

# Labor Market Policies and Social Protection in Asia<sup>1</sup>

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## 1. Introduction

In recent years, there has been a renewed interest in social protection. This may be traced to two main factors. The first is the apparently increased financial, economic, environmental, and social instability experienced by many among the poorest countries in the world during the 1990s. Particularly in Southeast Asia, countries that for a long period of time thought themselves to be nonvulnerable to crises discovered the harsh reality of an economic slump and its effect on the most vulnerable. This, in turn, sparked a reconsideration of neglected social protection policies. The second element is the growing concern about social exclusion that has emerged in both industrialized and developing nations and has been treated in the homonymous literature (see Sen [2000]). In this case, social protection can be seen as a response to social exclusion.

The effects of major calamities and social exclusion are often strictly connected to the labor market. Loss of work or loss of assets providing subsistence are often the first shocks in the spiral that conduces to poverty and destitution, while unemployment is associated with loss of income but also with loss of health and freedom, and ultimately with social exclusion. Hence, labor markets are thought of as central institutions for rehabilitation programs when calamities occur, as central mechanisms to reverse the spiral of poverty, and as important tools to increase participation in social and economic life. This understanding of the role of the labor market has encouraged multilateral and bilateral aid providers to include labor market policies (LMPs) and programs in social protection strategies.

Yet, historically, and in particular in some Asian countries such as Japan, LMPs have been seen as an integral part of economic and industrial policies and not as a form of social protection. By definition, LMPs address labor market problems and do not necessarily concern the most disadvantaged or those in society most exposed to risk. From an economic perspective, many analysts would agree that the primary objective of LMPs is to facilitate a proper allocation of labor resources and contribute to developing the necessary human capital so as to maximize labor's contribution to growth.<sup>2</sup>

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<sup>1</sup> This paper is a shortened and revised version of two papers commissioned by the ADB as background for the ADB's social protection strategy framework. The original papers were written together with Alan Abrahart. Child labor and unemployment benefits, two relevant issues for social protection, are not covered in this paper, because the topics were treated separately in the child labor and social insurance framework for ADB's social protection strategy.

<sup>2</sup> This vision stems from human capital theory and more recently from advances in growth theory where human capital has been made endogenous to theoretical models.

By contrast, if we have to identify the primary objective of social protection, we would probably emphasize the aspect of protecting all individuals from adverse risks, such as economic crises, wars, disability, old age, discrimination, unemployment, and poverty. The primary objectives of LMPs and social protection are somehow conceptually different.

LMPs do not naturally fall into social protection by virtue of definition or content, but they can be brought under a social protection strategy if they properly target groups in need of social protection. The question to ask when we want to integrate LMPs under the wider umbrella of social protection is, which LMPs best serve the primary objective of social protection? One may discuss the benefits and disadvantages of a particular wage policy for a certain economy, but for the purpose of social protection, the relevant debate is about benefits and disadvantages for those most vulnerable to risks, and not only for the economy at large. This is a significant shift in the debate. LMPs designed to target the unemployed incidentally target a share of the poor, although not all poor are unemployed and not all unemployed are poor. Again, if we look at LMPs with a social protection lens, their design and implementation may be quite different from the traditional approach to LMPs.

A distinction should also be made between poverty alleviation measures and social protection. While these two classes of policies are often taken interchangeably because they incidentally target the same population, this is not always the case. Social protection concerns all individuals, including the nonpoor. The poor are obviously more exposed to risk and usually less covered by social protection, which should make them a primary target group, but social protection will still have to perform traditional functions for all in fields such as pensions and health. In fact, one important function of social protection is to prevent people from falling into poverty, as well as lifting people out of poverty. In the case of LMPs, while a microcredit scheme may be targeted to the poor, a wage policy is likely to affect mostly the nonpoor—and yet, it can be an effective social protection measure.

In sum, LMPs, social protection, and antipoverty measures overlap to a great extent. An LMP can provide social protection as well as helping alleviate poverty and vice-versa, an antipoverty measure may turn out to improve labor market functioning. This is the reason why many countries merge LMPs, social protection, and poverty alleviation measures under the responsibility of one ministry. However, historically and worldwide, this has not always been the case, as different underlying philosophies have shaped LMPs.

The purpose of this paper is to discuss LMPs in the context of social protection in Asia. Many Asian countries, whether industrialized, developing, or in transition to a market economy, did not until recently deploy proper social protection institutions comparable to those existing in Europe or North America. The Southeast Asian and Russian crises of the late 1990s brought about two major challenges: how to protect the main victims of the current crises and how to establish permanent social protection institutions able to avert major forms of destitution in the future. The paper looks at these two aspects from an LMP perspective, attempting to highlight issues and dilemmas with which policymakers are likely to be confronted.

The paper starts by overviewing the different approaches to LMPs that have emerged in the postwar period, worldwide and in Asia. It moves on to discuss some of the major

“divides” present in developing labor markets, using the concept of labor segmentation intended as a form of social exclusion. Next, a possible LMP portfolio suitable for social protection is reviewed, its relevance for social protection discussed, and the advantages and disadvantages of selected policies weighed. The paper concludes by summarizing the key issues treated.

## 2. LMP Models and the Asian Experience

Very broadly, labor market models across the world have developed following what we could call the Japanese, the European, or the American model. These are not recognized and accepted categories, but simply the reflections of different types of approaches to labor market policies. Various countries may well fall in between these broad categorizations.

The Japanese model, at least until the early 1990s, relied on the principle of full employment, intended mainly as a value to be preserved in a stable society. Labor market imbalances were perceived as a major problem, but one to be addressed at the company level rather than in the open market. Job separation preferably occurred when alternative employment was available, while costs experienced during economic downturns were absorbed within the enterprise and with the help of the Government. In the Japanese model, the emphasis was on the “internal” labor market within the enterprise as opposed to the “external” labor market outside the enterprise. When difficulties arose and restructuring was needed, firms were supported by the Government in skills upgrading and training programs so as to preserve employment, and in finding alternative products suitable for the changing market. In this context, LMPs were perceived to be part of the wider group of economic and industrial policies to be managed by the ministries of economy and industry: an industry-driven form of labor market management that supports this model. In this context, LMPs could be considered as a form of social protection intended as employment protection.

The European model accepts market laws and the existence of unemployment as a necessary temporary condition to facilitate and maximize the allocation of labor. Government intervention to support enterprises in difficulties is expected to be limited, and the government role is mainly to support the unemployed with income maintenance and training schemes so as to facilitate job seeking and placement. The main policy objective in this case is to reduce labor market rigidities and favor matching of labor supply and demand. Unemployment support is often generous and meant to provide adequate income maintenance. Responsibility for LMPs lies very much with the ministries responsible for labor and social protection, while other ministries become necessarily involved when claims are made by workers, trade unions, or employers’ associations. In this model, governments often allow concessions of various kinds, including direct support to enterprises, for the sake of social stability. It is a socially driven type of labor market management that is emphasized and, in this sense, the European model is perhaps the closest to the social protection concept.

The American model focuses on the demand side of the labor market by limiting government intervention to a great extent. The main objective is to maximize labor’s contribution to growth. Enterprises are relatively free to dispose of labor according to economic fluctuations, while the government attempts to maximize mobility of workers and minimize other labor market rigidities such as minimum wages, hiring costs, and mismatching of labor demand

and supply. The unemployed are supported but expected to be very active in job seeking or employment generation, and strict rules are applied to unemployment compensation and its duration. The underlying philosophy is that growth eventually reaches all those in need and that short-term investment and growth targets will naturally achieve long-term employment objectives through the market. This is a form of *market-driven* labor market management and perhaps the furthest in its spirit from social protection.

The Asian experience has been rather diverse, depending on what influenced the development of LMPs the most. The Central Asian Republics (CARs) lived the life of the Soviet Union until 1990 and then experienced transitional reforms during the 1990s, adopting a model largely borrowed from Europe. Though not formally part of the Soviet Union, Mongolia followed a similar path, while the People's Republic of China (PRC) and Viet Nam are going through market reforms with an intact single communist party and LMPs largely devised locally. Other countries in East and Southeast Asia, such as the Republic of Korea, looked at Japan as the raw model of development and developed LMPs accordingly, while South Asia experienced heavy state intervention and focused LMPs on large public works schemes until the important reforms of the 1990s.

Among the Asian transitional economies, the CARs were part of the Soviet system, where labor markets did exist but were heavily planned, where unemployment was officially unknown though existing in many areas, and where large portions of the labor force were underemployed and employed in technologically obsolete large enterprises. The central post-1989 issue in these countries has been the privatization and restructuring of state-owned enterprises (SOEs). This largely failed, resulting in growing unemployment and underemployment and a severe slump in output and wages. These economies have yet to fully recover and during the 1990s have experienced a process of informalization and fragmentation of the labor market that is making recovery a very arduous task indeed. The dismantling of the Soviet labor market system has paved the way for the introduction of a more liberal system. In theory, the labor market framework adopted is similar to the European model, but in practice the application of such a model is hampered by the slow pace of real privatization and real restructuring.

For the PRC first and Viet Nam later, the transition to a market economy started with agriculture. At the outset of reforms, these societies were mainly rural, and households already had a certain degree of control over the use of the land. When the first reforms allowed households to keep the fruits of their production, productivity started to increase dramatically. This eventually liberated large quantities of human resources for the growing industrial areas. Rapid changes in the economy led to changes in regulations on labor mobility, housing, and residency, and the establishment of support mechanisms for the unemployed and also for those employed in SOEs facing major restructuring challenges. These countries can now count on substantial growth patterns and budget revenues, but are facing major unprecedented challenges arising from rapid urbanization and mass unemployment that growth alone cannot address.

There is an interesting parallel to be drawn here between the countries of the former Soviet Union (FSU) on the one hand and the PRC and Viet Nam on the other. The FSU countries have often been described as fast reformers relative to the PRC. That is because privatization, price liberalization, and trade liberalization occurred over a relatively short period of time. However, real changes in enterprises and the economy at large have been very slow in the FSU countries, and the great majority of their populations have yet to enjoy any degree of participation or benefit from the reforms. By contrast,

the PRC and Viet Nam are usually described as slow reformers, referring to the pace of reforms. Yet, such reforms have been made for the largest numbers to enjoy, and they have been subscribed to and supported by populations eager for change. Changes in the real economy have been tremendously fast; in fact, too fast for governments to control. While both groups of countries today face high unemployment and difficulties in dealing with SOE restructuring, the PRC and Viet Nam have a definite advantage in having buoyant economies that can better cope with such problems. Moreover, the degree of economic participation in reforms by the population at large (social inclusion in the transformational process) has been much more evident in the PRC and Viet Nam than in Central Asia, offering better prospects for social protection.

Some Southeast and East Asian countries have traditionally looked at Japan as a raw model for LMPs. The Republic of Korea, until the early 1990s, had adopted a very similar approach to the Japanese model by encouraging large enterprises to maintain labor and managing the labor market from the demand side. Firms were encouraged to manage fluctuations in aggregate demand with internal labor restructuring. The trade unions' role until the 1990s was severely restricted and the State generally exercised tight control of the labor market. In this respect, countries like Singapore first and Malaysia later have shown similarities, in that they also preferred to keep tight control over employment in enterprises, discourage workers' associations, and focus on growth and productivity by heavily investing in technology, education, and training. The success of these countries in achieving long-lasting growth and full employment in the early 1980s encouraged governments to maintain the labor market approach and the double target of full employment and sustained growth.

During the 1980s and 1990s, increased levels of education and continued dissatisfaction with tight rules in areas such as freedom of association and minimum wages led to increased social unrest and, eventually, some concessions on the part of governments. Moreover, the financial crisis of the late 1990s hit these economies hard and exposed some structural deficiencies in the labor and financial markets, as well as creating an unemployment problem of a dimension unknown until then. These factors are leading some Southeast and East Asian economies to reconsider their labor market approach.

The countries of South Asia emerged from the colonial period with great expectations. The newly established states propelled the economies with large investments in state companies that eventually became the driving force of industrial production. With the beginnings of globalization and international competitiveness during the 1980s, it became increasingly clear that labor laws and regulations were too restrictive and that SOEs were burdened by overmanning and poor competitiveness. Budget deficits contributed to the realization that reforms leading to stabilization and liberalization had to be undertaken. The stabilization reforms that initiated the process had restrictive consequences for the economy and deepened labor market problems. The privatization and liberalization measures that followed, while increasing competitiveness, also added to the masses of retrenched workers. As a reaction, governments were forced to introduce social protection mechanisms such as the National Renewal Fund in India. Today, South Asia is benefiting from sustained growth, but many of the problems related to SOEs, retrenched workers, and unemployment remain to be solved.

The countries of the Pacific benefited more than any other region in Asia from substantial aid flows for a long period of time. In addition, the region has traditionally benefited from favorable trade agreements with the major trading blocs, such as the United States

and the European Union. Returns to such aid and trade facilities have been disappointing, and most economies have not been able to develop and diversify so as to become valuable competitors on the international scene. In addition, a certain culture of dependency on aid has developed in some of these economies that, together with increased levels of social instability, is contributing to hampering further changes. Yet needs and expectations cultivated by populations exposed to globalization have grown, and this has contributed to attracting many people, especially the young, from remote areas to urban centers. As a consequence, urbanization has become a new phenomenon that fragile ecosystems such as islands have obvious difficulty in sustaining, particularly if the urban economy is not able to provide adequately for all newcomers.

How much can be learned from the experience of industrialized economies, and should models be imitated? The FSU countries have largely imitated the European LMP model, with little consideration for the nature of unemployment in transition and the real financial possibilities. For instance, employment services in Kazakhstan during the late 1990s were well established, deploying modern information technology means and a reasonable information and data analysis system. However, the number actually reached by the system was only about one fourth of the unemployed, unemployment benefits did not provide the income maintenance they were designed for, and enterprises routinely bypassed the employment services. This led the Government to substantial reforms in 2000, including the elimination of unemployment benefits. Employment services are costly to maintain for poor governments. Perhaps a better focus and more investment in enterprise restructuring and less emphasis on the employment services system would have better served the cause of the unemployed. Unemployment in the FSU remains a demand deficit problem, rather than a labor market flexibility problem that can be addressed by employment services alone.

The FSU experience may be a useful lesson for other Asian countries undergoing labor market reforms. The lesson here is not whether employment services should be established but whether a system designed for mature industrialized economies facing problems of labor market flexibility can be exported to largely rural societies facing budget constraints, severe poverty, and growth problems. The international experience is clearly important, but so is the need to encourage creative thinking by local governments. Countries that have experimented with measures adapted to and born from local realities, such as the Grameen Bank in Bangladesh, the Maharashtra public works scheme in India, or the Mahalla social protection system in Uzbekistan, have shown that answers to local problems can be designed and provided locally.

### **3. Labor Segmentation, Social Exclusion, and LMPs**

The labor market in developing countries, including those of Asia, is typically segmented along many different lines. By segmented is meant that workers have difficulty in moving from one labor market segment to another, because of barriers such as distance from alternative markets; entry requirements such as education and skills levels; or discrimination based on gender, status, or ethnic group. For instance, workers who start their career in the public service rarely move to the private sector later on, mainly because of the different skills they develop during their working career. Some workers may have difficulties in accessing certain professions because of gender or status.

It may be easier for workers to move from the formal to the informal sector or vice versa, or from wage employment to self-employment, because both the informal sector and self-employment do not usually have significant entry barriers. However, the transition between these different statuses often implies a “hard” choice, such as deciding to change residence, or to pay taxes. These hard choices are effective barriers to labor mobility, making labor segmentation a common feature of any developing economy. This phenomenon exists in industrialized countries but is less acute, because the “fracture” between rural and urban areas is less marked, the formal and private sectors are larger, and workers on average have more opportunities to move, study, and generally adapt to different labor market specificities.

It is important to understand labor market segmentation when we approach the issue of LMPs and social protection. “Segmentation” is in fact a form of “exclusion” that affects all workers in different forms and degrees. Unemployment is seemingly a worse condition than employment, but workers who have no choice but to take up one form of employment are not necessarily better off than the unemployed. The millions of working poor in Asia, the various forms of slavery still existing, tied labor, child labor, and workers working with no guarantee of being paid are some of the possible conditions that can make employment a very hard choice indeed, or not a choice at all.

Therefore “freedom” from poverty and discrimination is not necessarily achieved through employment, but also through choice among different labor market statuses or between occupations. Unemployment in Italy is a disadvantaged condition, but mainly determined by the choice taken consciously by many unemployed of turning down jobs that are perceived as not adequate to one’s status, too far away, too hard, or too poorly paid. By contrast, for some workers, such as tied laborers in India, unemployment is simply not an option. The contribution of LMPs to social protection can be manifested by increasing employment and labor force participation, but also by increasing opportunities and choice for the employed. A general aim of LMPs is therefore to reduce barriers between segments in the labor market in order to reduce entry barriers for the unemployed and to increase choices for the employed.

It is also necessary—at times—to target certain segments rather than others. And policies in this case should be segment specific and respond to specific needs. In the following sections some of the specificity of various labor market segments is discussed.

### **a. Public and Private Sectors**

The distinction between private and public sectors is relevant for LMPs, particularly in transitional economies, but also for countries that have historically experienced heavy state control over economic institutions. In the Central Asian countries, most policies, including LMPs, are geared or should be geared toward private sector development, in an attempt to reduce employment in SOEs from the quasi-totality of employment that it was in 1989. In the PRC and Viet Nam, employment in the state sector at the beginning of reforms was much smaller, around 20 percent of employment, because of the much larger share of employment in small-scale agriculture. While these latter countries also face a problem with dismantling large SOEs, a more important issue is the absorption of excess labor from agriculture. In the Central Asian economies, instead, LMPs face a much more critical task in trying to facilitate enterprise restructuring. The growth prospects of these countries are almost entirely dependent on enterprise restructuring.

The privatization of SOEs is also an important issue in countries traditionally characterized by large state sectors, such as India or Bangladesh. A period of sustained growth, such as the one that India is experiencing, is obviously the moment for proceeding with privatization, but this requires an important effort in retraining and often in relocation, which is likely to exclude some categories of workers, such as the old. This problem joins the already persistent one of youth unemployment, further restricting labor force participation at the far ends of the working-age spectrum. The issue in this case is how to include and not exclude groups at risk during privatization processes, for example, by means of retraining.

What LMPs can really do for private sector development is an open question. Start-up subsidies, microcredit, and training are the obvious contribution of LMPs to private sector development where the unemployed are the main target. However, the contribution of LMPs to private sector development cannot be confined to the unemployed. Privatization, mass retrenchments, and enterprise restructuring are some of the other urgent questions that LMPs are called to address. Here, the central issue is really about the role of the State in assisting “transitional” situations, finding a fair compromise between active measures (such as training) and passive measures (such as subsidies).

There is also a need to design LMPs for the public sector. The reform of public administration has an important impact on labor markets in countries where the formal wage sector largely comprises the public sector. The public sector in poor countries is often one of the few employers of university graduates. The broad restructuring of public administration encouraged by aid providers and budget deficits implies the layoff of large numbers of highly educated people. In poor countries, there are often few alternative options for university graduates, given that the private enterprise sector is small and usually requires low skills. Experience in Latin America has shown that the creation of a pool of highly educated and unemployed workers can have serious negative consequences for social stability. It is obviously costly to maintain a large public administration, but it may be more costly to maintain retrenched workers with no obvious alternative in the open market and, potentially, to bear the cost of social unrest. Instead, it is always possible to expand the functions and workload, not the staff, of public administration and provide a better qualitative and quantitative service to the population. This potential for expanding the output of existing public administrations is an aspect that has received little attention.

### **b. Urban and Rural Areas**

Labor segmentation between urban and rural areas, amply treated in the “urban bias” (see Lipton [1977]) and “dual labor market” (see Dickens and Lang [1985]) literatures, is a cornerstone in development economics. Yet LMPs too often still ignore macro differences between rural and urban areas. For instance, when labor market exchange systems are set up, these tend to be equally distributed across the country's territory and assigned similar functions and resources countrywide. This often turns into a major drawback in rural areas, where infrastructure and transportation are more limited and where the distinction between employed and unemployed persons or formal and informal activities are somehow blurred. Rural employment services thus become redundant, overstaffed, ineffective, or unable to serve the purpose they were designed for. In fact, in countries where the rural population is still the majority and where villages constitute the backbone of the rural society, a more effective way of delivering LMPs is through village organizations or community services and not through provincial or district employment services.

There are also labor market problems that are typically either urban or rural. Youth and female unemployment is usually prevalent in urban areas, because in rural areas, young people and women in need of a job occupy themselves with various types of agricultural or household duties, appearing in statistics as employed or economically inactive rather than unemployed. Seasonal labor is typically a rural phenomenon and policies designed to support seasonal workers have to be rurally based. Intrahousehold income distribution is also typically different in urban and rural areas, so offering training or public work to households in urban or rural areas can have very different repercussions for household income. A simple but often overlooked point is made here: when designing a LMP strategy, a proper way to start the planning is by separating policies for urban and rural areas.

How to reduce the fracture between urban and rural areas is the other important challenge in Asia relevant for social protection. Over the past few decades, massive migration flows from rural to urban areas have taken place in countries containing most of the world's poor, such as the PRC and India. Occasionally, an inverse flow has been observed, as in some FSU countries during the 1990s. While the first flow is determined by "pull" factors (better opportunities) the second was rather a "push" factor (lack of alternatives). In any case, workers move in search of a better life and need to be assisted by the State in this effort.<sup>3</sup>

### **c. Formal and Informal Sectors**

The distinction between formal and informal sectors is clearly a relevant issue for social protection. The State can assist those who are "visible," who may be registered as pensioners or unemployed or formally employed. It is much more difficult to reach and assist those persons who do not formally belong to any recognized category.

There are a few questions which seem important to address. The first relates to the distinction between formal and informal sectors and whether this is a useful criterion for distinguishing those who are normally assisted by LMPs and those who are not. The second question relates to who should pay and who should benefit: should the formal sector subsidize the informal sector? The third question is about how to reach those in the informal sector.

Despite worldwide efforts to define what the informal sector actually is, the most internationally recognized definition of informal sector, produced by the International Labour Organisation's (ILO's) 15th international conference of statisticians, leaves much to be desired in terms of applicability. This is probably due to the nature of the subject and to the multiplicity of ways in which different people think about the subject. In relation to social protection and LMPs, the concern is whether policies effectively reach not only those who are at risk in the visible and formal economy but also those who are less visible and operate in more informal activities, and who are therefore less likely to be registered in at least one of the social security schemes (health, pension, social assistance, or unemployment benefits schemes).

The purpose of targeting may be better served by defining employment in terms of wage and nonwage sectors. The wage sector is the sector regulated by contractual

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<sup>3</sup> This aspect will be explored in the internal migration section further on in the paper.

agreement, i.e., the sector where formal employees are. In economies that are largely rural and where the urban economy is mainly informal, the wage sector is quite small. Public sector employees—including the civil service, the military, and medical and educational personnel—and employees in private enterprises formally registered and with a certain number of employees (basically large and medium enterprises), form the core of the wage sector and also contribute to the various social funds and the tax coffers. In Southeast Asia, for instance, the share of wage employment over total employment is typically between 10 percent and 15 percent. The wage sector in developing countries is quite clearly defined, is easy to measure, and clearly distinguishes itself from the nonwage sector, because it pays social contributions and taxes. It is also the sector that normally benefits from LMPs.

The unemployed can also be divided following a similar approach. The registered unemployed (registered at employment services) typically look for wage employment, while those not registered can look for both wage and nonwage employment. While the first group is assisted by labor market policies, the second is usually not so assisted.

Who should pay for LMPs in the nonwage sector? By definition, the nonwage sector does not contribute to the employment fund or to the state budget with income taxes or social contributions. If the nonwage sector is to be assisted free of charge, then it is the wage sector that has to subsidize the nonwage sector. Given that the former is very small in developing economies, such a policy would hardly be sustainable. The alternative is to ask the nonwage sector for contributions, but this implies that nonwage labor can afford to pay and that individuals in the nonwage sector can be identified and registered.

Hence, the big challenge for the expansion of LMP coverage is how to target the nonwage sector, such as the self-employed, individual farm laborers, and workers in informal activities, while minimizing the burden on the already weak (and mainly public) wage sector. This can be done either by encouraging workers and enterprises to join the wage sector, offering incentives such as tax cuts, or expanding voluntary contribution schemes, again encouraging participation with proper incentives. Other coercive means to extract contributions are more likely to push workers in the nonwage sector further into the dark than to expand the wage sector.

### c. Gender Policies

Gender issues are critical when it comes to LMPs and social protection. There is worldwide evidence showing bias against women when it comes to education, employment, and wages, while there is little evidence showing lower productivity of women in employment. Some policies that target women only have proved to be effective in improving labor markets and alleviating poverty. For instance, policies that focus on the improvement of girls' school attendance have proved to ameliorate the health and welfare of future households and to increase the probability of escaping poverty.

There are many other economic arguments that would justify an increased participation of women in the labor force. Bringing women into full employment at an equal wage increases the potential for growth of any economy and allows exploiting local labor as opposed to immigrant labor. Countries such as Singapore have been trying hard to

encourage women to work, so as to keep the internal labor supply up to demand requirements and to avoid the need for massive immigration.

Yet gender policies are often mistakenly identified only with policies for women. In some places, such as in Central Asia during the transition to a market economy, men have suffered more than women in areas such as labor markets and health. Men have been shown to be more vulnerable to psychological shocks induced by loss of work, income, and status. They show higher statistics in unemployment (when measured including both job seekers and discouraged unemployed), morbidity, and mortality among working age populations. Men-related problems are rarely addressed, because in the popular imagination, men are wrongly thought of as “nonvulnerable.”

While men’s issues deserve some attention, they need not be in opposition to policies aimed at addressing the existing and more acute discrimination against women. On the contrary, male unemployment, for instance, is a recognized cause of male depression, alcoholism, and domestic violence against women and children. It is not simply by using coercive methods to stop alcoholism and violence that these issues can be tackled effectively, but also by trying to address the root causes of such behavior, such as the psychological damage produced by unemployment in male psychology. This may entail an open recognition that males are more psychologically vulnerable than women when it comes to loss of work and loss of status. Again, LMPs have an important role to play in addressing this complex gender aspect with a clear value for social protection.

#### **4. Labor Market Policies for Social Protection**

We start by taking a very broad view of LMPs. In principle, most economic policies have labor market implications, but by LMPs we mean those policies that aim at affecting the labor market directly by intervening in labor market institutions. These range from legislation meant to guarantee minimum working standards to skills development policies, programs for the unemployed, and labor migration policies. Table 1 presents a broad portfolio of LMPs, including some of the main features.

To a certain extent, all policies listed in Table 1 have some implications for social protection. A better-educated person is ultimately a more secure and protected individual, all other factors being equal. Nevertheless, it would be difficult to argue that the vocational training system, for instance, is designed with the purpose of protecting all trainees from economic adversity. The primary purpose for most governments is to produce a better-skilled workforce that could better contribute to production and growth. When LMPs are evaluated, it is the capacity to put people back into lasting jobs that is monitored and not necessarily the contribution to social protection, although one purpose may well serve the other. Thus, it is useful to distinguish LMPs primarily meant for social protection from those whose social protection function is only secondary.

The discussion that follows focuses on those LMPs with a clear role for social protection. The discussion is not exhaustive, but points at highlighting some of the dilemmas likely to be encountered by policymakers engaged in designing a country social protection strategy where LMPs have a pivotal role to play. An important distinction, especially relevant for Asia given the experience of the 1990s, is made between policies designed to respond to a crisis (short-term) and policies designed for reforming the LMP system

(long-term). In the first group are included emergency support for enterprises, defensive restructuring, and public works. In the second group are included labor legislation, labor market programs and services, and migration policies.

### **a. Managing a Crisis (Short-term)**

A crisis may have different causes such as war, natural disaster, and an economic or financial slump, but the effect on the population is almost invariably economic, i.e., a sudden loss of income or assets with a consequent increase in poverty and vulnerability. Thus, during a crisis, the State is called on to perform quickly to prevent major forms of distress among those groups especially at risk. Long-term considerations yield to short-term necessities.

From a financial perspective, the obvious consequence of an economic crisis is the double effect of reduced budget revenues and increased expenditure needs. As most governments in poor countries act under budget constraints, a decline in budget revenues turns forcibly into expenditure cuts. And, in times of crisis, expenditure cuts have to be made in sectors that absorb a great deal of resources, such as health care or education. In other words, a government budget undergoing severe difficulties can hardly cope with the emerging needs determined by the economic crisis in the social sphere.

This issue is likely to remain unresolved unless budget management becomes a long-term activity, where budget surpluses are run in good times to save for the bad times. This is a notoriously arduous task for democratic governments struggling to stay in power. More pragmatically, a government could prepare itself with a cost reduction plan that puts the most vulnerable at its core in times of crisis: for instance, automatic cuts in defense expenditure or sale of nonstrategic assets in order to maintain social expenditure levels. The menu options can be many, but the point here is for governments to be prepared with a budget crisis plan, made up of budget cuts and reallocation, to be easily and promptly implemented when needed. Needless to say, a cash shortage in critical times prevents any policy from being implemented.

Next on the emergency list is quickly reaching those people most in need. The menu options are not many in terms of LMPs. Public works offer perhaps the only concrete measure that can be offered to large numbers of people in a reasonably short time. In the case of an economic crisis that hits the industrial apparatus first, various short-term mechanisms to assist enterprises are also available. These last measures should be seen in the light of social protection. In other words, the judgment on state support to enterprises in difficulties should be given by evaluating what policies would maximize social protection in the short term and not by judging what maximizes economic growth in the long term. It is the emergency scenario which is considered here.

#### **i. Public works**

Public works programs offer one means of providing assistance to the unemployed and other groups in urgent need of an occupation. They are perhaps the programs closest to social protection, as the main objective is income maintenance. The key to their effectiveness is self-selection; effective self-targeting depends, in turn, on setting the conditions of the program, particularly the wage, such that only the most needy apply. A scheme might have the following features:

- There should be no prescribed selection criteria, for example, by directing the program to different age or gender groups. It would be by self-selection. The wage would determine the market response.
- There should be an appropriate wage level. Setting an appropriate level for public works wages is clearly a key determinant of how the scheme operates. Wages should be set high enough for public works to be a better option (at least for some) than not working at all, but low enough not to attract any but those in real need. Since the budget for public works will certainly be limited, the wage needs to be set at a level that brings the demand and supply more or less into balance. The basic idea is that public works is a “poverty-related” program. The key parameters to set the wage are the poverty level, the real level of minimum wages in the economy, the minimum consumption basket, and the level of social assistance (i.e., cash assistance) provided to poor families.
- Work should be in addition to what is already undertaken by the public and private sectors (in other words, the substitution effect should be minimized). This is difficult to achieve in any situation and is one good reason for having public works financed by a specific subsidy from the national budget.
- The program should normally be administered at a regional level. Typically, the work would be low-level, unskilled labor. Management groups might include nongovernment organizations (NGOs), for example (generally nonprofit organizations), but not private employers.

If well managed, a public works scheme can be the most effective means for social protection during difficult periods. The Maharashtra Employment Guarantee Scheme in India is perhaps the most renowned public works program in Asia. The program had an impressive record in terms of numbers, with 875 million person-days of work created in 1991 alone. The evaluation of such programs has shown that the targeting was good, with more than 70 percent of the beneficiaries below the poverty line, and that it effectively contributed to containing the adverse consequences of droughts. One of the key elements of the success was the fact that the wage rate was set at a level below the minimum wage and that this, in turn, allowed for proper self-selection. The scheme also had a visible effect on Indian infrastructure, particularly the irrigation system, which has been an important factor for the consequent expansion of agricultural output. More recently, the scheme came under criticism, as its records have been declining, but, historically, it remains a major example of an effective public works scheme (Subbarao, Braithwaite, and Jalan, 1995).

## ii. Support to Enterprises

Support to enterprises should be understood as a family of policies aimed at reducing enterprise costs or increasing profits via nonmarket mechanisms, i.e., with government intervention, in times of rapid economic downturns. For example, an import tariff is a subsidy to local producers vis-à-vis foreign producers and so is a tax cut. Reductions in social contributions to be paid by enterprises may also be understood as a form of subsidy, as well as a price policy that supports certain producers at the expense of others. There are also other forms of subsidies meant to help the enterprise achieve particular objectives, such as cash subsidies for technological or skills upgrades, or simply training offered free of charge. The European Union, for instance, supports enterprises in disadvantaged areas of the union with a large number of subsidies and training schemes aimed at boosting production and employment. In economies facing a sudden economic crisis, these mechanisms (if temporary) can help to maintain a certain production level.

Table 1. Labor Market Policies—A Portfolio

	Target Group	Advantages	Disadvantages	Financing	Institutional Structure	Timing
<b>Labor Legislation</b>						
Core Labor Standards	Enterprises, Employees	Protects Human Rights	Labor Market Rigidities		Legislation	Always
Industrial Relations Policies	Enterprises, Trade Unions	Promotes Social Dialogue	Risk of "Fragmenting" Social Partners		Legislation	Transition To Industrialized Society
Wage Determination	Employees	Protects From Exploitation	Labor Market Rigidities, Further Excluding Nonparticipants		Legislation	Always
Job Security Provisions	Enterprises, Employees	Provides Job Security	Labor Market Rigidities, Costly for Enterprises		Legislation	Always in Medium and Large Enterprises
Working Conditions	Enterprises, Employees	Improves Labor Standards	Costly for Enterprises		Legislation	Always in Medium and Large Enterprises
<b>Skills Development</b>						
Education and Pre-Employment Testing	Students	Improves Human Capital	Long-term Results, Difficult to Evaluate Impact	Government Budget	Schools	Always
Employment Retraining and Skills Upgrading	Employees, Unemployed, Economically Inactive	Preserves and Updates Human Capital	Costly, Difficult to Evaluate Impact	Government Budget, Enterprises, Fees	Training Institutions	Always
<b>Labor Demand Policies</b>						
Support to Enterprises	Enterprises	Fosters or Maintains Domestic Production, Protects Infant Industries	Price Distortions	Government Budget	Ministries, Special Legislation	Economic Downturns
Apprenticeship Programs	Labor Market Entrants	Improves Youth Employment	Risk of Free Riding From Entrepreneurs	Mix of Government Budget and Enterprises	Enterprises	Always
Defensive Restructuring	Enterprises	Preserves Production and Employment During Downturns	Not Sustainable in the Long Term	Enterprises, Workers, Government Budget	Enterprises	Economic Downturns

**Table 1. Labor Market Policies—A Portfolio (continued)**

	Target Group	Advantages	Disadvantages	Financing	Institutional Structure	Timing
<b>Labor Supply Policies</b>						
Public Works	Poor, Job Seekers	Maintains Income, Contributes to Public Ends	Risk of Dependency	Government Budget, Foreign Grant	Ministries	During Recessions
Microcredit	Unemployed, Poor	Develops Small Business	Risk of Indebting Already Poor Households	Beneficiaries' Savings, Government Budget, Credit Institutions	Credit Institutions, Cooperatives, Associations	Always
<b>Labor Market Programs and Services</b>						
Job Brokerage	Job Seekers	Matches Demand and Supply	Costly	Government Budget or Employment Funds (Workers and Employers)	Ministry of Labor, Labor Exchanges	Always in Modern Sectors, During Fast Economic Changes
Training For the Unemployed	Unemployed	Increases Employability	Costly, Not Always Useful	Government Budget or Employment Fund (Workers and Employers)	Ministry of Labor, Labor Exchanges, Training Institutions	Always
Unemployment Benefits	Unemployed	Maintains Income	Costly, Not Sustainable in the Long Term	Employment Fund	Labor Exchanges	Always, Economic Crisis
<b>Labor Migration Policies</b>						
Internal Migration	Internal Migrant Labor	Increases Matching, Helps Control Rural/Urban Flows	Potential Conflicts Between Old and New Residents	Government Budget	Ministry of Interior, Local Authorities	During Periods of Large Migration Flows
External Migration	External Migrant Labor	Increases Matching, Helps Control Immigration	Politically Sensitive	Government Budget	Ministries, International Bodies, NGOs	During Periods of Large Migration Flows

Source: Author.

In economies undergoing rapid structural changes, such as transitional economies, subsidies may be channeled for restructuring of SOEs or for encouraging the creation of new private businesses.

Subsidies to enterprises are perhaps the least popular means among analysts. They are generally accused of distorting the product market, favoring malpractice, and misallocating resources. In effect, in an economy or in a product market that is well developed, with a significant number of competitors and clear competition rules, the intervention of the State in favor of one producer or industry is obviously an unfair practice and an obstacle to growth.

Yet, in developing economies dominated by a few domestic oligopolists or multinational monopolists and where antimonopoly commissions are not in place or easily lobbied and where competition rules are sketchy or nonexistent, the State may be called on to protect some industries from unfair competition. This point has been argued in the past in the so-called "infant industry" literature. The argument is that a newly born manufacturer in a developing country cannot possibly survive the competition of a multinational giant unless some form of protection is granted by the State. This is an argument that received harsh criticism, particularly during the 1980s and early 1990s, but that still maintains a certain vitality in the light of the fact that all countries, including the United States (US), resort to protecting industries from foreign competition when a serious threat to local producers emerges. A low tax regime, such as the one currently enjoyed by US or Irish companies, acts *de facto* as a state subsidy for domestic producers vis-à-vis foreign producers.

The infant industry argument apart, other cases may be suited for a reconsideration of state intervention. One of the important unresolved issues in transitional and developing countries is enterprise restructuring. Restructuring remains a problem for a variety of reasons, including the fact that a viable financial system is not in place and credit carrying realistic interest rates is not available for local producers. In Central Asia as in Russia, banks charge interest rates that are far too high for local producers, and banking is still a very cumbersome activity, highly risky and burdened with bureaucratic requirements. In other words, borrowing for most entrepreneurs is not an option. Foreign investors have been either disappointed by bad experiences or have taken fright at the unstable political climate. Bad or poorly skilled management has also obstructed reforms and enterprise restructuring, creating the current impasse in production.

For many Asian economies, the role left vacant by the State in the transition has not been automatically filled by private institutions. This leaves to the State the burden of the consequences determined by the industrial decline, such as high unemployment and low budget revenues. The question is not so much whether state subsidies are good or bad in themselves, but who benefits and what is done with them. In other words, the real urgent question is not about economics but about governance. The process of industrialization of post-war Europe, Japan, and the Republic of Korea has been largely based on state subsidies and state-run enterprises. What contributed to the successful development of these countries in the very early stages was a state-driven vision and industrial strategy. While most people would recognize that private enterprises in a market economy with proper competition employ resources more efficiently, in a very early stage of development the State still has an important role to play to create the conditions for a market economy. In this sense, public support to enterprises becomes a form of public investment aimed at private sector development.

### iii. Defensive Restructuring

In times of crisis, the enterprise is faced with the choice of shedding labor, hence shifting the burden of unemployment to the State, or undertaking a number of measures aimed at reducing costs without necessarily shedding labor, while transforming the enterprise to suit the new scenario. These measures can be called “defensive restructuring” and include various forms such as work-sharing mechanisms, working time reductions, wage cuts, and early retirement.

Work-sharing programs simply split a job place between two or more persons. This scheme is not very easy to implement, because it is difficult to coordinate different people for the same tasks or attribute responsibilities when problems emerge. For these reasons, enterprises do not usually look at these schemes very favorably. However, assuming that the beneficiaries are willing to split salary and benefits, the scheme has the advantage of maintaining two people with the same capacities on the job, with the possibility of backing each other up or quickly expanding production when needed. The scheme also suits categories with particular needs, such as mothers with children or people who need recurrent health care. It is in fact a form of part-time labor.

Reduction in working time allows enterprises to save on wages without shedding labor during economic downturns. The hope is that the crisis is temporary and that production will pick up again. In this case, it is less of a cost for the enterprise to keep labor on part-time than shedding labor first and rehiring later. The State may encourage this attitude by allowing companies to save temporarily on social contributions. If the crisis persists and is limited to the enterprise, then such a policy may turn against both the enterprise and the labor market and should therefore be discontinued.

Cuts in real wages tend to occur during crises by default rather than as a policy. That is because a crisis usually implies high inflation and wages are quickly eroded. The cases of Central Asia during the first half of the 1990s and of Southeast Asian economies during the last crisis are obvious examples of such processes that helped maintain a relatively high level of employment during a major economic downturn. Such a phenomenon allows enterprises to survive during economic slumps with relatively small social frictions, given that inflation is usually understood and accepted as a common disease during a crisis.

Early retirement schemes are traditionally one of the most popular methods for enterprises undergoing restructuring. This is a good exit route for both workers and firms but leaves the burden of pensions on the State. Especially in societies that are aging very fast, such a practice can be very costly and may clash with policies aimed at increasing the retirement age for both men and women. It is up to the State to decide whether to encourage or discourage such practices, and the decision will depend very much on the population structure and the existing pension scheme.

#### b. Reforming the Labor Market Policy System (Long-term)

This section treats labor legislation, labor market programs and services, and migration policies intended as measures to be introduced in economic systems that still lack basic labor market institutions. This was the case of many Southeast Asian countries before the economic crisis of the late 1990s and of Central Asian countries until the end of the

1980s. The central issue is the advantages and disadvantages of introducing new institutions and the implications for social protection.

### **i. Labor Legislation**

Labor legislation represents the institutional setting that paves the way for LMPs. It is a vast area where the ILO and other international organizations have played an important role over the years since World War II. The area is the responsibility of lawmakers, but involves a large number of contributors, from the drafting process to the implementation phase. Trade unions, employers' associations, various ministries or interministerial bodies, parliamentary committees, international organizations, NGOs, and others can all have a say in labor legislation at some stage. This is what makes labor legislation such a lengthy and difficult process for many countries.

Legislation can be looked at in two ways: as enabling or legalizing specified actions and practices, or as disabling or outlawing specified actions and practices. The distinction is important. In some countries the lack of legislation covering particular practices may mean that they are effectively illegal. Legislation may be required to authorize them. This is especially relevant in countries in transition to market economies, although it is not limited to them.<sup>4</sup> On the other hand, legislation may be necessary to outlaw activities commonly regarded as undesirable, but still widely practiced. One example is child labor, which is difficult enough to prevent even with appropriate legislation, but may be impossible otherwise.

The role of the legislator also needs to be carefully considered. Government agencies usually have a vested interest, especially in labor legislation requirements. Legislation may have as much to do with protecting, promoting, or expanding a particular government agency as it does with ensuring the well-being of the labor market.

Moreover, the real cornerstones of legislation are dissemination of information, implementation, and enforcement. It is too often assumed that once a particular issue is legislated, the problem is solved; legislators move on to other issues, and those responsible for implementation are not given the means or the power to do so. Very few employers or workers closely follow labor legislation in developing countries, and compliance can hardly be left to individual initiative. The first task of the implementing agency is therefore to make sure that both employers and workers are well informed about the legislation. This can be done through trade unions and employers' organizations, while checking mechanisms should be in place to make sure that people are effectively informed and understand the meaning of the legislation.

The issue of implementation and enforcement is perhaps the most complex. Most employers think of legislation as an impeding rather than a facilitating mechanism. It takes time to read, understand, and apply and is often costly. Therefore, traditional employer-worker relations tend to continue until there is a clear threat of penalty. Hence, implementation cannot possibly rely on individuals' initiative, but has to rely on an effective control mechanism.

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<sup>4</sup> Until recently in the Republic of Korea, for example, there was little legislation covering the hiring of workers through worker-leasing companies (companies hiring out temporary workers). Such companies did exist, but in practice, their activities were constrained by the Ministry of Labor, which took the view that the lack of legislation meant that the companies were not authorized to move into certain industries and occupations.

A labor standards inspectorate is one solution to the problem, but an active role taken by trade unions and employers' organizations is also important.

The aspects above relate to legislation in general and are relevant because legislation is meaningless without proper implementation. However, in terms of social protection, legislation on core labor standards, minimum wage, job security, and working conditions deserves a closer look.

- *Core labor standards.* The ILO identifies four core labor standards and regulates them with eight conventions that it calls “fundamental conventions on labor standards” (ILO, no date): (i) freedom of association; (ii) abolition of forced labor; (iii) equality; and (iv) elimination of child labor.

The core labor standards stem, first of all, from a human rights principle. Freedom of association and equality are recognized as fundamental human rights, while forced labor and child labor are perceived as violations of basic human rights. The need for the conventions regulating labor standards emerged as a need to protect workers from exploitation and discrimination.

The achievement of core labor standards presents some important dilemmas for countries committed to comply. The application of such standards can have beneficial effects on the functioning of the labor market by strengthening social dialogue, increasing workers' productivity, expanding the size of the labor force, and encouraging children's attendance in schools. However, in the case of child labor, for example, it is often found that the blunt abolition of child labor in the absence of additional household supporting mechanisms can have very negative consequences on the welfare of poor households. Child labor often emerges as a survival strategy rather than as a parental exploitation of children.

The central issue is less about legitimacy of “universal” human rights that very few countries still dispute today and more about real-life implications of applying legislation aimed at improving human rights standards. Signing the ILO conventions implies passing legislation at the national level that would outlaw practices such as child labor. While an industrialized economy has little to lose and much to gain in applying such legislation, a poor country and poor households may suffer the most in implementing it, unless compensating mechanisms are in place. Initiatives aimed at encouraging children's participation in school by combining work and studies, for instance, have proved to be more effective in keeping children in school than simply outlawing child labor. The full acquisition of human rights is not just a political conquest but also a socioeconomic one, and the achievement of core labor standards for all is to be understood as a socioeconomic and political process where legislation plays a guiding role.

- *Minimum wage.* The minimum wage historically emerged as a triumph by trade unions and as fundamental legislation to protect workers from exploitation and guarantee a minimum standard of living. It is therefore an LMP with a clear social protection function.

As discussed in relation to core labor standards, there is much debate about whether minimum wages are actually good or bad for the poor and other disadvantaged groups. The World Bank's 1995 *World Development Report* (World Bank, 1995) noted that the ratio of minimum wages to gross national product per capita tended to be higher for poorer countries, almost as if governments tried to legislate away poverty by insisting

on wage levels that are not easily affordable. In part this is because they usually set minimum wages with reference to a minimum consumption basket and average wages in poor countries (and certainly low-level wages in those countries) cannot be that much higher, if at all, than the minimum consumption basket.

Minimum wages carry the risk of either further excluding the disadvantaged or not having any effect at all. In the countries of the Organization for European Cooperation and Development (OECD), the evidence indicates that minimum wage regulations tend to restrict access to employment for the young and less skilled (Neumark and Wascher, 1999). In developing countries with large informal and rural sectors, the wage sector is very small; minimum wage regulations affect only a small percentage of workers and, directly, few poor workers. The effect is rather to further restrict access to wage employment. A positive effect may be registered in improving domestic demand, but, again, if the formal wage sector is small, this effect is also small.

There is instead a human rights argument that deserves attention. During deep recessions or in conditions of large excesses of labor supply, such as during transition to a market economy or transition from a rural to an industrialized economy, employers find themselves in a very strong position. The experience in these cases is that employers can obtain labor at salaries as low as the value of one daily meal, even if productivity criteria would allow for paying higher wages. That is because the alternative for workers may be starvation. In this case, the economic argument is much weakened by human rights considerations. It is obvious that minimum wage legislation can and should prevent such abuses, but also that enforcement becomes the cornerstone of such a policy. Without proper enforcement, the minimum wage would simply drive compliant employers out of the market, with obvious repercussions for workers in the formal sector.

Overall, it remains difficult to appreciate fully the extent of the effect of minimum wage legislation in developing economies. The reasons may be sought among all other policies related to minimum wages. For instance, governments are generally unwilling to index minimum wages with inflation in fear of creating an inflationary spiral. In countries exposed to frequent and sudden price changes, minimum wages are constantly devalued unless tripartite agreements are negotiated very frequently, or the work on minimum wages is remanded to a wage commission. Exchange rate policies can have such important effects on global competitiveness as to render irrelevant the effect of minimum wage policies on enterprises' ability to compete abroad. The tax regime in any developing country is probably more important for multinational investors than the actual minimum wage.

In sum, in an industrialized economy with large formal and wage sectors, stable prices, and macro policies, minimum wage legislation may be relevant for the well-being of workers and for boosting internal demand (though excluding some of the unemployed like the young). However, in developing countries dominated by large informal and nonwage sectors and subject to unstable prices and macro policies, the effect of minimum wage legislation may be much more limited and more difficult to assess, while the risk of further restricting access to formal employment by the poor is present. Yet, in the absence of minimum wage regulations and in the presence of an excess supply of labor, the probability of blunt exploitation is high.

Hence, two issues are critical in applying minimum wage regulations: the level of the minimum wage and compliance for all. The level of the minimum wage needs to be high enough to guarantee minimum subsistence and low enough to allow access by all

to employment. In developing countries, this level can hardly be much higher than the minimum consumption basket. Compliance is complicated by the size of the informal sector in developing economies and by increased globalization. The problem with the minimum wage is that there is always a next-door enterprise prepared to ignore the legislation or a next-door country prepared to set a lower minimum wage or not have one at all. The issue therefore is enforcement across the board of competitors and, in a global economy, global rules would be needed.

- *Job security provisions.* Legislation on job security includes legislation on recruitment and separations, such as compulsory contractual clauses, rules on recruitment procedures, and regulations on dismissals and unpaid leave. The relevance for social protection is evident, but, again, the application of such legislation can be subject to trade-offs.

Legislation covering employee recruitment and separation requires employers to sign or, *de facto*, to recognize employment contracts that limit their ability to hire and fire. In its simplest form, legislation on recruitment should prohibit discrimination and is therefore covered by core labor standards. However, the legality of other recruitment practices may not always be so clear. In many countries, for example, the civil service offers the most secure employment. Civil service regulations, though, may specify certain restrictions on recruitment or give preferential treatment to certain groups. Trade union restrictions may prevent enterprises from hiring people other than union members and it becomes a moot point whether labor legislation should be used to outlaw such practices, or legalize them, or be silent.

Legislation may be used to prevent employers from treating employment contracts in a capricious manner. Employers may be required to sign formal employment contracts or to pay social insurance contributions on behalf of employees. However, the cost of complying with employment contracts implicit in labor legislation may make it unattractive to be in the formal sector at all. And not only may employers feel this way, but employees as well. Both may prefer to negotiate their own wages and conditions, irrespective of what the State may think.

Legislation on separations usually imposes costs on employers and is likely to generate rigidities, leading employers to avoid change and disruption, and eventually to decreased labor market mobility and flexibility. Nevertheless some legislation is usually warranted. Employers may be required to give a legal period of notice, to meet minimum severance conditions, or to negotiate large-scale retrenchments with unions and help displaced workers to recover their outstanding legal entitlements, such as wage arrears.

In some countries, legislation may severely restrict the ability of employers to end contracts. In Indonesia, for instance, employers were not able to dismiss staff without approaching the Ministry of Manpower for approval. In the case of a disputed dismissal, the mechanisms for mediation and appeal had given rise to lengthy backlogs and to employers finding alternatives (such as increased severance pay) to buy workers' agreement to voluntary separations. Other employers, such as those in Central Asia where there are huge wage arrears, engaged in more dubious practices to force workers to quit voluntarily.

- *Working conditions.* Working conditions cover issues such as occupational health and safety (OHS)—safety equipment and clothing, working in dangerous or onerous conditions, lighting and ventilation, and the general safety and protection in workplaces; working hours (maximum weekly hours, weekend work, piece-

time, casual employees, part-time work, holiday periods, and breaks during work-time); and age limits on employment.

Each of these issues is difficult to cover in broad legislation. It is usual to set broad parameters for each in national legislation, with more detailed collective agreements between unions and employers covering individual industries and occupations.

Legislation on working conditions may also be difficult to administer. Legislation must include the need for inspectors, whose roles are as important as the legislation they are dealing with. Inspectorates are often understaffed, even in industrial countries, and may be ineffective. Inspectors may be underpaid, and there is a risk of rent seeking (one reason why minimal legislation is desirable), leaving most of the “enforcement” to be done through collective agreement at the workplace or industry level.

Improving OHS is arduous and can be subject to more frequent and more intense industrial disputes than wages. Unions regard OHS as a major area of concern and the role they have played has done more to improve conditions than enforcement through legislation. The same is likely to be the case in Asia in the longer term.

The matter of working hours is likewise a second-order problem. Again, the attraction of low-wage countries is, in effect, the low hourly wage being accepted by workers and workers accepting longer hours for a poor weekly wage. Legislation on working hours can make foreign workers, who are willing to forego the legislative benefits provided, more attractive to employers. Piecework may be unrestricted or supervision may be minimal or nonexistent. Home work, for example, is common among migrant workers (especially those who are illegal), even in industrialized nations. In Southeast Asia, workers migrate from lower- to higher-income countries. Malaysia, for example, will continue to attract Indonesian workers; Thailand will attract workers from Cambodia.

Apart from standard weekly hours, legislation often includes details related to holiday periods such as setting minimum annual leave entitlements or additional benefits such as long-service leave, maternity leave, sickness leave or penalty payments for weekend work. While these are legitimate workers' rights, the capacity of employers to pay these benefits must be taken into account.

Legislation on working conditions is obviously an important contribution of LMPs to social protection. Preventing accidents reduces health and social costs and so does maintaining proper mental health for workers. Unfortunately, part of the attraction of poor countries to investors (local or foreign) is not only the low wages but also the low overhead that goes with it—low social insurance costs and the low cost associated with maintaining poor conditions of work. The fact that the true costs arising from poor working conditions are borne by individuals or by the government may not be a great concern to employers, or may even be viewed positively by them.

Overall, labor legislation is concerned with wage labor or labor in the formal sector, which is also the natural constituency for governments' interlocutors in tripartite negotiations—trade unions and enterprises' organizations. Thus, the unemployed or informal workers are hardly represented when negotiations on legislation take place and it is entirely left to governments to take the initiative to improve social protection for these groups.

The key to improving social protection standards in wage employment is therefore to involve all social partners in the formulation, application, and enforcement of legislation. For the nonwage sector, instead, the main challenge for governments is to draft legislation able to include and not exclude nonwage workers. Such “exclusion” is often the fruit of a positive attempt to protect workers in the formal sector. However, this attempt may have the adverse additional effect of further segmenting the labor market, increasing barriers between formal and informal workers and between the employed and the unemployed.

### iii. Labor Market Programs and Services

By labor market programs is meant those programs designed mainly for the unemployed that aim at facilitating labor market functioning by reducing mismatching and labor market rigidities and by increasing information, placements, and employment. Under this heading are also included programs tailored for disadvantaged groups such as youth, women, and the disabled. Policies aimed at these objectives include job brokerage, labor information systems, training, psychological support for the unemployed, job clubs, and microcredit. These programs are usually managed by public employment services (PES) systems under the ministry of labor.

Exactly what sort of PES systems, if any, may be required is an open issue. In many OECD countries, the PES systems have grown large over the 25 years or so since the mid-1970s, when unemployment increased significantly in most member states. Even so, their record has not been unambiguously successful and one country, Australia, has now moved to privatize much of its PES system, while leaving only one public core structure, largely to implement the unemployment benefits system.

All FSU countries reformed their PES systems in line with OECD standards during the 1990s, and other Asian countries are moving in the same direction, particularly since the recent financial crisis. However, there is no reason to entrust labor market programs exclusively to the PES systems, as various ministries may participate in a national plan, or private providers may successfully operate in conjunction with public ones. In fact, any institution or organization able to meet the set standards should be encouraged to offer services such as job brokerage, training, or microcredit. Viet Nam, for instance, has been able to implement a large number of labor market programs, including training and microcredit, through traditional organizations such as youth or women's associations, village administrations, or intergovernmental bodies.

Labor market programs such as those tailored for disadvantaged groups have a clear social protection function by helping to reduce inequality in the labor market and enhance social inclusion. The contribution to social protection of other labor market programs is more complex to assess. Here, job brokerage, training programs for the unemployed, and microcredit are examined.

- *Job brokerage:* ILO Conventions require countries to provide a free job brokerage service to workers. In most countries where this activity is in place, job brokerage includes a number of services designed for job seekers and enterprises. Job seekers are usually assisted with a vacancy information system, individual consultations, and job offers. Enterprises, on the other hand, are offered the opportunity to advertise their vacancies at the employment services and when candidates that meet requirements are found, these are sent for interview to the enterprise.

Job brokerage is obviously a necessary and valuable function. However, in terms of social protection, this activity may not properly target those most in need for a number of reasons. First, the rules for registration as job seekers or as unemployed are determined by law and often quite strict. These usually include the possession of certain documents such as a residency permit, a workbook, or pay-slips. Moving from job seeking to unemployment registration to entitlement for benefits increases the number of requirements, such as not having refused job offers a certain number of times, not having refused training, not having been registered as unemployed during the previous six months or not fulfilling some income criteria. The result of these requirements is that among all those who approach the employment services for help, many fall out of the system. These people are likely to be the most disadvantaged and tend not to reapply precisely because the first experience has been disappointing.

Second, the number of unemployed who actually approach employment services is usually small in developing and transitional countries. The reasons are several, ranging from excessive distances from employment services, transport costs, poor expectations, poor services provided, or few unemployment benefits. Employment services often complain that they cannot reach their customers.

Third, the number of enterprises that actually use the employment services to advertise vacancies is usually small. This is so even when advertising is compulsory. The reason seems to be that enterprises prefer to advertise vacancies in newspapers and elsewhere because they believe that employment services can only provide unemployed people with low skills and motivation. This is partly true, but it is this kind of self-fulfilling prophecy that makes employment services inadequate. Enterprises do not trust employment services and, as a consequence, good workers know that employment services do not advertise good jobs and the labor market takes place outside employment services. This may not be a big handicap in well-functioning labor markets, where private employment agencies play a big role and where many newspapers and other means of communication have job sections. However, it is more of a problem in developing countries where the State is often the sole entity with the necessary resources to set up an effective job brokerage system. In this case, it is important that employment services gain the credibility they need to fulfill an existing need.

Job brokerage services are expensive to operate, the more so if there is no cost recovery, and poorer countries need to consider carefully whether they are worth having. Services may be provided free of charge to unemployed job seekers, while services to employers may be free of charge or may attract a fee, depending on the service offered. The employment services, for example, may display vacancies for free but charge for screening applicants. On the other hand, many countries are reluctant to let private agencies operate freely. They worry about job seekers being defrauded by private agencies, typically by advertising nonexistent vacancies and then charging fees to conduct job searches, or by offering jobs tied to training courses that attract a course fee. Governments prefer, at least, to license private providers and sometimes refuse to let them operate at all.

A number of countries impose restrictions on job brokerage. Some require all vacancies to be lodged with the PES system. Others prohibit private employment agencies or restrict their activities in various ways. Although some of these restrictions can be justified on the grounds of consumer protection (particularly where the consumer is an unemployed person), regulations on job brokerage, unlike legislation on working conditions, are not so defensible. The most common ways of hiring workers, in any

country, are through newspapers, word of mouth, or contacts, and employers find ways to avoid restrictions imposed by governments.

- *Training programs for the unemployed:* The relevant issues for training provided by employment services are quality, relevance for the labor market, and ultimately the ability to improve employability. A good job is the best protection against economic adversity as well as a means to restore dignity, status, and social inclusion to the unemployed.

Quality is the first priority of any training course and as with any other course, this can only be guaranteed if a proper method of evaluation is in place. Relevance for the labor market is obviously important, but very often training courses turn out to be not very relevant. This is partly due to the fact that employment services grow to become big machines with heavy structures, where curricula are fixed and rarely reformed. Training for trainers is underfinanced and outsourcing is expensive. The result is that the training offered is of little interest either to job seekers or to enterprises. Nevertheless, governments often continue to maintain poor systems, because they keep the unemployed away from the unemployment roster, and because they can always be justified on an employment assistance basis. A typical attitude is to think that any training is good because keeps people busy and mentally active. While this may be true, a good training course is the one capable of responding to a real demand requirement best serving both employers and workers.

The private sector can also contribute effectively to the training of the unemployed. There is a clear interest, at least in certain economic branches, to train technicians in scarce supply and many industries may be willing to contribute to the training process. This is useful not only from a financial perspective but also from a labor market perspective. Enterprises are in the best position to evaluate what skills are needed and when, and the commitment to finance training is a guarantee that the acquired skills will lead to a permanent job. A training scheme based on social partnership could also be a valuable initiative to focus on training relevant for industry. One example of a social partnership for training is Malaysia's Penang Skill Development Centre for the electronics industry, which is based on a partnership between the State, private enterprises, and academia.<sup>5</sup>

- *Microcredit.* Credit schemes for small and medium-sized enterprises (SMEs) and self-employment are one of the most popular means of generating employment. The schemes arise from the necessity to support mainly small-sized activities with a loan otherwise inaccessible in the formal financial system. The nonaccessibility of credit in the formal financial system may be due to different reasons, such as the nonexistence of small credit schemes, unaffordable interest rates, severe collateral requirements, distances from urban areas where financial institutions are usually located, or lack of trust by bank officials or banks' discrimination practices against categories such as women or the poor. Microcredit schemes normally attempt to bypass these obstacles by keeping minimal interest rates, relaxing collateral requirements, reaching the poor where they live, mobilizing local savings, and providing equal opportunity to all those in need. In this sense, these schemes are legitimate potential contributors to social protection.

<sup>5</sup> The Centre was established by multinational enterprises and the Penang State Government and is managed as a business by a management council composed of public and private sector representatives. The State provides cash grants, trainers, equipment, training materials, and premises. The private sector supplies financing, equipment, and trainers. The Centre is used both by the Government and the private sector. See Mitchel (1998).

Microcredit experiences throughout the developing world are countless and vary a great deal in success. The Grameen Bank in Bangladesh is perhaps the most widely acclaimed system in Asia, but there are many other examples. In Viet Nam alone there are at least six different forms of microcredit delivered through different institutions, including the bank of the poor, the employment promotion fund, the cooperative alliance, the women's association, trade unions, and state banks. The purpose of all these credit schemes is employment generation and poverty alleviation, but the means to achieve these objectives varies according to the type of beneficiaries.

A microcredit scheme also carries some risks in terms of social protection. If credits turn into bad investments, borrowers may find themselves in increased difficulties with repayments and ultimately in a worse situation than the one they started with. Thus, the ability of a microcredit scheme to really decrease and not increase vulnerability for the poorest lies in the micro details. Some of the characteristics of a good microcredit scheme can be summarized as follows:

- It is close to the beneficiaries: many small branches are better than a few big branches; services must be available to people in their surroundings, otherwise transport and information costs will discount the benefits of the scheme.
- It is designed so that collateral requirements are in reach of the target group: if the target group is the very poor, with no available guarantees by definition, collateral should be minimal. Work can occasionally substitute as a payback mechanism.
- It charges low interest rates, lower than commercial banks' interest rates: microcredit schemes should not compete with but complement the formal banking system. They should be designed to fill a gap existing for the poorest. Hence, interest rates have to be as low as possible. That is why cooperative or community forms of schemes tend to be the most popular.
- It requires small and frequent repayments: this allows identifying customers' repayment abilities and possible problems early on so that the credit does not become difficult to manage for either the bank or the customer. Poor people tend to be less literate and have more difficulties in dealing with numbers and money. They are also often concerned and worried about not being able to meet the debt because they don't feel in control of the system. With small repayments, there is a better opportunity to become familiar with the system and gain confidence.
- An internal control mechanism based on trust is managed by members for the members. Microcredit schemes for the poor are often community based. They rely on a close network of people who know each other with different levels of trust. Therefore, the best people to decide about responsibilities and tasks within the scheme are local communities, which can design appropriate methods of control suited for local customs and traditions.
- An external control mechanism is based on financial criteria and managed by a supporting institution (the State, NGOs or multilateral aid providers). Credit schemes are often initiated and financed by aid providers. While one aim of these schemes is long-term sustainability and autonomy, a role for the aid provider could still be to assist the institution with an external control based on financial criteria. With time this function can be passed on to the beneficiaries, but these often need a learning period and technical assistance should be phased out over a sufficiently long period.

#### iv. Labor Migration

Given the relative disadvantages of rural areas in most Asian countries, such as lack of work opportunities and higher levels of poverty, labor migration already plays an important role in the development of Asian labor markets. There are two aspects to labor migration: internal migration, predominantly from rural to urban areas; and external migration, both to and from foreign countries. In both cases, the reasons for migrating are similar: workers migrate mainly because there is no work where they are—a simple and obvious enough reason.

The role for LMPs in the light of social protection is to assist migration and, to a certain extent, drive the flows in the right directions. Moving is leaving behind various forms of acquired protection, including family, friends, land, home, and assets. This social texture needs to be recreated. While income may increase as a result of migration, other social protection mechanisms may be at risk. Thus, the role of LMPs is to assist migration via housing, transport, and social policies able to facilitate the flows in the desired directions and the “landing” of the new migrants in the receiving areas.

The real threat of immigration is not so much the competition that it entails for old residents (in most cases, immigrants are attracted by work opportunities left vacant by old residents), but the exclusion that newcomers risk facing in all social domains. Exclusion may constitute the foundation for social unrest, crime, poverty, and destitution, and these risks can be actively reduced by the State by means of proper policies on labor mobility. This is relevant not only for internal migration flows within countries, but also for external migration flows between countries. Countries such as the Philippines and Indonesia have pioneered active policies for receiving their emigrants in hosting countries through local diplomatic representations and private specialized agencies. Such policies are welcomed by emigrants and also by hosting countries, which can better monitor immigration.

- *Internal migration:* The main reasons for internal migration from rural to urban areas may be the search for employment, marriage, change of workplace, escape from calamities, improved educational opportunities, landlessness, and seasonal opportunities. Bearing in mind the risks associated with illegal external migration, it is reasonable to assume that internal—and long-term or permanent—migration to the city will be the favored movement for most migrants. Urban-rural migration is less common, but frequent in times of crisis, such as during the transition in Central Asia or during the financial crisis in Southeast Asia. In these cases, migrants move in search of subsistence activities, self-employment, and generally lower living costs.

The government attitude toward internal migration can take the form of either encouraging or discouraging such flows. When regional mismatch exists, governments should support migration flows with housing policies and other policies aimed at facilitating the insertion of workers and their families in the new working environment. Enterprises are usually unable to sustain housing and relocation costs, and when a supporting government policy is missing, collateral phenomena develop such as shantytowns and ghettos for migrant labor. These typically urban developments visible across Asian cities become in the long run a substantial cost for governments in terms of criminality, low levels of schooling, and generally poor human development.

As a response to such phenomena, governments may try to discourage rural-urban migration by emphasizing regional and rural development. However, development in rural areas is a lengthy process and the attraction of the large metropolis for rural labor has proved to be a very strong force, difficult to stop or even to slow down. Therefore, while long-term policies may focus on rural development, short-term policies have to necessarily address urban settlements, infrastructure development, and social inclusion.

- *External migration:* External migration can be significant for some countries. It has been estimated, for example, that Cambodians working in Thailand represent the fourth economic sector in terms of employees. Most of this migration initiated as refugees fleeing Cambodia in earlier years, but the rationale now is almost exclusively economic. Cambodians living in areas adjacent to Thailand have simply resorted to selling their labor at a better price outside the country.

There can be significant start-up costs for external migrants, with higher costs incurred for workers seeking to go further rather than merely engage in near-border movements. Migrants may have to borrow money to finance their migration or sell assets for the same purpose, especially for long-range migration. Naturally, the costs can be higher for illegal migration. The lower cost of near-border migration therefore tends to attract the very poor. The near-border Cambodian migrants, for example, are more inclined to undertake seasonal work and work at day-rates in agricultural occupations. Long-range migrants undertake work in fields such as construction or in manufacturing and food processing. One way or another, most of the work taken up is unskilled daily work.

External migration is also subject to significant risks when it is illegal. The widely reported movements of illegal Asian migrants to Europe, North America, and Australia demonstrate just how risky it can be. There are also risks associated with the movement of migrants to adjoining countries, mostly in terms of harassment and exploitation. Expatriate workers are more likely to be paid less than they are owed, do not benefit from any form of social protection, and are less likely to be assisted by the local judiciary system. Vulnerability for migrant workers also increases as a result of abandoning the place of origin for a certain length of time. For example, workers who returned to Cambodia as a result of the Asian financial crisis in Thailand sometimes found themselves landless or short of assets, or in substantial debt.

As a result of such precarious situations, countries that rely extensively on foreign remittances, such as the Philippines, have equipped themselves with social protection mechanisms for migrant labor that function mainly through public bodies or certified private organizations. These mechanisms can take various forms, such as providing legal assistance in case of labor disputes, facilitating migration by means of welcoming organizations in charge of helping migrants with housing, work or other administrative consultations, or establishing compensation schemes for pension and other social contributions. These organizations emerged partly as a response to open human rights violations and partly as an institutional support to large migration flows determined by economic reasons. They usually operate through the local embassies and are likely to be encouraged by host countries, because they facilitate the control and regulation of immigration, as well as offering a valuable interlocutor for any sort of problem that may emerge in relation to migrant workers.

External migration may be a significant source of foreign income. Migrants from South Asia and the Philippines are a noteworthy part of the labor force in Saudi Arabia and

the Gulf States. In particular, they have taken jobs from Egyptians who used to be the major expatriate work force in those countries, so much so that the Egyptian government policy is to recapture what they tend to regard as part of their natural labor market.

Finally, labor migration has important implications for the size and composition of the local labor force. This, in turn, can have repercussions on social protection by altering the equilibrium between contributors and beneficiaries of contributory schemes such as pensions and unemployment benefits. For some countries such as Indonesia and the Philippines, emigration tends to be low-skilled, and governments tend to see the phenomenon positively and even encourage it. For other countries, such as India, emigration in some sectors turned out to be an important “brain drain,” with highly skilled workers fleeing to wealthier countries. This is the case, for example, of workers in the software industry. Whatever the problems and benefits induced by migration, LMPs can and should contribute to improving the social protection status of migrants and maintaining a correct equilibrium between the labor force and the population in terms of skills, age, and gender.

## 5. Summary of Key Issues

This paper has offered an overview of issues related to LMPs when these are considered in a social protection context in Asia. The topic is vast and the overview is forcibly incomplete, but a number of key issues are worth summarizing:

- A labor market strategy aimed at contributing to social protection needs a reorientation from its natural objective of improving labor market flexibility and human capital toward a more comprehensive approach. Targeting has to be reconsidered in the light of social protection groups not traditionally covered by LMPs. Organizations responsible for LMPs, such as ministries of labor, need to be equipped with adequate skills able to manage the new targeted groups.
- The global experience in managing labor markets is rather diverse and stems from fundamentally different conceptual approaches. These approaches are exemplified in the simple categorization of the Japanese, European, and American models. The Asian experience has been mostly influenced by the Japanese and European models, although a process of deep changes has been occurring since the crises experienced during the 1990s.
- Irrespective of the model driving approaches to labor market management, an important consideration when dealing with labor markets in developing countries is their segmentation along different lines. Segmentation in the labor market is a form of social exclusion and, as such, should be one of the concerns of social protection. LMPs should facilitate a reduction in such segmentation, while they should also pragmatically address segment specificities, such as those found in the rural or in the informal sectors.
- Within the large portfolio of LMPs experimented with worldwide, some policies have clear implications for social protection. The paper discussed selected policies in the light of two important labor market challenges confronting Asia today: how to respond to crisis and how to reform the LMP systems. Support to enterprises, defensive restructuring, and public works have been considered among the possible short-term options available for responding to crises; labor legislation, labor market programs and services, and labor migration policies have been considered as important elements for reforming the existing LMPs systems.

- Public financial support to economic sectors or particular enterprises should not be excluded a priori but should be evaluated in the light of the type and quality of the beneficiaries and the actual conditions in which they operate. At times, social protection may mean protection of local industry from unfair foreign competition, or employment maintenance where alternatives in the open market are nonexistent. Defensive restructuring is to be seen in the same light, as a temporary measure destined to maximize social protection in the short term, irrespective of long-term growth objectives.
- Public works are perhaps the LMPs that best suit social protection. This policy is self-selecting and usually open to anyone in need if well designed. Experience in this field is vast and the record worldwide is rather positive. Public works are also fairly straightforward to implement and do not require lengthy planning, while they can be discontinued quickly when no longer relevant.
- Labor legislation can typically be either too much or too little. Not every aspect of labor needs to be regulated, while some aspects of labor, particularly in the human rights sphere, are in urgent need of regulation.
- Core labor standards are regulated by ILO conventions; countries wishing to subscribe to them can easily sign them. The difficult issue in this case is not legislation but implementation and enforcement. There are clear risks in bluntly outlawing certain practices, such as child labor, and an effort is needed to analyze the deep implications of such legislation on the poorest. There are also clear risks in avoiding such legislation altogether, encouraging rather than discouraging open human rights violations.
- The minimum wage, while it can appear as an important measure for social protection, can attain the opposite effect by pushing employers into the gray economy or restricting employment further for the very poor. Yet, where conditions for open labor exploitation exist, such as in the case of migrant labor or during protracted crises, the minimum wage, if effectively enforced, remains an important instrument for governments committed to social protection.
- Job security provisions and working conditions are important social protection mechanisms for the employed, well promoted by trade unions and hindered by enterprises. While necessary in principle, these measures are costly, especially for infant industries; they also carry the risk of lifting barriers between the employed and the unemployed and between formal and informal employees, by discouraging enterprises from hiring new workers or entering the formal sector altogether. These concerns are “voiced” by enterprises but not by the unemployed or informal workers, because the latter do not usually form recognized constituencies in national negotiations, leaving to governments the responsibility for acting on their behalf.
- PES systems usually have the functions of monitoring the labor market, providing job brokerage, and assisting the unemployed. Job brokerage is the primary function of labor exchanges; it is one that needs to be provided by the State in poorly developed labor markets, where private intermediation is either nonexistent or of an exploitative nature. In the optic of a social protection strategy, labor exchanges could become the focus point for such a strategy, the door for the vulnerable to reach the State for assistance. In this case, the current bottlenecks that stop many among the most disadvantaged from being registered should be removed.
- Microcredit is one effective way to mobilize local resources and effectively use public funds where a financial system is not in place or not in reach. It can be a

- valid instrument for social protection, if all micro details are carefully devised in order to minimize the existing risk of further deepening vulnerability for the poorest.
- Labor migration is perhaps the most significant phenomenon in Asia today and one that is often overlooked by LMPs. Yet, migrants are among the most vulnerable groups in society because they usually lack the basic family support mechanisms, legal status, or protection of any kind. Some countries are equipping themselves with mechanisms to assist citizens who migrate abroad for work, but a lot remains to be done in the field of labor protection for migrants. Internal labor migration, which occurs in response to labor imbalances and is therefore beneficial for the economy as a whole, needs to be assisted with adequate schemes, such as housing and transport, targeted to the job seekers.
  - The macro trends that are affecting Asian developing countries today, such as globalization, migration, and urbanization, coupled with the new international effort aimed at reducing poverty and increasing social protection for all, represent an opportunity for reforming and ameliorating social protection mechanisms. LMPs should be a central part of this effort, but a shift in perspective, away from the traditional OECD approach adapted to mature industrialized societies, is needed to suit the new scenario emerging in Asia. This paper has attempted to raise and discuss some of the issues and dilemmas that policymakers are likely to be confronted with in designing LMPs for social protection.

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