sandra Polaski's* paper considers priorities for research on trade, employment and labour markets, from both analytical and policy perspectives. And *José Pastore* focuses in particular on the implications for social protection systems and market regulation of increasing competition in the world economy.

Part II of the present volume presents regional views. *Jayati Ghosh* offers a perspective from Asia, and points to several key issues: the limits

of export-based employment; increases in self-employment and short-term migration; unresolved questions of youth employability and social reproduction. *Evanse Kalula* identifies a number of issues of particular importance in Africa, including poverty reduction; discrimination in employment, partially HIV/AIDS-related; the factors driving growth in child labour and the informal economy and the effectiveness of instruments of labour market regulation. The volume's final chapter, by *Ida Regalia*, focuses on Europe. Regalia sees challenges for research and action under three broad headings: the underground economy, contingent forms of work, and strategies of representation.<sup>2</sup>

Despite this apparent diversity, when taken together, the six papers suggest a number of priorities, issues which emerge in different ways in the contributions of different authors but which point in the same direction. The main thrusts of the arguments can be summarized under four broad headings:

### Conceptualizing labour markets and employment relationships better

The variety of labour and employment relationships is often set on one side, because it makes policy formulation more complex in a world where politicians are seeking simple solutions. Yet several of the authors argue that the existing conceptual framework needs to be radically improved if adequate social and labour policy choices are to be made. Ghosh highlights several issues that we do not understand well, such as the persistence or growth of self-employment in situations where a growth of wage employment is expected, unpaid work and social reproduction in new production environments, or more generally the increased flux in labour markets around the world. Regalia points to the need to better understand the underground economy and the growth of contingent work in Europe. Kalula argues that existing data are inadequate to understand many basic features of African labour markets, including the dynamics of the informal economy, the persistence of discrimination and many other issues.

It may seem surprising that these concerns have still not been adequately addressed after many years of research into labour and employment issues. The problem is that the core information, and a great deal

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<sup>2</sup> For a summary of the key arguments made in each paper, please refer to the Annex.

of policy research, continues to be built around a standardized notion of regular, stable employment, when the tendency of global markets is for fragmentation into a variety of different statuses and relationships — some of which, such as self-employment, were not properly addressed in the past, perhaps because it was expected that they would decline in importance. This concern with the conceptualization of work reappears when we come to the policy issues, below.

### Understanding the sources of change

There is widespread acknowledgement that globalization, technological progress and a number of other factors are generating change in both economic and social outcomes — but much less agreement on the ways in which change is occurring and the nature of the impact. Both Ghosh and Polaski stress the need for more research into the impact of trade on employment. Ghosh argues that export oriented growth has been oversold, and has a relatively low employment intensity. Polaski suggests that new research methods are needed to adequately capture the relationship between trade and employment, since it involves economy-wide effects.

Growth in trade is just one aspect of growing economic integration, and both Regalia and Pastore stress the intensification of competition in the global economy, the greater mobility of firms and the consequent impact on labour markets, including increased pressures on wages and working conditions, and growth in contingent work.

Ghosh also points to the need for more work on the employment effects of technological progress, Kalula highlights the impact of HIV/AIDS in Africa and Ocampo calls for more research into the ways that human development contributes to economic growth.

The general point here is that labour markets seem to be becoming more turbulent and unpredictable. This diminishes the validity of policy frameworks which were designed for more stable situations, and calls for a better understanding of the dynamics.

### The design of social and labour policy

The suggestions of the different authors for policy research include both research into the effectiveness of particular policy instruments — the effectiveness of labour law, the impact of trade policy — and the design of broader policy frameworks to handle new concerns.

Polaski explores trade policy in some detail, arguing for more research from two different perspectives: first, the impact on employment of particular trade policies (or broader regional integration policies); and second, analysis of the overall effect of incorporating labour standards and, more generally, decent work goals in trade agreements.

Pastore and Ocampo stress the urgency of new strategies for social protection in a competitive economic environment. Labour markets have globalized faster than social protection, and new approaches are needed to deal with insecurity. Research into the social and economic effectiveness and impact of alternative models is needed.

Ghosh and Kalula call for more work on a policy framework for migration. Ghosh in particular argues that patterns of migration are changing with a growth of short term migration, and this generates a need for new policies both within and between countries, which is not being adequately addressed.

In building new policy frameworks, more attention needs to be paid to the ideas and strategies of the social actors concerned, and the interests which they represent. Regalia argues the case for better knowledge of strategies of representation, while Pastore, looking at the same issue from a different angle, calls for more stress on regulation from below, and non-State regulation more generally.

### **Constructing an integrated approach**

While all authors make specific suggestions on research priorities, all put their suggestions in a broader context. Pastore and Regalia point to the need for new frameworks of regulation for changing production systems. Polaski argues that the employment impacts of trade can only be understood if the economy as a whole is modelled. Ghosh highlights the common underlying issue of increased flux in labour markets. Kalula sets the labour and social policy issues in a broader development context.

Ocampo focuses on this point. An integrated approach to social and economic policy is needed, because economic policy does not necessarily lead to desirable social outcomes, and social policy alone cannot carry all the burden of ensuring equity. In particular, economic policies, indeed all policies, need to be analysed in terms of their impact on employment and decent work goals. The economic policies need to be measured against concerns with equity, security and participation. Ocampo argues that — far from the dominant notions of economic orthodoxy — at all

levels of development there are alternative economic policy choices with different social impacts. By the same token, the contribution of social policies to economic objectives needs to be considered in social policy choices. This generates a substantial research agenda on which there remains much to be done.

## 5. Concluding remarks

In November 2007 the Director-General of the ILO, Juan Somavia, announced a new research and publications policy. He underlined the importance of better management, sharing and use of ILO knowledge and the need for the ILO's work to be grounded in sound research. The policy states that an Office-wide research strategy will need to concentrate on a limited number of themes on which there is a knowledge deficit, a clear demand and a need for an ILO contribution. This volume is intended as a contribution to debate and reflection around the construction of that strategy.

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## Part I: Global challenges

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# The links between economic and social policies: A conceptual framework

*José Antonio Ocampo*<sup>1</sup>

In the dominant view of economic policy making, the analysis of the links between economic and social policy continues to be dominated by a “leader/follower model”, in which consistent macroeconomic policies are supposed to be determined first, and social policies are called to manage their social, gender and environmental effects. There may be exceptions to this sweeping statement. In particular, human development is seen by many as a major determinant of economic growth. But in most analyses of economic policies, the statement readily applies. Even the widespread use of the concept of “social safety net” tends to reflect this residual view of social policies, particularly in comparison to the older concepts of “social protection” and “social security”.

The main argument of this note is that this subordination of social to economic policies is unlikely to lead to good social outcomes, no matter how ambitious social policies are. I therefore argue in favour of a different framework, in which the major challenge is to mainstream social objectives into the design of *economic* policies.

The note is divided in six sections. The first defines four major links between the economic and the social system. The next four analyze these links in more detail. The last section draws some institutional implications.

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<sup>1</sup> Since this is a conceptual framework rather than an academic paper, I have kept references to a bare minimum.

## 1. Four major links between the economic and social system

Although other typologies could be provided, we can define four major links between the economic and the social system. The first runs from the social to the economic. It relates to human development and, particularly, to the capacity of the social system to facilitate the accumulation of “capabilities”, to use Sen’s terminology. Human capital is, indeed, generally accepted as a determinant of economic growth, although in some interpretations necessary but not sufficient to achieve rapid rates of economic development. A second could probably be added: the view that there are positive synergies between equity and economic growth. However, this view, although exposed masterfully by the World Bank in its 2006 *World Development Report*, continues to be subject to conflicting evidence.

In turn, three of the links run from the economic to the social system. They relate, first, to the capacity of the economic system to provide adequate resources for human development, as well as the equity implications of the way the provision of services is organized. The second is the ability of the economic system to offer opportunities for adequate income generation, primarily through employment opportunities, as well as the factors that affect the primary distribution of income. The third is the management of risks generated by the economic system and the associated economic insecurity.

The mere enumeration of these links indicates that it would be impossible to guarantee adequate social outcomes without “social-friendly” economic development. There is, for example, strong evidence that if adequate employment opportunities are not provided, the underutilization of human capital would reduce the economic benefits of social policies: a significant proportion of human capital would be wasted or may even lead to outward migration of skilled personnel. More generally, the undesirable social effects of economic policies and outcomes cannot be compensated by social policies, no matter how aggressive they are.

## 2. Human development

The capabilities provided by social policy are much more than “human capital” –i.e. their benefits go beyond the strict economic

returns. They directly affect the well-being of individuals as well as social and political development, particularly the quality of social interactions and political participation. For these reasons, even beyond the economic returns, human development should be at the centre of any development strategy.

There is widespread evidence that there can be major advances in human development even at low levels of income. Furthermore, the quite diverse social performance of countries situated at similar income levels indicates that it is possible for countries that under-perform in terms of human development to do better, regardless of their income level.

Low levels of human development can generate poverty traps and, in this sense, human capital is a necessary condition for economic growth. However, the links running from human to economic development are not linear. In the views exposed by Ranis, Stewart and Ramirez (2000), there are virtuous and vicious circles in which both dimensions of development reinforce each other. But there are also countries in which high levels of human development are not translated into rapid economic growth — a pattern that they call “human development-biased” —, as well as the opposite pattern — “economic growth-biased”. They provide evidence that, while countries with human development-biased patterns can move into virtuous circles, the same is not true of economic growth-biased countries. In this sense, human development is again a necessary condition for economic growth, but it is not a sufficient condition — or, what is equivalent, that economic growth also has other determinants.

The foregoing considerations have two major policy implications. The first is that the effort to promote human development to break the poverty traps of low-income countries should be at the centre of international cooperation. The second is that it is still necessary to understand much better the ways to maximize the effects of social policy on economic development and, in any case, that a weak economic performance reduces the economic returns of human development. This by itself does not eliminate the case for strong efforts to promote human development, as the latter should be an objective in its own right.

### 3. Financing and design of social policy

There is a strong association between per capita GDP and the proportion of GDP allocated to social spending. This association is true of

spending on human capital and is even more pronounced in relation to social protection. This implies that the capacity of the economic system to allocate resources for human development varies with the level of economic development. This, by itself, generates a strong force for divergence in the levels of development at the international level and must, again, be counteracted by international cooperation aimed at encouraging human development in poor countries. However, it is also true that there are significant differences in social spending among countries at comparable income levels. This implies that it is possible for under-performers to increase their social effort.

Aside from this long-run relation between social spending and income, the pro-cyclical pattern of social spending of developing countries through the business cycle has become a major issue of concern in recent decades. This has high social and economic costs. It implies that public sector spending enhances rather than mitigates the effects of the business cycle on vulnerable groups. The pro-cyclicality of social spending in developing countries contributes, in turn, to the severity of the business cycle — a pattern clearly opposite to that of industrial countries, where the counter-cyclical behavior of social spending contributes to a Keynesian smoothing of the business cycle. The contraction of social spending may also have long term effects on the efficiency of social service provision, as it may lead to the loss of skilled personnel and the running down of the associated infrastructure (schools and hospitals, in particular). It is therefore essential to place the counter-cyclical management of social spending at the centre of macroeconomic policies. However, since the market pressures to follow a pro-cyclical pattern are strong, it is quite important to develop new instruments of international cooperation to allow developing countries to manage social spending in a counter-cyclical fashion, particularly through the provision of official counter-cyclical financing by development banks and avoiding conditionality that forces developing countries to cut social spending during crises.

Most forms of social spending tend to improve income distribution. This is quite important in highly unequal societies. The types of social spending that contribute most to income distribution are those that have universal or close to universal coverage as, by definition, they reach the poor. This implies, in a sense, that the best “targeting” to the poor may be achieved by universal policies. Universality is, furthermore, the only principle that is consistent with the character of rights that most social

services have according to the UN Covenant of Economic, Social and Cultural Rights. There may be specific forms of social assistance targeted to the poor but, curiously, they may be more attractive in middle income countries. In low-income countries the high proportion of poor persons indeed implies that targeting should be secondary to the universal objective of social policy, whereas in middle-income countries targeted social assistance should never be a substitute for the advance of the core universal social policies. This implies that the design of social policy should aim at providing a basic package of services that can reach the whole population, with the contents of that package improving with the level of development. And, although the redistributive effects of universal social policies are one of the major contributions of social policy to equity, the redistributive effects of taxation cannot be ignored, particularly in highly unequal societies.

