

REPORT ON THE E-DISCUSSIONS - SOCIAL POLICY REPORT IV

Rounds 1 and 2

LABOUR MARKETS AND LABOUR MARKET POLICY IN THE ESCWA REGION

The Social Development Division is currently in the process of conducting research to publish the fourth Integrated Social Policy Report entitled: "Labour Markets and Labour Market Policy in the ESCWA Region". The report is due to be finalized by 2011 and will be based on three separate working papers focusing on i) a discussion of the labour market data available in the region and an overview of key labour market challenges; ii) an analysis of labour market regulation and recent legislative changes; iii) an inventory of active labour market policies in the region. An expert group meeting (EGM) will be held in Beirut in March or April 2011 in order to discuss the working papers.

The detailed proposed outline of the fourth report has been reviewed through an electronic discussion that took place from the 9th to the 15th of December. A number of experts on labour market issues and social and economic policy in the ESCWA region were invited to participate in the e-discussion, which was facilitated by Gisela Nauk, Chief of the Social Policy Section.

Below is a list of the discussants that replied to provide feedback and advice on the outline of the report:

List of Discussants (Alphabetical order)

Name	Title/Organization
Lahcen Achy	Senior Economist at the Carnegie Middle East Center
Sarah Cook	Director of the United Nations Research Institute for Social Development (UNRISD)
Steffen Hertog	Lecturer -Department of Government - The London School of Economics
Katja Hugo	Research Coordinator of the Social Policy and Development Programme - UNRISD
Gisela Nauk	Chief – Social Policy Section – Social Development Division - ESCWA
Frederico Neto	Director – Social Development Division - ESCWA
Markus Pilgrim	Manager of the Youth Employment Network (YEN) at International Labor Organization
Ibrahim Saif	Economic Researcher at Economic Research Forum (ERF), previously at Carnegie Middle East Center
Diane Zovighian	Social Development Consultant - Previously Associate Social Affairs Officer at ESCWA

Participants of the e-discussion were sent the draft outline of the fourth Integrated Social Policy report and specifically asked to answer the following questions:

- (i) Did we capture the main policy questions that are relevant for the ESCWA region?
What would you like to add?

(ii) Did we capture the essential indicators to assess status and progress in the areas of labour market statistics, regulation and ALMP? What is missing?

(iii) Are there any major gaps that come to your attention and how would you recommend addressing these?

These questions initiated several comments from the participants evolving around five central themes. The five themes were: The socio-economic dimension of labour markets; segmentation of (labour) markets; data challenges; labour market institutions and social partners; and macroeconomic context and economic / industrial policy. In particular, issues related to the segmentation of labour markets in the ESCWA region and the link between social and economic policies were widely debated.

During the e-discussion, it was decided to extend the deadline of the discussion and a summary with further questions were sent to participants. Further responses were particularly requested on the nature of the relations between the social and economic spheres, the segmentation of labour markets and the macroeconomic context. Questions regarding the instruments and the evaluation of public policies were also raised with a focus on policy implementation and coordination. This initiated the second round of discussion which focused further on the potential instruments available for governments and in particular the interconnectedness of the previously raised issues.

Various issues were highlighted during the discussions as described in the following:

1. The socio-economic dimension of labour markets

Several participants mentioned that decisions about job creation and employment are made in the economic sector according to economic criteria, but they are decisive for outcomes in the social sector. On the other hand, decisions about education, health, social care etc. are made in the social sector, and according to a much broader mix of criteria, but they are decisive for outcomes in the economic sector.

Questions were asked related to how governments can ensure appropriate coordination and information flows across sectors. Furthermore the issue of links between national strategies and instruments at the disposal of governments to pursue these objectives were highlighted.

