

WHAT WORKS

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WHAT WORKS: PROMOTING PATHWAYS TO DECENT WORK

New evidence is available on the merits of combining income support with active labour market policies (ALMPs) to protect people during joblessness and promote pathways to decent work. Such a combination, or integrated approach, prevents people from being forced by necessity to accept any new job that comes their way, regardless of its quality, while at the same time equipping them with the necessary skills to aspire to better jobs and helping them to find new employment opportunities.

Key findings

- The lack of decent work opportunities continues to be a central challenge in emerging and developing economies, as evidenced by persistently high rates of underemployment and informality; affecting disproportionately the most vulnerable groups of the population.
- Although this challenge has existed for a long time, there is a risk that current transformations in the world of work (e.g. technological progress, international trade, demographic shifts and environmental change) could make decent work even more elusive.
- Combining income support for jobless individuals with ALMPs is an effective policy tool that can be used to address the multiple barriers to decent work simultaneously, providing a solution to new and long-standing labour market and social challenges:
 - Income support is about protecting individuals and households during periods of joblessness, and prevents people from having to accept any new job that comes their way, regardless of its quality.
 - ALMPs equip individuals with the necessary skills to aspire to better jobs in the future; they also help people to find new employment opportunities quickly.
 - New evidence shows that it is possible to increase the effectiveness of each of these two types of policy by providing them jointly, thanks to synergies that can be harnessed through such integration.

Research question

Access to productive and decent employment for working age individuals is one of the most important sources of income security in emerging and developing economies, and a key driver of poverty alleviation. Yet, the lack of decent work opportunities continues to be a central challenge in many of these countries.

Understanding the barriers that limit access to decent work is of the utmost importance when it comes to designing appropriate policy measures (figure 1):

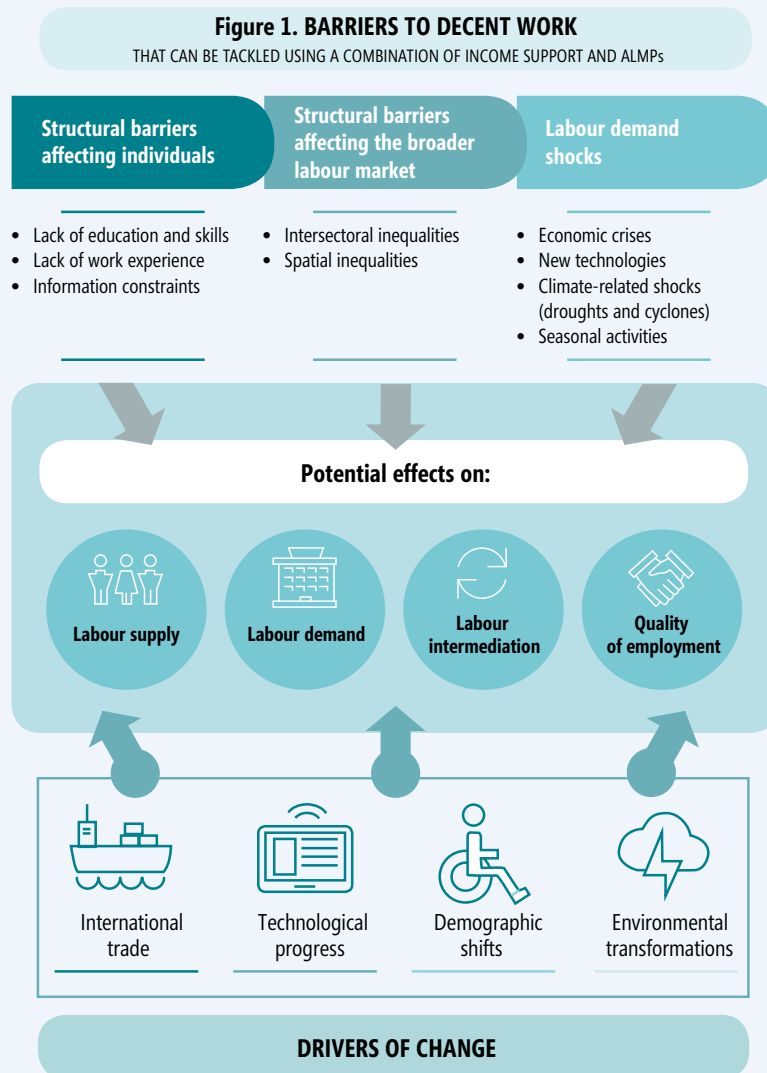
- Such barriers have multiple causes, which may be either structural (e.g. underinvestment in skills) or temporary (e.g. economic downturns).

- Their effects are manifold, as they can lead both to a reduction in employment opportunities and to a deterioration of working conditions, impacting not only on the prospects of individuals and households, but also on the aggregate labour market.
- Although these barriers have existed for a long time, current transformations in the world of work risk to make them even more formidable.

Effective policy responses to deal with both long-standing and new problems are thus urgently required. One promising solution is integrated approaches that combine income support with ALMPs:

- Governments in some emerging and developing economies have recently begun to embrace this policy shift as a means of addressing a wide range of labour market and social challenges.
- It is not well known, though, to what extent the joint

implementation of income support and labour inclusion policies, such as ALMPs, can remove barriers to decent work. Moreover, the different forms that such policy integration has taken in emerging and developing economies have not been studied in depth.



The project

Motivation

In this context, the Policy Evaluation Team of the ILO Research Department launched, in 2016, a research project entitled “What works: Promoting pathways to decent work”, which had the following objectives:

- Addressing knowledge gaps on:
 - the different policy combinations that have been tried so far in emerging and developing economies;
 - their effectiveness in bringing about improved labour market outcomes;
 - any design and implementation factors that can enhance their beneficial effects;
- Compiling and presenting new evidence on the effects of particular combinations of policies that had not been evaluated in previous studies, with a particular focus on of policy evaluation;

- Reinforcing the ILO’s commitment to providing member States with evidence-based policy advice that is relevant and applicable;
- Engaging with tripartite constituents, civil society and the research community to ensure that the work carried out for the project reflected the policy concerns of the countries studied.

Main elements of the project

The research project included a range of outputs:

- *General conceptual framework*: this framework puts forward how approaches that combine income support with ALMPs can help overcome the obstacles to decent work in emerging and developing economies.
- *Mapping of combined policies*: By mapping the specific policies adopted by countries, it has become clear that

integrated approaches of many kinds already play a significant role in labour market policy in emerging and developing economies across the world.

- *Literature review and macroeconomic analysis:* A narrative literature review was undertaken of studies that have looked at the effectiveness of combining income support with ALMP. This was complemented by a macroeconomic analysis of the effects of such policy integration in emerging and developing countries.
- *Impact evaluations:* The impact of two national

programmes based on an integrated approach was evaluated. The case study of Mauritius assesses the country's unemployment benefits system, which combines the provision of contributory and non-contributory income support with three different types of ALMP. The case study of Uruguay assesses a public works scheme implemented as part of a broader cash transfer programme that sought to counteract the detrimental effects of an economic crisis.

- *Synthesis report:* The main findings of the project are presented, in non-technical terms, in a single volume (ILO, 2019).

What works?

As argued in the synthesis report, the complexity of the changing world of work and the urgent challenge of tackling barriers to decent employment can only partly be addressed using traditional policy interventions:

- Income support policies are key to protecting workers' incomes, but they do not equip them with the tools that would enable them to access better quality jobs or achieve swifter re-entry into the labour market.
- ALMPs are effective in endowing people with the skills required to access quality employment, but participation in them can be costly and time-consuming.

On the other hand, a combination of the two policy types can:

- Reduce, if not eliminate, the drawbacks and limitations of each type of policy by exploiting their synergies;
- Promote labour market mobility and improve conditions of employment while addressing inequalities in access to decent work opportunities;
- Help enhance productivity growth by enabling workers to acquire new skills while protecting them from poverty and material deprivation;
- Help deal with labour demand shocks by cushioning their adverse effects on income while ensuring that workers can respond to the need for new skills.

Examination of existing integrated approaches in emerging and developing economies reveals that:

- Such approaches are pivotal in the design of contemporary labour market policy not just in advanced economies;
- With a rising level of development, countries tend to introduce unemployment insurance schemes that include an activation component;
- Integrated approaches are also to be found in less developed countries, where they typically take the form of cash transfer schemes with embedded ALMPs;
- Regardless of a country's income level, the offer of activation measures is generally more varied when

provided as part of a cash transfer scheme than when channelled through an unemployment insurance scheme.

The findings from the literature review and the comparative macroeconomic analysis of integrated approaches in emerging and developing countries suggest that:

- Such approaches not only have a positive effect on the labour market and social outcomes of individuals but also lead to improvements in aggregate performance;
- The success of integrated policies depends largely on their degree of integration and on particular design and implementation characteristics;
- Impact evaluations of such approaches in emerging and developing countries generally confirm their positive effects, but they have looked at only part of the wide spectrum of policy interventions that can be included within an integrated framework;
- Most earlier studies have focused on the combination of either training or micro-enterprise promotion with conditional cash transfers whilst neglecting other types of ALMP (e.g. employment incentives, public works) and income support (e.g. unemployment insurance).

The two case studies conducted for this project turned up some interesting results:

- The innovative unemployment benefit scheme of Mauritius gives both formal and informal workers access to income support and three different types of ALMPs (training, job placement and start up support). By extending coverage to the most vulnerable group of workers, the scheme has helped reduce inequalities.
- In Uruguay, the beneficiaries of a conditional cash transfer scheme designed for the poorest segment of the population were given the opportunity to participate in public works. This approach reached a large share of the population at risk of extreme poverty, who did not have access to social protection. It also counteracted the potential disincentive effect of income support and increased the participants' likelihood of finding employment afterwards.

Policy considerations

What are the key factors that determine the success or otherwise of integrated approaches in emerging and developing countries?

Creating enabling conditions

If an integrated approach is to realize its full potential, certain key conditions need to be in place:

- Each of the constituent policies has to be sufficiently well funded, noting that once effectiveness is achieved, joint policy approaches can self-finance in the medium term;
- There has to be adequate institutional capacity to steer implementation of the policies;
- Workers' and employers' organizations have to be involved together with the Government in the design of the policies to ensure their relevance.

Covering all those who are in need

It is important that the policy interventions in an integrated approach achieve high coverage and take-up rates. The following aspects are important:

- Correctly identifying the population groups that are meant to benefit from the policies;

Further reading

Asenjo, A.; Pignatti, C. 2019. *Unemployment insurance schemes around the world: Evidence and policy options*, Research Department Working Paper No. 49 (Geneva, ILO).

Escudero, V.; Kluge, J.; López Moureló, E.; Pignatti, C. 2019. "Active labour market programmes in Latin America and the Caribbean: Evidence from a meta-analysis", in *The Journal of Development Studies*, Vol. 55, No. 12, pp. 2644–2661.

—; López Moureló, E.; Pignatti, C. 2019. *Joint provision of income and employment support: Evidence from a crisis response in Uruguay*, Research Department Working Paper No. 41 (Geneva, ILO).

International Labour Organization (ILO). 2019. *What works: Promoting pathways to decent work* (Geneva).

Liepmann, H.; Pignatti, C. 2019. *Eligibility and participation in unemployment benefit schemes: Evidence from Mauritius*, Research Department Working Paper No. 50 (Geneva, ILO).

Pignatti, C.; Van Belle, E. 2018. *Better together: Active and passive labour market policies in developed and developing economies*, Research Department Working Paper No. 37 (Geneva, ILO).

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- Ensuring that all those for whom the intervention has been designed are able to participate in it;
- Introducing additional incentives, if necessary, to promote the participation of the most vulnerable individuals.

Focusing on effective implementation

The case studies of integrated approaches in Mauritius and Uruguay indicate that effective implementation depends, among other things, on:

- Ensuring that the income support provided is sufficiently generous to keep people out of poverty;
- Strengthening the activation component;
- Increasing the attachment of jobseekers to the various activation measures;
- Improving the linkages between the income support and activation components.

Undertaking further rigorous assessments

Evidence-based policy design is key to ensuring the best use of public finances and to achieving sustainable improvements in the labour market.