1. Background

International consensus has been formed in the course of the past few years on the detrimental effects of inequality. For instance, the IMF has provided extensive research on the harmful effects of inequality on growth,¹ and the World Bank has stressed the various ways in which inequality affects social progress, including through generating high financial cost, reducing economic growth, and developing social and political burdens and barriers.²

Tackling inequality has been at the core of the ILO’s work ever since the establishment of this tripartite organization composed on governments, employers’ and workers’ organizations back in 1919. This mandate was confirmed after the Second World War through the Philadelphia Declaration which stated, among others: “poverty anywhere constitutes a danger to prosperity everywhere”.

Building on the Pan-African Conference on “Tackling Inequalities in the Context of Structural Transformation” organized in Accra in 2014, this Forum is expected to define a forward-looking policy and research agenda for addressing the various forms of inequalities across Africa.

For this purpose, I would like to take the opportunity to discuss the ILO’s what works research programme and policies that according to robust ILO research help to address inequalities.

2. Evidence on the effectiveness of labour and social protection policies in addressing inequality

Over the years, the ILO has engaged in different activities to address inequality worldwide. First, many of the key international labour standards adopted through tripartite consensus at the global level work towards balancing the playing field. As an example one could mention two fundamental conventions on the freedom of association and right to collective bargaining – instruments that when implemented at the country level provide mechanisms for bargaining on incomes, among other things. Standards on social protection, on social policy and on different particularly vulnerable categories of workers – such as domestic workers or indigenous peoples – work towards the same ends, just to mention a few.

Beyond standard-setting, the ILO is engaged in a debate and extensive and multidisciplinary research on what works to create Decent Work that can help to overcome poverty and reduce inequalities. African countries can learn from this research that provides robust evidence on the

¹ IMF, 2014.
² World Bank, 2016.
positive effects of social protection interventions, including those with active components, as well as Active Labour Market Policies (ALMPs) in general.

**Social protection policies** play a critical role in realizing the human right to social security for all, reducing poverty and inequality, and supporting inclusive growth – by boosting human capital and productivity, supporting domestic demand and facilitating structural transformation of national economies. Social protection helps to address vulnerability and support income security in different stages of life from a child through working life until old age.

While the need for social protection is widely recognized, the fundamental human right to social security remains unfulfilled for the large majority of the world’s population. Only 27 per cent of the global population enjoy access to comprehensive social security systems, whereas 73 per cent are covered partially or not at all.³

The lack of access to social protection constitutes a major obstacle to economic and social development. Inadequate or absent social protection coverage is associated with high and persistent levels of poverty and economic insecurity, growing levels of inequality, insufficient investments in human capital and human capabilities, and weak aggregate demand in a time of recession and slow growth. On the positive side, social protection has successfully reduced poverty, including in Africa. For example, South Africa’s non-contributory grants have reduced the poverty gap by more than one-third, and social protection programmes more broadly significantly increased school enrolment and attendance as well as labour market participation.⁴

**Active Labour Market Policies (ALMPs)** have been adopted around the world to help individuals in general, and vulnerable groups in particular, to access the labour market – in that way helping to address inequality by facilitating job opportunities. ALMPs can complement social protection interventions (social protection policies are also called passive policies to differentiate them from active employability promotion interventions); or can work as independent policy interventions.

To find out more about the **inequality-related impacts** of active and active-passive labour market policies, the ILO has recently conducted econometric impact assessments of such government policies in three Latin American countries (Argentina, Colombia and Peru).⁵ The results suggest that, when properly designed and executed, ALMPs have the potential to improve the labour market and social prospects of participants and can potentially even be self-financing (e.g. through reductions in contributory and non-contributory social transfers). At the national level this can translate into less poverty and lower levels of inequality. In many of the countries under investigation, however, ALMPs remain underdeveloped and could be leveraged further to the benefit of society.

### 3. Country examples

The impact evaluations carried out by the ILO provide exiting examples of what policies can do to address inequality:

- **Argentina** used a combination of active and passive support to promote formal employment creation after its major economic and social crisis that occurred in 2001. Starting with passive measures – income support (conditional cash transfers) to jobless

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³ ILO, 2015.
⁴ ILO, 2015.
⁵ ILO, 2016.
households – the country then moved to adding employability measures to the package, when the economic recovery started to take hold in 2004.

The research on Argentina evaluated the effectiveness of ALMPs as tools to increase the employability and work quality of former beneficiaries of conditional cash transfers.

