

INTRODUCTION

This issue of the *Review* deals with two distinct themes: the working poor of the world and selected dimensions of labour markets, namely, job stability in transition countries and the voluntary sector in western industrialized countries. Under the first theme, an attempt is made to identify the relationship between minimum wage levels and employment and poverty levels. A second article then attempts to gauge the size of the working-poor population, which helps grasp the potential of a minimum wage policy for poverty alleviation.

The first of the two articles on the second theme analyses job stability patterns and trends in transition countries and compares them with those prevailing in advanced industrialized countries. The second article evaluates the voluntary sector in industrialized countries for its job-creation potential and for its efficiency in delivering social services relative to the government sector.

The opening article in this issue of the *Review*, by *Catherine Saget*, applies a comprehensive quantitative estimation model to cross-country data to conclude that a minimum wage could contribute to poverty alleviation without having any significant negative effect on the level of employment.

This finding empirically points to the opportunity provided by a minimum wage policy for integrating poverty alleviation strategies with the provision of decent work, an aspect currently being emphasized by the ILO as a major element in development strategy. The potential for poverty alleviation through appropriate minimum wage policy formulation is indeed very vast. Sixteen out of every 100 workers worldwide are unable to earn enough to get their families over the most minimal poverty line of US\$1 per person per day.¹

As *Nomaan Majid* more dramatically illustrates in the next article — which estimates the size of the working-poor population — appropriate minimum wage policy has the potential to raise the incomes of as many as 534 million employed workers above poverty level. Indeed, his estimate of the working-poor population accounts for a quarter of the entire employed labour force of Third World countries. Moreover, these 534 million working

¹ ILO: *Reducing the decent work deficit: A global challenge*, Report of the Director-General, International Labour Conference, 89th Session, Geneva, 2001.

poor are likely to be the only earners among a total population of 1.2 billion poor people living on less than US\$1 per person per day in 2000/2001.²

It is therefore clear that a minimum wage policy can indirectly contribute to poverty alleviation on a wider scale when it succeeds in reducing the population of the working poor, because the benefits from higher earnings would extend to other impoverished household members. It is little wonder that raising the incomes of the working poor is a key element in the ILO's new approach to employment strategy.³

However, anti-poverty programmes would have to take into account other correlates of poverty (e.g. poor people's access to employment opportunities, health services and education) given that poverty has many dimensions. Clearly, in addition to a minimum wage policy aimed at reducing the number of working poor, factors such as inequality, depth of poverty, vulnerability and relative deprivations deserve consideration in the design of poverty-alleviation programmes. It has to be recognized that just as there is no single cause of poverty, there is no ideal single standard or easy universal policy prescription for its elimination.

Turning to the next theme, of labour markets, the article by *Sandrine Cazes* and *Alena Nesporova* notes the disappearance of the life-long employment system following the economic reforms carried out in the late 1980s and early 1990s in nine transition countries (Bulgaria, Czech Republic, Estonia, Hungary, Lithuania, Poland, Russian Federation, Slovenia and Ukraine). Analysing both cross-country and time series data for the 1990s, the authors conclude that labour turnover tends to follow a counter-cyclical pattern in transition countries, which is the opposite of the pattern observed in advanced industrialized countries.⁴ At the same time, job stability as measured by job tenure — i.e. the length of time that currently employed individuals have spent with their present employer — follows a pro-cyclical pattern in transition countries, which is again the opposite of what happens in the advanced industrialized countries.⁵

² World Bank: *World Development Report 2001: Attacking poverty*, New York, NY, Oxford University Press, 2001.

³ ILO: *A global agenda for employment*, Employment Sector Discussion Paper, Geneva, November 2001 (www.ilo.org/public/english/employment/geforum/download/globalagenda.pdf).

⁴ In advanced industrialized countries, labour turnover accelerates in periods of economic growth primarily because new job opportunities encourage people to change jobs voluntarily. In contrast, labour turnover declines during economic downturns as enterprises cut costs by reducing new hires and resorting to redundancies, which deters workers from changing jobs voluntarily.