Participants mentioned that the report would make a contribution by providing a clear conceptualization of the linkages - framing this as an economy-wide problem, and thus one which needs to be integrated across the policy domains with employment as the critical link between how the economy functions and individual / family / societal well-being. If most people do not have decent income through employment, the redistributive pressures on the system (social policies) are unsustainable. The report could go further in pushing the implications of this – it challenges a perspective that market-driven macro-economic and trade policies should be in place previous to working out how to deal with employment / unemployment problems. Employment as a central policy goal needs to be integrated at a prior level of policy decision making which was highlighted by several discussants.

2. Segmentation of (labour) markets

The segmentation of the labour markets in the ESCWA region was at the forefront of the e-discussion. There is the formal / informal divide, but also other segmentations that run deeper along the lines - between the skilled / unskilled, urban / rural, male / female, national / migrant workers and between the public and private sector - were discussed. This affects not only mobility, but also reservation wages, educational incentives, and fundamental issues of distributional equity in society. There also seems to be a corresponding segmentation in the economies at large with distortions in the product and capital markets and high barriers to entry. Several discussants highlighted the lack of information on the informal labour market and policies to improve conditions for individuals in informal jobs including the extension of social security.

The interconnectedness between these segmentations was discussed and it was suggested to conceptualize better the differences but also possible overlaps of the different segments of the labour markets / social groups. The potential for public policy to facilitate movement across the segments were mentioned with the questions of whether this may increase the risk of a race to the bottom.

It was also suggested to look deeper into the question of how public employment policy and labour market regulation possibly reinforces labour market segmentation by strongly influencing (and distorting?) incentives with regard to reservation wages and educational preferences.

3. Data challenges

Challenges related to the lack of labour-related data in the region were almost mentioned by all discussion participants. Central issues are often omitted from statistics and it would be important to note the biases in what exists in the partial statistics available. From a social policy perspective, this is important as the people missing in the data are likely to be the most marginal in employment / income / welfare terms. Specifically, the issue of short and long term evaluation studies of ALMPs was mentioned by the participants.

Hertog, Cook and Pilgrim further highlighted that a comprehensive overview of data sources in the region is lacking and this would be of substantial use to the research community at large.

4. Labour market institutions and social partners

In particular, the second round of discussions focused on who ultimately takes responsibility for employment, and the need to ensure effective governance of the labour market. Coordination across agencies and sectors needs relate to job creation or labour demand, ensuring an adequately skilled supply, or ensuring appropriate regulation. The currently weak implementation of labour market policies was also highlighted, where the bureaucratic segmentation and fragmented decision-making processes are crucial obstacles to institutional coordination and the development of integrated policies in the region. As a

result of this, a discussion of the potential benefits of coordination of ALMPs and labour-related regulation was suggested for the report.

The role of unions and social society was highlighted as limited in the region and the potential for improving wage setting mechanisms and other coordinating instruments were discussed as central to improving work conditions in the ESCWA member countries. The need for balanced national employment strategies was described while the potential lack of fiscal place for implementing certain labour market policies was also mentioned.

5. Macroeconomic context and economic / industrial policy

As it stands, and as mentioned by participants, the demand side largely remains out of the range of the report (for capacity constraints). However, questions of job quality are closely linked to productivity and there is inconsistent and contradicting information whether productivity is increasing or declining in certain countries or industries. The unlimited supply of cheap labour does not necessarily provide an incentive to employers to invest in technology and productivity.

On the one hand, labour-intensive production and industries correspond to the needs of a growing workforce. On the other hand, underemployment and hazardous work conditions are producing social problems and do not further social development. The literature often mentions a quantity / quality dilemma and challenge of job creation. It was agreed amongst the discussants that there were no easy solutions to these issues, but that these are extremely relevant issues in the region.

Participants discussed the relevance of return to labour as opposed to productivity which is not necessarily reflected in wages, a part of this could be to look at which sectors are growing and the potential for employing vulnerable individuals in these newly created jobs. The regional distortions of product and capital markets were highlighted and it was suggested that the report include information about which conditions have to be in place to make development paths more employment-intensive.