

## WHAT WORKS

### Research Brief N°13

ILO Research Department

# MEETING THE CHALLENGES OF A CHANGING WORLD OF WORK BY COMBINING INCOME SUPPORT AND ACTIVE LABOUR MARKET POLICIES



International  
Labour  
Organization



Integrated approaches that combine income support and active labour market policies (ALMPs) can foster opportunities for accessing decent work while protecting people throughout their working-life transitions. Such approaches can take various forms and they are starting to be used more frequently in emerging and developing economies. In addition to sustainably reducing poverty and promoting development, they lead to greater social cohesion.

## Key findings

- Integrated approaches involving a combination of income support and ALMPs have been used in advanced economies for many decades, but they are gradually becoming a cornerstone of labour market policy in emerging and developing economies as well.
- Recent research shows that such approaches are even more relevant today, as they can help overcome not only long standing barriers to decent employment but also new obstacles in the changing world of work.
- Only by integrating ALMPs with income support measures can they both achieve their full beneficial effect on the labour market. Competition between the two types of policy would be counterproductive.
- Studying the integrated approaches (and specific policy combinations under these) that have been implemented in emerging and developing economies so far reveals that:
  - many combinations are possible, but the degree of policy integration generally increases with a country's level of development, as does the variety of policies used;
  - integrated approaches based on unemployment insurance schemes are typically found in emerging economies, where the ALMP component tends to take the form of training or labour market services;
  - integrated approaches can also be found in less developed economies, where they usually take the form of cash transfer schemes combined with activation measures, mainly public works.

## Research question

The lack of decent work opportunities is a key challenge when it comes to overcoming poverty and promoting equality in emerging and developing economies. Vulnerable groups of the population, in particular, may struggle to find decent work:

- The barriers to decent work tend to have several causes, ranging from deficiencies in educational systems to the absence of social and labour rights. These obstacles also often have cross cutting effects – at the community, household and individual level.
- Current transformations in the world of work could aggravate the negative consequences of limited access to decent employment opportunities.

Dealing with these problems requires innovative solutions. One of the most promising is the use of integrated approaches that combine income support and ALMPs. Such approaches have gained considerable traction in recent years:

- International labour standards advocate the integration of income support and activation measures as a way of simultaneously fostering income security and quality employment.
- Policy-makers and international organizations have also endorsed such integration, prompting vibrant discussion in the academic literature.

- Little research exists, though, on whether integrated approaches can actually remove barriers to decent work, in emerging and developing countries. This Research Brief provides a summary of recent findings related to two main questions:
- Can the integration of income support and ALMPs promote access to decent work in emerging and developing economies?

- What policy combinations have countries tried as part of an integrated approach?

The findings outlined here were obtained in the course of the ILO Research project “What works: Promoting pathways to decent work”. For more information, please see [www.ilo.org/pathways-decent-work](http://www.ilo.org/pathways-decent-work).

## What works?

### Income support can reduce some barriers to decent work

Income support policies seek to guarantee basic income security during working age through either (a) contributory schemes, which usually take the form of unemployment insurance, or (b) non-contributory schemes, which may include unemployment assistance or cash transfers (ILO, 2017).

Income support is vital in the quest for decent work:

- Income support helps maintain living standards in times of joblessness and need, reducing the pressure on people to accept any new job that comes their way, regardless of its quality;
- It also facilitates access to basic services, thereby preventing social exclusion and enabling the poorest to play an active role in their communities and societies;
- Although income support has been found to delay re-employment in advanced economies, this is often not the case in emerging and developing countries, where most individuals aim to return to work quickly because they rely on employment for subsistence.

### ALMPs can reduce some barriers to decent work

ALMPs include training, public works, employment subsidies, support for self-employment, and labour market services (ILO, 2016). Such policies provide assistance and incentives to people to encourage them to look actively for jobs and ultimately find suitable employment.