The analysis found that the policies improved the job quality of beneficiaries: participation in the programme (at least in the short term) was associated with a decrease in the probability of having an informal job coupled with an increase in hourly wages. It also found a lower probability of working an excessive number of hours or being underemployed. The active components also helped to reduce dependency on more universal conditional cash transfers for some groups.

- In Colombia, the ILO research focused on evaluating publically provided labour market services that form an important share of the ALMP budget in the country. It assessed the impact of participation in these labour market services on wage levels and the probability of having a formal (rather than informal) job.

The results of the analysis show that finding employment through public employment services in Colombia increases the probability of being in a formal job, compared with similar individuals who found their jobs through other means. The effect of participation in formal employment is stronger for women and low-skilled jobseekers than for men and high-skilled individuals. The evaluation reveals that the effect on wages is significant and positive among low-skilled participants. Face-to-face employment services were found to be more effective than services provided only online.

- In Peru, the ILO research team evaluated a public works programme called Construyendo Perú in order to contribute to the debate on the effectiveness of public works programmes and workfare programmes in emerging and developing countries. The evaluation assessed the medium-term effects of the programme on employment, job quality and working poverty.

The study found that overall, results of the programme were mixed. The evaluation shows that programme participants were more likely to have found employment or to be attached to the labour market than similar individuals in the control group. Employment effects, however, are statistically significant only for women and lower-educated individuals. However, given that effects were measured over the medium term (in some cases close to three years after programme participation), this finding could also be masking potentially greater short-term effects. In terms of job quality, the results were less encouraging, as probability of informal and own-account work and being a working poor increased some years after participation in the programme. The latter seems to be related with the lack of an efficient training component in the programme.

While making several positive findings based on the impact evaluations, the research group concluded with recommendations with a view to improving their effectiveness so as to reap the benefits that could be available but not yet fully utilised.

In particular, ALMPs need to:
(i) **Be tailored to fit the productive needs of the country and targeted towards individuals’ characteristics.** For instance in the case of Peru, effective training components could have significantly improved the results of the programme; and the small scope of ALMP coverage limited their impacts.

(ii) **Guarantee equal participation and opportunities for different groups.** For instance in Argentina, some aspects of the conditional cash transfer programme reinforced gender bias, as responsibility for the conditionalities related to children’s schooling were attached only to women. Further, provision of child care facilities could have significantly helped women to participate in the ALMPs.

(iii) **Leverage complementarities with other labour market policies**, including passive policies, and reinforce incentives to participate in ALMPs. For instance, passive support (such as unemployment benefits) and active support (such as job counselling) are administered through the same agency in many countries.

4. **Back to Africa**

From the exiting results providing learning opportunities for Africa, it’s important to take a look at the actual situation on the ground in this continent, as regards the budgetary emphasis put on equality-enhancing policies and the coverage achieved.

- Globally, governments allocate 0.4 per cent of GDP to **child and family benefits**, while this figure stands at 0.2 per cent of GDP in Africa.

- Worldwide, 2.3 per cent of GDP is allocated to social protection expenditure **during working age**. For Africa, the share is currently at 0.5 per cent of GDP. Only 12 per cent of unemployed workers worldwide **actually receive** unemployment benefits, and for Middle East in Africa the effective coverage is even lower at less than 3 per cent.

- In sub-Saharan Africa, some 80 per cent of the population is excluded from **legal health coverage**.

- Effective global **old age coverage** stands at 30.9 per cent, while in North Africa 10.5 per cent and in Sub Saharan Africa 5.9 per cent of working age population is estimated to be covered.

- At the same time, a comparative analysis of ALMPs in four francophone African countries (Benin, Burkina Faso, Cameroon and Mali) shows that while there are public and private employment agencies in place, as well as programmes destined to promote the employment of different groups and entrepreneurship, the **budgetary effort put in employment promotion programmes is very low**, notably ranging from 0.05 per cent of the GDP in Benin to 0.39 pour cent in Mali (2007).⁶

5. **Future research agenda**

The promising global research results and the clearly inadequate efforts in the area of social protection policies and ALMPs in Africa bring me to the question of how the **future research**

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⁶ ILO, 2011.
agenda should be shaped, with a view to the common effort to better understand what kind of policies can reduce inequality and poverty in Africa.

In this sense, research should be targeted at understanding the characteristics of ALMPs and social protection interventions in Africa, as well as their impacts in terms of poverty reduction, promotion of employment and job quality, and reduction of inequalities.

Such research could also look at how these policies, through improving formal labour market participation, lead to savings through increasing the contributory base for the state and reducing dependency on benefits.

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References:


