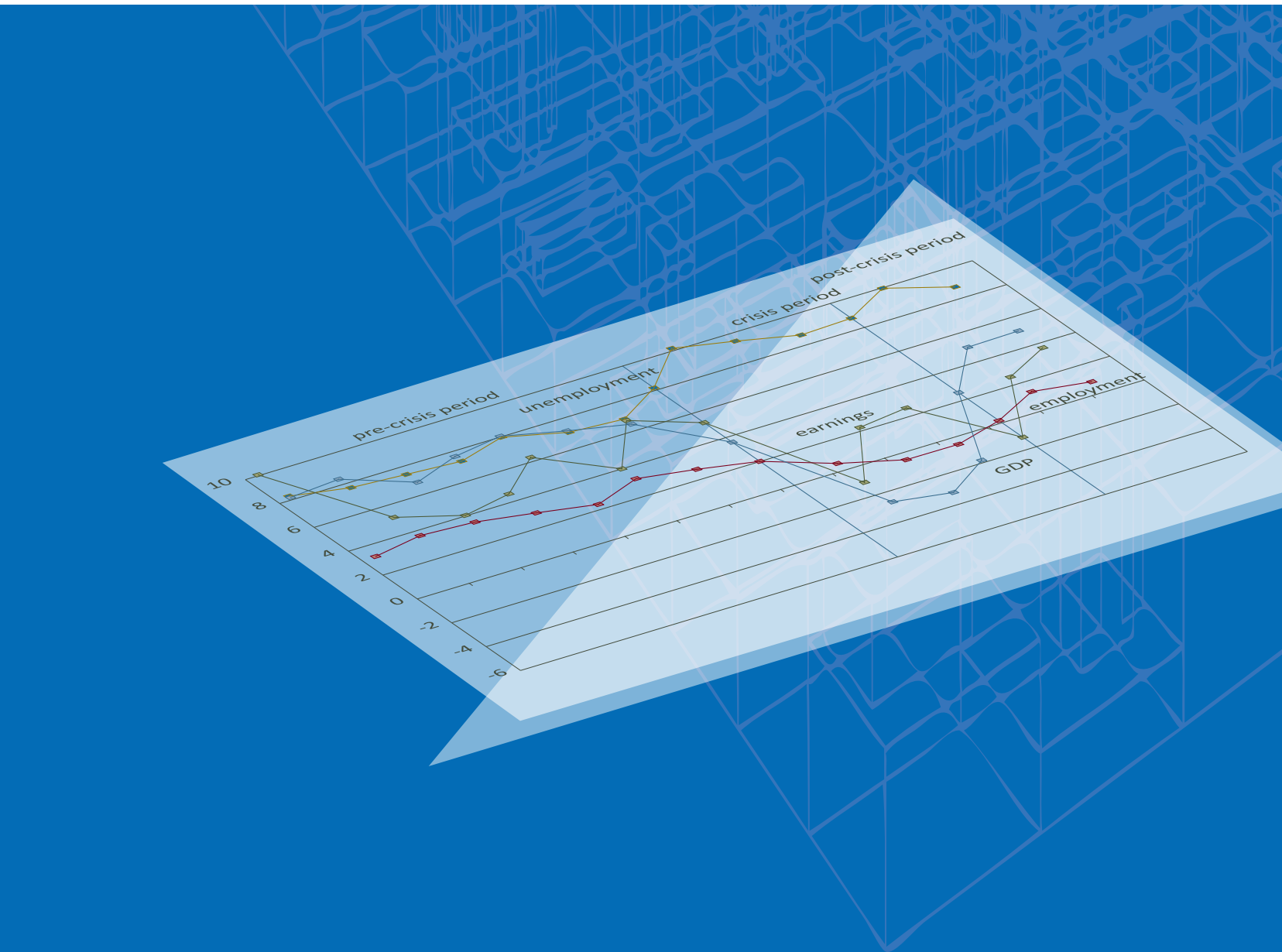
THE WORLD BANK

JOINT SYNTHESIS REPORT

ILO/WORLD BANK

Inventory of Policy Responses to the Financial and Economic Crisis



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Inventory of Policy Responses to the Financial and Economic Crisis

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This report was published to communicate the results of ILO/World Bank's Inventory of Policy Responses to the Financial and Economic Crisis. It documents the results of the inventory and aims at presenting it to the development community with the least possible delay.

For more information, please contact the Social Protection Advisory Service, The World Bank, 1818 H Street, N.W., Room G7-803, Washington, DC 20433 USA. Telephone: (202) 458-5267, Fax: (202) 614-0471, E-mail: socialprotection@worldbank.org or visit us on-line at www.worldbank.org/sp.

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Foreword

At its Summit in London in April 2009, the G20 requested the International Labour Office (ILO), "working with other relevant organizations, to assess the actions taken and those required for the future."[1] The ILO responded to this request by preparing an inventory and initial assessment of employment and social protection measures taken in 54 countries across all regions and income groups.[2] This survey was presented at the G20 Leaders' Summit in Pittsburgh in September 2009. It was one of the first attempts to assess and compare national responses to the crisis, and was considered to be much needed.

In addition, faced with the prospect of a prolonged global increase in unemployment, poverty, and inequality and continued distress for enterprises, in June 2009 the International Labour Conference, with the participation of government, employers', and workers' delegates from the ILO's member States unanimously adopted a "Global Jobs Pact" with a portfolio of key crisis response policies, including a specific objective to reduce the time lag between economic recovery and employment recovery.

In early 2010, the ILO and the World Bank (WB) decided to join forces to conduct a survey of policy responses to the crisis, based on the structure of the Global Jobs Pact. The Swiss State Secretariat for Economic Affairs (SECO) offered financial support for this project, directly to the ILO, and through the Multi Donor Trust Fund on *"Labor Markets, Job Creation, and Economic Growth"* with funding from Austria, Germany, Korea, Norway, and Switzerland for the World Bank. Both the inventory of policy responses to the crisis that is presented here, and the corresponding database that is being made public, are the results of this joint effort.

This Policy Inventory has been conceived as both a learning exercise and a didactic one. The impact of the various government interventions during the crisis remains unknown, and there are many questions regarding the design and implementation of macroeconomic and sectoral policies, active labour market and social protection programs, the practice of social dialogue, and the enforcement of international labour standards. In this environment of uncertainty, a database with an inventory of policies enacted during the height of the financial crisis, the years 2008–2010, offers a tremendous analytic tool to learn more about what policies countries relied on, what interventions appear to be more successful, and what the implications are for the design of policy packages to deal with future downturns. It is a didactic exercise as it allows for cross-country comparisons on a large scale, with a sample of 77 countries significantly affected by the crisis, representing 89% of global GDP and 86% of the

[1] G20 Leaders' Statement (London), April 2009.

[2] Protecting people, promoting jobs: An ILO report to the G20 Leaders' Summit, Pittsburgh, 24–25 September 2009, International Labour Office, Geneva, September 2009.

global labour force. The database therefore captures the most significant policies, in breadth, often in complexity, level of expenditures, and, where discernable, coverage. The large country sample permits derivation of policy comparisons across a large and diverse set of economic, social, and policy settings.

The objective of this report is not to engage in an in-depth analysis of the database, but rather to present the database and to provide an initial and general overview of the policy responses to the crisis. In making the database available to the public and the wider communities of academics and policy makers, the ILO and the World Bank would like to invite interested parties, both individuals and organizations, to engage in more detailed and specific analyses. The richness and scope of the database offers great potential for further analysis. It is our hope that this modest overview is significantly enriched in the near future by a widespread use of the database.

The elaboration of the database and this report was carried out by competent and hard working teams in both institutions, the ILO and the World Bank, which we had the pleasure of supervising.

We thank the Swiss State Secretariat for Economic Affairs (SECO), and the Multi Donor Trust Fund on Labour Markets, Job Creation, and Economic Growth financed by the Austrian, German, Norwegian, Korean, and Swiss governments for their enthusiastic support to this project.

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Introduction[3]

The 2008-09 global financial crisis had a significant impact on the world economy, after having spread from the sub-prime market in the United States to the worldwide financial system. Growth in gross domestic product (GDP) decelerated significantly in all regions and some countries had to weather deep recessions. One of the most visible consequences of the crisis was a marked rise in unemployment and a slowdown in the growth of earnings. In developing countries, substantial declines in employment were often accompanied by increased poverty, hunger, and malnutrition.

The crisis hit the advanced economies the hardest (see Tables 1 and 2), contracting GDP by 3.9 percent over 2009, along with Central and Eastern Europe whose GDP contracted by 5.9 percent over 2009, followed by Latin America and the Caribbean whose GDP contracted by -1.7 percent over 2009. The economies of Asia, Africa, and the Middle East did not contract, but their trend growth rates of GDP were brought down significantly over 2009. GDP growth in East Asia came down from double digits in 2007 to 7 percent in 2009; South-East Asia and the Pacific GDP growth decreased from 7 percent to 2 percent over this period; South Asian growth rates declined from 9 percent to 6.2 percent; GDP growth in Sub-Saharan Africa came down from 7 percent in 2007 to 3 percent in 2009; in North Africa GDP growth rates fell from 6 percent to 3.5 percent over this period; and in the Middle East, GDP growth came down from 7 percent in 2007 to 2 percent in 2009.

The impact of the crisis on employment has been deep, and with no appreciable recovery, particularly in the developed countries. Table 2 shows that between 2007 and 2009—at the height of the crisis—an estimated 27 million jobs were lost globally. Half of these jobs were lost in the advanced economies, five million in East Asia, three million in Latin America and the Caribbean, and one million in South Asia. The global unemployment rate rose from 5.5 percent in 2007 to 6.2 percent in 2009. The hardest hit were the advanced economies, where the unemployment rate rose from 5.8 percent to 8.3 percent over this period, but other regions suffered as well. In Central and Eastern Europe, the unemployment rate rose from 8.4 percent to 10.2 percent; in East Asia the unemployment rate increased from 3.8 percent to 4.3 percent; and in Latin America and the Caribbean, the unemployment rate rose from 7 percent to 7.7 percent.[4]

Two other indicators of labour market distress, among others, have been particularly telling. The rate of youth

[3] This report was drafted by a joint team of the International Labour Organization (ILO) and the World Bank, including Moazam Mahmood and Catherine Saget from the ILO and David Robalino, Friederike Rother, and David Newhouse from the World Bank. The findings of this report and of the inventory are also being published and expanded in more detailed reports by the ILO and the World Bank.

[4] ILO: *Global Employment Trends* (Geneva, 2012).

unemployment rose globally from 11.7 percent in 2007 to 12.8 percent in 2009, the advanced economies being hit particularly hard, where this rate jumped from 12.5 percent to 17.3 percent over this period. There was also a significant discouraged-worker effect, where the employment-to-population ratio went down globally from 61.2 percent to 60.3 percent between 2007 and 2009 (from 73.6 percent to 72.6 percent for men; from 48.9 percent to 48.1 percent for women). The decrease was more dramatic for the advanced economies, where it dropped from 57.1 percent to 55.5 percent (from 65.2 percent to 62.5 percent for men; from 49.5 percent to 48.9 percent for women).

Policy responses led to a recovery in GDP growth but not a significant increase in jobs. The world saw an unprecedented widespread policy response to the crisis. While there has been recovery, albeit faltering, in GDP growth, the jobs gap of 27 million created by the crisis has persisted. The reason for the persistence of the jobs gap is seen in Figure 1. Demographic labour force growth, shown by the upper black line in the figure, annually adds approximately 40 million new entrants into the global labour market. Pre-crisis GDP growth, with an approximate range of 4 percent to 5 percent per annum over the last decade, gave an employment growth rate of 1.6 percent per annum, shown by the lower orange line up to 2008 in the figure. This rate of employment growth met the demographic challenge imperfectly in terms of job quality and with an unemployment gap of about 177 million, which is the increase in employment that would be needed to reach full employment at the global level. It is clear that the long-run unemployment gap of 177 million could not be eliminated through pre-crisis GDP growth rates of approximately 4 percent to 5 percent per annum.

The drop in GDP growth and employment growth below pre-crisis trends created an additional jobs gap of 27 million, shown as the gap between current projections of post-crisis employment growth (orange line) and pre-crisis projections of employment growth (middle purple line). Recovery in GDP growth towards the pre-crisis trends has been facilitated by policy. This has also enabled recovery in employment growth to about 1.8 percent per annum, to approximate pre-crisis levels, which meets the annual demographic challenge of creating 40 million new jobs. But, as before, this rate of employment growth will not succeed in filling the large unemployment gaps, neither the 177 million long-run gap nor the 27 million new jobs crisis gap. Hence, there is a clear need for designing policies to raise the rate of employment growth above pre-crisis levels, initially to fill in the jobs crisis gap of 27 million, and later to tackle the longer-run challenge of filling in the larger gap of 177 million.

Table 1: Annual Real GDP Growth Rates (%)

Region	2007	2008	2009	2010	2011p	2012p	2013p	2014p	2015p	2016p
WORLD	5.4	2.8	–0.7	5.1	4.0	3.5	4.4	4.6	4.8	4.9
Developed Economies and European Union	2.7	0.1	–3.9	2.6	1.4	1.1	2.0	2.4	2.5	2.5
Central and South-Eastern Europe (non-EU) and CIS	7.8	4.3	–5.9	5.3	4.9	3.7	4.0	4.1	4.0	4.0
East Asia	12.1	7.8	7.1	9.8	8.7	7.7	8.8	8.4	8.6	8.8
South-East Asia and the Pacific	6.7	4.5	1.6	7.6	5.1	5.2	5.8	6.0	6.0	6.0
South Asia	9.4	5.9	6.2	9.2	7.0	6.6	7.6	7.9	7.7	7.9
Latin America and the Caribbean	5.8	4.3	–1.7	6.1	4.4	3.7	4.0	4.0	4.0	4.2
Middle East	7.1	4.4	2.2	4.4	5.0	3.7	4.1	4.4	4.5	4.5
North Africa	5.8	5.1	3.5	4.4	2.1	3.1	4.3	5.0	6.0	6.3
Sub-Saharan Africa	7.1	5.6	2.8	5.4	5.1	5.6	5.5	5.4	5.2	5.3

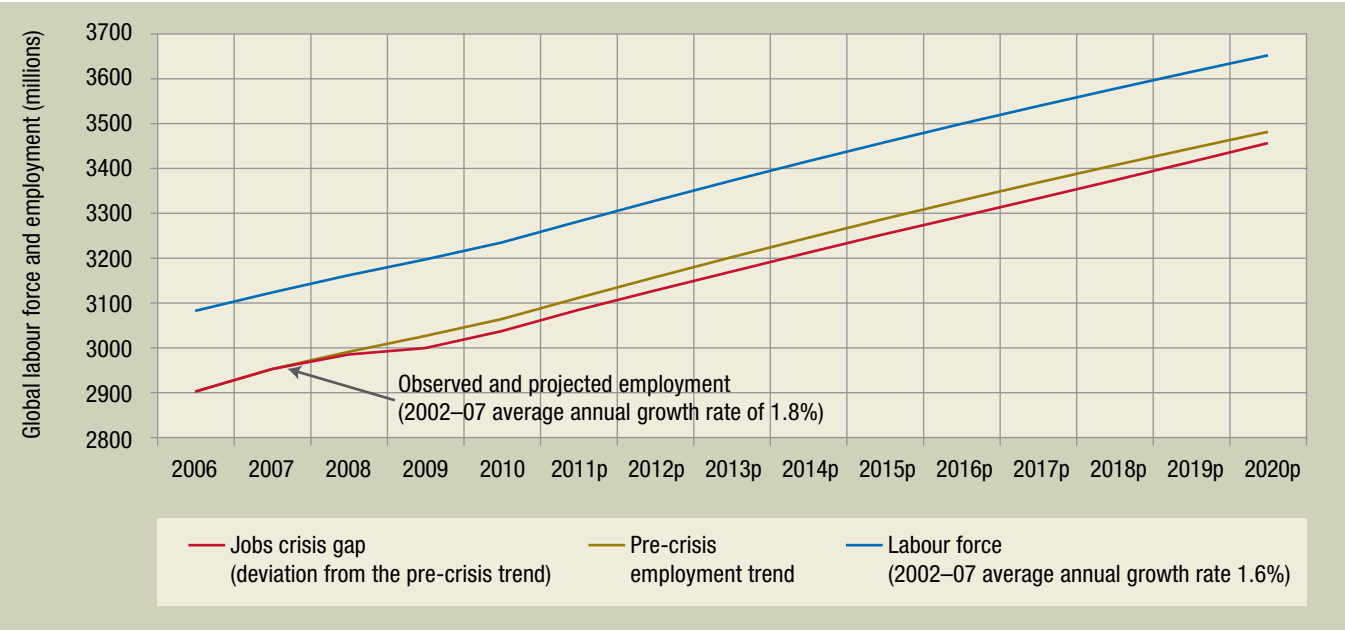
Source: 2012 ILO Calculations based on ILO – Trends Econometric Models, October 2011, and on IMF, World Economic Outlook, September 2011.

Table 2: Unemployment (millions)

Region	2007	2008	2009	2010	2011p	2012p	2013p	2014p	2015p	2016p
WORLD	170.7	176.4	197.7	197.3	197.3	201.2	204.3	205.7	206.6	207.8
Developed Economies and European Union	29.1	30.8	42.5	44.7	43.5	44.3	44.4	43.5	42.2	41.2
European Union (27)										
USA										
Central and South-Eastern Europe (non-EU) and CIS	14.5	14.7	18.1	17.0	15.5	15.6	15.7	15.6	15.6	15.7
East Asia	31.6	35.8	36.7	35.6	35.5	36.0	36.3	36.4	36.6	36.7
South-East Asia and the Pacific	16.1	15.7	15.5	14.7	14.6	14.9	15.2	15.4	15.6	15.8
South Asia	23.6	23.3	24.5	25.0	25.0	25.5	26.2	26.7	27.2	27.7
Latin America and the Caribbean	18.4	17.9	21.2	20.2	20.5	21.0	21.5	22.0	22.4	22.7
Middle East	6.4	6.6	6.6	6.7	7.1	7.4	7.7	7.9	8.1	8.2
North Africa	6.6	6.4	6.5	6.7	7.9	8.1	8.3	8.4	8.4	8.4
Sub-Saharan Africa	24.5	25.2	26.0	26.7	27.6	28.3	29.0	29.8	30.6	31.4

Source: ILO-Trends econometrics Models, October 2011.

Figure 1: GDP Growth and Employment Growth



Source: 2012 ILO Calculations based on ILO, *Trends Econometric Models*, October 2011, and on IMF, *World Economic Outlook*, September 2011, January 2012.

Governments everywhere have been searching for viable responses to limit the economic and social costs of the crisis. Two questions have taken centre stage. First, what are the likely labour market policies and instruments that can limit the adverse implications for employment and household income, and that can contribute to reignite growth and poverty alleviation in developing countries? Second, what are the lessons learned from previous

crisis episodes and the policy responses to provide a guide to policy makers? The Policy Inventory and the accompanying database of policy responses can offer clarity and direction to those searching for answers to these two questions.

The objectives of the survey of policy responses to the crisis were threefold: (i) to establish a broad-based inventory of policy measures for a large and more representative sample of countries, which resulted in a final sample of 77 countries being surveyed; (ii) to give a quantitative dimension to the inventory; and (iii) to store the information in a searchable and user-friendly database to be released publicly for the use of policy practitioners, researchers, governments, and the public in general. The 23 countries added to the initial ILO inventory were chosen on the basis of joint priorities among the donors' priorities, the ILO, and the WB. Information for the database was collected over the period mid-2008 to mid-2010.

The web-based ILO/WB policy inventory has been built as a user-focused platform to facilitate interaction between interested stakeholders, including ministries, social partners, the private sector, implementing agencies, private corporate partnerships, individuals, and NGOs. It can be accessed at www.ilo.org/crisis-inventory as well as through the Jobs Knowledge Platform at www.jobsknowledge.org.

The 77 countries included in the database (see Annex 1) are meant to represent all regions and a range of development levels. The database is organized around seven categories of policies: macroeconomic policies, measures to increase labour demand, active labour market policy, unemployment benefits, other social protection measures, social dialogue, and labour standards (see Annex 2).

This report presents an overview of general findings from this unique ILO/WB database. The report only uses a fraction of this large and rich database and should be seen as an invitation for researchers and practitioners to use the data for more in-depth research, which can be helpful for policy makers in identifying effective approaches to maintain and promote employment, while protecting living standards during times of crisis. Specifically, the report reviews 62 distinct policies pertaining to employment and social protection, social dialogue, and labour standards in 55 low-income and middle-income countries and 22 high-income countries.

The goal of this report is to take stock of policy responses during the recent economic and financial crisis and suggest areas where policy-makers should focus to improve their capacity to respond to future shocks. It begins with an overview of macroeconomic and sector policies (Section 2). Then the report turns to an analysis of labour market policies to promote labor demand (Section 3), programmes to facilitate job matching and preserve skills (Section 4), social protection (Section 5), minimum wages (Section 6), social dialogue (Section 7), and international labor standards (Section 8). The last section summarizes key findings and proposes an agenda for future work.

2

Macroeconomic and Sectoral Policies

Macroeconomic Policies

If the Great Depression sparked the formalization of macroeconomic policy, the current Global Financial and Economic Crisis is writing the next chapter. Had there been a policy inventory for the Great Depression, providing the opportunity to observe the range of policies followed, the range of countries implementing these policies, and the range of the impact, formalization of lessons learned in the form of macroeconomic theory would have taken place more easily and more consistently by being able to see the larger picture. This then should be the modest goal of this policy inventory—to try to capture the whole, the global macro practices across 77 countries, to aid formalization of macroeconomic practice and theory. What is not covered adequately by the policy inventory at the macro level is impact, for which a more detailed follow-up study is recommended.

As a result of the need for a truly global view of the problem, this survey has observed the entire sample of countries, dividing the sample into two categories: high-income countries, and low- and middle-income countries. Three particularly important factors in the policy inventory can be used to analyze the policy responses utilized during the crisis years:

1. Country incidence or use of the range of different policies, which would be indicative of aspirations and preferences towards specific policies.
2. The policy budgets, across the whole sample of countries, which would be indicative of feasibility and policy space to implement specific policies.
3. Policy budgets by country.

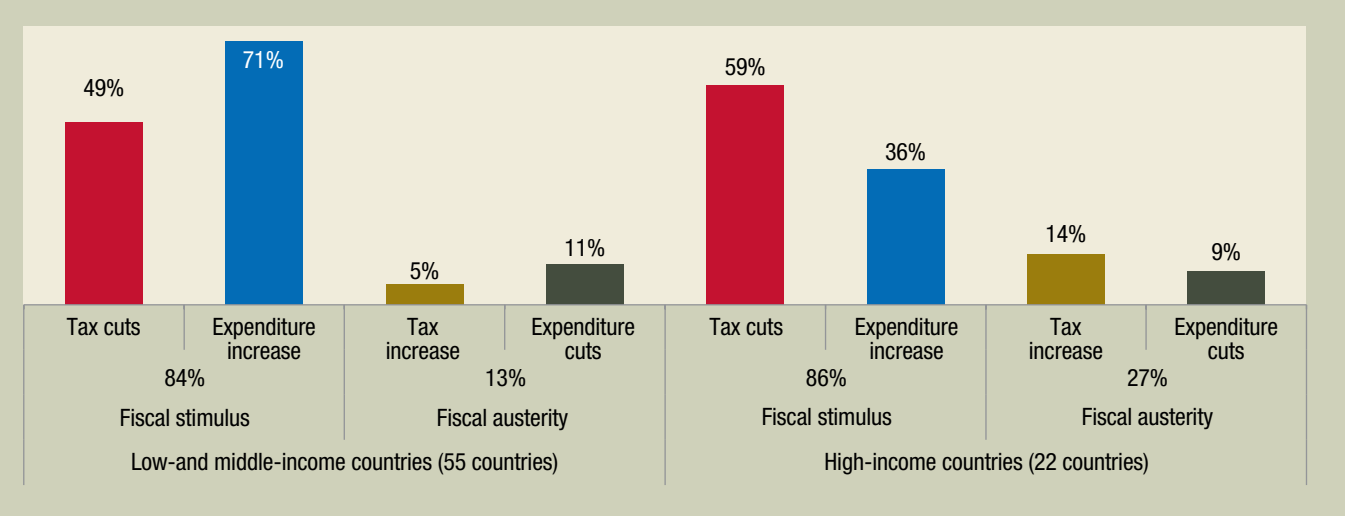
There are two major types of macroeconomic policies that were used as responses to the financial crisis: fiscal policies and monetary policies. The findings generated by the policy inventory provide broad information on the policies adopted in these two areas.

Fiscal Policies

The first major finding regarding the use of fiscal policies is that a fiscal stimulus was undertaken by a majority of the 77 countries surveyed; only a minority of countries adopted fiscal austerity policies. The overwhelming reliance of the countries surveyed on fiscal stimulus does not seem to have been affected by the level of their country's income. Around 86 percent of high-income countries in the sample used a fiscal stimulus, while 84 percent of low- and middle-income countries in the sample also used a fiscal stimulus (Figure 2).

The second major finding from the survey is that the predominant form of fiscal stimulus in a majority of countries was an expenditure increase. However, Figure 2 shows that high-income countries relied more on tax cuts (59 percent of the sample of high-income countries), followed by expenditure increases, at 36 percent of the

Figure 2: Number of Countries Adopting Fiscal Policies (%)



Source: Based on full sample of 77 countries of ILO/WB inventory of policy responses to crisis.

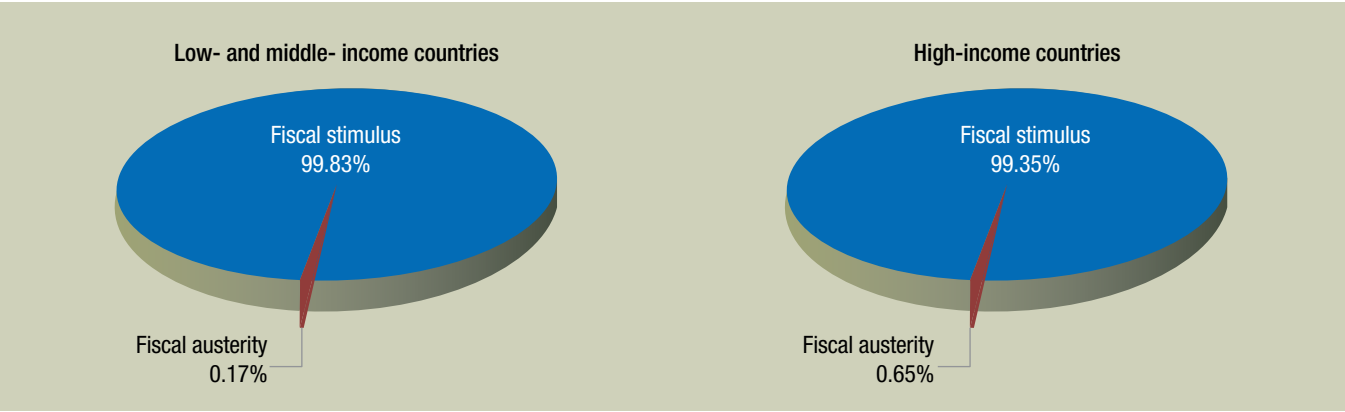
sample. Low- and middle-income countries relied more on expenditure increases (71 percent of the sample of low- and middle-income countries) followed by tax cuts, at 49 percent of the sample.

In implementing austerity measures, an approximately equal proportion of high-income countries used expenditure cuts (9 percent) and tax increases (14 percent), while more low- and middle-income countries relied on expenditure cuts (11 percent) rather than tax increases (5 percent).

The third important finding from the survey reveals that, while budgets must be treated as approximate orders of magnitude, fiscal stimulus across the adopting countries verged on US$5.5 trillion in terms of purchasing power parity (PPP).[5] The three largest economies in the world, the United States, Japan, and China, all beset by the crisis,

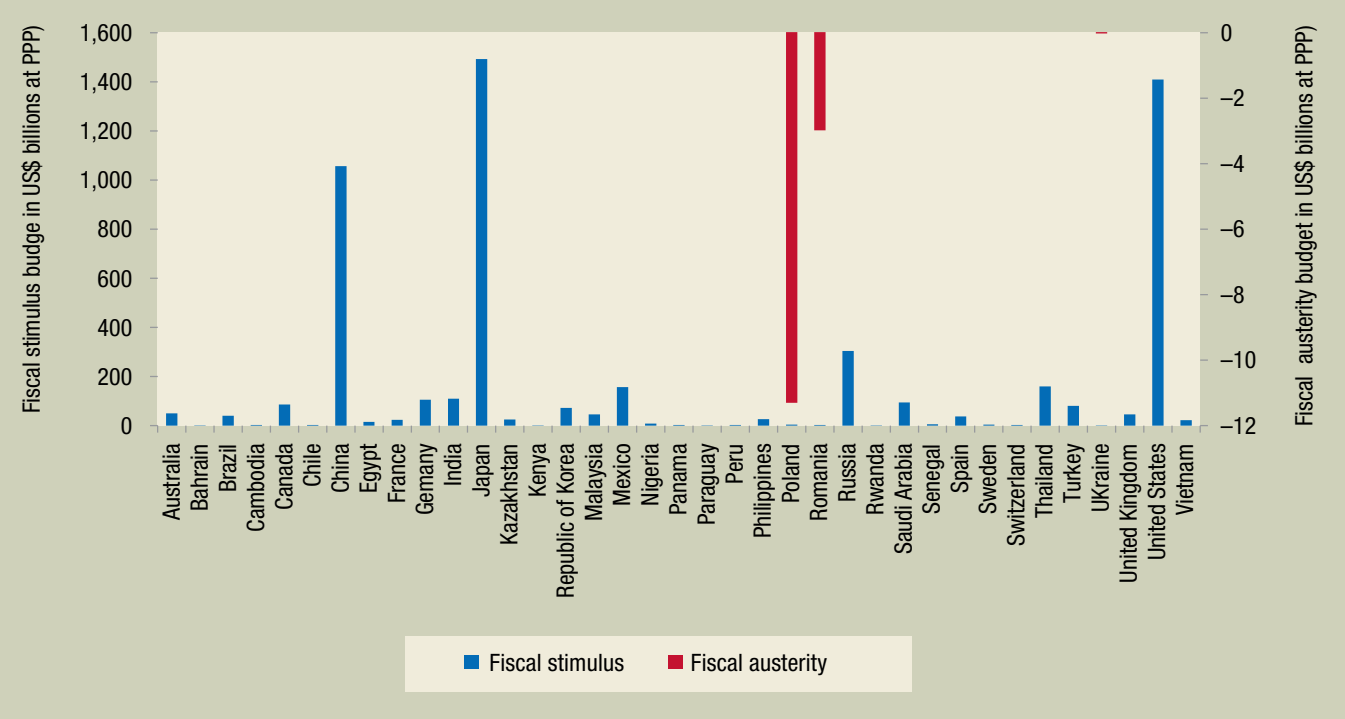
[5] Purchasing power parity conversion factor is taken from World Development Indicators/World Bank.

Figure 3: Budget Allocated for Fiscal Policies in Billions of US Dollars at PPP (%)



Source: Based on full sample of 77 countries of ILO/WB inventory of policy responses to crisis.

Figure 4: Budget Allocated for Fiscal Policies by Country in US$ Billions at PPP



Source: Based on full sample of 77 countries of ILO/WB inventory of policy responses to crisis.

undertook the three largest fiscal stimulus programmes, of above US$1 trillion (at PPP) each (Figure 4).

Monetary policies

Monetary policy became a good deal more complex in this crisis. The severity of the crisis entailed not only the use of conventional monetary policy[6] to bring down interest rates and facilitate access to credit, to complement fiscal policy, but also the use of unconventional monetary policy[7] where the term structure of interest rates in the capital markets was brought down and kept down, and money supply further eased. This largely took the form of quantitative easing (QE), whereby the central banks essentially bought bonds from the public by printing money. The effect of the central banks buying bonds on the domestic economy is twofold: the increased demand for bonds raises their price and lowers their yield, thus reducing the cost of borrowing in the capital markets; and buying bonds from the public increases the money supply held by the public. There is a third effect on the global economy: as the domestic interest rates drop, the domestic currency depreciates against global currencies.

The notion of QE took a strong hold through the United States' first and second rounds of policy response, during the European Central Bank's (ECB) buying of bonds when faced with weaker growth in Europe, and with the Swiss pegging of the Swiss franc to the euro.

The major instruments of conventional monetary policy include setting interest rates, setting exchange rates, and expanding credit. The major mechanisms of unconventional monetary policy include credit easing, quantitative easing, and support to specific institutions. Unconventional QE takes the form of open market purchases of high-quality securities, notably treasury securities, government-sponsored enterprise debt

[6] Loisel, Olivier, and Jean-Stéphane Mésonnier. "Unconventional Monetary Policy Measures in response to the crisis." *Banque de France*. April 2009. www.banque-france.fr/publications/current_issues.htm (accessed June 2011).

[7] Bernanke, Ben S, Reinhart Vincent, and Brian P Sack. *Monetary Policy Alternatives at the Zero Bound: An Empirical Assessment*. Washington D.C., September 2004.

and mortgage-backed securities. Unconventional support for specific institutions provides financing to systematically important institutions.[8] It may take several forms: stepping in with public purchase of troubled assets, providing asset guarantees, capitalizing bad banks, and promoting efforts to reduce preventable foreclosures.

There are five main findings from the policy inventory regarding the use of monetary policy in combating the fiscal crisis. First, the majority of countries surveyed followed countercyclical monetary policy to offset the impact of the crisis. A small proportion also carried out cyclical monetary policy, complementing their countercyclical monetary policy. Very few countries carried out only cyclical monetary policy. This finding is affected by income status, with Figure 5 showing that a smaller proportion, 9 percent, of the sample's high-income countries adopted cyclical policies, while a higher proportion, 24 percent, of low- and middle- income countries adopted cyclical policies.

Second, of the countries using countercyclical monetary policy, a majority relied on conventional monetary policy instruments, although a significant proportion also used complementary unconventional monetary policy instruments. Figure 6 shows that this finding is also affected by income status, with a lower proportion, 33 percent, of low- and middle-income countries using unconventional monetary instruments, and a higher proportion, 55 percent, of high-income countries using such unconventional measures.

Third, the budgets repeat this trend, with Figure 6 showing that high-income countries had almost 70 percent of their monetary policy budget going towards unconventional monetary policy, compared to 37 percent for low- and middle-income countries.

Fourth, the specific instruments countries relied on most for conventional monetary policy were credit expansion and interest rate cuts, as seen in Figure 5, while for unconventional monetary policy the most important policy instruments were QE and support for specific institutions.

Fifth, cyclical monetary policy largely relied on the conventional instruments of credit contraction and interest rate hikes, as seen in Figure 5.

Sectoral Policies

Sectoral policies were critical in this financial and economic crisis precisely because the crisis originated in the financial sector, which required unprecedented public support. The balance sheet crisis transmitted into a credit crunch, which then affected the real economy through declining demand for exports, consumption, and output in general. As such, the crisis spread from the financial sector to the real sectors of the economy, some of which also called for and received a degree of support. The policy inventory allows for a clear evaluation of the sectoral support provided by countries.

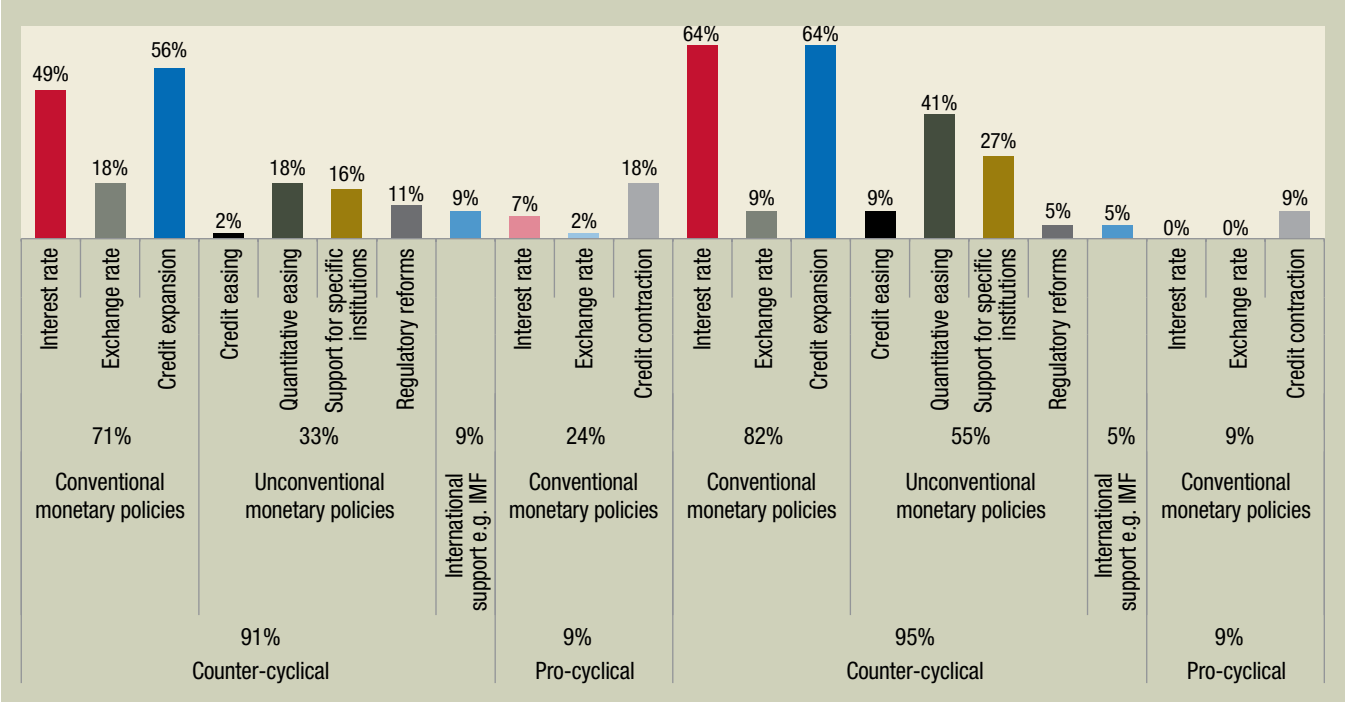
Several findings are revealed from the policy inventory regarding the use of sectoral policies to mitigate the effects of the crisis. First, in terms of country priorities for particular sectors, most countries appear to have supported exports, followed by agriculture, manufacturing, construction, finance, and then infrastructure in the form of communications and utilities. As Figure 7 shows, the largest number of high-income countries prioritized exports, followed by manufacturing and then finance. The largest number of low- and middle-income countries prioritized exports, followed by agriculture and manufacturing.

However, the second finding from the policy inventory is that actual budget allocations reversed these sectoral priorities. Of a total sectoral budget of approximately US$2.4 trillion for the 77 countries in the sample, the financial sector received half, with manufacturing coming in a very weak second with about US$240 billion, followed in turn by education with US$127 billion (ILO/WB database of inventory of policy responses to the crisis). Neither exports nor infrastructure received significant support in terms of their budget shares across these countries.

Third, the budgetary allocations varied clearly with income status, as Figure 8 shows. The high-income countries allocated most of their budgets to the financial

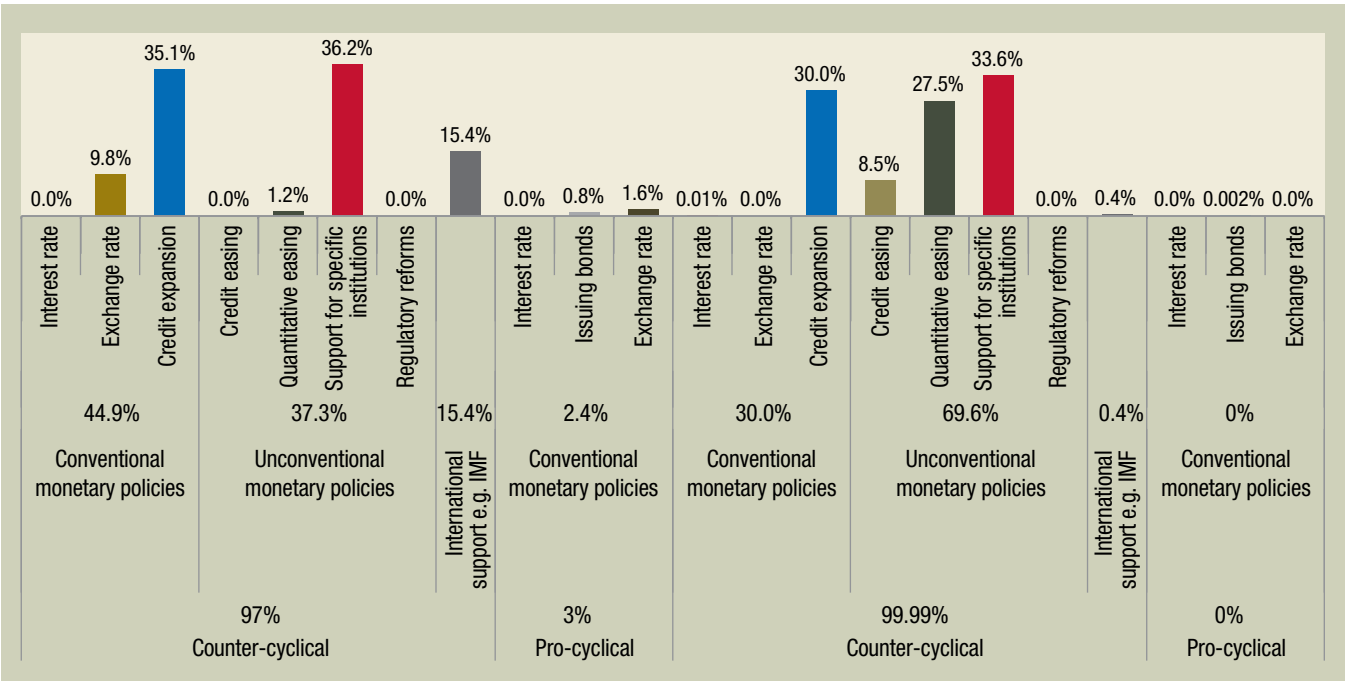
[8] Bernanke, Ben S. "The Federal Reserve's Balance Sheet. Speech at the Federal Reserve bank of Richmond 2009 Credit Markets Symposium, Charlotte, North Carolina." *Board of Governors of the Federal Reserve System*. 3 April 2009. http://www.federalreserve.gov/monetarypolicy/bst.htm (accessed June 2011).

Figure 5: Number of Countries Adopting Monetary Policies (%)



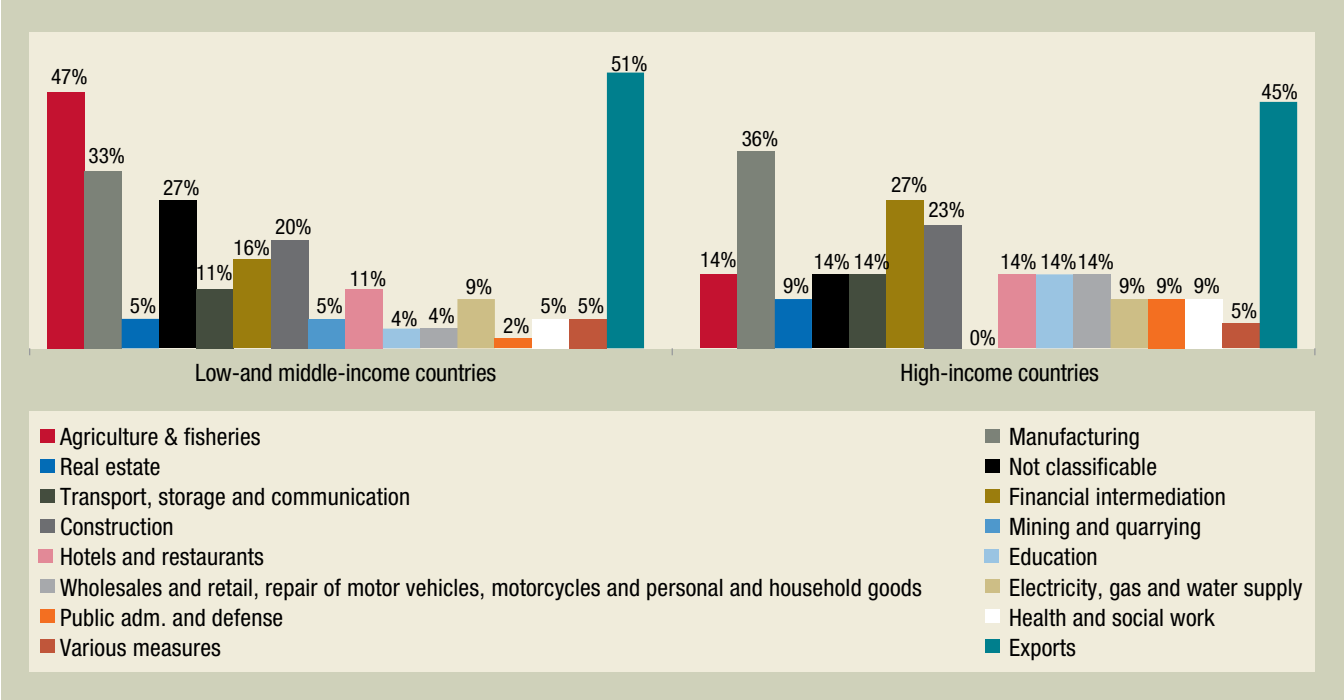
Source: Based on full sample of 77 countries of ILO/WB inventory of policy responses to crisis.

Figure 6: Budget Allocated for Monetary Policies in US$ Billions at PPP (%)



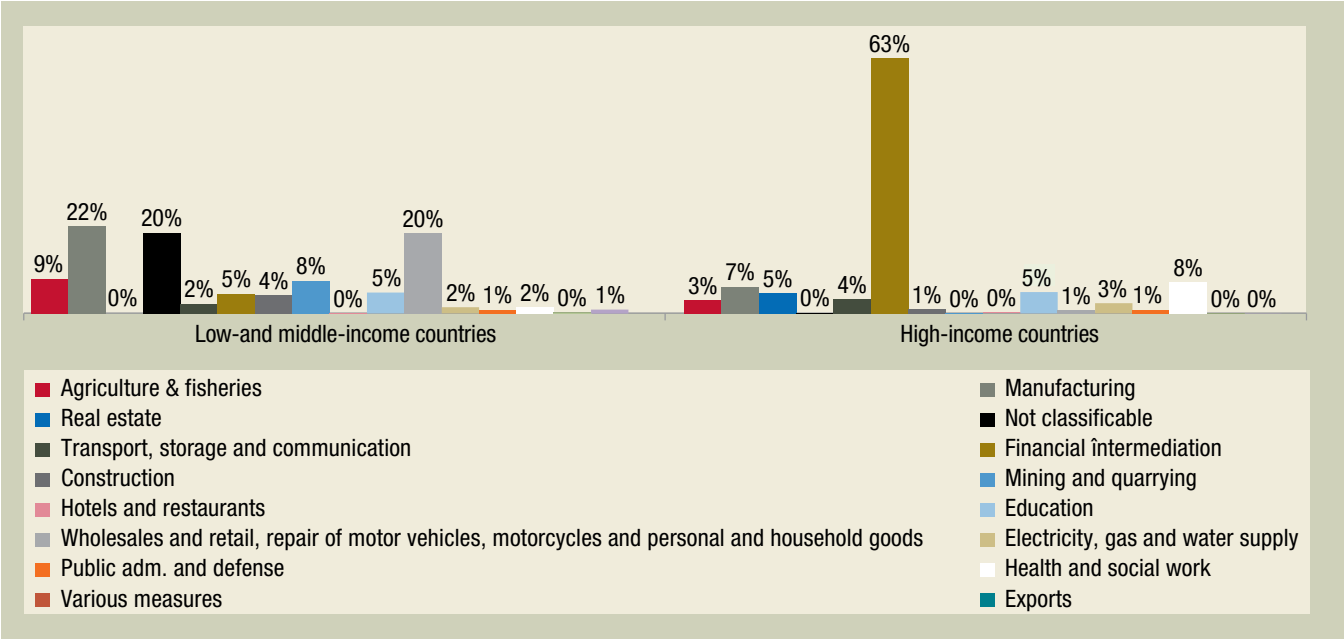
Source: Based on full sample of 77 countries of ILO/WB inventory of policy responses to crisis.

Figure 7: Number of Countries Adopting Sectoral Policies (%)



Source: Based on full sample of 77 countries of ILO/WB inventory of policy responses to crisis.

Figure 8: Budget Allocated for Sectoral Policies in US$ Billions at PPP (%)



Source: Based on full sample of 77 countries of ILO/WB inventory of policy responses to crisis.

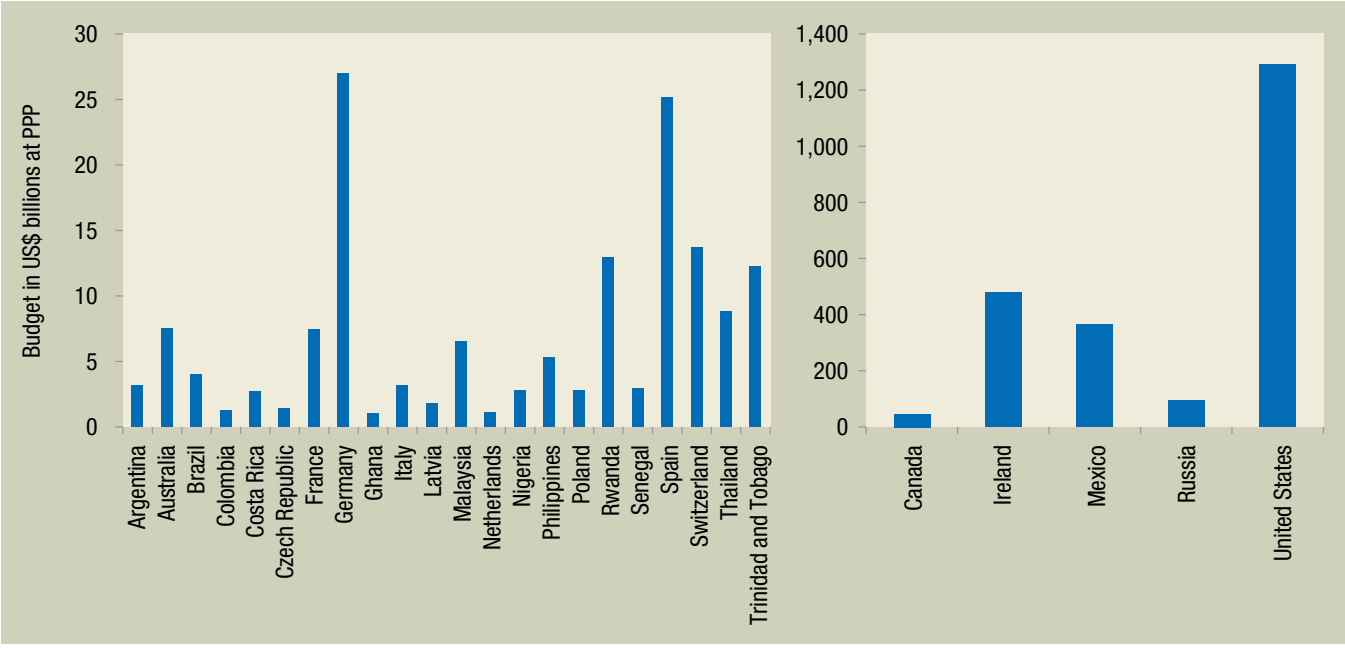
sector, while the low- and middle-income countries allocated their largest budget shares for manufacturing. Of the US$1.9 trillion PPP sectoral budget for high-income countries, US$1.2 trillion, almost two- thirds went to the financial sector. This financial bailout dwarfed other sectoral support in the high-income countries, the next highest level of support being an 8 percent share for health, followed by 7 percent for manufacturing, a 5 percent share each for education and real estate, 4 percent for transport, and 3 percent each for agriculture and infrastructure.

This was not the pattern of sectoral support in the low- and middle-income countries. Their sectoral budget of US$520 billion had the largest allocation for support to manufacturing with a 22 percent share, followed by agriculture with a 9 percent share, a 5 percent share each for finance and construction, and a 4 percent share for infrastructure.

Fourth, the large sectoral support budgets are largely concentrated in a few countries in Figure 9. The high-income country budget allocation of US$1.9 trillion in PPP terms is largely accounted for by the United States with a budget of US$1.3 trillion PPP, followed by US$480 billion PPP for Ireland, US$46 billion for Canada, US$26 billion for Germany, and US$25 billion for Spain. The low- and middle-income country budget allocation of US$520 billion in PPP terms is largely accounted for by US$360 billion PPP for Mexico and US$93 billion for the Russian Federation.

There has been considerable debate on the bailouts offered to Wall Street compared to those for Main Street. On the face of it, the causality seems chronological. In high-income countries, the financial crisis came first and appears to have pre-empted most of the sectoral bailout budgets. When the financial crisis was transmitted to the real economy, the budgetary space had been considerably reduced. The financial and economic crisis transmitted from the high-income countries to the low- and middle-income countries through declining demand for exports, declining capital flows, and declining credit. The result was that in low- and middle-income countries the crisis hit the real economy immediately, which may explain why sectoral support policy in these countries was focused more on their real sectors, such as manufacturing and agriculture.

Figure 9: Budget Allocated for Sectoral Policies by Country in US$ Billions at PPP (%)



Source: Based on full sample of 77 countries of ILO/WB inventory of policy responses to crisis.

3

Policies to Generate Labour Demand

Most countries adopted policies to support the creation of new jobs as well as the protection of existing jobs. These measures focused on assisting small and medium-sized enterprises (SMEs) and entrepreneurs by facilitating access to credit, giving preferential treatment to public tenders, or reducing taxes. Other policies included wage subsidies, work-sharing arrangements, and public work programmes. We will focus on the latter three after a brief overview of labour demand policies applied worldwide.

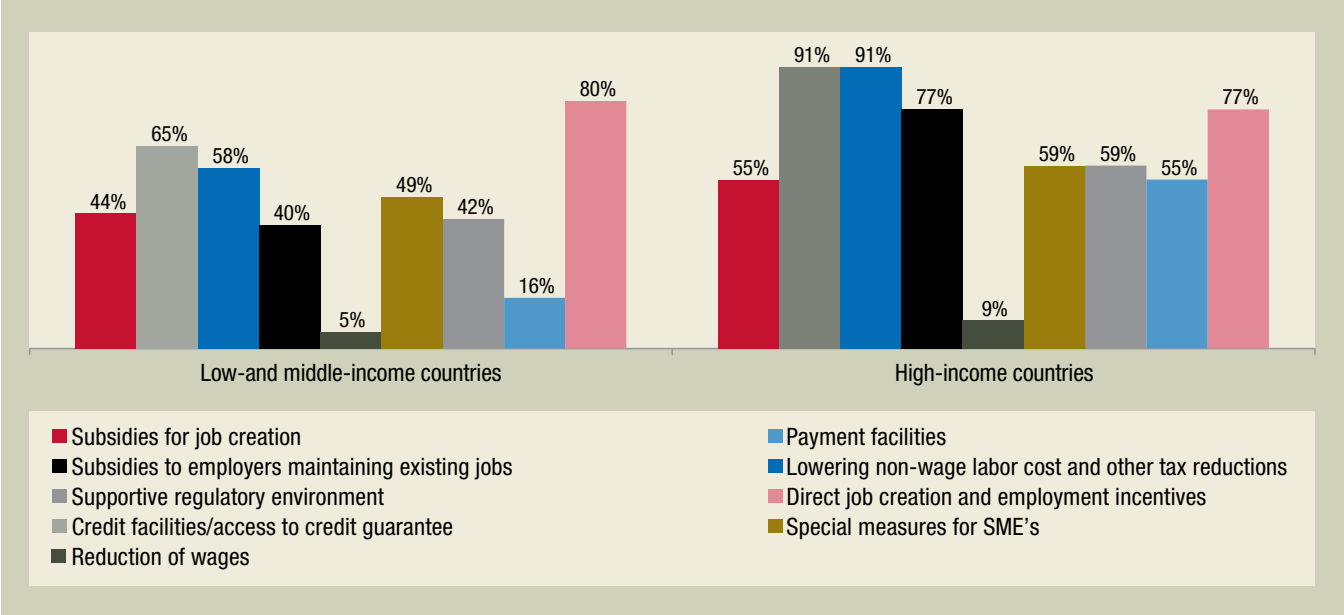
The largest number of both high-income and low- and middle-income countries relied on five main measures for generating labour demand: direct job creation, improving access to credit, subsidies to employers to maintain existing jobs, measures to support SMEs, and lowering non-wage labour costs (see Figure 10).

The most outstanding finding from the entire range of policies used is that the smallest number of countries used wage reduction across both income categories, high-income and low- and middle-income countries. Among the 22 high-income countries surveyed, only two used wage cuts to raise demand for labour. Among the 55 low- and middle-income countries surveyed, only three used wage cuts to raise labour demand; however, they relied on subsidizing wages to save or create jobs. The difference between the two policies—of cutting or subsidizing wages—is that for a wage cut, at a micro level, workers' consumption and welfare falls, which at a macro level lowers aggregate demand. In contrast, the wage subsidy used in times of crisis avoids loss of income and consumption at the micro level, and subsequent loss of aggregate demand at the macro level.

Policy budgets narrow the range of effective policy use (Figure 11). For high-income countries, the largest share of their budget, 56 percent, went towards enhancing credit, followed by 19 percent for direct job creation, 13 percent for support for SMEs, and 9 percent for subsidizing employers to retain jobs. For low- and middle-income countries, the highest share of their budget, more than two-thirds, went towards direct job creation, another 15 percent of their budget went towards employers' subsidies to retain existing jobs, while 13 percent went towards enhancing credit.

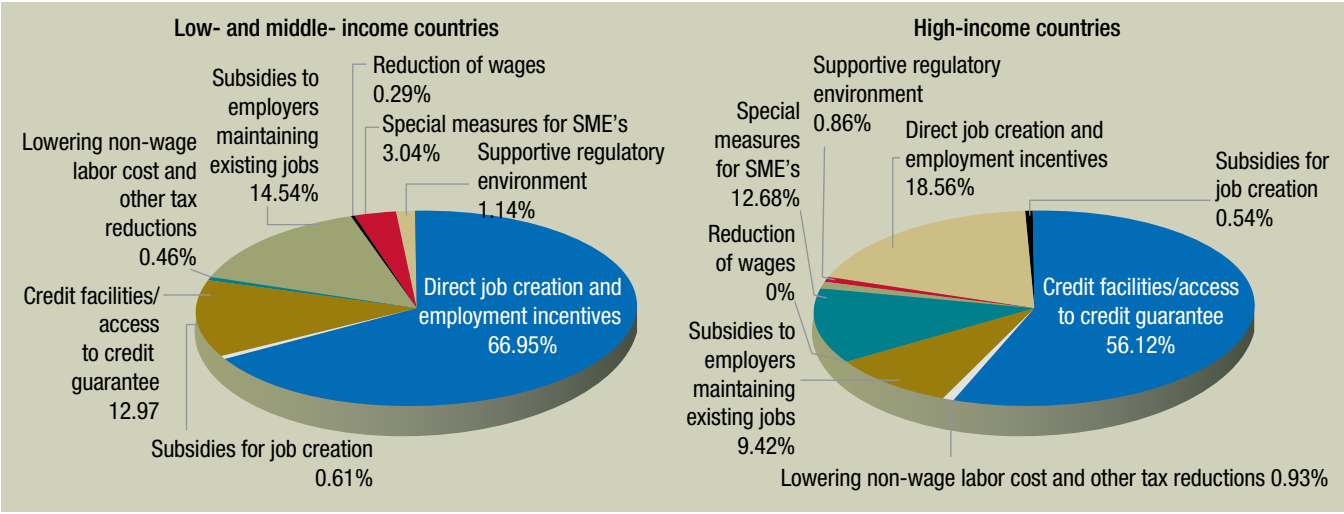
Figure 12 further shows that the high-income countries with the largest budgets for generating labour demand—Canada, Germany, Japan, the Netherlands, Saudi Arabia, Spain, the United Kingdom, and the United States—primarily relied on two policies: enhancing credit and direct job creation. The low- and middle-income countries with the largest budgets—India, Mexico, Malaysia and Vietnam—primarily relied on direct job creation, while Thailand relied on enhancing credit. Wage subsidies for employers to retain existing jobs, popularized by the short-work scheme in Germany *(Kurzarbeit)*, was actually used with significantly large budgets in Australia, Canada, Germany, Japan, Mexico, the United Kingdom, and the United States.

Figure 10: Number of Countries Adopting Labour Demand Policies (%)



Source: Based on full sample of 77 countries of ILO/WB inventory of policy responses to crisis.

Figure 11: Budget Allocated for Labour Demand Policies in US$ Billions at PPP (%)

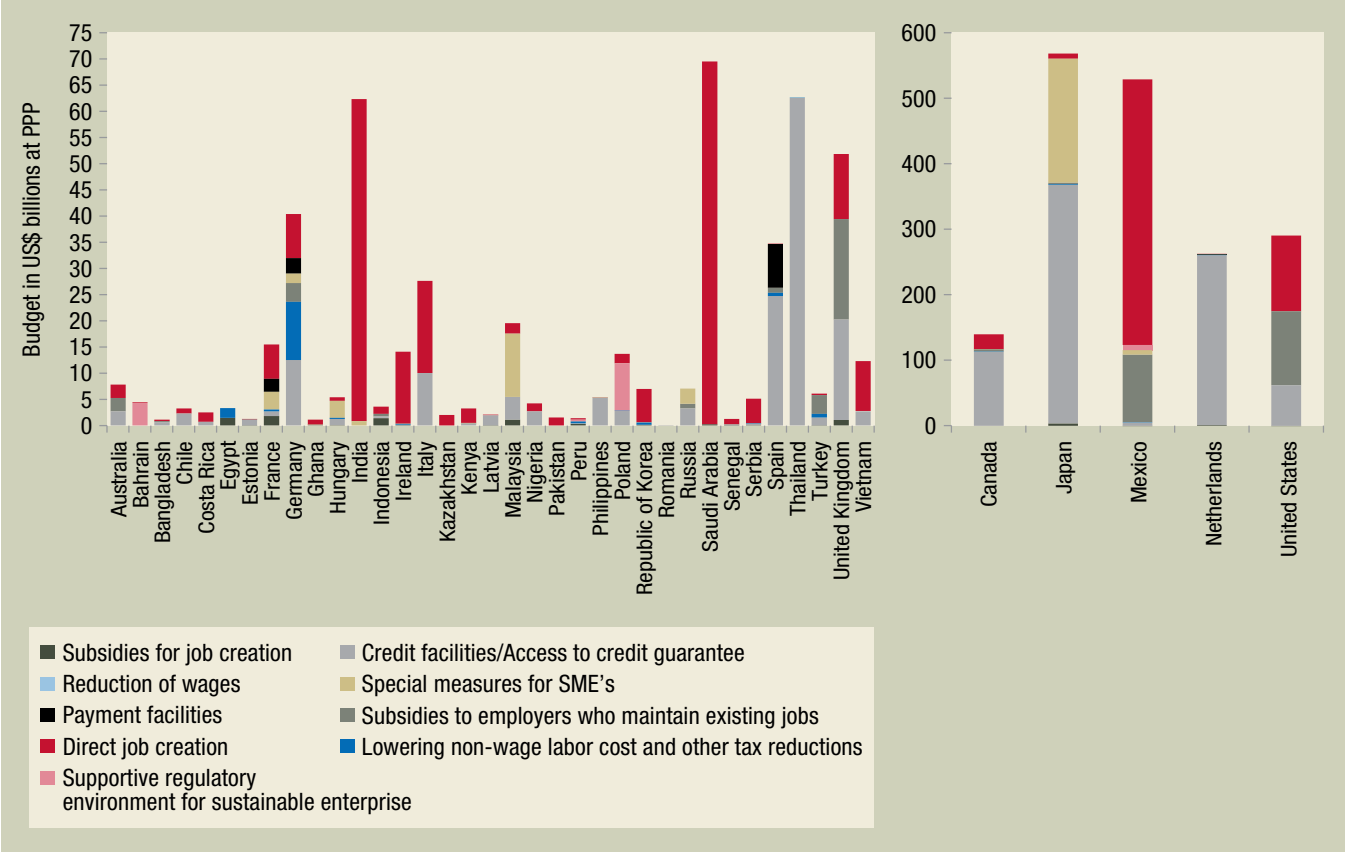


Source: Based on full sample of 77 countries of ILO/WB inventory of policy responses to crisis.