The design of social policy should also aim at avoiding segmenting population into different groups for service provision, as such segmentation reinforces inequality. This is indeed why, among industrial countries, the best income distribution is associated with the universal character of the Welfare State. In contrast, targeted social policies run the risk of segmenting the population according to income levels — i.e. to generate social services for the poor and social services for the rich. Targeting, in this sense, works better when it is an instrument to facilitate the access of the poor to universally provided social services. This also implies that mixed systems, in which private and solidarity institutions complement state institutions in the provision of social services should be regulated in such a way as to avoid segmentation of the population according to the quantity and quality of the services provided.

#### 4. Opportunities for income generation

There is widespread evidence of rising income inequality in a large proportion of industrial and developing countries in recent decades. For example, using the large number of countries analyzed by Cornia (2004), it can be estimated that 88 per cent of the population of the world lives in countries where income distribution has worsened in recent decades. The reasons for this outcome is still subject to much debate, with some authors emphasizing the disequalizing effects of market reforms and globalization, and others underscoring rather the skill bias of technological progress. Contrary to the fairly widespread trend in intra-country

inequality, inter-country inequality has improved due to the rapid rise of incomes in China and India; but if we exclude these countries, inter-country inequality has also contributed to the deterioration of world income distribution.

One major issue that has been underscored in recent debates is the insufficient employment generation in developing countries, even in periods of rapid economic growth. One of its manifestation has been rising labour market dualism, as reflected in the relative growth of informal sectors in most (and possibly all) regions of the developing world, as well as the rising long-term trend of open unemployment in some regions. More generally, the capacity of growth today to generate “quality jobs” — i.e. stable and remunerative employment in formal activities — is limited, a fact that emphasizes the importance of the broader Decent Work Agenda of the ILO.

The poverty-reduction effects of a given pattern of economic growth depend on income distribution. This is reflected in the fact that the elasticity of poverty reduction to growth tends to be lower in more unequal societies. By definition, such elasticity is also lower when income distribution tends to worsen — a pattern that, as we have seen, has become all too common. This means that not all growth is equally “pro-poor”. The concept of “pro-poor growth” has come to have many different meanings, including, for some authors, cases in which growth reduces poverty despite worsening income distribution. For this reason, the older concept of “growth with equity” is less unequivocal and, therefore, preferable.

The policy implications of this analysis are many. First, the adequate generation of “quality jobs” should be at the centre of macroeconomic policy as well as of sectorial economic policies. Many or even most new jobs will continue to be provided through self employment and small enterprises in most developing countries. This implies that the agenda of spreading the access of the poor to productive assets — inclusive finance<sup>2</sup>, but also access to land and technical and entrepreneurial training — should occupy a central place in the economic agenda. Since in the poor countries, the largest proportion of the poor are in rural areas, this means that the broader agenda of rural development — which also includes access to social services and infrastructure — also plays an essential role.

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<sup>2</sup> See: United Nations (2006).

More generally, much more attention should be given to the effects of economic policy on income and wealth distribution, particularly through the identification of those types of interventions in the functioning of labour, technology and factor markets that could contribute to better distributive outcomes.

## 5. Economic insecurity

Employment and income insecurity seem also to have risen in recent decades. Macroeconomic volatility in developing countries associated with pro-cyclical capital flows is one major explanation, to which the links with the more traditional volatility of commodity prices must be added. Persistent structural change, including in the structure of employment, is also an inherent characteristic of development and generates risks for those persons who work in sectors that tend to contract in the process of development. Rapid technological change has undoubtedly contributed to the risks faced by workers in recent decades. Open markets have also increased the risks that economic activity would be displaced — i.e. they have increased the scope of “footloose” production activities.

Increased economic insecurity takes place in an environment characterized by the weakening of traditional, family- and community-based, forms of social protection, and in which there is an increasing “privatization of risk”. The latter trend has many dimensions. Reduced state intervention in agricultural price formation is part of this trend, which has made smallholders more vulnerable to price swings associated with market fluctuations. The liberalization of interest rates has made households more sensitive to fluctuations in mortgage rates, and small producers more vulnerable to pro-cyclical fluctuations both in the costs and availability of financing. Reduced protection and state intervention, together with broader exchange rate flexibility, have made exporters and import-competing activities more vulnerable to market fluctuations. The financial risks associated with pensions have been shifted to households in the trend to move from defined benefits to “defined contribution” pension systems — a euphemism in the latter case to reflect the fact that benefits are uncertain; for this reasons, it is more appropriate to talk simply of a transition from defined to variable benefits.

This environment demands, first, building better social protection systems, and giving countries the room to manoeuvre in order to do so.

The globalization debate should clearly give closer attention to this issue, and to identify in particular what sort of flexibility in commitments as well as new forms of cooperation — tax cooperation may be one — would be necessary for countries to increase the room to introduce active social protection systems. Second, an adaptable labour force is critical in a world characterized by greater macroeconomic volatility, and rapid structural and technological change. This gives a central role to educational as well as technological training. On the contrary, greater labour market flexibility without increased social protection may have negative effects in terms of the supply of “quality jobs” and income insecurity. Third, increased room to manoeuvre for counter-cyclical macroeconomic policies in developing countries may have an essential role in reducing economic insecurity. Finally, and more generally, a broad risk management framework seems to be essential in contemporary economies, including in particular active state involvement in the creation of markets that help small firms and households manage an environment characterized by growing economic insecurity.

## 6. Institutional implications

The major implication of the analysis of this note is that much more has to be done to enhance the positive links between economic and social policies. This implies, in particular, that the “leader/follower” model in the design of economic policies must be abandoned and, on the contrary, that a model must be designed based on mainstreaming social objectives into economic policy making.

In view of the link between economic and social development, it is necessary to design integrated policy frameworks that take into account the links among different social policies and between economic and social policies. Many analysts have pointed out the lack of appropriate institutions in this area, including the World Commission on the Social Dimension of Globalization, which in its 2004 report<sup>3</sup> called for “policy coherence”, both at the national and the international levels.

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<sup>3</sup> Titled *A Fair Globalization: Creating opportunities for all*.

These integrated frameworks ought to start by designing rules to ensure the “visibility” of the social effects of economic policies and by asking macroeconomic authorities (including autonomous central banks) to regularly examine the effects of policies on the main social variables (particularly employment and income of workers). Similarly, finance ministers should be asked to include an analysis of the distributive effects of any budgetary or tax reform initiative they present to their legislative authorities. Likewise, public entities entrusted with technological, industrial or agricultural policy ought to evaluate regularly who the beneficiaries of their programmes are. These exercises must be considered only as starting points for designing efficient coordination systems between economic and social authorities, in which social objectives are effectively mainstreamed into economic policy decision making, i.e. into monetary, fiscal, production and technological policies.

The spread of “poverty reduction strategies” as a framework for economic policy in poor countries may be seen as a step in this direction but, unfortunately, the choice of policies in this framework is frequently made independently of their social implications. In fact, orthodox analyses continue to promote a framework in which market liberalization is predicated with no analysis of its social effects, and macroeconomic frameworks (such as “inflation targeting”) continue to be promoted with no attention to the implications of macroeconomic policy on employment, among other social effects. Much more must be done in all those areas to incorporate the basic principle that we support here: that the choice of economic policies cannot just follow “efficiency” considerations; they must also incorporate their social implications. Otherwise, social policies would be overburdened with the task of enhancing equity, a task that they, by themselves, are unable to achieve.

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# Research for the Decent Work Agenda: What we need to know about the impact of trade policy

*Sandra Polaski*

**I**n my contribution to building the list of research needs, I will focus on the topic of trade and trade policy. How do changes in trading patterns and trade policies affect the quantity and quality of employment? The impact of trade deserves much more attention from those who are concerned about the creation of sufficient employment opportunities and the quality of that employment under conditions of globalization. My remarks will focus primarily on trade policy as it affects employment in developing countries, but they apply more widely.

I will propose a research agenda in two broad areas of trade policy:

First, I will discuss studies that are needed on the direct economic impacts of trade on employment, income distribution and poverty.

Second, I will note the types of studies that are needed regarding institutional arrangements that attempt to influence the relationship between trade and decent work.

## 1. Studies on the impact of trade and trade policy on labour markets, income distribution and poverty

We know that trade is one of the most direct channels through which globalization—that is, the external world economy—affects employment. Trade liberalization allows, indeed forces, economies to restructure in the face of changing domestic and world prices and the changing size of available markets for products and services. Some sectors will grow and some will contract. The growing sectors will create jobs while the declining sectors will destroy jobs. There is no guarantee that there will be net job creation or that the results will be employment neutral. That will depend on the relative labour intensity and productivity of the gaining and losing sectors, the strength of gains in expanding sectors compared to the intensity of losses in contracting sectors, and so on.

These impacts can be studied through *ex ante* analysis and *ex post* analysis.

### A. *Ex ante* analysis of the impact of trade policy changes on employment

By *ex ante* I mean the use of economic modeling techniques to explore *in advance* the likely impact of trade policy changes on employment and incomes.

Significant progress has been made in recent years in using computable general equilibrium (CGE) models as laboratories for experiments to determine what the impact of specific trade policy changes would be on national economies, on specific sectors, on trade flows and volumes. To a much lesser degree, models have been used to explore effects on employment, returns to the different factors (labour, capital and land) and on poverty.

In fact, CGE models are now a staple of discussions about proposed trade policy changes and they have a significant impact on policy makers, negotiators and the public discourse about proposed changes. For example, trade models have been intensely cited and debated in the Doha Round of trade negotiations in the World Trade Organization.

Generally, the models are created and used by economists who are experts on trade. They tend to have a deep appreciation of the efficiency

effects that trade can generate. Typically, they are less likely to be experts on labour markets or poverty. Trade models have been used to probe distributional effects of trade policy changes to only a limited extent. Analysis of employment impacts, returns to labour, income distribution effects across different households and net poverty impacts is either not done at all or is done with less precision than aspects of the models dealing with prices, allocative efficiency and trade flows. The modelers often have less understanding of labour markets and often base the models on unrealistic assumptions about labour that are likely to systematically distort the results. As an example, most trade models use the assumption that labour markets operate at full employment. In these models, flexible wages ensure that workers flow smoothly between sectors with no impediments and everyone ends up with a job. This unrealistic assumption means, for example, that unemployment cannot arise as a result of trade policy changes. It also means that, despite the presence of unemployed or underemployed workers in an economy, labour costs will rise, with all of the follow-on implications for competitiveness, income distribution and so forth. In reality, unemployment will keep downward pressure on wages and that will affect overall welfare gains as well as distributional effects. Trade models also fail to take into account the adjustment costs that are incurred by workers, their households and owners of sunk capital when structural changes are induced by trade.

These shortcomings make it clear that labour market economists and others concerned with employment, income distribution and poverty issues should engage in the trade modeling process and debate. Failure to do so means that trade policy making will be informed by modeling exercises that do not address employment or social concerns adequately or do not address them at all.

Let me illustrate my point with an example of a study I undertook on the Doha Round last year. The results are reported in *Winners and Losers: Impact of the Doha Round on Developing Countries*, available on our website at: [www.CarnegieEndowment.org/trade](http://www.CarnegieEndowment.org/trade).

In that study we represented labour markets in developing countries quite differently than the usual approach of assuming full employment. We used actual unemployment rates for urban unskilled labour. We treated agricultural labour markets separately, with no open unemployment but with a lower wage than for urban unskilled labour (specific to each country). We allowed for migration between agricultural and non-agricultural labour markets, but through a function with

low elasticity. That is, we approximated the reality that workers would not leave rural areas if there was high unemployment in the cities and therefore little prospect for them to find employment, or if they were held back by formal migration restrictions, or other real world circumstances that reduce the flow from countryside to city compared to the impact that could be expected from a wage differential between the two.

