

## EFFECTIVE LABOUR MARKETS

*Sharper and smarter policy responses are essential in times of diminished resources. Policies need to be re-examined with a view to assessing how they fit the crisis.*

### 1. LEGISLATION NEEDS TO FACILITATE ENTERPRISE SURVIVAL

*Efforts to retain staff numbers need to be facilitated by legislation that allows enterprises and their workers to make the necessary decisions. More flexibility in labour markets is essential not only for the survival of firms, but also for companies' ability to retain employees through the economic downturn and prepare for a return to competitive trading conditions.*

#### POLICY RECOMMENDATIONS & CONSIDERATIONS

- ▶ Reform inequities in labour markets and address issues of labour market duality. These have been caused by the increase in temporary and contract arrangements in a number of countries in recent years as a way around rigidities in those labour markets.
- ▶ Promote labour market policies that seek to increase employability and 'employment security' rather than traditional approaches of protecting jobs through legislation.
- ▶ Address stringent layoff regulations that increases the cost of firing workers, making firms reluctant to hire new workers, particularly if they expect to make significant employment changes in the future.
- ▶ Promote policy that is based on balancing different social objectives (such as social protection on the one hand and job creation on the other). This involves determining the optimum level of regulation beyond which employment generation is likely to be adversely affected.

This policy brief is part of a series which the IOE has developed to assist Employers' Organisations (EOs) in their policy discussions with governments and other stakeholders on crisis recovery measures and strategies and additionally to help EOs in the provision of guidance to their own members. The policy briefs are based on the employer input into the Global Jobs Pact (GJP) which was developed during the 2009 International Labour Conference as a global and collective crisis response by ILO constituents. The Pact is fully supported by employers. The IOE has prepared a specific Guide to the GJP for its members. This Guide, along with the Pact itself and other information relevant to crisis recovery plans is available on the "Global Jobs Crisis" response section of the IOE website.

- ▶ Test all legislation for cost of compliance and its effect on hiring incentives. This can be achieved by *inter alia*:
  - *putting in place impact assessment mechanisms and supportive measures for effective implementation of laws;*
  - *strengthening the direct and regular participation of the business community in the making of laws, their operation and review;*
  - *exposing drafters of legislation to international experiences and practices;*
  - *ensuring that domestic institutions are strong enough to carry out effective reform and implementation.*
- ▶ Examine the particular impact of compliance costs on SMEs (compliance with labour law is often considerably more difficult for small firms along with the time factor in adhering to and understanding the legislation).

## 2. IMPROVING LABOUR MARKET INFORMATION

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*In many countries, labour market information systems, including regular monitoring of trends in the labour market through labour force surveys, needs further improvement. Policy makers must not lose sight of the fundamental prerequisites for effective longer term labour market planning – accurately matching future labour market demand with supply. This was an ongoing issue before the crisis.*

### **POLICY RECOMMENDATIONS & CONSIDERATIONS**

- ▶ Ensure robust systems of consultation with the business community are in place to make certain that the views of business are factored into education and skills systems and planning.<sup>1</sup>

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<sup>1</sup> *More than 80% of employers suggested that ineffective consultative mechanisms are in place for business to input into primary and initial education. Poor labour market planning and the consequent skills mismatches which the survey highlights seem to be a direct result of lack of engagement with the private sector. (IOE Trends in the Workplace Survey 2009)*

### 3. LABOUR MARKET PLANNING - NOW AND IN THE FUTURE

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*Labour market planning is very much an issue for the current crisis. While firms are contracting now and making layoffs, including highly-skilled personnel, those skills will be needed in the future.*

- ▶ Examine mechanisms to assist highly skilled laid-off workers so that they can re-enter the labour market at those same (or higher) skill levels when the business climate improves.
- ▶ New opportunities will arise because downturns often change consumer preferences; people experiment with lower-cost products or modes of consumption not pursued seriously during more prosperous times. Skill planning now can prepare economic actors to benefit from this.
- ▶ Factor in longer term policy issues, such as sharp changes in global demographics, into short term policy thinking. Many developed countries will be faced with acute changes in working populations and increases in dependency ratios.

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