⁵ During boom periods in the business cycle in industrialized countries, employment growth revives, more jobs are created and more people are hired, which reduces average job tenure (new recruits start with zero tenure). In addition, voluntary departures increase, because of better opportunities elsewhere, thereby reducing average tenure. In contrast, workers in transition countries behave differently and, even in an improved economic situation, seem hesitant to quit their jobs voluntarily and move to other jobs. The main reason for this is heightened perception of job insecurity. There is a reluctance to quit voluntarily because of weak demand for labour and risk aversion from job mobility (e.g. sliding into poverty during frictional unemployment).

The job-tenure profiles of different categories of workers in the transition countries reveal both similarities and contrasts with those observed in the industrialized countries. The longer job tenures of women compared to those of men in the transition countries do not necessarily indicate a better labour market position for women workers. Indeed, according to the authors, this is explained by women's stronger attachment to their jobs because of their fear of re-employment difficulties and because of their concentration in low-paid, though more secure, public-sector jobs.

Although the article by *Virginie Pérotin* shows that the voluntary sector accounts for 3 to 12 per cent of total employment in industrialized countries (1995), this sector's job-creation potential cannot be ignored for a number of reasons. *First*, paid jobs might be cheaper to create in voluntary organizations than in the public sector, as volunteer work could constitute a significant proportion of the work performed in the former (e.g. voluntary work could represent 40 per cent of all the hours of work performed in non-profit organizations in France, Germany and Italy). *Second*, there is evidence of faster growth of employment in the voluntary sector than in the economy as a whole (e.g. in France, Germany, Japan, the United Kingdom and the United States during the first half of the 1990s). *Third*, although the author argues it would be unrealistic to expect the voluntary sector to achieve the scale of expansion needed to make even a small dent in current levels of unemployment (6.2 per cent of the labour force in 2000) in industrialized countries, even a small contribution to job creation by the voluntary sector is now significant for coping with the employment losses from the global economic slowdown. For instance, employment loss from the global economic slowdown in 2001 has been estimated at 2.04 per cent of the labour force in the United States, 0.95 per cent of the labour force in Germany and 0.81 per cent of the labour force in Japan.⁶

However, the author rightly cautions policy-makers to take a pragmatic approach in promoting the voluntary sector for the delivery of social services. In particular, she cites numerous instances of voluntary sector failures in attaining social policy goals. At the same time, she provides balanced evidence on the types of interventions by the voluntary sector which make the provision of social services efficient and democratic.

In the *Books* section, the first of the two books reviewed provides case study illustrations of how footwear manufacturing enterprises located in Finland, Sweden and the United Kingdom are meeting the challenges of global competitiveness by ensuring a sufficient return on investments and through effective restructuring. The other book reviewed catalogues the lessons learned from the experience of the Republic of Moldova's failed transition

⁶ Rizwan Islam: *Employment implications of the global economic slowdown 2001: Responding with a social focus*. Issues in Employment and Poverty, Discussion Paper No. 2, Recovery and Reconstruction Department, ILO, Geneva, 2001.

from one economic system to another and the adverse social consequences of its failure.

Two of the three books in the *Recent books* section deal with labour market issues. The first provides a global assessment of the success of competency-based education and training, and the second one exposes the continued existence of racial discrimination in labour market practices from a survey of employers in four major cities of the United States. The third book deals with the challenges of ensuring health and income security for the rapidly ageing workforce of the United States.

New ILO publications begins with a code of practice on hazardous ambient factors in the workplace, followed by a collection of articles on the reform and reconstruction of cooperatives in Asia. Other ILO publications presented in this section include Guides on *Fundamental principles of occupational health and safety* and on *Mutual health organizations and micro-entrepreneurs' associations*; a training manual on *The characteristics and creation of mutual benefit societies in the health sector of Africa*; and reports prepared for the Tripartite Meeting on the Social Dimensions of the Forestry and Wood Industries on the Move (Geneva, 2001): *Globalization and sustainability: The forestry and wood industries on the move*, and for the Joint Meeting on the Impact of Decentralization and Privatization of Municipal Services (Geneva, 2001): *The impact of decentralization and privatization on municipal services*.