Our results showed that more realistic modeling of labour markets significantly changed the overall results from trade liberalization measures and also changed the distribution of gains or losses between countries and within countries. For example, countries that are currently competitive in labour-intensive manufactures, such as China and Vietnam, experienced much larger gains from trade liberalization compared to their gains using the full employment assumption. However other developing countries that have lower wages but are currently less competitive in overall costs gained less or even lost from global trade liberalization, because China and other current price leaders maintained their cost advantage as a consequence of their own surplus labour. Poorer countries that were shown to gain from trade liberalization under models using the full employment assumption experienced smaller gains or even losses under the more realistic employment assumptions. Our results stimulated a few other modelers to rerun their experiments with more realistic labour market assumptions and their findings mimicked our own.

Obviously these differential impacts are critically important to national governments that want to negotiate trade pacts with an eye to their employment impacts. They are also important to anyone concerned about global development, employment and poverty.

CGE modeling is a very dynamic field at the moment. I would argue that it can be shaped so that a scientific consensus emerges that trade models should always meet at least minimum thresholds with respect to incorporating empirically sound representation of employment, distributional and social issues. That will require major efforts by people who care about the labour and social outcomes of trade liberalization and globalization more generally. CGE modeling can have a significant impact on trade policy makers, and we should strive to ensure that employment and distributional consequences are important and well-understand elements in the trade-offs of trade negotiations.

## B. Ex post analysis of the impact of trade policy changes on employment

Many retrospective studies have been done on the impact of trade liberalization on employment, wages, income distribution and related matters, compared to the relative scarcity of prospective (*ex ante*) studies on these topics. Some of the best and most rigorous *ex post* studies have been done at the sectoral level. However too few studies are undertaken at the economy-wide level, to ascertain the *net* effect of trade policy changes on entire labour markets. How many jobs have been created or destroyed in each sector? What is the overall balance? How has this affected wage levels? While *ex post* trade studies, unlike *ex ante* analyses, do not entail an explicit treatment of labour market assumptions, many seem to be carried out with the assumption of full employment, since the question of net employment effects is often left unaddressed.

This is a glaring omission. If the jobs in contracting sectors are more labour intensive or have lower productivity than those in expanding sectors, it is quite possible that an economy will experience overall growth while the net impact on jobs will be negative. Whether more jobs are created than destroyed is an empirical question that should always be part of a trade research agenda.

It is not easy to establish the causal relationships between changes in trade and job creation/job destruction, but it can be done with reasonable rigor where there has been a trade policy change that gives rise to expansion or contraction of particular sectors. The change in production volumes can then be traced to employment effects, and perhaps to wage effects. Netting out these impacts will give an overall assessment of trade's impact on employment. This can help to inform policy making with respect to further trade policy or domestic policy changes in the country under study, and also to inform trade policy makers elsewhere on the choices they face.

Again, I would like to illustrate my point with a study that I carried out, in this case on the experience of Mexico under NAFTA. In a country with abundant unskilled labour, a large labour surplus in low-productivity agriculture and a large informal sector, theory would suggest that unimpeded access to a large, affluent market (the United States) would lead to net job creation. Theory would also suggest that wages would converge toward US levels. However after ten years of NAFTA, the pattern observed in Mexico was the following:

- additional jobs were added in maquiladoras (export manufacturing)
- employment contracted in the non-export (or import competing) manufacturing sector
- employment contracted in agriculture.

The net impact was not one of strong net job creation. Wages actually diverged from those in the US. In addition to the statistical evidence about employment and wages, the persistence of a large informal sector and outward migration to the US are additional indicators that the country did not receive a strong net positive employment impact from NAFTA. While other factors, such as the macroeconomic crisis of the mid-1990s were also implicated, some of the effects can be traced to trade policy changes that were mandated by NAFTA or to trade liberalization measures that were undertaken autonomously by the Mexican government.

## 2. Institutional arrangements to mediate the impact of trade on employment

Another trade topic that I propose for the research agenda is analysis of the many institutional arrangements that have been undertaken to mediate the impact of trade on employment.

There have been a number of policy initiatives over the last 20 years that link trading privileges between countries to certain obligations with respect to labour markets and labour standards, either on a unilateral or a reciprocal basis. These initiatives have proliferated in recent years, with more countries involved and a wider variety of approaches tested. Examples include US preference programmes for developing countries that require recipients to take steps to protect universally recognized labour rights. A series of revisions to the European Union GSP preference scheme over recent years has provided the possibility of more generous tariff reductions for countries that protect labour standards. The current version, “GSP+”, requires that recipient countries must ratify all ILO core conventions. Beyond these unilateral trade preference programmes, the US has also included a labour clause in free trade agreements with 13 countries and in an innovative textile agreement with Cambodia.

These arrangements now have established track records that can be studied and compared. This is a promising area for analytical work, as

the varying approaches constitute what might be considered “natural experiments”. The EU and US have adopted somewhat different approaches to the trade and labour link, and their programmes have sometimes been utilized by the same countries but sometimes by a different set of beneficiary countries.

There has been some work in this area, but typically it has been descriptive rather than analytical. Most of the studies have been legal rather than economic in nature. More work should be done to analyze and compare the results of different ways of linking trade privileges with labour standards and labour practices. What has been the impact on employment overall? Has the quality of jobs been affected? Have some approaches been more successful than others, with respect to either job quantity or quality? What is the impact of different existing national environments when such programmes are implemented? Are the US and EU approaches complementary or are they contradictory?

Once again, I will give an example from my own work, a paper analyzing the experience under a trade-labour policy experiment between the US and Cambodia<sup>1</sup>. The US offered Cambodia additional market access in the form of guaranteed quota for its apparel exports if the latter country demonstrated improvement in labour standards and working conditions in its export sector. The ILO was involved in an unprecedented—and I would argue very successful—role as a monitor and reporter on working conditions and labour standards in the export apparel factories of Cambodia. The analysis is an example of the type of work that needs to be done on these institutional arrangements. Comparable studies could be undertaken on the EU’s grant of conditional market access advantages to Sri Lanka or El Salvador based on commitments to improve labour standards.

The link between trade and labour is an area of active policy experimentation and it would benefit from rigorous analysis of the experience to date. At the broadest level, the research question should be to determine whether the pursuit of economic and social goals can be combined through the use of policy instruments that link the two. Can incentives be structured to align the interests of private firms with public goals of job creation and improvements in living standards? Can such incentives be made to work on a continuing rather than a one-time basis? The

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<sup>1</sup> Please see: *Harnessing Global Forces to Create Decent Work: A Successful Experiment in the Cambodian Apparel Sector*, <http://www.ilo.org/public/english/bureau/inst/papers/conf/rnce/research/polaski.pdf>

Cambodia experiment suggests that the answer to these questions can be positive under certain circumstances. More studies are needed to determine whether this is generalizable and to ascertain the success of different approaches.

# Regulation and protection in a global labour market: What way forward?

*José Pastore*

The world of labour is undergoing a profound revolution. The number of low-wage workers connected with the global economy is approaching 3 billion as compared to 1.5 billion in 1995. This fantastic increase in labour supply, which comes mainly from the increasing incorporation of China and India in the world economy, is a phenomenon of historical importance.

Low wage labour is no longer necessarily synonymous with bad work. Education is no longer confined to the rich. It is rising in most of the emerging world and leading to better trained and more productive workers. For both goods and services, quality is rising while prices are coming down. Lower labour costs are helping to improve the lives of millions of consumers who can afford to buy new products as a result.

There are more emotions to come. China has 300 million rural people of working age eager to migrate and work in industrial activities, willing to learn new technologies and to work for salaries which are low in international comparison. India is in the same situation and could shift a large part of its rural labour to urban centres in the next twenty years.

Investments in Education, English and Engineering — the three “Es” — have played an important role in raising quality and decreasing the price of products, as well as in the massive innovation in goods and processes achieved by many emerging countries. New technologies in the field of telecommunications have permitted to further increase productivity and create a labour market in which workers can be hired by

companies from different countries, while at the same time, producing according to standardized norms. There is no question: labour is becoming more and more global.

At the same time, competition among companies and production networks became extreme — a matter of life or death. To succeed in this world of innovation and cost reduction, one must be efficient not only in one's own endeavours, but also in the network of alliances in which suppliers play a strategic role.

To work with trustworthy and competent partners makes the difference between success and failure. A mistake in selecting one's partner, in negotiating the right agreement with workers, or in choosing the most appropriate time to innovate can be very expensive. In 2006, General Motors was losing US\$ 1 billion per month and Toyota was making US\$ 1 billion in profit per month. Both are in the same business, in the same world. What really made the difference were creativity and the commitment of the different partners in the two alliances. Globalization of labour and the labour revolution itself have opened a variety of new opportunities for companies and corporate networks, but constantly raises new challenges.

For many workers the situation has gotten worse. While it is true that the global labour market has provided opportunities for good quality work in the long term, this outcome has not been the general rule. When companies and jobs migrate to other countries, they leave behind the despair that comes from unemployment, as well as unprotected families. Trade unions are often powerless to deal with this situation.

The fact is that globalization of the labour market has occurred much faster than globalization of labour protection. Inequality and informality have increased. About two thirds of the world workforce is unprotected. Cheap labour often means poor conditions of work. A solution for this imbalance is not easy at all.

Competition is here to stay. Companies can mitigate the suffering, but they themselves must *become* and, more importantly, *remain* competitive if they are to survive. To become competitive is, in itself, increasingly difficult nowadays. To remain competitive is even more challenging — it requires permanent innovation, rapid adaptation, and making good use of new forms of work within existing and new alliances.

To maintain competitiveness, companies widely use new labour arrangements. Subcontracting has become an intrinsic ingredient of

modern production. The use of independent work is another. Cooperative networks combine different arrangements and put them together in a variety of ways. Jobs are transferred from country to country, and labour protection is weakened.

Take the case of the European Union. There are large differences in pay between East and West. In 2003-05 average hourly pay in the Czech Republic was about 20 per cent of average pay in Germany, Belgium or The Netherlands; in Estonia it was 16 per cent; in Slovakia 15 per cent, and in Lithuania 12 per cent. Generally speaking, in comparison with Western Europe, working hours in the East are longer. Overtime is frequent and overtime pay scanty. Working on Saturdays and Sundays is common. The gap between legal requirements and actual labour agreements or actual working conditions is quite wide.

The huge differences in salaries and working conditions have led both to massive migration of workers from the lower to the higher income countries, and to a substantial flow of foreign direct investment (FDI) in the opposite direction. FDI amounted to 4 per cent of GDP in the Czech Republic and Hungary, 2.5 per cent in Poland and Slovakia, and 8 per cent in Estonia (UNCTAD, 2005). Many factors affect relocations to Eastern Europe, including: (1) labour costs and labour market regulations; (2) the quality of the labour force; (3) industrial relations and labour conflict; (4) tax rates; (5) explicit subsidies granted by public authorities; and (6) proximity to large consumer markets, mainly the EU15 countries. Similar factors have led to relocations to other parts of the world, especially Asia. Alternatively, companies now outsource abroad without physically moving.

Relocating is of course liable to lead to more precarious conditions for workers in the countries of origin. How can these problems be dealt with? How to assure at least a minimum of protection to workers and their families? In other words, how to move the global labour market in the direction of more, but also more equitable work?

One response to relocation and outsourcing has been a growth of concession bargaining, as one means to reduce risks. In fact, in many countries, employers and workers are renegotiating current labour contracts in order to retain companies and jobs in those countries. The German experience, for example, has been a relatively successful effort to prevent companies from migrating on a large scale to Eastern European countries and other parts of the world. Many firms that might otherwise

have moved have decided to stay, based on new negotiations that involved management, trade unions and government authorities. In the process, some workers have agreed to work more for the same wages, to work different shifts, or to accept reductions in daily working breaks and days off. The objective was to reduce unit labour costs and stay competitive. Such arrangements are often unpopular but they do offer one possible solution.

Many workers in developed countries have also been pressed to move from comprehensive and generous social protection systems to partial protection models in order to retain companies and jobs. Private elements have been introduced in public social protection schemes, increasing the responsibility of programme beneficiaries. Two or three tier systems are developing as a result. Such systems of partial protection should not be imposed and cannot be permanent. At the same time, when workers are subject to very diverse labour conditions, and under severe domestic and international competition, attempts to apply a unique system of full labour and social protection leads to informality and labour conflict. Because full protection is desirable, the key questions for policy and research are how to make broader systems of protection viable, how to minimize the dysfunctions of partial systems, and how to avoid the transformation of a temporary solution into a norm. This requires understanding of the way the labour market is changing, and the possibilities to change labour institutions.

Let me conclude with a few practical suggestions for the research agenda.

First, it may be useful to explore the combination of a long-term strategy for full protection with short-term tactics for partial protection, of course respecting national realities. Since it is difficult to guarantee, by law or by collective bargaining, a wide range of protection in an extremely competitive environment, legal procedures might be introduced to concede partial protection for those who have none. This would include targets to increase protection, and measures to avoid substitution of an existing full protection framework by a partial protection one. In other words, the new system would be neither permanent nor static.

Second, for a better understanding of partial protection, it appears that a research effort may be necessary to redefine the concept of minimum protection — not only for employees, but also for the growing group of self-employed, including, of course, informal workers. The most

realistic definition of this minimum is one generated from the bottom up. A voice must be given to those who live in zero protection situations.

Third, it is time to recognize that in developing countries, workers zigzag in their careers from formal to informal labour markets and back again. So, protection must be assigned to persons rather than jobs. The question of portability should be the centre of new studies on labour and social protection. Portability must refer to core basic protection in such a way that the broader array of protections that a person enjoys when working in the formal (fully protected) labour market can be maintained when such a person works in the informal sector.

Fourth, as a general strategy, I suggest exploring ways to substantially raise the price of informality, while at the same time reducing the price of formality, within the above-mentioned framework of incremental changes. Synchronism is crucial in this field. One leg cannot take a bigger step than the other.

Fifth, it is time for researchers to take solutions arranged by the poor and destitute themselves more seriously. Informal markets have their own regulation, based on the creativity of the poor to survive under very adverse conditions. We have to give a voice to informal workers in discovering new forms of regulation. In that context, it is by no means clear that the State will keep its monopoly on regulating labour relations.

Finally, as researchers in the area of labour, we should help to demystify some dreams. Deregulation is the dream of entrepreneurs. Fully applying this is an illusion. Labour markets require regulation. Extending the scope of regulation is the dream of trade unions. It is another illusion in an environment of intense competition.

In short, I am suggesting more research on the typology and impacts of “re-regulation”. Re-regulation under extreme competition should be a top priority in our research shopping bag. I am proposing an incremental strategy as a way to help countries and workers climb the ladder of social protection. This will require the redefinition of key concepts and the design of dynamic institutions, able to support quick adjustments to assure basic security to workers, companies and the self-employed.

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## Part II: Regional perspectives

# New research questions in the Decent Work Agenda, a view from Asia

*Jayati Ghosh*

There is no doubt that we live in interesting times, as the current phase of international capitalism is one of very rapid and extreme changes. As a result, changes in the world of work — in the form, nature, conditions, remuneration and even effects of employment — are now more intense, more rapid and more complex than ever before. Partly because of the varied effects of globalization, partly because of the implications of rapid technological change, and partly because of the outcomes generated by government policies, it is now evident that labour markets and labour processes across the world are in constant flux. Forms of employment that seemed to be stable and unchanging can simply vanish; new and often unexpected forms of contract emerge; older labour relations get transformed into newer ones that appear very different even if they are fundamentally similar; production structures change, causing dwindling opportunities in some activities and creating new possibilities in others. Some of this may be part of a Schumpeterian process of “creative destruction”, but there are also examples of less dynamic and even retrograde tendencies being redefined in newer ways.

All this makes the task of labour researchers particularly difficult in the current context. To begin with, it is hard to identify clear emerging trends within a complex array of often contradictory economic and social forces. Second, by the time a trend is identified, it may have already exhausted its potential or be in the process of further transformation, since some tendencies are increasingly short-lived. Third, each process has many different and sometimes apparently conflicting implications,

especially when regional, class, gender or other social differences are recognised.

This is obviously true across the world, but it may be especially true in developing Asia, which is currently both the most “globalized” and the most rapidly growing region of the world, and within which many of the contradictions of dynamism and retrogression are captured. This also means that developing Asia provides fertile ground for the development of a new research agenda for labour research. A few of the more immediate issues that clearly beg for more research attention are identified below.

## 1. The limits of export-oriented employment

The last two decades of the twentieth century witnessed an extraordinary increase in export-oriented manufacturing production in the developing world. This led to a recognisable shift in the international pattern of production, played a major role in enabling rapid growth of a number of developing countries, especially in Asia, and also caused some changes in the structure of domestic employment in the successful exporting economies. As a result, export-oriented production — dominantly in manufacturing and now increasingly in some services — began to be viewed as the major plank of a growth-oriented strategy.

However, there are clear limits to the process whereby export-orientation can serve as a development strategy that generates large increases in employment and causes a significant shift in employment structure. There are four important reasons for this, and all of them are clearly illustrated by the recent Asian experience.

The first is that export orientation has been typically accompanied by greater trade openness, which has meant that imports also have increased. Since larger imports adversely impact upon the domestic producing sectors and cause employment losses in these, even as employment in the exporting sectors increases, it is necessary to examine the net effects of the overall process. These may be positive or negative, depending upon strength of the employment effects in the case of exports and imports. In Asia, the high rates of growth have been matched or exceeded by very high import growth in almost all the economies of the region, barring China and Taiwan China, which are still generating substantial

trade surpluses. The net effect on manufacturing employment is therefore typically negative.

But even generating a manufacturing trade surplus may not be enough. It has been found that even the positive effects of exports alone (rather than net exports) on employment have actually been somewhat lower in the recent past, and this leads to the second reason why export-oriented production may not be successful in increasing employment over a sustained period. There is strong evidence of declining employment elasticity of production in exporting sectors of developing countries, which is of course another way of saying that there is technological upgrading and increasing labour productivity in the exporting sectors. This obviously appears to be a good thing in itself, but it is necessary to note that this means that this cannot then be a strategy for increasing employment — that will have to come from other activities. It is worth noting that most of the very successful manufacturing exporters of Asia have not experienced increases in manufacturing employment. Even in China — which is the acknowledged manufacturing powerhouse of the world — total manufacturing employment actually declined between 1998 and 2004, when it was running very large manufacturing trade surpluses.

The third problem is that created by the fallacy of composition and the associated competition between developing countries for export markets. As more and more developing countries are drawn into this strategy, they all end up competing for the same markets, and therefore usually have to compete in price terms. This has adversely affected the terms of trade of most high-exporting developing countries over the past decade, indicating that rapid increases in the volume of exports have not been matched by commensurate increases in the value of exports. This in turn means that the search for newer or increased forms of cost-cutting or labour productivity increases is still very potent, further reducing the scope for additional employment generation.

The fourth problem is somewhat related, being also a matter of the market for exports. If developing economies become heavily dependent upon exports as the engine of growth, they must rely either on rapid rates of growth of world trade or increasing their shares of world markets. In the last decade the second feature has been more pronounced. But it does bring about a counter-reaction through rising protectionist tendencies in the importing countries. Such processes are evident in the North, where the perception of jobs being “exported” to the South is very marked, even

though it may not reflect the reality that manufacturing jobs are being lost even in the South. In recent times there has also been a backlash against the relocation and offshoring of IT-enabled service sector activities, which some countries such as India have been successfully exporting.

## 2. The growing significance of the self-employed

For much of the second half of the 20th century, most developing countries experienced a process of moving from petty production and self-employment to wage employment, which of course is only to be expected as part of capitalist development. Indeed, in many parts of the developing world, the processes of globalization have been associated with growing difficulties of petty production. Peasants suffering under the agrarian crisis represent only one part of this; there is also evidence of small producers in manufacturing and in services such as retail trade becoming unviable because they are unable to compete with the entry of large corporate producers and imports.

Despite this well-known tendency, in large parts of developing Asia, the recent trends suggest not a decline in self-employment, but actual increases in such employment as a proportion of all jobs. In India, for example, recent large survey data indicate that over the past decade, there has been a declining share of wage employment — in both regular jobs and casual jobs — and a corresponding increase in self-employment. In many Asian countries, self-employment already accounts for around half of all jobs, including non-agriculture.

Very little is known about the nature of this self-employment, or indeed about why this is happening. It is likely that it reflects a U-shaped curve whereby there is greater interest in avoiding wage employment and choosing the flexibilities of self-employment by highly qualified professionals at the higher end of the income spectrum, and an enforced turn to self-employment when job losses or simply the inability to find paid employment force low-skilled workers to engage in low-productivity low-income activities on their own. But we simply do not know enough about this, even in the countries that have experienced the greatest increases in self-employment recently, to make such generalizations, and therefore this is an area that is crying out for more research.

It is likely that much of this self-employment comes within the category of the “informal sector” and this is an area where ILO research has

been at the vanguard. But it is also likely that much of this cannot be classified only as “informal sector”, and in any case there are strong interlinkages with formal activities. But in addition to the causes and nature of increasing self-employment, other new research questions emerge directly, once the typical employer-labour relations that have constituted the basic framework for analysis of labour markets are no longer so relevant. How strong are the tendencies to self-exploitation and how can they be mitigated? What is the role of credit and marketing middlemen — are they in some cases at least the new *de facto* employers? What is the nature of the labour process? What are the gender issues that arise in the new context where employers and work places are less clearly defined?

Related to this, there are important policy issues that come up for the self-employed, which relate directly to other aspects of the ILO’s work. For example, what does “decent work” mean in this context? And how can it be monitored? If the self-employed are really micro-enterprises, how will it be possible to increase access to markets: to product, credit, insurance markets. What are the possibilities for social protection and what new forms should it take? How can such labour be organized?

### **3. The employment implications of technological progress and choice**

Across the developing world, there is evidence of the growing capital intensity of production, even in “unorganized” sectors, leading to low and falling employment elasticities overall, and in particular for paid employment in all forms. It was earlier supposed that the choice of more capital-intensive technologies in developing countries reflected “distorted” domestic prices, whereby institutional and legal conditions made labour more expensive and explicit or implicit subsidies made capital cheaper than an accurate estimation of social opportunity cost would suggest. However, it is now clear that domestic relative prices and apparent market “distortions” are less significant than the various effects of greater global integration and economic openness, which appear to have accentuated the push towards greater capital intensity (and therefore less employment per additional unit of output).

There are several reasons for this. The most obvious is the impact of trade liberalization on the pattern of demand for goods and services

within the country. As tastes and preferences of the elites in developing countries are influenced by the “demonstration effect” of lifestyles in the developed countries, new products and processes introduced in the latter very quickly find their way to the developing countries when their economies are open. Further, technological progress in the form of new products and processes in the developed countries is inevitably associated with an increase in labour productivity. Producers in developing countries find that the pressure of external competition (in both exporting and import-competing sectors) requires them to adopt such technologies. Hence, with more liberal external trade, labour productivity growth in developing countries is often more or less exogenously given, and typically higher than prior to trade liberalization.

But openness is only one of the factors, since technological change is itself the outcome of several forces. These include not only the incentives created by relative prices but also the changing structures of demand which are in turn determined by changing shares of income, and therefore by the pattern of growth itself. In this regard, macroeconomic policies and overall growth strategies play a crucial role. Also, it is important to place labour-displacing technological progress in the right perspective. The promotion of more employment clearly should not involve a glorification of drudgery, especially when newer technological developments open up possibilities for less arduous and tedious ways of working. It is no one’s case that low productivity employment must be perpetuated, or that labour-saving technological change must necessarily be resisted. Rather, the point is to ensure that jobs are continuously created in the economy in other activities.

This is not a new problem, although its intensity has certainly increased in most developing countries in the recent past. So it is surprising to note that there is hardly any systematic research on this. And yet, without understanding the factors behind this complex process and all its ramifications, the current workings of labour markets cannot really be understood. Nor would it be possible to develop strategies to deal with its employment effects and generate employment in a sustainable way. So this is an urgent area for new research.

