

## **Labour market policies: balancing flexibility and social security**

A common challenge that all integrating economies today have to respond to is that structural change and labour market adjustment have become quasi-permanent features of national economies in a globalised world. Globalisation and technological change are exposing increasing shares of national economies to intense competition. Firms have therefore to adjust frequently their operations and their labour force to meet fluctuations in demand and progress in productivity. But simply responding to firms' need for flexibility, without taking care of the worker's need for security, is socially inefficient and has, apart from the adverse effects at the individual and household level, negative macroeconomic repercussions. A meaningful social dialogue is pivotal in this regard.

- 1. What combinations of active and passive labour market policies are effective in addressing adverse employment effects of structural and trade reforms under different economic and structural conditions?**
- 2. How to reform social protection systems, especially regarding their aspects traditionally linked to the holding of a formal stable job, so as to account for adverse effects of ongoing structural changes?**
- 3. How to facilitate genuine social dialogue when designing and implementing flexibility cum security programmes, particularly in countries with low unionisation or insufficient organisation of workers.**

*Labour force skills and employability.* Globalisation and trade liberalisation have increased the need to adapt new technologies more rapidly in order to remain competitive. Rapidly changing skill requirements thus call for a comprehensive effort to increase the educational level, especially in developing countries. It is now evident that in today's globalising world the skills and knowledge of an economy's workforce is increasingly determining the wealth and prosperity of nations.

- 4. What is the role of labour force skills in determining economic and employment outcomes for countries at different development stages in the context of globalisation? What programmes are most effective, and under what conditions, to foster skill upgrading and employability?**

*Formal and informal labour markets.* While labour market institutions and policies are common in industrialised countries, particularly in Europe, they tend to be weak, inefficient and often uncoordinated in developing countries, especially in low-income economies, because of the small State budget available to finance them. In contrast to industrialised countries' labour markets which are mainly formal and characterised by waged employment, many developing countries are characterised by dual labour markets in which the absence of protection in the informal economy contrasts with a high level of employment security in the smaller formal economy. Thus, in light of the large informal economy in many developing countries, particularly in Africa, serious considerations need to be given to how best to extend the outreach of social protection and other benefits of decent work to all.

- 5. What policies could help extending the outreach of social protection and other benefits of decent work to all workers in the context of developing countries with low capacity and limited fiscal resources?**
- 6. Is the gradual formalisation of the informal economy feasible or desirable? What kind of institutional capacities are required to formalise informal economies?**

***Gender Inequalities.*** In developed and developing countries alike, there is also an enduring trend of horizontal and vertical sex segregation in the labour market due, inter alia, to gender inequalities in education, training and recruitment that are causing, among others, persistent gender wage gaps in all sectors throughout the world.

**7. What policies should be adopted to reduce gender bias in the labour market?**