

Thematic dialogue 7: Policy packages: Active labour market policies

Active labour market policies (ALMPs) aim at averting lay-offs, easing the pathway back to work for those who are displaced and, in general, reducing unemployment and underemployment. ALMPs include a wide range of approaches to improve workers' prospects of finding gainful employment or increasing their earnings capacity e.g. matching workers to jobs, enhancing workers' skills, providing employment incentives, and targeting assistance to disadvantaged youth, persons with disabilities and other groups typically disadvantaged in the labour market.

ALMPs help employers in general by building the skills base of the workforce and individual firms to find the workers they need. They are closely interrelated with so-called "passive" labour market policies, such as income support and other social protection measures. Particularly in industrialized countries, there is increasing effort to "activate" these passive measures in order to enhance the integration of the unemployed and underemployed into the labour market.

Main challenges

In developing countries, job loss, typically, does not result in large-scale outright unemployment. Instead, displaced workers move into, or back to, the rural and urban informal economy to support themselves even if the work they find is very poorly rewarded. The agricultural sector sees a decrease in productivity as it absorbs more workers, reduced per capita income due to loss of remittances from urban and overseas workers and increased pressures on family budgets as workers return from urban or overseas jobs but do not necessarily increase family incomes.

A similar story unfolds in the urban informal economy, with more people finding their livelihoods in work of low productivity and earnings. If downturns are short, these family and kinship connections provide respite until the economy picks up and the cycle of job creation resumes. If downturns become extended, job loss turns into increased poverty, deterioration of skills, forgone education and training opportunities, and risk of deprivation.

Insufficient budgets and staffing for public employment services constrain delivery of basic employment services in good times, leaving many countries ill-equipped to meet burgeoning needs and deliver innovative ALMPs during a crisis.

In developed countries, the recession is leading to job losses, reduced working time and earnings, extended delays for young people ready to enter the labour market, and pressure to reduce employment opportunities for migrant workers. Measures to avert lay-offs entirely or to significantly reduce or delay them can be win-win-win solutions for workers, employers and their communities.

Avoiding job loss means avoiding the social, economic and psychological stress on individual workers and their families and the deterioration of their generic and specific job skills. For employers, avoiding lay-offs means retaining the ability to respond quickly to improved economic conditions without the costs of hiring and training new workers. For communities, avoiding lay-offs means enabling families and businesses to continue purchasing goods and services and thereby avert a negative multiplier effect throughout the local economy.

The costs of government support to avert lay-offs are offset by maintaining the tax base, enabling communities to keep up public services and infrastructure that can attract new business. A major challenge is to ensure the effectiveness of ALMPs, especially in activating employment when labour demand is weak.

Patterns of response

Industrialized countries have used *different options to avoid dismissals and unemployment*. Subsidized reductions of working hours have been used, for example “chômage partiel” in France, “Kurzarbeit” in Germany, and “Quatro per Quatro” in Mexico. Temporary lay-offs have been used in some of the hardest-hit industries, where factories have been shut until demand picks up. Many OECD countries have responded to the crisis by establishing or expanding programmes to subsidize wages or reduce social contributions, often as employment incentives targeting vulnerable groups (for example, Australia introduced a new wage subsidy for employers who hire laid-off apprentices and trainees). Social dialogue amongst all participants is an essential feature of any form of work-sharing and temporary lay-off arrangements.

The current recession seems to be marked by major structural shifts in markets and technology. It is thus a period of both opportunity and necessity to invest in *skills development*. Public-private partnerships can help businesses with tight financial constraints to invest in training which will boost their productivity as the economy recovers. Investments in education and skills also improve the flexibility and employability of workers who need to find new work. By linking income support, employment services and skills development, there is an opportunity to raise the future productivity of workers and enterprises while at the same time assist economically vulnerable members of society to remain in or to secure decent work.

As governments increase spending for infrastructure, education and health services, and alternative energies as part of their economic stimulus packages or job creation schemes, the skills needed in these sectors may be lacking among those newly seeking work. Public investment and service programmes need to incorporate job training programmes so that they succeed in generating high levels of employment. Short-term courses and on-the-job training will be vital to prevent bottlenecks in implementing such programmes.

In both developed and developing countries, *young people* unable to find first jobs in depressed labour markets are at risk of long-term unemployment and social exclusion. A combination of approaches can help young women and men avoid these risks: targets for hiring youth in public works and service projects, wage subsidies and other incentives to potential employers, programmes to keep young people in school longer, public-private partnerships to increase apprenticeship programmes and work experience opportunities, support for self-employment initiatives and more intensive career guidance and job-search assistance. Cost-benefit analyses of such programmes need to include social benefits such as avoidance of unrest and social exclusion.

The basic purpose of *public employment services* (PES) in all economic climates is to facilitate the adjustment of firms and individuals to changing labour market conditions. In these challenging times, PES are trying to increase job–matching services to help the larger number of workers seeking jobs to find the jobs that become available, implement public–private partnerships to boost investments in training, and work with employers and workers to find mutually agreed arrangements for work-sharing. Some countries have established mobile centres to take services directly to affected workplaces, boosted both job search and professional skills training, and linked vocational and entrepreneurship training. During the crisis, the ability of private employment services to monitor labour market changes to be able to meet customer needs and promote codes of practice on overseas employment and on stopping human trafficking is of increasing importance.

Future policy development issues and ILO support

What combination of ALMPs can be effective depends on countries' overall economic framework, labour legislation, labour market institutions and budget constraints. Emergency ALMPs build on the *already existing* policy and institutional framework. New measures take time to become operational; the priority is on adjusting and expanding existing policies and programmes.

The present crisis bolsters the argument that economies need to have permanent, yet adaptable, ALMPs, whose levels and structure vary with the economic cycles in order to enable workforce adjustment in a socially acceptable way. The social partners have a critical role to play in identifying and designing the policy options. ALMPs can help workers, employers and communities cope with the consequences of the crisis, but they cannot cure its causes; hence they need to be articulated in a comprehensive macroeconomic strategy to stimulate and maintain employment.

An ILO Emergency Services Matrix includes diagnostics and advisory services for employing ALMPs to confront the employment crisis and for improving the capacity of labour ministries. A guide on country-level rapid employment impact assessments is under preparation as a tool for building up an adequate country-specific knowledge base to inform decision-making in times of crisis.

The ILO conducts PES assessments with ministries to identify concrete ways to improve capacity to deliver and monitor the impact of ALMPs. The ILO works with the World Association of Public Employment Services (WAPES) to collect and share good practices and tools for crisis response.

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