## 4. Short-term migration for work

Migration is now a research topic of some longevity and recognition, not only in the ILO, but in social sciences generally. However, much of the discussion has been focussed on permanent or long-term migration. Yet the recent evidence from developing Asia (and indeed from other parts of the developing world) is that relatively short-term migration is the more significant feature. All forms of short-term migration are on the increase — rural-urban, rural-rural, cross-border. In terms of cross-border migration, it is worth noting that the recent trends have been dominated by intra-Asian flows of workers, from less developed to more developed or oil-surplus countries within the broadly defined Asian region (including the Middle East). It is highly gendered — more women are moving on their own for work than ever before, and they go for work in service activities (care and entertainment sectors in particular) while men typically migrate for work in manufacturing production and construction related activities. And there are many countries that are both senders and receiver of short-term migrant labour. The remittances sent by such workers have in turn been instrumental in stabilizing the balance of payments in many countries.

Within countries, there are reports of the increasing incidence of seasonal or very short-term migration. However, official statistics in most Asian countries do not accurately capture this apparently growing phenomenon, chiefly because they typically collect information on only permanent migration. Perhaps because it is not officially recorded, there is therefore typically no public policy for dealing with such internal short-term migration, either at point of origin or destination.

This absence of any clear policy on internal migration is evident in many different ways in most Asian countries. Typically, for would-be migrants, there is no official strategy for providing information regarding employment in source areas or assistance in ensuring contracts with minimum wages and acceptable work conditions. There are no attempts to ease process of travel, and little public consideration for safety of migrants (especially women migrants). Often no basic facilities (housing, sanitation, etc.) are provided at the destination. There is typically no entitlement for migrants to the public provision of schools, crèches or medical services. Nor is there anything resembling work protection at the destination: there are no public help centres for migrants, no information offices, no complaint cells, indeed no mechanisms to redress any

grievances, such as non-payment of wages, bad conditions of work, physical exploitation or violence.

There is little official recognition of the social dislocations caused by short-term migration, and hardly any interventions for families left behind. This is especially a problem for families of migrant women with young children. There are issues of care of the young, the old and the sick. In addition, in poor households there are issues of daily survival of members left behind with uncertain remittance income. A further difficulty is that in most countries, public service delivery is essentially residence based. This can affect the access of short-term migrants to a very wide range of essential goods and services, such as food from Public Distribution Systems, housing facilities, preventive health care including vaccinations, curative care in public health facilities, maternity benefits and infant care, schools for children, institutional loans. Such short-term migration can even lead to the loss of political voice and voting rights, because of exclusion from voters' lists, or being away when the voting is actually taking place.

There are also particular issues relating to the conditions of children of migrant workers and the observed tendency for an enhanced propensity for child labour. Yet these issues are typically touched on much less in both research and policy circles, than they deserve to be, and could usefully be highlighted through further research and research-enabled advocacy.

## 5. Youth unemployment

The ILO has already done and continues to do some very useful work on youth unemployment — in fact, a recent ILO study indicated that we now have the highest ever recorded rates of youth unemployment in the developing world. Another important result of the study showed that a large proportion of working youth live in poverty, more so than for adult workers. Of course it is important to recognise that “youth” is not a homogenous group — there are very different issues and problems for the different categories. Nevertheless, this remains an important areas for new research. It is especially important to countries with relatively young populations, such as India and parts of the Middle East, where such a problem has to be addressed head on if the demographic dividend is not

to turn into a demographic nightmare, with associated social unrest and instability.

In this context, the focus of new research on youth employment and unemployment patterns should ideally shift to the question of employability. And this leads to related areas, such as those of the quantity, quality, relevance of education at different levels. In addition, youth employment is affected by problems of asymmetric information problems in labour markets. There is evidence in many countries of developing Asia (and elsewhere, of course) of labour market segmentation, especially by social category, leading to discrimination and exclusion. All this must also be related to some analysis of the changing expectations and aspirations of youth. In the Asian region, the question that has been evident in Europe for some time is now becoming more pressing, that is the problem of combining employability with social protection. These are issues of great current policy relevance, yet there is very little systematic work on them within Asia.

## 6. The changing nature of social reproduction

The issues of unpaid labour and the care economy have been quite comprehensively dealt with in the context of developed economies. But in developing countries, and especially in developing Asia, these basic work-related questions around the issue of social reproduction are still not adequately addressed. There is a clear gender angle to this issue, since most unpaid labour in all societies is still performed by women, but the issue is not only one of gender. The most obvious questions in this regard include the following: What is the nature of such work, and have technological changes made any differences to this? Who does the work? Who pays for it, and how? What are the implications of combining paid and unpaid work in the context of high unemployment rates? Is it possible to think of ways to provide social remuneration and social protection for such work, including pensions and other such measures?

These are issues that are now recognised but still significantly under-researched, and the ILO is uniquely placed to promote research work that will provide a better understanding of these important matters and thus enable more effective policies and other interventions with the goal of ensuring decent work in the very rapidly changing context.



# The Decent Work Agenda: An African perspective on research needs and priorities

*Evanca Kalula*

## 1. Introduction

It has been said that the overriding objective of the Decent Work Agenda is a reformulation of long standing ILO goals, an attempt to integrate various labour standards into a coherent whole to articulate a development agenda for the world of work (International Institute for Labour Studies, IILS, 2006). The search for decent work has to operate within the context of the inescapable phenomenon of globalization, widely seen as not only inequitable for developing countries but not placing adequate emphasis on the social dimension (World Commission on the Social Dimension of Globalization, 2004).

To realise decent work goals, it is imperative to overcome knowledge gaps concerning the labour market, and these gaps are particularly glaring in Africa. The following brief outline is an attempt to highlight, in an eclectic manner, some of the research needs and priorities in Africa.

## 2. Towards a research agenda

At a recent meeting on strengthening African research in labour and social issues, it was suggested there are nearly forty research entities and about seventeen research networks in Anglophone Africa alone (Webster,

2007). Clearly, there is no shortage of efforts to engender the kind of research relevant to decent work. The research being conducted is quite extensive and varied, reflecting different priorities and interests (Sachikonye, 2007). As Sachikonye further indicated, the research themes covered are equally extensive. They include the work process, collective bargaining, gender, union restructuring, informalization, migration, export processing zones and globalization, among many others. Most of these areas could be said to be relevant to the Decent Work Agenda.

Ironically, in the midst of all this apparent research, there is a clear perception that adequate knowledge is not being generated. What is happening? Much of the research is haphazard and uncoordinated. It is not adequately disseminated and little attempt has been made to ensure that policy makers take account of it. Above all, in terms of the Decent Work Agenda, it is not specifically related to its goals in many cases.

The challenges for research relevant to decent work exist both at the theoretical and the empirical level. Both perspectives are necessary in order to understand the full dimensions of the Decent Work Agenda. As things stand in Africa at the moment, there is inadequate data, insufficient rigorous exposition of trends and lack of appreciation of comparative experiences in other regions of the world.

In the midst of a protracted struggle to realise decent work objectives in Africa, the need for clearly defined goals and priorities is overwhelming.

### 3. The scourge of poverty

A central concern in Africa is the high incidence of poverty. In comparison to other regions of the world, poverty continues to worsen in Africa. The need to link the Decent Work Agenda to development and poverty reduction in Africa is therefore imperative. It is essential to combat poverty and other manifestations of underdevelopment such as rampant disease in the pursuit of decent work in Africa.

The intensity of poverty in Sub-Saharan Africa is particularly remarkable. In Africa, almost 50 percent of the population live in abject poverty, making the continent the poorest region in the world with half its citizens living on less than one US dollar a day (ILO, 2005).

One of the major questions to be answered is therefore “to what extent can the Decent Work Agenda have a positive impact on the fight against poverty”? There are indications that the world of work as it is currently organized does not necessarily contribute to poverty reduction. In some respects it appears to worsen it. A ‘basic needs’ approach is necessary. Such an approach can only be fully articulated through targeted research.

#### **4. Inequality in employment**

Equality and non-discrimination are important elements of decent work. This area poses serious challenges in Africa despite general acceptance of ILO standards.

Discrimination, not least gender discrimination, is still rife in virtually all African countries. It only differs in intensity. Despite constitutional and other legislative provisions in many countries, implementation remains a problem.

In some countries there is still formal discrimination perpetuated by the law. Women in some countries still have minor status in law (ILO, 1996, Fenwick et al, 2007). In practice, discrimination is even more glaring. Promotion of equality in employment is therefore an important area of research focus. Research in this area necessarily needs to adopt a multi-disciplinary approach such as that adopted by the ILO Interdepartmental Project on Equality for Women in Employment in the 1990s.

#### **5. HIV and AIDS pandemic**

The problem of discrimination and inequality has been exacerbated by the advent of HIV and AIDS, particularly in Sub-Saharan Africa. Both ignorance and poverty play a role in this connection.

HIV and AIDS continues to be colossal problem. By 2005 Sub-Saharan Africa was estimated to have 24.5 million people living with HIV and AIDS and approximately 2.7 new infections occurred since then (UN AIDS). By 2005, the pandemic had also claimed the lives of about two million people. More than twelve million children have been orphaned.

HIV and AIDS clearly undermines decent work in a number of ways. It results in the loss of the most productive workers in many countries in Africa, and in many instances the most skilled as well. It also leads to child-headed households and child labour. It intensifies discrimination in employment.

In spite of commendable efforts to put policies and laws in place, and the existence of ILO and other codes of practice on HIV and AIDS in the workplace, rampant discrimination persists. Along with other labour market research, that on HIV and AIDS needs to be intensified. Although there are apparently extensive efforts in researching many aspects of HIV and AIDS, we still do not have sufficient understanding of the incidence of HIV and AIDS discriminations in the workplace. Similarly, not enough research has been conducted on the development of effective policies and strategies.

## 6. Child labour

Despite the intensification of efforts to combat child labour that culminated in the adoption of the ILO Convention 182, child labour continues to be a major problem in Africa. In some cases it is getting worse (ILO, 2006). It is worsening as poverty worsens.

It is both a cause and symptom of poverty. It is rooted in exploitation and unscrupulous employment practices. Also, as indicated, the HIV and AIDS pandemic has worsened the scourge of child labour with increasing child headed households. Research in this area should focus on better understanding the extent of child labour and the underlying factors driving it because this understanding would help provide policy makers with effective strategies to combat it.

## 7. Unemployment and skills deficits

Africa has high unemployment levels and skills deficits. In several countries the level of unemployment is over 30 percent. This is due to a number of factors. Formal employment is not growing at a sufficient pace to absorb new entrants to the labour market. There is also a skills shortage mismatch in many African economies. The serious brain-drain to the

North has merely worsened the lack of skills. The growth of capital intensive industries further worsens the situation. In spite of these impressions supported by ongoing research, we do not know enough to fully understand employment patterns and develop effective strategies. Concerted research is obviously needed.

## 8. Informal economy

The divide between the formal and informal economy is important for the Decent Work Agenda. In the majority of African countries, the informal economy is now predominant. In spite of this reality, there is very little research to understand the underlying forces of the informal economy. Labour market regulation is also predominantly concerned with the formal economy in spite of the fact that it is shrinking in the face of inadequate growth and loss of jobs. The majority of African workers are now in the informal economy. It is therefore necessary to get to grips with work outside the formal sector (Benjamin, 2007; IILS, 2007).

## 9. Migration

The phenomenon of labour migration has a long history in Africa. Both intra-African migration and moves out of the continent continue to grow rapidly. This is a big challenge for the Decent Work Agenda. Most migrant workers are in precarious employment. Policy makers are grappling with most contentious and critical issues concerning migration. Is free movement of labour the answer to unemployment problems? What is the appropriate response to social unrest created by massive influx of migrants in certain countries? What do we really know about the impact on individual sending and host countries? These are some of the many questions not fully answered in the African context. There are some noteworthy research efforts in this area (e.g. the Southern African Migration Project) but they are largely insufficient and isolated.

## 10. Health and safety at work

A critical but often neglected element of the Decent Work Agenda is health and safety at work. Little if any research has been done to inform policy, let alone understand the shortcomings of health and safety at work (Benjamin, 2005). Despite some interest in some sub-regions, for instance the Southern African Development Community (SADC) region, much remains to be done in this area.

## 11. Social dialogue and social protection

In spite of the perceived lack of democratic governance in many African countries, one can in fact be optimistic. Social dialogue is key to development of policies supportive of the Decent Work Agenda. This is now increasingly being realized in Africa as signified by attempts not only to strengthen traditional tripartite social dialogue but also by the involvement of civil society (Kalula, 2007). Evidence is now emerging in some sub-regions of Africa that social dialogue not only helps to develop sound decent work strategies but also enhances the effective implementation of such policies (Nupen, 2005).

Social dialogue also strengthens commitment to social protection, the provision of basic services, and poverty reduction. Social protection is fundamental both to working people as part of decent work standards and to citizens outside the formal labour market. There are indications, apparent from the adoption of the New Partnership for Africa's Development (NEPAD) programme of action, for instance, that commitment to social protection is increasing in Africa. At one sub-regional level, namely in the Southern African Development Community (SADC) the commitment is particularly pronounced. Evidence of this is the adoption of the SADC Charter on Fundamental and Social Rights (SADC, 2003). At individual country level, governments are starting to focus on social protection in apparent support of decent work objectives (South Africa, 2002).

What seems to be absent is any concerted effort on the part of researchers to focus on these twin areas of social dialogue and social protection.

## 12. The role of soft law

If the observation in one sub-region of Africa (SADC) is anything to go by, it has been shown that one of the impediments for the realization of decent work is the difficulty of monitoring and implementing labour legislation, that is “hard law” (Kalula et al, 1999). Assessment in respect of international law has indicated the possible usefulness of “soft law” as a means of social regulation (Duplessis, 2006). The use of soft law, progressively encouraging compliance, needs to be investigated in its intersection with various forms of labour market regulation as part of standard setting. There are indications that the use of soft law is increasing in some parts of Africa (Kalula et al, 2007). This phenomenon deserves to be fully researched so as to be able to establish linkages, particularly in institutional settings, in the interaction between soft law (usually codes of practice) and hard law, in the form of standards which are set in response to decent work expectations.

## 13. ILO technical assistance

The ILO has over the years sought to promote the implementation of what has now become the Decent Work Agenda through the provision of technical assistance. Many countries in Africa have taken advantage of such assistance, for example in the area of labour law and other labour market reforms. The impact is less clear. There is a tendency to think of the implementation of reforms as quite unsuccessful. However, this has never been investigated. Neither has there been any systematic research on the factors and conditions that inhibit the effectiveness of regulation, to the detriment of decent work.

Supposedly, the impact of technical assistance is a neglected area of research partly because the information is not freely available. There is now however an attempt to investigate the scope and impact of labour law reform in some sub-regions of Africa (ILO Southern Africa Sub-region, 2007), and perhaps it would be useful to go further in this direction.

## Conclusion

By seeking to reformulate longstanding ILO goals and attempting to integrate various elements to enhance ideals, the Decent Work Agenda offers opportunities for relevant research in Africa. It also highlights challenges in attaining decent work for all. As pointed out, such challenges include the fact that existing labour market institutions do not contribute much to the fight against poverty. While this is widely acknowledged, not much research has been conducted to fully understand it. Similarly, there is a lack of adequate research on issues such as social exclusion; unemployment and social disintegration; marginalization of women in the labour market; growing inequalities; rampant child labour; HIV and AIDS in the workplace; inadequate social protection; ineffective social dialogue; and migrant labour.

A set of research priorities needs to be developed. There is a clear need to research the conditions that inhibit the effectiveness of labour law and other instruments of labour market regulation to the detriment of the Decent Work Agenda. Such research has to be multi-faceted, both theoretical and empirical. It also has to be comparative, looking at other regions which have all been more successful than Africa in reducing poverty. It cannot be overemphasized that such research needs to cover all aspects of the world of work in Africa, and in particular has to embrace the informal economy in which the vast majority of working people in Africa earn their living.

This research agenda for Africa has to be established by bringing together all stakeholders and the research has to be conducted by various knowledge producers in a common effort. These include academic researchers, specialized non-governmental organizations (NGOs) and policy makers. Last but not least, the research must reflect objective conditions and realities of the world of work.

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# Informal work and new forms of employment in Europe: Challenges for research and for action

*Ida Regalia*

This brief contribution to reflection on research priorities within the Decent Work Agenda comes from the point of view of the most advanced countries. Although, overall, productive work in these countries is in fact relatively more abundant and better regulated than in others, it is not true that growth and economic development have eliminated the risks of unsatisfactory employment conditions and poor quality jobs.

Indeed, one can identify problems that are particular to the more developed countries which should be addressed by specific research programmes. It was long believed that industrialization and economic development involved increasing formalization and explicit regulation of the use of labour (through laws, shared norms, agreements), with a consequent increase in the security and predictability of employment for workers in general. Yet for some time now it has been evident that the more developed economies, as much as others, are and should be interpreted as configurations of both formal and informal employment conditions which shift and change over time. That is to say, everywhere in the world the development of a formal and well-regulated sector of the economy tends to be accompanied by the persistence or the growth of an informal sector, less visible and hardly subject to control by the labour-market institutions; and this has a major impact on fairness and equality (Berger and Piore 1980; Sassen 1994).

Although there are numerous problems that derive from these dualistic tendencies, in this paper I will only consider some of the topics most

debated in Europe, based on empirical research. I will refer in particular to the issues of (a) the underground economy and irregular work, (b) non-standard or contingent forms of work, and (c) the problem of finding the kind of social approach and social dialogue adequate to deal with them. These are issues that raise numerous challenges for all relevant actors and constitute examples of areas which require more research and analysis.

## 1. The issue of the underground economy

Within the broad area of the economy that falls outside the formal economy in some respect or other<sup>1</sup>, the underground or irregular economy is a phenomenon of staggering proportions. The underground economy is here defined as the economy in which lawful goods and services are produced but in which the regulation of work does not comply — totally or partially — with existing norms on terms and conditions (as defined by collective agreements or by labour law) or on social security and taxes (as established by national legislation).

According to some estimates, half of all jobs in the global economy can be classified as informal work, without formal recognition and protection, and without formal regulation. The phenomenon concerns all countries, and not only the developing ones. Referring more specifically to the underground economy, according to estimates of the late 1990s, this accounted for between 7 per cent and 16 per cent of GDP of the European Union (EU), which corresponded to 10-28 million units of labour (European Commission 1998).<sup>2</sup> Although present in all the European countries, the phenomenon did not appear to be distributed uniformly. If we neglect the substantial variations in the data due to the estimation method used, it is in fact possible to rank the various countries

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<sup>1</sup> By 'formal economy' is meant the economy regulated by the market, constituted by economic units differentiated from the rest of the society – firms – and subject to commercial, tax and social security regulations, to labour law, and to industrial relations (Zurru 2005: 7; Reyneri 2005). Within the economy falling outside this definition, analytically a distinction is drawn among an illegal economy, an underground economy, and an informal economy, although the boundaries among them are often blurred and difficult to define in practice (Portes 1994).

<sup>2</sup> These figures should obviously not be confused with the number of persons employed in the irregular sector, given that a large part of irregular work is performed by people who also work in the formal economy and are therefore included in the official employment statistics.

in terms of the incidence of the irregular economy from low (Scandinavian countries, Ireland, Austria, Netherlands) to high (Mediterranean countries, especially Italy and Greece). In Italy, in the late 1990s, the irregular economy was estimated to produce around one quarter of GDP, and the percentage of undeclared work in the total was 15 per cent at national level and around 23 per cent in the *Mezzogiorno*.

It is not, however, on the huge quantitative dimensions of this phenomenon, nor on a description of its features, that I wish to dwell here, but on the factors that facilitate the spread of irregular work and on the various attempts to eliminate it by favouring the 'emersion' of the underground economy<sup>3</sup>.

What is most striking from the first point of view is the importance of the social environment. It is largely the characteristics of a society and a specific culture, as they have developed over time, which explain the variations in recourse to irregular labour. This is not to imply that economic or institutional factors, such as the rigidity of formal rules or an inadequate system of supervision and sanction, do not matter. But on their own, they are not enough to explain the variations in the phenomenon.

What does research tell us? In synthesis, that in the developed countries the underground economy is based on the reciprocal convenience to workers and employers of breaching formally established norms in order to obtain specific economic advantages. The norms that are breached are fiscal and social security regulations, as well as labour law and collective agreements in the case of dependent employment, and commercial and business law in the case of self-employment. The advantages are evidently the savings that derive from (partial or total) evasion of tax and social security contributions or the continuing receipt of specific benefits (e.g. special grants to small firms or unemployed people) without having entitlements to them. One may also say that this is a form of widespread free-riding by those seeking not to pay, or not to pay entirely, the increasing costs of the services necessary for the workings of modern complex societies while continuing to exploit their advantages (Reyneri 2005).

Research also tells us that a distinction can be drawn between a traditional underground economy, resulting from a backward economic and social system and high unemployment, and a new underground economy

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<sup>3</sup> By "emersion" I mean the bringing "above ground" of the underground economy.

generated by recent trends in the contemporary economy that foster the dispersion, segmentation and lower visibility of work and production, thereby facilitating evasion of the rules. Of particular importance among these trends are the following: the growth in demand for services by households and individuals; the disintegration of the production system, with lengthening sub-contracting chains and the spread of only formally independent work; the growth of 'light' technologies such as IT which foster new forms of employment, e.g. home work (European Commission 1998). One may therefore speak of one economy which is underground by necessity and one which is so for convenience (Samek, Lodovici and Semenza 2003).

But this still does not sufficiently explain why the underground economy has spread in different ways among and within countries. Comparative analysis suggests that the same current economic trends do not automatically generate the same degree of recourse to the underground economy and irregular work. The institutional and social context appears to determine the level of irregularity.

In fact, developing and running an underground economy requires efficient networks of informal relations and forms of reciprocal complicity, in a context where evading tax regulations and direct collusion between employer and worker are not socially reprehensible.

It is through informal relational networks based on complicity that irregular firms can find workers willing to be hired 'off the books' and that unlicensed craftsmen or unlawful traders are able to find customers. These networks are necessary because in these cases the match between demand and supply or access to the market cannot come about through formal or institutional channels. And reciprocity relations, which tend to override market ones, foster connivances which conceal the magnitude of the exploitation and ensure that the workers concerned will not resort to the trade unions, the labour office or the courts in order to 'regularize' their positions.

Overall, the underground economy relies on mutual convenience between workers and enterprises or between the suppliers and users of services, and on the implicit norms that regulate division of the spoils deriving from evasion of the rules (fiscal and contributive). One may even say that in the underground economy, normally presented as the realm of exploitation, paradoxically the employment relationship is biased in favour of the worker. In fact, in a relationship which evades legal regula-

tion, dismissal cannot be used as a control device because it would give the worker an opportunity to report the employer to the authorities (Reyneri 2005).

In short, the underground economy is the outcome of a system of social relations in which it appears both convenient and normal not to apply the formal rules. But if this is so, it comes as no surprise to find that attempts to encourage the regularization, or the 'emersion', of irregular work have produced unsatisfactory or wholly disappointing results.

In Italy, after a long period in which the phenomenon was tolerated and treated as a minor issue or an inevitable distortion of the economic system, various phases of intervention have ensued, at first mainly at the initiative of the social partners, especially the trade unions, and thereafter at the initiative of the authorities, also in application of the European policy for employment.

A first scheme was the introduction of 'gradual alignment agreements' in the *Mezzogiorno*. Initially promoted by the trade unions in certain southern regions when local-level employment crises erupted, the scheme was then gradually formalized by legislation between the end of the 1980s and the end of the 1990s. The system was based on agreements between the territorial-level social partners and intended to enable firms employing labour in irregular ways to gradually adjust wages and social security contributions to the levels set by sectoral collective agreements, in exchange for tax relief or reduced contributions. The distinctive feature of these agreements was the importance given to decentralized collective bargaining and the role of the unions. Indeed, some commentators described them as a genuine third way between a simple relaxation of normative rigidity and strategies intended to assign the unions a mere role of control and enforcement of the standards set by collective agreements and labour law. The outcomes were diversified but moderately promising.