ALMPs can smoothen the path to decent work:

- Some active support measures, such as training and employment subsidies, help individuals to improve their level of education and skills, and to gain work experience. Others, such as labour market services, facilitate job matching by providing information on suitable opportunities;
- At the national level, ALMPs ensure that workers are equipped with the skills that employers require. This can also help reduce disparities in labour market performance across different sectors and regions;
- While ALMPs can have unintended consequences

– that is, reduced earnings and employment for jobseekers during their participation in an activation programme (an effect known as “lock-in”) – these will disappear with time as individuals secure better jobs and the beneficial effects of participation start to unfold.

### Income support and ALMPs complement each other

However, when implemented in isolation, income support and ALMPs can each only partly counteract the barriers to decent work.

- Income support on its own does not improve the level of education, skills and work experience of individuals, nor does it reduce information constraints. ALMPs pursue those goals, but participation in activation programmes can be time consuming and people can often not afford it.

Integration of the two types of policy, on the other hand, can:

- Foster equal opportunities when it comes to accessing decent work;
- Reduce skills mismatches, thereby improving labour productivity;
- Protect individuals against poverty, addressing the inequalities in access to decent work opportunities;
- Promote fair and sustainable transitions in the labour market when labour demand shocks occur;
- Facilitate more gradual structural transformations of the labour market.

### These policies have been combined in various ways and are already a cornerstone of labour market policy in numerous countries

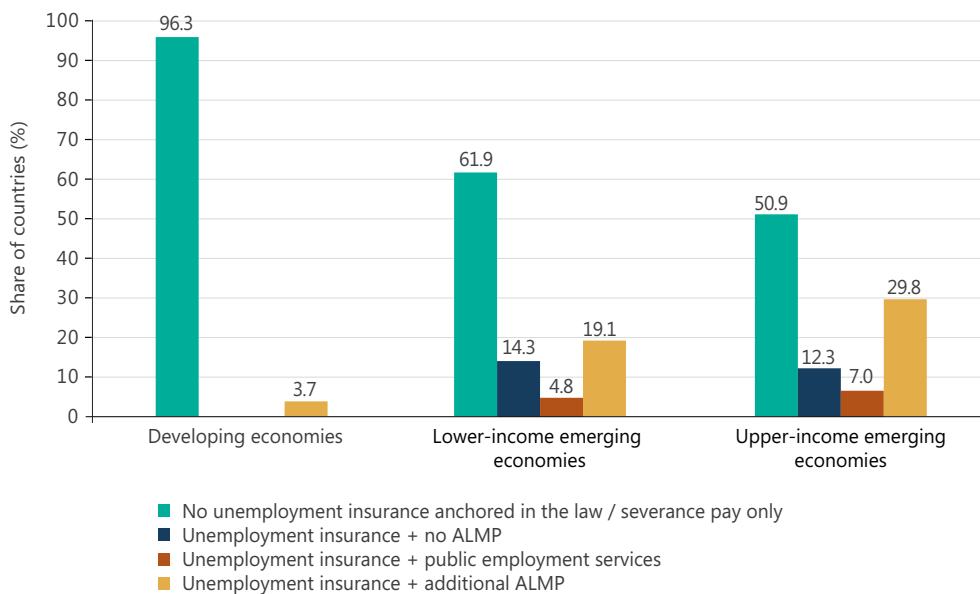
As part of the research project, a mapping of the different types of combination of income support and ALMPs that have been tried in emerging and developing economies was undertaken. Drawing on a range of quantitative and qualitative sources, Chapter 2 of ILO (2019) – the project’s synthesis report – identifies the following key patterns:

- The more developed a country, the more likely it is to adopt an integrated approach in its labour market policy.
- Integrated approaches based on unemployment insurance schemes are frequently used in emerging economies, but they are largely absent in developing economies (figure 1).
- In emerging economies, unemployment insurance is often combined with mandatory participation in job placement services and training and, to a lesser extent, with start-up support.
- Integrated approaches are also found in developing economies, where they tend to take the form of social assistance or cash transfer schemes that include

ALMPs, mostly public works (figure 2).

