

Asian Employment Forum: Growth, Employment and Decent Work

Beijing, China, 13-15 August 2007

ABSTRACT

Defining institutions and policies for equitable and efficient labour markets

The ILO Director-General's 2006 report on *Realizing Decent Work in Asia* states that “to make decent work a reality in today’s context of global production systems, intensified competition and changing patterns of work and employment relationships, it is crucial to adapt and modernize labour market governance”.¹ The report defines “governance” in this context as those “public and private institutions, structures of authority and means of collaboration that coordinate and control activity at work and in the labour market”.² This definition therefore includes the norms,³ policies, laws and other forms of regulation, institutions, relations and processes that influence labour market functioning.

Indeed, the ultimate goal of labour market governance is to support the efficient functioning of the labour market, resulting in high levels of decent employment with adequate social protection, decent wages, and low unemployment and working poverty rates. In this context, participation in the labour market is a way out of poverty with dignity. Sound labour market functioning also requires action to balance the supply side and the demand side of wages and incomes in a manner that addresses the concerns of both the employers and workers. In general, accepting that labour is not a commodity⁴ implies that the regulations governing the labour market ought to have both a social and economic dimension.

Substantive and procedural challenges

On the substantive side some of the main challenges are⁵:

- The integration of young persons into the labour market. Yet, in some countries in the region the challenge is on the other side of age spectrum; that is, the need to manage an ageing workforce.

¹ ILO: *Realizing Decent Work in Asia*, Report of the Director-General, Fourteenth Asian Regional Meeting (Busan, Republic of Korea, 2006), p. 67.

² *Ibid.*

³ Norms include national norms established on a formal basis, or informally, through custom and practice, as well as international labour standards.

⁴ See ILO Constitution, 1919, Annex, Declaration concerning aims and purposes of the International Labour Organization, Art. I.

⁵ See ILO: *Labour and Social Trends in Asia and the Pacific 2006: Progress towards Decent Work* (Bangkok, 2006) and ILO: *Labour and Social Trends in ASEAN 2007: Integration, Challenges and Opportunities* (Bangkok, 2007).

- Dealing with the labour market effects of structural changes brought about by globalisation within the region. In this context, it is important to strike a balance between maintaining/enhancing existing jobs and facilitating structural changes by relocating jobs from “old” to “new” economic sectors.
- Managing internal and external migration with regulations that support industries in need of human resources and advance decent employment and working conditions for migrants.
- Identifying ways to formalize the informal economy. As the informal economy accounts for the majority of jobs in the region, the transformation towards more formality must be achieved gradually without jeopardizing employment, which might necessitate some adjustment in the formal economy as well.
- Addressing rising inequalities in wages and working conditions and tackling poverty and working poverty as they impact on decent work, equitable and sustainable development and social peace.
- Managing the labour market consequences of natural catastrophes, as they are predicted to increase in the wake of global warming.

There is no lack of substantive issues to be managed by instruments of labour market governance during the next few years. But can the “procedural side” successfully meet the challenges posed by the “substantive side”?

The Asia and Pacific region presents an interesting case study from the perspective of the diversity of approaches to labour market governance. But, whichever combination of governance mechanisms are in place, *Visions for Asia’s Decent Work Decade: Sustainable Growth and Jobs to 2015*⁶ states that the key to real progress towards achieving decent work in the region depends on whether the following four governance challenges are met during the next few years:

- Upholding the rule of law and international labour standards to provide the stability vital to productive activity while at the same time ensuring that employers and workers are able to apply the framework of rules flexibly but efficiently and fairly to constantly changing work situations and labour market conditions.
- Finding an effective balance between flexibility, stability and security – conditioned by respect for rights and negotiated solutions in dynamic labour markets and taking into account the urban and rural informal economy. This balance cannot be found only through labour law reform – transparent, accountable institutions, democratic political and judicial systems, strong employers’ and workers’ organizations, economic openness and a viable civil society are all crucial.
- Providing a conducive environment for social dialogue, including collective bargaining, to handle the various changes in the world of work without

⁶ ILO: *Visions for Asia’s Decent Work Decade: Sustainable Growth and Jobs to 2015*, Paper prepared for the Asian Employment Forum: Growth, Employment and Decent Work, Beijing, People’s Republic of China, 13-15 August 2007.

overloading the legal system or labour inspection system and encouraging innovations in new forms of workplace cooperation and conflict resolution.

- Promoting regional cooperation and strengthening the multilateral system for improving governance. Over the Asian Decent Work Decade, growing economic and social interdependence and the nature of opportunities and challenges that cut across national borders will make collective actions and multilateral cooperation all the more important:

In addition, policies to develop a labour market intermediation structure with an effective employment service at its core are crucial for achieving well functioning labour markets.

It has been observed that “implementation” of labour policies and laws has not been successful in many countries in the region. At the same time, there are interesting examples within the region where innovative approaches are being taken by some labour ministries. These are resulting in improved public administration infrastructure and better quality of services, underpinned by more research and knowledge development

Suggested key questions

1. There is much talk about “balancing flexibility, stability and security”, but how are these issues best addressed in country settings with low levels of social dialogue, weak labour market institutions and inadequate safety nets?
2. If informality is principally an issue of governance, what are the appropriate macroeconomic and social policies and the necessary legal, institutional and procedural frameworks to address the informal economy?
3. How can policy and programme coherence in national employment plans best be achieved?
4. What must be done to develop strong, representative worker and employer organizations and better-equipped labour administrations, including with respect to the informal economy? What new and/or revised role(s) are there for ILO principles, standards and action to support the constituents in these respects?
5. What labour market issues are on the current agendas of regional institutions for consultation between governments and possible coordinated action within and across national boundaries? What other labour market issues are appropriate to refer to such institutions and what are the prospects for such action in the short-term?
6. How can countries in Asia-Pacific more effectively share experiences and knowledge about good practices for improving institutions and policies for equitable and efficient labour markets?