In October 2000 the scheme had to cease because the European Commission declared that it constituted unlawful governmental aid to reduce labour costs, and a new regularization policy was adopted. Between 2001 and 2003 there was a law known as the Regularization Campaign. This law allowed employers and workers who declared that they had operated irregularly to regularize their situations with respect to tax, workers compensation and social security contributions, etc. In exchange, employers paid smaller sanctions and reduced taxes and social

contributions for three years, while workers were allowed to pay reduced pensions contributions retroactively and would have to regularize their tax positions. However, these provisions which were based purely on an individual actor logic were a complete failure, and the programme was abandoned.

Currently, other forms of intervention are being tried, more indirect and decentralized. More than past efforts, these are based on local-level experiments. The intention is to involve all main local actors in information campaigns on legislation in favour of small firms; to foster learning processes; and to encourage projects to boost local development, as well as to tighten local controls and sanctions.

What is the lesson that we may learn from the entire episode? That any solution merely based on economic and political logics of intervention appears ineffective and doomed to failure. But it also highlights that there is still much to study and to survey empirically in regard to this social phenomenon. Under what conditions can schemes to regularize unlawful employment have positive outcomes? How can processes be set in motion to counter the social reproduction of perverse mechanisms? This research field is extremely broad. It does not require the study of 'best practices' if the latter are defined as solutions that can be vaguely proposed as exemplary cases. Instead, I think of rigorous comparative analysis of the conditions that have made positive results possible.

## 2. The issue of contingent forms of work

A second theme at the centre of social and political debate in Europe, and entirely relevant to the more general topic of the promotion of decent work by the ILO, is that of those types of employment variously termed 'atypical', 'contingent', 'precarious', 'new', 'non-standard', 'non-traditional', 'flexible' and which constitute a heterogeneous array of 'particular' ways in which employers ensure the availability of labour, and, vice versa, in which different groups of workers establish contractual relationships with employers/contractors. A list may include part-time work, fixed-term contracts, seasonal work, agency work, home-based work, telework, freelancers and dependent self-employment.

However, I shall not dwell here on the definition of these forms of employment nor on measurement of their extent (for the latter see

Regalia 2006). The issue that I wish to examine is how these forms of employment can be regulated. Their regulation presents challenges for the actors involved and at the level of policies. In fact, such forms of employment are subject to relatively little regulation, or at any rate they appear to be regulated unsatisfactorily in comparison to the dominant standard form of full-time open-ended wage employment.

The challenge, therefore, is giving adequate regulation to these forms of employment. But adequate for whom? From what point of view? To answer these questions, we have to go back to the reasons for the diffusion of these forms of employment and to the outcomes to which they give rise — or in other words, to the advantages expected to derive from them, and the actual results.

There is one main reason invariably stressed in the literature: the changed requirements of firms operating in a broader, more uncertain and more unstable economic context with constantly intensifying pressures to increase competitiveness and to cut costs. But it would be restrictive to view the problem solely from this point of view on which it is not necessary to insist because it is the dominant one. Also very important is a second explanation, which does not replace but adds to the first one: the changed behaviour of workers. From this point of view, the development of new forms of employment also results from the greater individualization of labour supply in a context of profound social and demographic change (increased female labour-market participation, higher education levels, transformations in family patterns, increased life expectancy).

At least on paper the new forms of employment are less demanding or more flexible in terms of working time or offer more opportunities for self-organization. Their adoption therefore also reflects the willingness/interest of firms to accommodate the preferences/needs of certain categories of workers — especially women, youth and older workers — for work arrangements that enable them to reconcile their work and private lives: family responsibilities, study and training needs, personal aspirations, and the like. This contradicts the widespread belief that non-standard work is *per se* precarious or at any rate has eminently negative connotations for workers. The fact that non-standard work arrangements may indeed sometimes match the preferences of workers has been partly confirmed by the results of several studies and surveys conducted in Europe and the United States.

A third explanation concerns the labour-market initiatives undertaken in the 1980s and especially the 1990s by the governments of numerous European countries to tackle unemployment and the increasing economic difficulties of welfare systems. As it grew increasingly evident that full employment in traditional forms was no longer feasible — because economic systems were unable to produce a sufficient number of standard jobs — governments sought to promote the use of work arrangements which, although less stable and less protected, could encompass a larger number of potential workers, and which would thus also reduce the number of unemployed people on state benefits. The logic, therefore, was to increase atypical employment opportunities by providing incentives for firms to create such jobs, less onerous in terms of social charges than standard ones; and by promoting self-employment. This approach was seen as a more realistic means to achieve full employment (Delsen 1997; Lee 1997). In this interpretation, the spread of non-standard forms of employment resulted from government strategies that relaxed labour-market rules and/or openly encouraged more flexible forms of employment.

To return to reasons on the labour supply side, I do not argue that in practice there is a satisfactory correspondence between the aspirations of many workers and the reality of the new forms of employment and work. Indeed, the data also show that in very many cases the non-standard form of employment has not been deliberately chosen but has been accepted because there was no other alternative. And more generally, the development and consolidation of new or non-standard forms of employment has brought with it a number of negative outcomes, or more or less new risks, which mainly and most evidently concern workers.

Among such risks we can distinguish three main categories: (a) the risk of future unemployment and earnings insecurity; (b) the risk of limitations on human capital development; (c) the risk of reduced rights and entitlements. Risk intensity will vary with the type of non-standard employment relationship and according to the characteristics and social conditions of the worker concerned.

Empirical inquiry has shown that there are also other specific risks or problems connected with the use and diffusion of the new forms of employment which affect employers, local authorities and governments. In the case of employers, the various risks can be grouped into three categories: (a) product market risks (including the impact on quality and unfair competition); (b) labour-market risks (the unavailability of labour

of the type and quantity required); (c) productivity risks (lack of commitment, friction among workers on different types of contract doing the same work, coordination costs). As for the local authorities, these may look with concern at the development of non-standard forms of employment if it has harmful effects on social cohesion or on fair competition among firms, or if it gives rise to higher costs for local administrations.

Overall, we may say that these unintentional outcomes, or these new problems, correspond closely to the disappearance of some of the positive consequences that had accompanied the development of the standard form of employment in the past: security and predictability for workers, cooperation between workers and employers, opportunities for governments to develop redistributive and solidarist policies.

When viewed from this perspective, the problem of regulating the new forms of employment therefore amounts to identifying strategies and programmes, however embryonic at present, to maximize the utilities and to minimize risks and disadvantages connected with their use for all the actors involved, so that they are both socially and economically sustainable. This is not solely a matter of immediately introducing new rules (laws, contracts) with general validity, unless to protect fundamental rights. It is above all a matter of creating space for innovations and experiments based on a 'soft' regulatory approach oriented to continuous improvement and problem-solving. In fact, since utilities and disadvantages may pertain to different aspects of the employment relationship, and depend on the points of view of numerous actors, there are innumerable possible courses of action, and innumerable possible experiments with greater or lesser chances of success.

The European political and scientific discourse uses two expressions to indicate the possible ways forward. One is 'flexicurity', by which is meant the flexibility needed by businesses combined with job security for their employees (Wilthagen 1998). The other is 'transitional labour markets', by which is meant active employment policies to support workers as they shift among different labour-market conditions, rather than necessarily seeking to stabilize them in a particular job, however secure (Schmid 1995).

Analysis of what is happening from these points of view and concrete proposals for action are still in their beginnings. And there is broad scope for empirical inquiries which go beyond the traditional opposition between stable and secure employment on the one hand, and flexible and precarious work on the other.

### 3. Which strategies of representation

Atypical forms of employment also create dilemmas for the social actors. I will limit myself to a discussion of options open to trade unions to meet these new challenges, but my argument can be extended to the other actors as well (for a detailed discussion see Regalia 2006).

There is no doubt that the trends which I have briefly discussed, and others that should be added, are highly problematic for the trade unions. For example, what is to be done about the existence of large pools of undeclared labour? Or about the increasing presence of workers from other countries with different cultures, but more willing than native workers to accept — at least initially — substandard employment conditions? Or about workers — often women and young or elderly people — employed on flexible and temporary contracts, and who require protections different from those of the workers traditionally represented by the trade unions? In other words, what is to be done about the increasing numbers of workers who are in many respects different from the unions' core constituency? If today firms have a problem of diversity management, trade unions have an even greater problem with diversity representation.

If we go beyond official positions taken by peak organizations or those taken as a matter of principle, research shows that the reactions of unions to issues of discrimination among workers vary greatly. In general, as the social weight and the visibility of irregular or migrant or non-standard workers grow, the problem of representing their interests increasingly influences the debate and the organizational choices of trade unions. But the positions taken up and the solutions sought are by no means homogeneous. They vary according to the interest and willingness of the unions to innovate and revise their representation strategies, which is perhaps obvious; but they also vary with the attention that unions are prepared to pay to the specific interests of workers from outside their constituency, which is perhaps less obvious.

Considering the two dimensions jointly, one can identify four situations corresponding to an equal number of attitudes by unions towards these different workers (see Table 1).

**Table 1** Union attitudes to, and representation of workers different from their traditional membership

		Willingness to innovate representation models	
		Low	High
Awareness of the specific nature of diverse workers' interests	Low	Indifference	Imitative extension of protection
	High	Resistance/opposition	— Specialization of protection — Reconfiguration of representation

Source: adaptation of Regalia 2006: 248

We may define these attitudes as (1) indifference, (2) opposition or resistance, (3) a commitment to extend the protections granted to initial core workers to others, by imitation; (4) a willingness to explore new forms of representation or to imagine a more general reconfiguration of labour representation.

The first attitude, which tends to ignore or to underestimate the difference between the interests of many new workers and those of traditional core workers, has long been dominant and it is still widespread in the choices actually implemented by large parts of the trade union movement.

The second attitude, where the unions are well aware of the different interests of such new workers but do not intend to represent them, is related to the unions' fear that these 'atypical' workers constitute a threat because they may compete unfairly against their members. The unions may therefore seek to persuade the government to intervene with new laws and measures in favour of such workers.

The third attitude, where the intention is to provide 'atypical' and peripheral workers as much as possible with the standards and protections enjoyed by core workers, differs from the previous ones in that it corresponds to an endeavour by the labour unions to expand their capacity for

representation. The shortcoming, however, is a certain underestimation of the diversity of the interests at stake.

The fourth attitude, which seeks new solutions to the problems of representation through experimentation, is undoubtedly the most interesting. But it is also the most difficult, and still largely at its beginnings in almost all the European labour unions.

It is not possible to go into the details of these attitudes here, and a similar assessment of the attitudes of the other social partners would also be required. What I would nevertheless like to stress in conclusion is that this variation in union strategies suggests that it is not enough to simply refer to quantitative data (on membership, the coverage of collective bargaining, and similar) when discussing social dialogue and the capacity of the labour unions to represent workers' interests and rights. I believe that it is today much more important to qualitatively evaluate the real patterns of action of the actors concerned, which opens up a formidable and fascinating area of research.

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## Annex: Summary of key points

### The links between economic and social policies: A conceptual framework

*by José Antonio Ocampo*

José Antonio Ocampo analyses four major links between economic and social policies. He finds that the subordination of social to economic policies is unlikely to lead to good social outcomes and considers that it will therefore be necessary to develop integrated policy frameworks, with social objectives mainstreamed into the design of economic policies. He stresses that the choice of economic policies cannot simply follow efficiency considerations. Social policies would be overburdened with the task of enhancing equity, a task that they cannot perform all by themselves.

The first link identified by Ocampo runs from the social to the economic and relates to human development: Human capital is generally accepted as a determinant of economic growth. The other three links take the opposite direction, from the economic to the social. These are the capacity of the economic system to provide (a) adequate resources for human development; (b) opportunities for adequate income generation; and (c) management of the risks of employment and income insecurity.

As concerns human development, Ocampo considers that this should be an objective in itself and international cooperation should centre on its promotion to break the poverty traps of low-income countries. He underlines that the ways to maximize the effects of social policy on economic development are not fully understood today, nor is it properly established that a weak economic performance reduces the economic returns of human development — areas that would deserve research attention.

More work could also be undertaken on the financing and design of social policy. Ocampo observes that, because of market pressures, developing countries oftentimes have a pro-cyclical pattern of social spending, with high social and economic costs. He suggests among other things that counter-cyclical management of social spending is placed at the centre of macroeconomic policies and that the design of social policy avoids segmenting population into different groups for service provision because such segmentation reinforces inequality.

In Ocampo's view much more attention should be given to the effects of economic policy on income and wealth distribution, and here research can play a role in identifying those types of interventions in the functioning of labour, technology and factor markets that contribute to better distributive outcomes.

Recent decades have seen an increase in employment and income insecurity and this environment demands better social protection systems. Ocampo highlights that it would be helpful to identify what sort of flexibility in commitments as well as new forms of international cooperation would be necessary for countries to have more manoeuvring space to introduce active social protection systems. In concluding he reflects on institutional implications and proposes a number of starting points for the design of coordination systems between economic and social authorities.

## **Research for the Decent Work Agenda: What we need to know about the impact of trade policy**

*by Sandra Polaski*

Sandra Polaski sees research lacunae on the topic of how trading patterns and trade policies affect the quantity and quality of employment. She calls for both ex ante and ex post analysis of the direct economic impacts of trade on employment, income distribution and poverty as well as for more work regarding institutional arrangements that attempt to influence the relationship between trade and decent work.

Polaski reminds us that trade liberalization forces economies to restructure and that there is no guarantee that this means net job creation or that the results will be employment neutral. She suggests to use economic modelling techniques such as computable general equilibrium (CGE) models to explore in advance the likely impact of trade policy

changes on employment and incomes. CGE models have considerable impact on how policy makers and the public perceive proposed changes. However, such models are currently mainly used by experts on trade who tend to ignore distributional and employment effects and base their models on unrealistic assumptions such as full employment. CGE models can be used differently, approximating labour market realities, and will then yield different results in terms of expected gains and losses from trade liberalization. Polaski illustrates this in describing the methodology and findings of a study she undertook on the Doha Round. She believes that, if people interested in labour and social outcomes make major efforts, a scientific consensus may emerge that trade models should always meet minimum requirements as to an empirically sound representation of employment, distributional and social issues.

Retrospective studies on the impact of trade liberalization often-times focus on individual sectors but there are too few economy-wide ones that would permit to ascertain the net effect of trade policy changes on the entire labour market, according to Polaski. While she recognizes that it is not easy to establish the causal relationships between changes in trade and job creation or destruction, she argues that this can be done with reasonable rigor where trade policy changes have led to expansion or contraction of particular sectors. In those cases, changes in production volumes can be traced to employment and wage effects and netting these out will give an overall assessment of trade's impact on employment.

Institutional arrangements that link trade privileges to respect for labour standards and labour market issues also deserve more research in Polaski's view. There are a number of arrangements of different natures that can be considered "natural experiments" as they now have established track records that can be studied and compared. Analytical work and in-depth studies would be useful to evaluate the success of different approaches and to determine whether the pursuit of economic and social goals can be combined through the use of policy instruments that link the two. For example, the question should be tackled whether incentives can be structured so as to align the interests of private enterprises with public goals of more and better jobs.

## **Regulation and protection in a global labour market. What way forward?**

*by José Pastore*

The point of departure of José Pastore's paper is that there is now a global labour market with an enormous potential supply of labour, making labour cheap and providing to firms new possibilities for relocation. The supply pressures alter industrial relation systems and render workers vulnerable. In Pastore's view, this explains why many workers in developed countries have accepted to give up generous labour and social protection systems in their favour and be pressed into partial protection models: they thought to thus retain companies and jobs in the territories of their home countries. Pastore's suggestions for research centre essentially on protection issues under the assumption of an incorporation in the world economy of huge numbers of workers.

He finds that it may be useful to explore the combination of a long-term strategy for full protection with short-term tactics for partial protection, under a system that would be neither permanent nor static. For a better understanding of partial protection, Pastore considers that research is required to redefine the concept of minimum protection — not only for employees, but also for the growing group of self-employed, informal workers and people with zero protection.

He stresses that it is time to recognize that in developing countries workers' careers include both formal and informal employment so that protection should be assigned to persons rather than jobs. The question of portability should be at the centre of new studies on labour and social protection, and in this connection for Pastore portability must refer to core basic protection. At the same time, Pastore suggests exploring paths to substantially raise the price of informality while simultaneously reducing the price of formality. Finally, Pastore underlines that informal markets have their own regulations, based on the creativity of the deprived to survive under very adverse conditions, and he urges researchers to take solutions found by the poor and destitute more seriously and inspire themselves by these solutions.

## New research questions in the Decent Work Agenda, a view from Asia

by Jayati Ghosh

Jayati Ghosh takes a perspective from Asia. She points out that today's labour markets and labour processes are in constant flux and trends are increasingly short-lived, especially in Asia as today's most globalized and most rapidly growing region. Even so, she identifies a number of under-researched tendencies and broad issues that would deserve research attention.

One such area is the limits of exports-based employment, and another one, related to the first, the employment implications of technological progress and choice between local and foreign products. Ghosh gives four reasons why export-orientation will not be a viable development strategy forever and calls for more forward looking thinking and work in this field: (1) greater trade openness typically accompanies export-orientation, with more imports crowding out local production, often leading to a net loss in manufacturing employment; (2) there is strong evidence of technological upgrading and increasing labour productivity in the exporting sectors so that increased employment, if any, will have to come from other activities; (3) competition on export markets between developing countries with a downward spiral on wages can be largely observed; as well as (4) a counter-reaction in the form of rising protectionism. As concerns the employment implications of technological upgrading, Ghosh finds it essential to place labour displacing technological progress in the right perspective, acknowledging its existence and assessing the phenomenon, without having too much regret for arduous and tedious ways of working that might disappear thanks to this progress.

The growing significance of the self-employed also deserves more attention in Ghosh's view. Very little is known about the nature of this self-employment or why it increases. At this point, one can only hypothesize that the increase in self-employment takes place at the extremes of the skills spectrum, with highly qualified professionals opting for self-employment because of the flexibilities it offers while low-skilled workers are pushed into it for lack of other opportunities. Other questions in relation to self-employment are also important and under-researched, e.g. the extent of self-exploitation under this type of employment; and organizational issues such as the possible existence of *de facto* employers.

More research work could also usefully be done in the area of labour migration and especially on short-term migration and its implications for individuals, families and communities. Ghosh notes that both cross-border and internal short-term migration is on the rise in Asia, and issues of social dislocations and lack of service delivery to migrants are unresolved in many countries. Similarly, the issue of youth unemployment requires attention both in terms of research and research-enabled advocacy, according to Ghosh. She proposes that research on youth employment and unemployment patterns should shift to the question of employability and related thereto issues such as relevance of education at different levels and labour market segmentation by social category, leading to discrimination and exclusion. Finally, Ghosh observes that in many developing countries, and especially in developing Asia, basic work-related questions around the issue of social reproduction — unpaid labour and the care economy — are still not adequately addressed and would provide fertile ground for research.

## **The Decent Work Agenda: An African perspective on research needs and priorities**

*by Evance Kalula*

In his paper “The Decent Work Agenda: An African perspective on research needs” Evance Kalula identifies a number of issues of particular relevance to the African continent on which more knowledge should be acquired. He also highlights that research priorities have to be developed, research has to become more coordinated, research findings have to be disseminated more adequately than in the past and be brought to the attention of policy makers, if one wishes to make progress under the Decent Work Agenda in Africa.

With Africa being the poorest region of the world, one of the key issues for Kalula is to what extent and how the Decent Work Agenda can contribute to poverty reduction. He considers that a ‘basic needs’ approach and well targeted research is required to tackle this question.

Equality in employment is another important area where more research should be undertaken, according to Kalula. The lack of equality and discrimination in employment should be examined from an interdisciplinary perspective. As a first step the extent of the phenomenon must be properly assessed because comprehensive data is not available

today, yet would be a precondition for effective action. Discrimination and inequalities in Africa have been exacerbated by the advent of HIV/AIDS and there is still no sufficient understanding of the incidence of HIV/AIDS-related discriminations at the workplace. Nor is there adequate knowledge of policies and strategies to combat such discriminations. Another workplace related issue is that of safety and health at work where the extent of shortcomings is not evaluated either and research to inform policy is in short supply.

Child labour worsens in Africa as poverty worsens and along with the spread of the HIV/AIDS pandemic that leaves many children as heads of household. Kalula urges that research in this area focus on better understanding the factors driving child labour which would provide officials with ideas on how to best eliminate it. Similarly, little is being done as of today to comprehend the underlying forces of the informal economy, a major area of concern for African decision makers. The impact of technical assistance is a further neglected area of research, politically also very relevant.

Not enough is known in Kalula's view on employment patterns and job matching, and, with unemployment exceeding 30 percent in certain African countries, these are crucial issues. Linked to the unemployment problem is also the issue of labour migration which is a hot topic throughout Africa today. For some countries the question arises of how to deal with a massive influx of migrants from neighbouring territories and others wonder whether the free movement of labour across the continent would be the answer to their unemployment problems.

Kalula observes an increase in social dialogue in many African countries along with the recognition that social dialogue strengthens commitment to social protection measures. Yet, there is no effort on the part of researchers to focus on these 'twin areas', as he calls them, together. Finally, Kalula sees a clear need to identify the factors that impede on the effectiveness of labour law and other instruments of labour market regulation to the detriment of the Decent Work Agenda and suggests examining the interplay of hard and soft law as a solution in this connection.

## **Informal work and new forms of employment in Europe: Challenges for research and action**

*by Ida Regalia*

Ida Regalia focuses on advanced countries, in particular European countries, with relatively more regulated labour markets where she sees challenges for research and action under the Decent Work Agenda especially in the area of informal work and as concerns new forms of employment. Regalia underlines that prosperity does not automatically lead to formality and developed economies, as much as others, have to be interpreted as ever shifting configurations of both formal and informal employment. More analysis is needed to better comprehend and deal with this duality, and Regalia identifies specific research questions under three broad headings.

(1) **The underground economy:** Regalia finds that there is a lack of understanding today why the underground economy has spread in different ways among and within countries. The recourse to irregular labour appears to depend on specific characteristics of institutional setups, the cultural and social context but little is known about these. In developed countries the underground economy exists by convenience not necessity. It is based on agreements between workers and employers to breach formally established norms in order to obtain specific economic advantages and it requires efficient networks of informal relations and forms of reciprocal complicity. Because this is so, most attempts to encourage regularization remain disappointing but some seem to work better than others. Regalia therefore calls for a systematic comparative analysis of the conditions that have made positive results possible. Within this broad area of research she also suggests that the question be examined how processes can be set in motion that would counter the social reproduction of perverse mechanisms.

(2) **Contingent forms of work:** In her paper, Regalia depicts the various reasons that have led enterprises, workers and governments to establish and accept multiple sorts of 'atypical work' as well as the risks that these new forms of employment can carry for each of these groups. She stresses that regulating 'atypical work' amounts to identifying strategies and programmes, however embryonic at first, to maximize utilities and minimize risks for all actors involved. In her view a space has to be created for innovations and experiments based on a 'soft' regulatory approach. She sees broad scope for empirical enquiries that go beyond

the traditional opposition of stable and secure employment vs. flexible and precarious work, enquiries oriented towards problem-solving and perhaps building on the concepts of 'flexicurity' and 'transitional labour markets'.

(3) Strategies of representation: New forms of employment also create dilemmas for action for the social partners. Regalia describes the problem of 'diversity representation' for the trade unions as well as different attitudes they may take towards 'atypical workers'. She points out that, in the light of new forms of employment, it is not enough to look at quantitative data such as union membership when assessing capacity for representation. It is more important to qualitatively evaluate the actors' real patterns of action — an area that she considers a formidable and fascinating avenue for research.