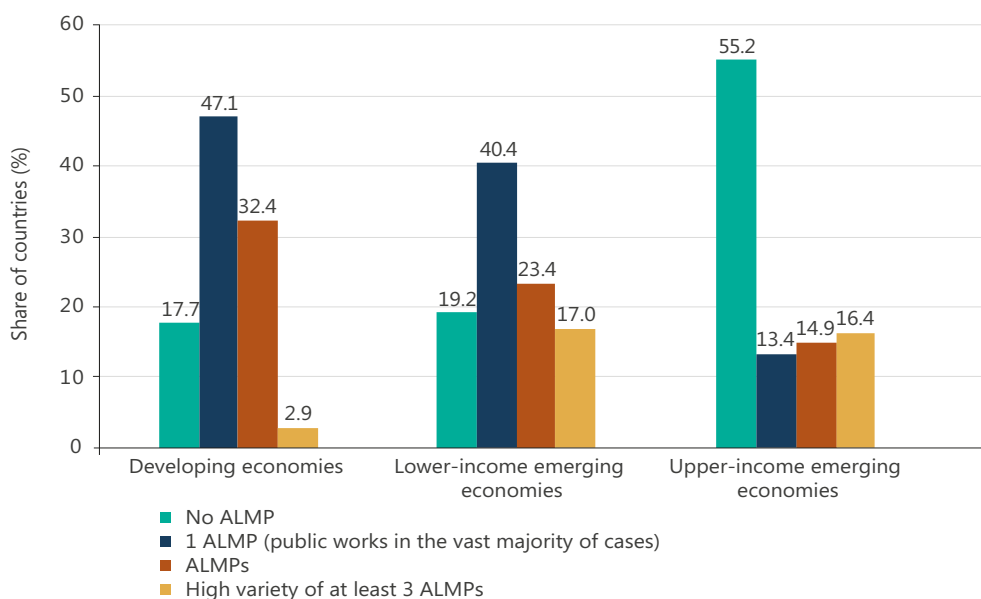
- Cash transfer schemes are normally means-tested and directed at groups with specific vulnerabilities. They typically provide minimum income support over a limited period.
- Integrated approaches based on cash transfer schemes are also found in emerging economies, particularly in the lower-income group. Again, the variety of policy combinations is greater than in developing economies.
- Regardless of a country's income level, the activation measures available to participants are generally more varied when offered as part of cash transfer schemes than when provided alongside unemployment insurance.

**Figure 1. Mandatory activation measures included in unemployment insurance schemes**



Source: ILO (2019).

**Figure 2. Activation measures included in social assistance**



Source: ILO (2019).

## Policy considerations

Income support and ALMPs are complementary. Crucially, the drawbacks and limitations of each type of policy can be reduced, or even eliminated, when they are implemented together. Which factors, then, contribute to the success of an integrated approach?

### Income support measures and ALMPs should not be traded off against each other

- Reducing income support so as to spend more on ALMPs, and vice versa, will not lead to greater effectiveness. Early examples of activation strategies in advanced economies, in which the introduction of mandatory work programmes undermined social protection, have been rightly criticized for that reason.
- The income support component in integrated approaches is vital: in emerging and developing countries, it enables workers to participate in activation schemes for their entire duration.

### Efforts to diversify the policies used in integrated approaches can help expand social protection in developing economies

- The vast majority of developing economies lack unemployment insurance schemes anchored in national law, leaving a large share of the population without regular income support.
- As the introduction of unemployment insurance takes time, integrated approaches involving a combination of ALMPs and social assistance or cash transfer schemes could be used as a bridge to more permanent social protection.
- As public works are already implemented extensively, policy makers in developing countries could introduce a wider set of activation measures – for example, training programmes and labour market services, which endow people with the skills they need to access quality employment and help them to find suitable jobs.

## Further reading

International Labour Organization (ILO). 2016. *What works: Active labour market policies in Latin America and the Caribbean* (Geneva).

—. 2017. *World Social Protection Report 2017–19: Universal social protection to achieve the Sustainable Development Goals* (Geneva).

—. 2019. *What works: Promoting pathways to decent work* (Geneva).

For more information or clarification please contact Verónica Escudero, Labour Market Trends and Policy Evaluation Unit of the ILO Research Department, at [escudero@ilo.org](mailto:escudero@ilo.org). Further information is also available at: [www.ilo.org/pathways-decent-work](http://www.ilo.org/pathways-decent-work).