Wage Subsidies

Wage subsidies come in different forms, pursuing different but related objectives. Subsidies can be given to employers to stimulate demand or to provide incentives for re-employment. They can take the form of direct transfers, reductions in social security contributions, or income tax credits. They can be targeted at vulnerable workers or be provided across the board and, as demonstrated during the crisis, they can focus on those already employed or only on new employees. In response to the crisis, wage subsidies were given as direct transfers

Figure 12: Budget Allocated for Labour Demand Policies by Country in US$ Billions at PPP



Source: Based on full sample of 77 countries of ILO/WB inventory of policy responses to crisis.

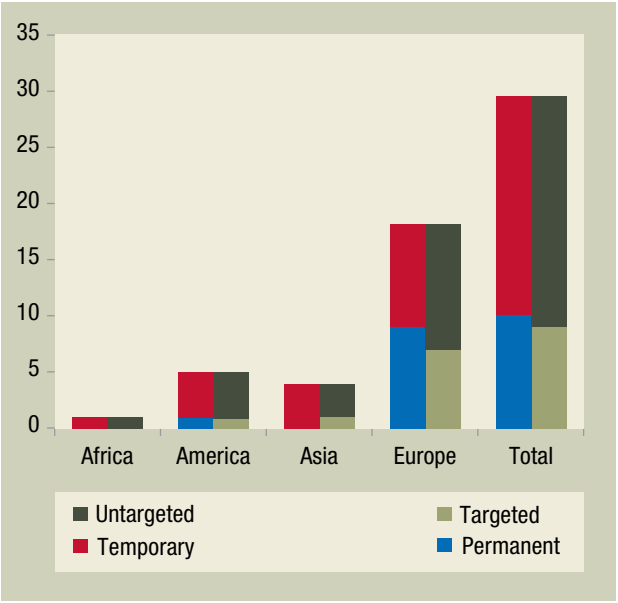
or applied through reductions in social security contributions.

Between 2008 and 2009, many countries, particularly in Europe, adopted wage subsidies, mainly through reductions in social security contributions, and often targeted at small enterprises or disadvantaged groups. Out of 77 countries in the inventory, 24 countries decreased their social security contributions during the crisis, including ten on a permanent basis (Bulgaria, Colombia, Czech Republic, Germany, Hungary, Macedonia, Poland, Spain, Sweden, and Turkey), and the rest on a temporary basis (between five months and twenty-four months).

France, for instance, reduced employer social security contributions for firms with less than ten employees hiring new low-wage workers in 2009. The reduction was the largest for workers hired at the minimum wage and declined as the wage increased up to 1.6 times the minimum wage. In Germany, there was a reduction of employee and employer contributions to the unemployment insurance system. Spain reduced employer social contributions for the first two years of employment for unemployed people with children who transit to full-time permanent contracts, and also implemented a reduction in social security contributions for youth or disabled workers who start a business as self-employed. A different approach was taken in the United Kingdom, where companies received £2,500 for hiring workers who were unemployed for more than six months. Across the board, hiring subsidies were set to be phased out in early 2011.

For 13 countries (Bulgaria, Canada, Czech Republic, Estonia, Germany, Hungary, Latvia, Macedonia, Mexico, Peru, Sweden, Thailand, and Turkey), the decrease in social security contributions was across the board, e.g. for all employees or all newly hired employees. For 11 countries, the decrease was targeted towards long-term jobseekers (Romania, Spain, Sweden, the United States), SMEs (Colombia, France, Poland, Spain), youth (Spain, Sweden),

Figure 13: Cuts in Social Security Contributions



Source: 71 measures taken by 24 countries. Note: All cuts are either permanent/temporary or targeted/untargeted.

older workers (Italy, Spain), specific sectors (textiles in Cambodia), specific enterprises (China), jobseekers with family responsibilities (Spain), or low-paid workers (Czech Republic). For eight countries (Bulgaria, Colombia, Czech Republic, Germany, Hungary, Macedonia, Poland, and Turkey), the decrease in social security contributions was both permanent and untargeted.

In Latin America, Chile introduced a new Youth Employment Subsidy in January 2009. This programme offered a subsidy equal to 30 percent of the annual salary of those individuals aged 18–24 years who finished secondary education, were working in a formal position, and earned less than 360,000 Chilean pesos (US$600) per year.[9] In Colombia, wage subsidies were broader and took the form of a payroll tax holiday for new SMEs.

[9] This Law also includes extensions to maternity benefits and additional leave associated to training activities.

Box 1: The Turkish Model of Supporting Employment through Reduced Social Security Contributions – A Case Study

Thanks to a decade of sound macroeconomic policies and reforms, Turkey weathered the global financial crisis better than many other countries in emerging Europe. While output was hit hard, with GDP contracting by 4.7 per cent in 2009 and the unemployment rate soaring to 14 per cent, the recovery was strong. By early 2011, the unemployment rate was back to its pre-crisis level, falling to 10.8 per cent in March 2011. In addition to stability-oriented macroeconomic policy, targeted measures to reduce non-wage labour costs introduced from 2008 have encouraged the recruitment of workers, increased employment outside agriculture, and helped reduce informality. These government measures have included: a general reduction of social security contributions; targeted reductions for hiring youth, women, and the long-term unemployed; reductions for workers involved in training and research and development; and significant social security and corporate and value-added tax (VAT) reductions for enterprises investing in less-developed regions. These cuts have been offset through public transfers to social security institutions.

In an effort to encourage the hiring and retention of women and youth (aged 18–29 years), the employer share of social security contributions for women and youth recruited between May 2008 and May 2010 has been covered for a period of five years by the Unemployment Insurance Fund (UIF). Starting at 100 per cent during the first year, the subsidy gradually decreases to 20 per cent in the fifth year. In order to benefit, the employer must have recruited women and youth who were registered as unemployed for at least six months prior to their hiring. This measure appears to have had a rapid impact: 61,615 new jobs were created in 2009, including 31,482 for women, and 63,230 were created in 2010, including 33,395 for women. The cost was 81 million Turkish lira (38 million euros) in 2009 and 137 million Turkish lira (63.4 million euros) in 2010.

(*continued on next page*)

Box 1 (*continued*)

In addition, employer social security contributions for all new employees who were unemployed for at least three months prior to their hiring were also covered by the UIF for a period of six months, as long as the additional worker represented an increase to the enterprise's workforce level as of April 2009. In 2009, 64,505 workers benefited from this programme, rising to 76,144 in 2010. Social security contributions for employees hired while receiving unemployment insurance payments are also paid by the UIF for the remaining months of their benefit period. Again, in order to be eligible for the subsidy, new hires must have represented an increase in the recipient enterprise's workforce as of April 2009.

Several other new social security reduction incentive programmes to increase employment have also been implemented with new conditions and benefit periods for the employer that vary between six and 54 months depending on the age, status and qualifications of the employee.

Furthermore, employers who provide vocational education to their staff benefit from lower social security contributions, and employers who hire workers in the fields of technology and research and development are reimbursed half of their social security contributions for five years. In February 2011, 21,647 research workers were employed under this scheme, an increase of 150 per cent compared with 2008. Furthermore, the Turkish Government set incentives for less-developed regions. Employer social security contribution cuts were first offered in 2004 to enterprises in the textile, clothing and leather sectors in developed regions that were willing to shift activities to less-developed regions. Since 2007, these regional incentives have been available in all sectors and no longer require transfer of activities from more-developed regions. Originally planned to be phased out in 2009, these measures were extended in 2010 in response to the crisis. In this scheme, social security contributions for current and newly recruited workers are covered by the State for an average of five years, while corporate tax is reduced from 20 per cent to 5 per cent for five years. Interest rates on loans are also subsidized and businesses receive VAT and customs duty exemptions for the procurement of machinery and equipment. The exact duration of social security exemptions depends on the level of regional development: two years in "first category" underdeveloped regions, increasing to seven years in "fourth category" regions. A total of 626,649 workers were employed under these regional incentives in 2009, 722,891 in 2010, and 730,000 in the first two months of 2011 (17 per cent of total manufacturing employment in Turkey). The total cost for the central budget was 741 million Turkish lira (322 million euros) in 2009 and 926 million Turkish lira (402 million euros) in 2010. A more precise impact evaluation on employment is needed.

Source: This is based on the ILO contribution in the joint publication ILO, OECD: *Turkey G20 Country Brief* (2011), itself based on the inventory of policy responses to the crisis. http://www.ilo.org/public/libdoc/jobcrisis/download/g20_2011/turkey_supporting_employment_through_reduced_social_security_contributions_web.pdf

Work-sharing Arrangements

Work-sharing is a reduction of working time intended to spread a reduced volume of work over the same (or similar) number of workers in order to avoid layoffs. In times of economic crisis, work-sharing measures not only help to avoid mass layoffs, they also allow businesses to retain their workforces, thus minimizing firing and (re)hiring costs, preserving functioning plants, and bolstering staff morale. Work-sharing programmes and measures typically include five key elements: the reduction of working hours for all workers in a company or a specific work unit within a company, in lieu of layoffs; a corresponding (pro-rata) reduction in earnings (total wages); the provision of wage supplements to affected workers to "cushion" the effects of temporary reductions in earnings; the establishment of specific time limits on the period of work sharing to minimize potential deadweight and displacement effects; and the creation of links between work-sharing programmes and training activities.[10]

[10] See: ILO TRAVAIL Policy Brief No. 1, 2009; Messenger and Rodríguez, ILO TRAVAIL Policy Brief No. 2, 2010

In Europe and Japan, take-up rates of beneficiaries increased rapidly, with the highest rates in Italy (3.3 percent), Germany (3.2 percent), and Japan (2.7 percent). The design of the programmes, notably in the areas of eligibility conditions, type and level of support, financing mechanisms, and duration varied considerably. In a few countries, support was only available for reductions of daily working time spread over the entire week. Most European countries offered financial support for both reduced weekly hours and temporary lay-offs (e.g. France, and Spain—from those covered in the inventory). In France, Germany, and Italy, employees received payments through their employer (partly or fully subsidized by the government); in other countries, such as Ireland, Spain, and the United Kingdom, public compensation for non-worked hours was paid directly to employees by the unemployment insurance scheme. Despite this financial support, take-up rates of work-sharing were sometimes low during the crisis, such as in Spain. A small number of countries, including the Netherlands, made it compulsory for workers in short-time work to participate in training. However, training was not compulsory in the majority of countries, including Germany, Japan, and Switzerland.

In Latin America, the main work-sharing arrangements were implemented in Argentina, Colombia, Costa Rica, Mexico, and Uruguay. Argentina reactivated the *Programa de Recuperacion Activa* that had been designed during the 2002 crisis. This was a monthly wage supplement provided to employees for up to 12 months based on agreements with employers not to dismiss workers outright but rather to adjust work schedules. A different approach was used in Costa Rica, where the reduction in the number of work hours was not conditional on a reduction in hourly wages. In Colombia and Mexico, shorter work schedules were complemented by subsidized training. In all cases, the focus was on formal firms, but there is little information about implementation arrangements or even the number of workers who benefited from the programmes.

Public Works Programmes

Public works programmes involve direct job creation through public works/publicly funded projects such as workfare programmes to build infrastructure. Programmes to create jobs for low-income/unskilled workers through public works are quite common in low- and middle-income countries, and proved to be important tools in mitigating the impacts of the recent financial crisis. They can alleviate unemployment or short-term poverty by creating temporary jobs and can help disadvantaged, poor and long-term unemployed workers to regain contact with the labour market. Governments can manage these projects directly or contract them to non-profit organizations or private businesses. On the positive side, these programmes can lead to the production of public goods/services and develop basic physical or social

Box 2: Work-sharing Arrangements with Part Time-Unemployment Benefits

The Netherlands introduced the extended opportunity for part-time unemployment benefits on 1 April 2009. Employers are given the opportunity to reduce the number of working hours by a maximum of 50 per cent, during which period the employees receive unemployment benefit for the hours not worked. The obligations in the Unemployment Benefits Act regarding reintegration back to work and the period of notice do not apply. The scheme initially is applied for a maximum of three months after initial application, although it can be extended twice, for six months at the maximum each time. More than 100,000 workers took advantage of the shorter working hours and part-time unemployment benefit. These arrangements significantly contributed to limiting the rise in unemployment. This scheme stopped in July 2011, as the impact of the crisis eased.

Poland introduced unemployment benefits for workers whose hours have been reduced. This applies to the reduction of up to half of the full working time and no longer than six months in enterprises with temporary financial troubles. Funding comes from a Guaranteed Employee Benefits Fund and may rise to a maximum of 70 per cent of the unemployment benefit. The objective is preservation of existing jobs. This measure was included in an "anti-crisis package" that was created as a result of social dialogue.

infrastructure; indeed, in many cases, this, rather than job creation, is the main objective. These programmes can also be effective short-term safety nets. On the negative side, it is often observed that the long-term labour market impact of these programmes is insignificant and, in some countries, there is a stigma attached to public works jobs that may decrease the employability of participants over the long run.

Countries that were able to deploy public works during the crisis already had the systems to do so in place. This was the case, for instance, of Mexico's *Temporary Works Program* (TWP), which was extended in 2009 to provide employment opportunities to an estimated 250,000 workers (0.5 percent of the labour force) for a period ranging between four and six months at a salary of twice the minimum wage. In Europe and central Asia, two large-scale interventions were implemented in Kazakhstan and Turkey. In Kazakhstan, where the growth rates of output and employment contracted by 7.8 and 2.2 percentage points, respectively, public works focused on construction and maintenance of piped water, electricity and gas, sewage facilities, highways and local roads, schools, hospitals, and other socially important facilities.[11] Similar programmes were also implemented in Africa. Kenya launched the *Kazi Kwa Vijana* (KKV) programme in April 2009, aiming to employ youth in rural and urban areas through labour intensive public works implemented by different line ministries. Botswana introduced the *Ipelegeng* programme in July 2008 to create temporary employment on a rotational basis, and it was subsequently expanded to more workers and larger areas. Finally, one of South Africa's responses to a severe contraction in employment growth (-4.2 percentage points) was expanding its public works programme (EPWM).

Countries that tried to implement these programmes from scratch were unable to do so in a timely manner. A good example is the *Temporary Income Support Program* (PATI) in El Salvador. PATI's design was innovative in several respects. The programme guaranteed a minimum level of income to poor urban families and provided labour market experience at the municipal level. In contrast with traditional income support programmes, PATI funded the participation of individuals working on projects submitted by municipalities, with emphasis on social services provision. It also comprised an innovative training component that aimed to enhance beneficiaries' technical skills and their labour market "soft skills." The Government expected to target youth aged 16–24 years living in urban areas as well as female household heads. Unfortunately, the programme entered into operation only in March 2011, two years after the emergence of the crisis and therefore had little effect on mitigating the effects of the downturn.

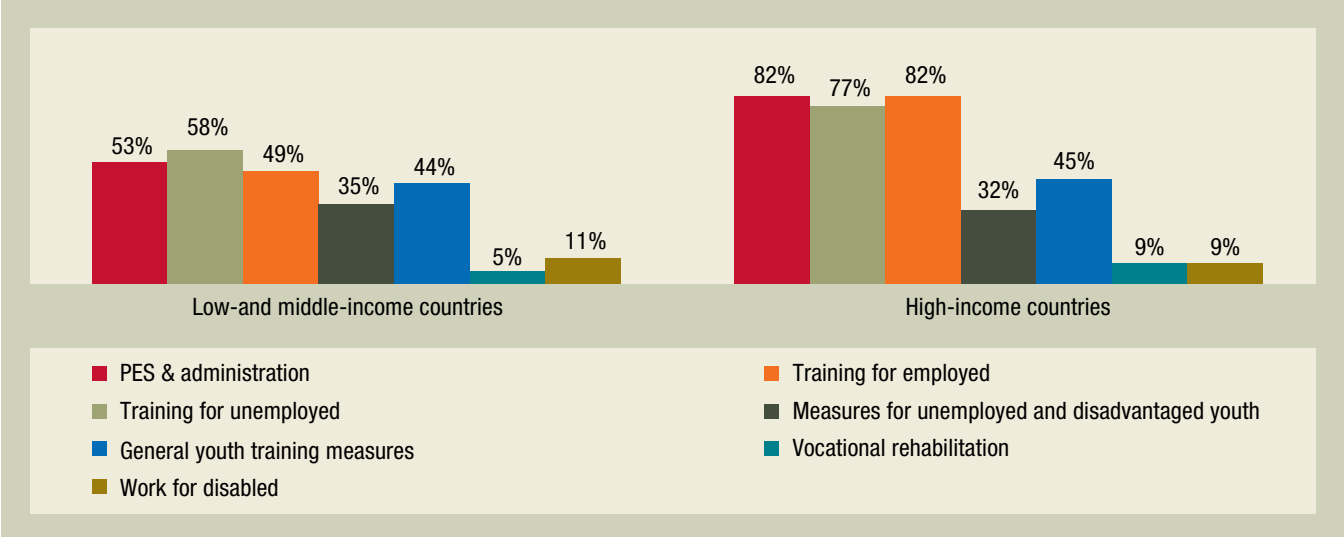
[11] The strategy also includes creating up to 63,100 "social jobs" (up to six months, with a wage subsidy of 50 per cent of wage costs) plus 34,400 fully subsidized jobs for six months for graduates.

4

Programmes to Facilitate Job Matching and Preserve Skills

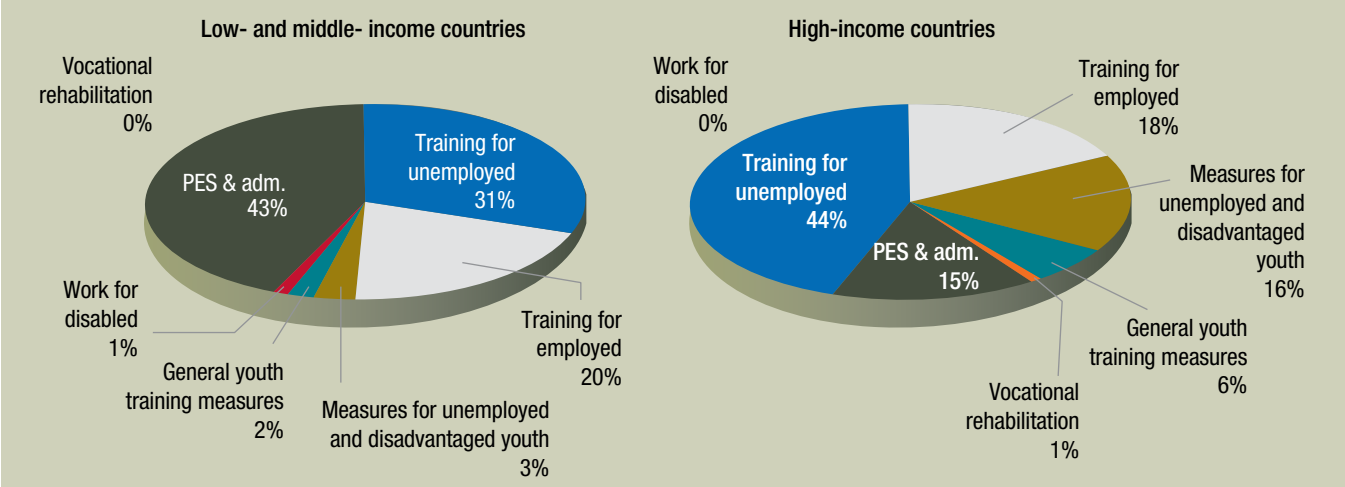
Supply-side measures used in response to the crisis to facilitate job matching and preserve skills include public employment services (PESs) and training interventions. High-income countries relied predominantly on public employment services, with 82 percent of the sample, and training for both the employed, with another 82 percent of the sample, and the unemployed, with 77 percent of the sample. Low- and middle-income countries also relied on these three measures, with public employment services being used by 53 percent of the sampled countries, training for the employed being used by 49 percent, and training for the unemployed being used by 58 percent. Additionally, low- and middle-income countries relied almost equally on general training for youth, with 44 percent of the sampled countries, and training for unemployed and disadvantaged youth, with 35 percent of the sample (Figure 14).

Figure 14: Number of Countries Adopting Active Labour Market Policies (%)



Source: Based on full sample of 77 countries of ILO/WB inventory of policy responses to crisis.

Figure 15: Budget Allocated for Active Labour Market Policies in US$ Billions at PPP (%)



Source: Based on full sample of 77 countries of ILO/WB inventory of policy responses to crisis.

The budgets in Figure 15 change the ranking of the policies. High-income countries prioritized training for the unemployed with 44 percent of the budget, followed by training for the employed with 18 percent of the budget, targeted unemployed youth with 16 percent of the budget, and public employment services with 15 percent of the budget. Low- and middle-income countries prioritized public employment services with 43 percent of the budget, followed by training for the unemployed and the employed with, respectively, 31 percent and 20 percent of the budget, and very little going to target youth.

The country budgets for supply-side measures that stand out are those for the United States with approximately US$14 billion in PPP terms, Italy with US$10 billion, Chile with US$9 billion, Mexico with US$8 billion, Turkey with US$5 billion, and France with US$3 billion (Figure 16).

Most high-income countries responded to the surge in the number of jobseekers by increasing PESs staff levels. Over the past three years, the increase in Germany, Hungary, and Japan has been around ten percent.[12] Austria has allocated additional PESs resources to provide job-search assistance to youth. People with short-term contracts benefited from additional resources in France. Several countries have also expanded the role of private employment services to provide supplementary capacity (e.g. France, Italy, and the Republic of Korea). In general, however, high caseloads resulted in a reduction in the numbers of jobseekers being placed in both 2008 and 2009, with the largest percentage decline in placements in the Republic of Korea (-33.1 percent) and Australia (-20.4 percent).

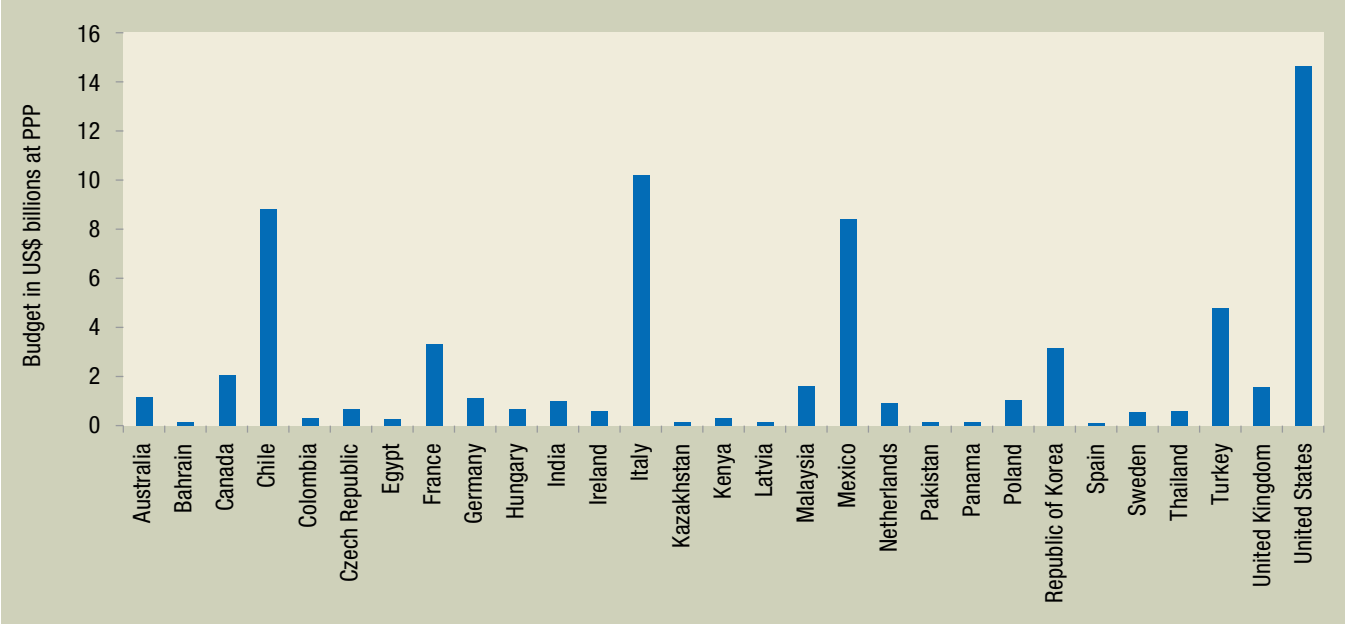
Several countries significantly increased the funding of "traditional" employment programmes provided through the public employment services (see Table 3). Judging from the number of beneficiaries, the most popular programmes tended to be career counselling and professional orientation, job-search assistance, and training (see below). Latvia, for example, increased the number of beneficiaries of job search assistance and counselling programmes from 65,300 beneficiaries in 2008 to 171,800 in 2009, and Kazakhstan from 130,000 to 250,000, respectively.

To serve more beneficiaries, several countries increased the number of staff in the PESs relative to 2008.[13] Other countries, instead, reallocated functions, putting more staff to work as front-liners (e.g. Bulgaria, Latvia, and Moldova). In general, however, the estimated number of beneficiaries of employment services remained low.

[12] See OECD, 2010. "Employment Outlook 2010: Moving beyond the Jobs Crisis." Organization for Economic Co-operation and Development, Paris

[13] For example, in Estonia the number of staff increased from 352 to 455 in 2009, and in the Russian Federation from 36,400 to 42,300.

Figure 16: Budget Allocated for Active Labour Market Policies by Country in US$ Billions at PPP



Source: Based on full sample of 77 countries of ILO/WB inventory of policy responses to crisis.

Among countries where data are available, the share of participants in employment services compared to the annual stock of registered unemployed was the highest in Kazakhstan and Montenegro, at around 25 percent. In the other countries, this share was less than 5 percent.[14]

In Latin America, at least four countries resorted to policies to support job-searching. In most cases, the intervention consisted of reinforcing the core functions of public employment offices, including counselling, intermediation, and job-searching. This was the case, for instance, in Argentina, Chile, Peru, and Mexico. As an example, Mexico allocated additional budget funds to the National Unemployment Service to extend hours and improve services.

Table 3: Budgets for Employment Services in Selected ECA Countries (% of GDP)

Country	2008	2009
Estonia	0.04	0.12
Latvia	0.06	0.24
Bulgaria	0.04	0.39
Montenegro	0.39	0.50
Armenia	0.03	0.02

Source: National PESs; GDP data are from the International Monetary Fund (IMF), *World Economic Outlook Database*, April 2010. Note: GDP estimates for Bosnia and Herzegovina, Croatia, Montenegro, and Slovenia are for 2009.

Preserving Skills through Training

Training measures are complementary to public employment services, providing individuals with training and skill certificates required by employers. The most frequently used training policies following the crisis included measures providing vocational training, life-skills coaching, language training, and skills training for vulnerable groups such as young people (see Box 3).

In European countries, training programmes played a prominent role, focusing on the unemployed (often youth) and workers who

[14] Annual stock of registered unemployed: the number of registered by the PES unemployed at the beginning of the year plus inflow of the newly registered unemployed during the year.

would have been laid off. Some countries, such as Germany and Sweden, expanded existing training programmes by up to 36 percent of the labour force. Training programmes were often part of employment services and were provided by accredited providers as well as the companies themselves. In such cases, the employment service paid full social security contributions and training costs. In addition, as discussed above, some of the work-sharing arrangements, such as the one in Germany, were conditional on training. In Latvia, for instance, the number of participants in training programmes increased from 8,600 in 2008 to 29,200 in 2009, and in the Russian Federation, from 248,000 to 453,000. It is important to note that in some countries the private sector was actively involved in the provision of labour market services, including training, as an integral part of PES reform. This reduced the pressure on public budgets and provided a wider array of options for a diverse range of clients. By 2009, according to the national PES, there were 51 private employment agencies registered in Slovenia, 63 in Latvia, 531 in Bulgaria, 2,176 in the Czech Republic, and over 2,800 in Poland.

Support to training programmes was also very common in Latin America, although traditional services seem to have received priority relative to the more innovative programmes. Colombia, for instance, doubled the number of training slots through employment offices and training institutes, targeting youth in the 16–26 age range. Chile, Costa Rica and Mexico introduced training programmes for workers in enterprises affected by the crisis while providing incentives to preserve jobs. Chile's ambitious fiscal stimulus plan also included provisions giving tax credits to firms that carry out training activities with their workers.

In Africa and Asia, it was more common to observe programmes operating outside traditional technical vocational education training (TVET), on-the-job training (OJT), and employment services. A good example can be found in Mauritius. In May 2010, the Government announced that its National Employment Foundation would run a "Work cum Training" scheme. The programme targeted companies in the manufacturing and tourism sectors that had been facing a reduction in their turnover and encouraged them to send their employees for training instead of laying them off. Training was provided for up to two days per week up to a maximum period of 18 months. The authorities expected to prevent some 6,000 employees from being laid off while at the same time improving their skills.[15]

Another relevant project was implemented in Thailand to train the unemployed. The so-called *Tonkla Archeep* (Career Sprout) intensive vocational training program aimed to train 500,000 unemployed, soon-to-be unemployed, and new graduates. The program offered one month of

[15] S. Cazes, S. Verick and C. Heuer: "Labour market policies in times of crisis," *Employment Working Paper No. 35* (Geneva, ILO, 2009).

Box 3: Interventions with a Focus on Specific Groups

Interventions focused on young people

Countries adopted public employment services, training, and employment subsidy measures targeting youth in order to deal with high unemployment rates following the crisis. The majority of countries adopted youth measures. Around 58 percent of the countries in the policy inventory adopted at least one kind of youth measure, including 53 percent of countries in Africa, America, and Asia; 67 percent of countries in the Middle East; and 70 percent of countries in Europe.[a]

The public employment services offered job-search assistance, counselling, and guidance in order to improve the matching between demand and supply of labour (Japan, the Netherlands, Peru, Saudi Arabia, and the United Kingdom). In addition to vocational training and skill certificates, which were also popular among the training measures, a number of other training programmes were adopted specifically targeting unemployed youth. For example, a number of paid and unpaid internships and apprenticeships became available in Armenia, Cape Verde, Columbia, Ecuador, Kenya, the Republic of Korea, Rwanda, Jamaica, the Netherlands, Switzerland, and Turkey.

The above training measures not only targeted youth in general, but also focused on employment of disadvantaged

(*continued on next page*)

Box 3 (*continued*)

youth (France, Nigeria, Senegal, and the United States). More specifically, in the United States two programmes were adopted for disadvantaged youth. The American Recovery and Reinvestment Act of 2009 provided US$250 million for the Job Corps programme, seeking to improve the educational achievements of the students and increase participation of graduates in employment and education. Furthermore, the Youth Build programme devoted an additional US$50 million for the training of high school drop-outs and individuals who had been in the juvenile justice system.

Employment subsidies, start-up incentives, and direct job-creation measures were also carried out. Subsidies were offered to employers in order to promote formal employment of individuals (Chile, China, Estonia, Hungary, India, Italy, Latvia, and the Republic of Korea). Several countries, including Senegal and Spain, also supported start-up incentives in order to increase self-employment of youth. However, direct job creation for youth was a less popular measure during the crisis.

Overall, 47 countries reported on support to youth during the period 2008-09, representing a total of 97 policy interventions. Documented interventions in the joint ILO/WB inventory sought to: (i) increase the labour demand for youth through employment incentives, direct job creation, and support to entrepreneurship; and (ii) strengthen the employability of youth through training, practical experience at the workplace, and a comprehensive approach for difficult-to-place youth. Based on this typology, ten types of measures came out of the inventory, to which social protection for youth was also added. This includes, for example, a food and accommodation allowance for unemployed youth in Cambodia.

In terms of frequency, most of the measures sought to improve the employability of youth rather than act on the demand for young workers. About 78 percent of reported policy measures focused on the supply side of the labour market. On the other hand, 20 percent of measures supported the demand side. In a non-crisis context, an inventory of youth employment policy in 84 countries found that more than three-quarters of the measures sought to assist the supply side.[b]

Most policy measures reported in the inventory were implemented in high-income and middle-income countries. In addition, high-income countries had a wider portfolio of policy options, as can be seen from the "Europe" column in the table. For low- and middle-income countries, only six out of a possible eleven African countries reported youth employment measures, focusing on three types of measures: vocational training, support to entrepreneurship, and direct job creation. Regarding budgets, the additional spending on youth employment policies in 2008-09 with respect to pre-crisis levels represented on average 0.4 percent of GDP in the five African countries for which data are available.[c] These policies could give valuable social protection for vulnerable youth by offering public works and internships.

Not all interventions were targeted exclusively at youth. One in five of the programmes were open to persons of all ages or to other targeted groups.

Measures with a focus on disability

During the crisis, a few countries, 12 percent of those in the policy inventory, increased their spending on the integration and rehabilitation of disabled people. For example, Peru and South Africa generated jobs for people with disabilities. Japan improved the integration of disabled workers by offering special services for those workers. Latvia increased employment subsidies for disabled individuals, and Estonia provided special training for the rehabilitation and integration of disabled workers.

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[a] Note that here the discussion is only regarding the number of countries. These policies differ from each other according to the devoted budget and number of beneficiaries. Therefore, in order to compare the effect of these policies in different countries, further evaluation of the policies is necessary.

[b] Betcherman, Gordon; Godfrey, Martin; Puerto Olga Susana, Rother Friederike, and Stavreska Antoneta, (2007) "Global inventory of interventions to support young workers: Synthesis Report". World Bank, Washington, DC.

[c] C. Saget and J.-F. Yao: "The impact of the financial and economic crisis on ten African economies and labour markets in 2008–2010: Findings from the ILO/World Bank policy inventory," *Employment Working Paper No. 100* (Geneva, ILO, 2011).

training and a cash allowance for three months to start their businesses or find a job. As of September 2009, of the 550,000 applicants, 173,000 had already completed the training, while 134,000 were no longer in need of the training, having found a job in the meantime. According to government sources, *Tonkla Archeep* had already helped 150,000 trainees to find jobs, and another 20,000–30,000 to run their own business, which constitutes a substantial portion of the estimated 572,000 unemployed Thai workers in 2009.[16]

[16] See: http://www.nationmultimedia.com/home/Tonkla-Archeep-target-to-be-lowered-amid-recovery-30111997.html.

5

Building Social Protection Systems and Protecting People

Social insurance and social assistance programmes are the main instruments to provide income protection to workers in the case of a shock. The most common social insurance programmes include health insurance; old-age, disability, and survivorship pensions; and unemployment benefits. The programmes are usually financed, at least in part, through workers contributions and pay-roll taxes. Social assistance programmes, on the other hand, include various forms of targeted or universal cash or in-kind transfers financed out of general revenues.

Confronted with increased needs, 69 countries expanded social insurance and social assistance programmes, while three took only austerity measures.[17] There was also a clear trend towards expanding existing schemes rather than introducing new ones. With the exception of public works, the frequency of policies consisting of changes to existing schemes outnumbered the creation of new schemes by a ratio of six to one. The planning and investments necessary for capacity-building make it difficult to introduce new schemes when there is a sudden need for social protection. In contrast, public works have the advantage of being quicker to implement and discontinue after the need is over, although the most innovative public works also take time to implement.

The survey clearly demonstrates regional trends in terms of responses. High-income countries were more likely to amend their unemployment benefit systems. In middle-income countries, most of them lacking established unemployment schemes, the most common form of crisis response was the extension of cash transfers—which can be implemented more quickly than social security schemes and discontinued once the crisis is over—and public work schemes. In low-income countries, food subsidies and, to a lesser extent, public works were a common option.

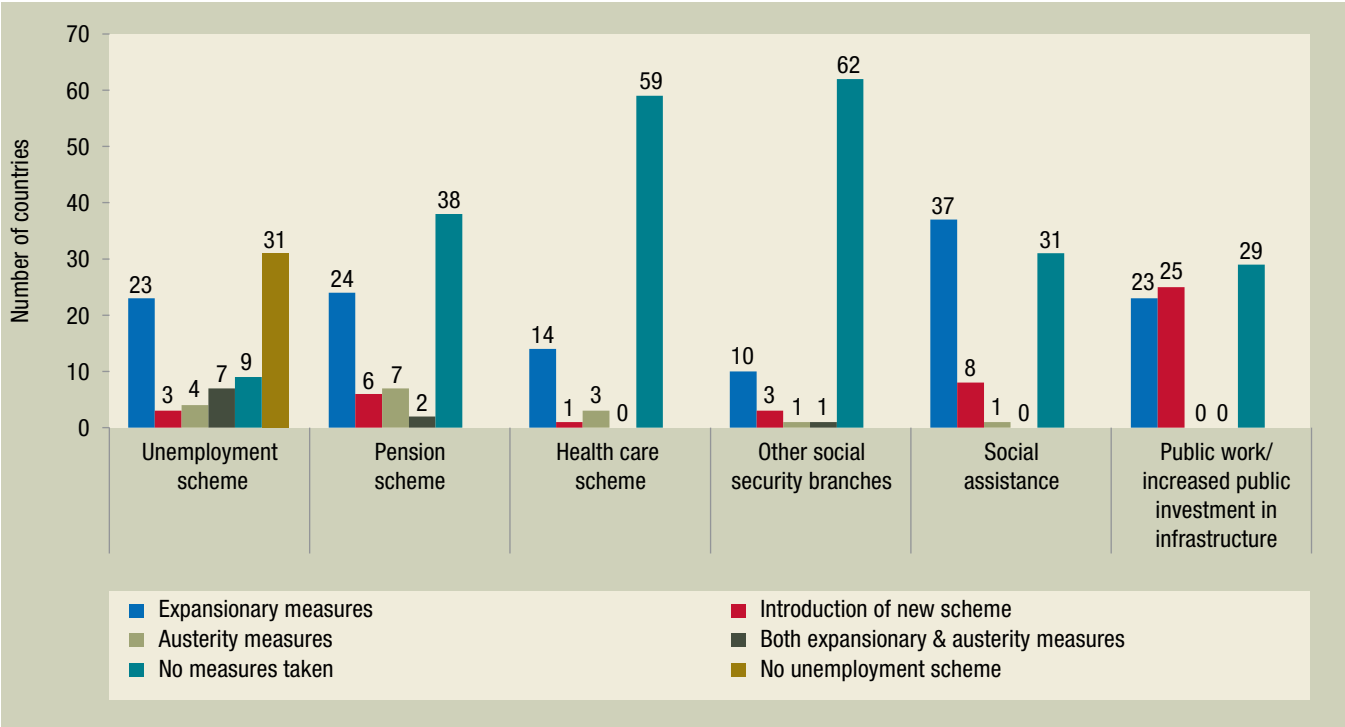
In looking at unemployment schemes, 23 countries adopted expansionary measures, by relaxing eligibility requirements, extending the duration of unemployment benefits, or increasing the level of support; seven countries adopted both expansionary and austerity measures, for example, reducing the level of benefits while extending their maximum duration; four countries adopted mainly austerity measures (Figure 17); three countries introduced a new unemployment scheme, all of which had been planned before the crisis; and nine countries did not introduce any change. There are no unemployment schemes in the remaining 31 countries.[18]

On pensions, 24 countries adopted expansionary measures, for example, by increasing the level of the basic pension

[17] See: F. Bonnet, C. Saget and A. Weber: "Social protection and minimum wages responses to the 2008 financial and economic crisis: Findings from the ILO/World Bank Inventory", *Employment Working Paper No. 113* (Geneva, ILO, 2012); see http://www.ilo.org/employment/Whatwedo/Publications/working-papers/WCMS_166606/lang--en/index.htm.

[18] ILO: *World Social Security Report* (Geneva, 2012, forthcoming).

Figure 17: Distribution of Social Protection Responses by Branches of Social Security



Source: Based on full sample of 77 countries of ILO/WB inventory of policy responses to crisis.

or making a one-off transfer payment; two countries took both expansionary and austerity measures; seven countries adopted austerity measures, such as increasing the pensionable age or the required period of contribution (with effects mainly in the long run); and six countries introduced a new pension scheme, such as a non-contributory minimum pension. The remaining 38 countries did not make changes to their existing pension schemes.

Fourteen countries reported expansionary measures in healthcare systems, such as extended coverage or subsidies for health insurance of particular groups. One country introduced a new scheme (PhilHealth in the Philippines); the scheme was not introduced as a response to the crisis, but coverage was expanded and benefits increased as a response to the global crisis. Three countries adopted austerity measures within their healthcare systems.

In the area of social assistance, the inventory provides information on measures taken by 46 countries, including 37 that expanded social assistance, such as food subsidies and poverty eradication programmes. New programmes of social assistance were adopted in eight countries, while one country introduced austerity measures.

Social Assistance Programmes/ Transfers

In many high-income countries, those without jobs who were not eligible for unemployment benefits were often able to access social assistance (welfare) and housing support payments. For example, in the United States, federal funding was provided for social assistance payments to the unemployed who had exhausted their unemployment benefits, while France made one-off supplemental payments to social assistance recipients. In Japan, another new support measure came in the form of government assistance for employers who continued to provide housing to laid-off workers. An interesting intervention took place in Canada where, as part of the Economic Action Plan, the Wage Earner Protection Program (WEPP)[19] was expanded in January 2009 to

[19] The Wage Earner Protection Program (WEPP) is a targeted federal programme that came into effect on 7 July 2008. Employees who lost their employment as a result of the bankruptcy or receivership of their employer are provided with financial assistance through the WEPP.

include coverage of termination and severance pay. This expansion was intended, essentially, to protect workers in firms who could not afford to pay severance pay. It raised, of course, the risk of moral hazard regarding the provision of reserves to cover liabilities related to severance pay.

Conditional cash transfers (CCT) were most common in Latin America where, prior to the crisis, they had been implemented in 15 countries, covering an estimated 22 million households (over 90 million people or 16 percent of the region's population). Most countries expanded these programmes, thus protecting the incomes of the poorest. For example, in Brazil, the *Bolsa Familia* programme quickly responded by expanding coverage to 12 million families and increasing the amount of transfers by 10 percent in 2009. Colombia's *Familias en Acción*, a programme focusing on strengthening nutrition and education for children, expanded to an additional 1.5 million families. Mexico's *Oportunidades* increased benefits paid by US$1.5 billion. Paraguay expanded the *Tekepora* programme, reaching an additional 120,000 poor families for a total coverage of 600,000 people (which is half of the country's population living in extreme poverty).[20] One country in the inventory that did not previously have CCTs in place, Barbados, implemented these programmes in 2009.

Other types of transfer were also used during the crisis. Countries with non-contributory pensions or non-contributory health scheme expanded these programmes. Examples from the inventory include Argentina and El Salvador. Countries such as Panama relied instead on in-kind transfers (mainly food programmes). At the other extreme, Argentina expanded the coverage of family allowances—a benefit typically offered for those covered by social security—to informal sector workers. Although there is no evidence about the incidence of the programme, it classifies as one of the few interventions that could have benefited non-poor informal sector workers. Chile also introduced an extraordinary benefit of 40,000 Chilean pesos (US$67) for families and individuals who benefit from certain social programmes (*Subsidio Familiar*, *Asignación Familiar*, *Chile Solidario*, *Asignación Maternal*).

In Africa and Asia, cash or in-kind transfers were implemented in most of the countries surveyed. In-kind transfers seemed to be more prevalent than in other regions and continued to be an important mechanism to protect workers. Nonetheless, more governments introduced/expanded in-cash social assistance schemes. In Africa, the government of Kenya invested considerable effort and funds to expand an existing social assistance cash transfer programme to support households living with orphans and vulnerable children (CT-OVC). The additional funds aimed to at least double the number of households covered by the programme (from around 48,000 in June 2009 to approximately 115,000 households by the end of June 2010). In Bangladesh, the government expanded the cash transfer programme for the well-being of the financially insolvent disabled, poor lactating mothers, orphan students, disabled students, and those affected by disaster.

Some of the evidence suggests that countries that were better able to protect the most vulnerable during the recent crisis already had well-functioning social security schemes in place. When such systems were not in place, policy-makers' options for responding effectively to the crisis were far more limited, and they were forced to turn to less efficient interventions such as general food subsidies or temporary workfare programmes, which were costly and had a limited impact.[21]

Before the crisis, CCTs made important contributions to poverty reduction in at least some of the countries where they had been implemented. These reductions arose essentially because CCTs benefits had been unusually well targeted, and were not substantively offset by labour-supply disincentives.[22] Thus, the combination of geographical targeting and proxy means-testing used by many CCTs

[20] ECLAC: "The reactions of Governments of the Americas to the International Crisis: An overview of policy measures up to 31 May 2009" (Chile, United Nations, 2009).

[21] See Ferreira, Francisco, and David Robalino "Social Protection in Latin America: Achievements and Limitations." (2011) in: José Antonio Acampo and Jaime Ros (eds) "Handbook of Latin American Economics". Oxford: Oxford University Press.

[22] See assessments for Mexico (Skoufias, Emmanuel, and Vincenzo di Maro. 2006. "Conditional Cash Transfers, Adult Work Incentives, and Poverty." Policy Research Working Paper 3973, World Bank, Washington, DC.), Ecuador (Edmonds, Eric, and Norbert Schady. 2008. "Poverty Alleviation and Child Labor." NBER Working Paper 15345, National Bureau of Economic Research, Cambridge, MA.) and Cambodia (Filmer, Deon, and Norbert Schady. 2009. "Are There Diminishing Returns to Transfer Size in Conditional Cash Transfers?" Policy Research Working Paper 4999, World Bank, Washington, DC.). Although one paper (Bourguignon, Francois, Francisco Ferreira, and Philippe Leite. 2003. "Conditional Cash Transfers, Schooling, and Child Labor: Micro-Simulating Brazil's Bolsa Escola Program." World Bank Economic Review 17 (2): 229–54.) find little effect of (the older) *Bolsa Escola* program on child work, Edmonds and Schady (2008) find a bigger impact in Ecuador.

to identify beneficiary households proved to be one of the main sources of their success. For instance, Mexico's *Oportunidades* delivered 45 percent of all benefits to the poorest 10 percent of its population, while programmes in Chile and Jamaica achieved shares of 35–40 percent for the bottom decile.[23]

Although CCTs can be an important component for crisis-response, they are challenging to implement well and are primarily a tool to provide social assistance. At a minimum, any programme should include a reliable database of registered households and management information systems, payment and delivery mechanisms, and tools for basic monitoring, oversight, and control. There are then three challenges that need to be addressed. The first is improving the management of conditionalities and the quality of supply-side interventions. In countries such as Ecuador, for instance, conditionalities exist but are not enforced. In all cases, the low quality of education and health services is a serious implementation constraint and reduces the impact of the programmes. Second, it is necessary to adapt the programmes to urban areas, where issues related to incentives and targeting are likely to be different.[24] Finally, enrolment, registration, and recertification systems are critical, particularly during a crisis. The long-term goal is to have more flexible arrangements to manage flows in and out of the system, so that poor families do not have to wait to receive benefits, and those whose income has increased past a given threshold can graduate from the programmes. Because of the administrative demands this entails, CCTs by themselves are not an adequate substitute for social insurance programmes, and can be subject to fiscal instability.

Unemployment Benefits

For the majority of countries, protection against unemployment relied essentially on severance pay. Even among the countries that implemented unemployment benefit schemes, however, coverage was very low. Globally, only, 15.4 percent[25] of the unemployed were likely receiving benefits for at least three reasons. The first and most important reason is the absence of an unemployment scheme to provide such benefits (worldwide, 57.2 percent of all countries do not have any unemployment scheme providing periodic cash benefits; the proportion is 40 percent among the 77 countries covered by the inventory). Second, when there was an existing unemployment scheme, workers did not spend enough time in a formal sector job to be eligible for benefits (this seems to be common among youth).[26] Third, some workers were unemployed long enough for their benefits to expire, and no complementary unemployment provision (usually unemployment assistance) existed to further provide an income replacement (at a lower level).

A number of countries increased the coverage of unemployment benefits, mostly high-income and upper middle-income countries. Unemployment benefit rules changed in several Eastern European and Central Asian countries, both in terms of the duration and level of benefits. In Poland, the social unemployment subsidy was extended from 12 months to 18 months in 2009, while in Romania it was extended from six months to nine months. In the Czech Republic, the duration of unemployment benefits was extended by one month, favouring adults relative to young workers (if the person was aged below 50, the benefit was paid for six months; if the age was between 50 and 55 it was paid for nine months, and above the age of 55 it was paid for 12 months). The Czech Republic, like the Russian Federation, also increased the level of benefits (for the first two months from 65 to 80 percent of the average net monthly salary of the unemployed person, for the next two months from 50 to 55 percent, and for the remaining months from 45 to 55 percent).[27]

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[23] See Chapter 3 in Fiszbein, Ariel, and Norbert Schady. 2009. "Conditional Cash Transfers: Reducing Present and Future Poverty." Policy Research Report, World Bank, Washington, DC.

[24] See Ribe, Helena, David Robalino, and Ian Walker. 2010. Achieving Effective Social Protection for All in Latin America and the Caribbean: From Right to Reality. Washington, DC: World Bank.

[25] Source: ILO, *2010: World Social Security Report 2010/11: Providing coverage in the time of crisis and beyond. http://www.socialsecurityextension.org/gimi/gess/RessFileDownload.do?ressourceId=15263*

[26] See Robalino, David, and Helio Zylberstajn. 2009. "Ex-Ante Methods to Assess the Impact of Social Insurance Policies on Labor Supply with an Application to Brazil." Policy Research Paper 5027, World Bank, Washington, DC and Chapter 2 in Ribe et al. (2010).

[27] As the recovery takes place, a few countries are tightening the regulations concerning unemployment benefits. In Hungary, the government is implementing a programme called "The Way to Work, which restricts the eligibility criteria of welfare provisions for long-term unemployed who have already exhausted the duration of their benefits. The rationale behind this measure is to encourage more effective training and jobseeking activities.

In Latin America and the Caribbean, most countries that had established unemployment benefit systems also expanded them during the crisis. This was the case in Argentina, Brazil, Chile, Colombia, and Uruguay. In these countries, the duration of unemployment benefits was extended either in specific sectors or across sectors aiming at protecting formal workers from longer unemployment spells. Brazil, for instance, extended the duration of unemployment benefits by two months, but only for those sectors most affected by the crisis, such as mining and metalwork. In Chile, unemployment insurance was expanded to cover workers with fixed-term employment or service contracts for up to two months at replacement rates of 35 percent of income. Mexico does not have a proper unemployment benefit system but, during the crisis, the government issued regulations to facilitate the withdrawal of savings from the mandatory individual pension accounts. However, this would not be sustainable in the medium to long run. There is no systematic information to look at the incidence of unemployment benefits in Latin America and the Caribbean but, as in the case of ECA, coverage rates were quite low.[28] For example, in Argentina it is estimated that only between 7 percent and 13 percent of the total unemployed population were covered by unemployment insurance in 2008. The extension of benefits in the case of Brazil reached only 216,500 workers out of an estimated 7–8 million total unemployed.[29]

Health Care

Revisions to health-care policy were less prevalent than employment-related measures during the crisis, with a total of 14 countries recording changes.[30] These include measures specifically targeting the poor and other measures that protect the unemployed from losing their access to health care. Ghana provided state support towards health-care premiums for the poorest of the population by paying the health insurance premium for 28,434 households in addition to the subsistence allowance received by them. India expanded a health-care insurance scheme for the informal sector and Below Poverty Line (BPL) families. Japan increased medical services for the elderly and those in remote areas. In the Philippines, PhilHealth provides health insurance for around 66 percent of the population (coverage is almost 100 percent for formal workers and 50 percent for informal workers). The scheme was mandated to increase its coverage and improve members' benefits in response to the global crisis. The gradual implementation of the package planned to increase benefits by 35 percent began, and coverage was extended with the help of local government units providing funding for insurance premiums of selected "indigent families." The government of Trinidad and Tobago has increased the Public Assistance Grants designed to provide financial aid to adults who are unable to work because of ill health.

Where access to health care and health insurance is linked to employment, workers who become unemployed (and their families) not only lose their jobs—and thus their sources of income—but simultaneously they lose affordable health services when they need them. Measures that protect the unemployed from losing access to health care and other social services or benefits are, thus, crucial but often forgotten elements of the design of any scheme providing protection to those affected by unemployment. In the course of the crisis, some of the countries have addressed this particular issue, notably the United States, by providing a 65% subsidy to help people who have lost their jobs or have experienced reductions in hours to purchase health insurance, thereby allowing individuals to maintain their health insurance by paying only 35% of the premiums.

Jamaica was one of the few countries to document contractionary measures related to health-care insurance, noting the need for austerity measures in the face of financial constraints as a result of the crisis. At the same

[28] A recent study shows that the coverage of unemployment benefits is even lower than that of old-age pensions. Less than 20 per cent of the labour force in countries that have implemented the systems are likely to be covered. This is, in part, because eligibility also depends on the number of months of continuous contributions to the social security system (see Ribe et al., 2010).

[29] In other regions, the prevalence of unemployment benefits is much lower. In Africa, only Algeria, Egypt, Jordan, Mauritius, Morocco, and South Africa have some form of unemployment benefits programme. In Asia, only Indonesia, Thailand, and Vietnam have such a programme in place (see Pham, 2009. "Impact of the Global Financial and Economic Crisis on Vietnam: A Rapid Assessment." ILO (Bangkok) and ILO, 2010, World Social Security Report ILO (Geneva).

[30] F. Bonnet, C. Saget and A. Weber: "Social protection and minimum wages responses to the 2008 financial and economic crisis: Findings from the ILO/World Bank Inventory", *Employment Working Paper No. 113* (Geneva, ILO, 2012).

time, an increase in spending by at least 25 percent in the financial year 2010–11 (0.3 percent of GDP) on targeted social assistance programmes was planned, including some health components such as the school feeding programme and the Programme of Advancement through Health and Education (PATH).

Mali was the only country that implemented a new health-care scheme in 2009. However, this move had been planned since 2006 and so should not be recognized as a direct policy response to the crisis.

Pensions

Another social security area where there were a number of revisions was pensions. Changes were almost universally expansionary, with 14 countries increasing benefits or lowering the level of contributions, widening the scope of eligibility for benefits to groups that were not previously covered, sometimes through significant structural reforms.

Several countries adopted reforms, often not as a direct response to the crisis, but with a view to increasing coverage and/or improving effectiveness and efficiency[31] (such as reform of the public pension scheme in Uganda to improve efficiency). Among structural reforms, Argentina, Chile, Colombia, Malaysia, and Nigeria can be mentioned. The government of Argentina launched a wide-ranging stimulus package, including major structural reforms, such as the re-nationalization of the pension system and reductions in social security contributions. Chile also adopted, earlier than originally planned, some of the structural reform measures planned before the crisis, establishing a solidarity pension system that benefits those who, for various reasons, fail to save enough to finance a decent pension. The objective for many countries was clearly to extend coverage to the uncovered, particularly workers in the informal economy and the poor. As an example, the government of Malaysia established the Malaysia Retirement Savings Scheme, administered by the Employees Provident Fund (EPF), to provide pensions to the self-employed. Through this scheme, the government provides matching contribution for the equivalent of 5 percent of declared earnings for a period of five years. Nigeria made a proposal to introduce a universal basic pension scheme that attempts to include the informal sector in the social security system, while Colombia increased the coverage of the assistance programme for the elderly.

Several countries increased the level of pension benefits, particularly for non-contributory pensions targeting the poor. Several examples of increases in the benefit level of non-contributory pension were reported in the inventory (Barbados, Cape Verde, Costa Rica, Lesotho, and the Russian Federation). Some other countries—notably developed—provided, as an immediate and temporary measure, a supplementary one-time, or at least temporary, benefit to the elderly, sometimes in-kind (food support to pensioners in Paraguay). Among the countries that implemented such measures are Bulgaria (old-age supplements to pensions), Germany ("extended pension guarantee" to maintain pension level to stabilize domestic demand), Italy (bonus for pensioners "Bonus famiglie"), Thailand (distribution of 500 Thai baht (THB) (US$7.2) allowances per month, to about 5 million senior citizens for a period of six months), the United Kingdom (£60 (US$103) paid to all pensioners in 2008), and the United States (a one-time payment to retirees, the disabled, and social assistance recipients).

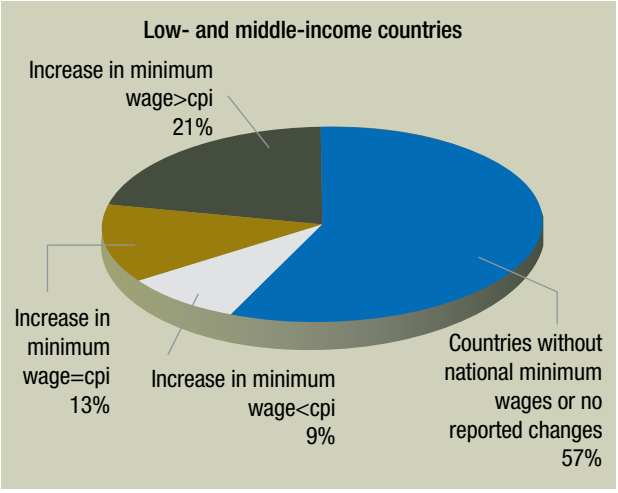
A number of countries revoked wholly or partially the pension reforms of the 1990s or early 2000s that sought to privatise a part of the social security pension schemes. The reversals were largely due to the high budget burden. Examples are Argentina, Estonia, Hungary, Latvia, and Poland.

[31] For an overview see: Robalino, David A., Aleksandra Posarac, Friederike Rother, Michael Weber, Arvo Kuddo, and Kwabena Otoo, 2012. "Towards Smarter Worker Protection Systems: Improving Labor Regulations and Social Insurance Systems while Creating (good) Jobs". SP Discussion Paper. World Bank, Washington, DC.

Minimum Wages

One issue which has emerged during the crisis concerns the link between wages within a country and its aggregate demand for wages and services. On the one hand, a country's low wages, relative to its productivity growth, may help to reduce its unit labour costs and increase its exports. On the other hand, low wages depress household consumption. Minimum wage policies followed by countries surveyed in the inventory illustrate these different aspects of wages. Out of 77 countries surveyed, 33 countries reported changes in the minimum wage over the period mid-2008 to end 2010 (Figure 18). Among countries that changed their level of minimum wage during the crisis, 21 had negative growth rates in 2009, while 30 at least halved their growth in 2009, illustrating the levels at which these countries were affected by the crisis.

Figure 18: Changes in the Minimum Wage: July 2008–end 2010



Source: ILO/WB inventory of policy responses to the crisis, full sample of 77 countries.

Among countries adjusting the level of their minimum wage during the crisis period, 16 increased it in real terms, ten increased more or less in line with the consumer price index (CPI), while six increased it by less than the CPI, and only one cut its level temporarily. Thus, minimum wage policy was an important element of countries' responses to the crisis, in contrast to the experience of earlier crises in Africa, Asia, and Latin America.[32] The countries that utilized minimum wage policies as a crisis-response instrument are at various stages of development and include export economies, as well as countries hit by the food crisis and those which experienced a severe recession, thus providing a broad representation of experience in using the minimum wage as a policy response.

[32] Source: ILO: *Global Wage Report* (Geneva, 2012, forthcoming); F. Eyraud and C. Saget: *The Fundamentals of Minimum Wage Fixing* (Geneva, ILO, 2005).

In the initial phase of the crisis, three countries, Australia, Canada (three provinces), and China, took the decision to freeze the minimum wage, with either the stated objective of countering the downward effects of the crisis on export markets or as a response to the fear of general adverse impacts on employment. Australia and China subsequently increased the minimum wage level in 2010. In Estonia, the decision was taken not to increase the minimum wage. After freezing the minimum wage in 2009, Ireland introduced a €1 cut in the hourly minimum wage to €7.65 in December 2010, before going back to the previous rate in July 2011.[33]

Two countries increased the minimum wage, but at a rate lower than the CPI: Hungary and Spain. A larger number of countries, including France, Mexico, Nepal, the Netherlands, Peru, Romania, Serbia, Thailand, Turkey, and the United Kingdom, increased the minimum wage over the period 2009–2010 more or less in line with consumer price increases.

The final group of countries that increased their minimum wage in real terms over the period includes Brazil, Kenya, Moldova, Nepal, Poland, the Russian Federation, Trinidad and Tobago, Ukraine, the USA, and to a lesser extent, Chile, Colombia, Ecuador, Republic of Korea, Latvia, Nepal, Pakistan, and Sri Lanka. For four countries, Kenya, Nepal, Pakistan and Sri Lanka, the increase in the minimum wage in mid-2008 or early 2009 was linked to the rise in commodity prices up to May 2008 and the subsequent need to ease social tensions.

In addition to the food and fuel crises, countries which raised their statutory minimum wages or maintained their value in real terms during the crisis had a range of motivations. Increases in the minimum wage in the United States in July 2008 and July 2009 resulted from the implementation of the Fair Minimum Wage Act 2007. Brazil has been committed to a long-term policy of increasing the minimum wage threshold. Moldova and the Russian Federation, whose minimum wages were approximately a quarter of their average wage, increased the minimum wage by 13 and 70 percent, respectively.

Two countries which went through a severe recession nonetheless increased the real minimum wage in the crisis period. The GDP growth was –18 percent in Latvia in 2009, and –14.8 percent in the Ukraine. Latvia increased the minimum wage by 12.5 percent in January 2009, and 11.1 percent in January 2011. Latvian wages had increased up to April 2008 (20–30 percent in the pre-crisis period), leading the government to propose a minimum wage increase for 2009 in the autumn of 2008. However, wages in Latvia decreased in 2009 on average by 6 percent (3 percent in the private sector, and 10–20 percent for public wages).[34]

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[33] Ireland's minimum wage had remained unchanged since July 2007.

[34] EIRO, 2009: Latvia, Annual Review.

7

Social Dialogue during the Crisis

There were many consultations and forums at the national and international levels where workers, employers, and governments could express their views on core economic issues such as monetary policy, fiscal packages, and austerity policies, which are outside their traditional sphere of influence (social policy).[35] These are documented in the inventory database and summarized in Table 4.

[35] See Rychly Ludek (2009) Social dialogue in times of crisis: Finding better solutions. DIALOGUE, WP No.1, ILO: Geneva; Ghellab, Youcef; Papadakis, Konstantinos (2011) "The politics of economic adjustment in Europe: State unilateralism or social dialogue", in ILO (2011) The Global Crisis: Causes, Reponses, and Challenges, ILO: Geneva.

Table 4: Examples of Negotiation Related to Social Pacts and Main Sector-level Agreements — 2008–10

Africa	Kenya	Creation of several labour institutions in 2007, prior to the crisis. No crisis-related response.
	Senegal	No social pact: there was a tripartite pact on minimum wages but negotiations started before (in 2007) and do not seem strictly connected to the crisis response.
	South Africa	Social pact: investment in public infrastructure; countercyclical fiscal policy (stimulus package); public works; industrial policy protecting struggling sectors (e.g. textiles and apparel); various social policies (e.g. unemployment benefits, food grants).
Americas	Argentina	No true social dialogue response; increase of minimum salary; enterprise-level agreements cutting wages (70 per cent) or hours (30 per cent).
	Brazil	Tripartite extension of unemployment benefits; retraining measures.
	Canada	No social dialogue crisis response but extension of work-sharing arrangements by 14 weeks from February 2009 to February 2010.
	Chile	Tripartite measures favouring employment retention, training, and social protection.
	El Salvador	Structures of social dialogue revamped during the crisis but no output.
Caribbean	Barbados	Tripartite agreement to restrain wage increases and to minimize job losses by any means necessary, whether through reduced hours or through job-sharing schemes.
	Jamaica	Kingston Plan, a Caribbean-wide tripartite initiative sponsored by the ILO.

(continued on next page)

Table 4 (*continued*)		
	Trinidad and Tobago	Although in theory covered by the Kingston Plan, a nationwide machinery for social dialogue still does not exist although the actors have made commitments to establish it.
Europe	Armenia	Consultations regarding government support to banks.
	Bulgaria	Government acted unilaterally for the most part: increase in minimum wage in 2009, but freeze in 2010; more generous unemployment benefits; extension of food voucher system; subsidized employment; statutory (*erga omnes*) extension of sectoral agreements.
	Czech Republic	Tripartite agreement: 38 short-term anti-crisis measures; preventing misuse of unemployment benefits, reduction of taxes on employees, social housing, training measures.
	Estonia	Bipartite agreement to maintain the level of the minimum wage in 2009 in the context of declining wages.
	France	No social dialogue response but agreement extending partial unemployment insurance.
	Germany	No national agreement, but sectoral agreements on Kurzarbeit; national consultations on crisis response.
	Hungary	No pact; minimum wage increases.
	Ireland	Failed negotiations.
	Italy	Minor agreements: (January 2009) Reform of contractual arrangements (stimulating decentralization); (February 2010) Framework agreement on the training of unemployed and mobility workers; sectoral cooperation on weathering the crisis.
	Latvia	Harsh budget increases and tax cuts discussed with the social partners but implemented by government despite their disagreement.
	Netherlands	Crisis response negotiated with the trade unions. Measures include labour market and education; infrastructure; sustainability and innovation; and maintaining benefit levels. In exchange, unions provide wage moderation and employers commit not to raise the issue of pension-age increase.
	Former Yugoslav Republic of Macedonia	Tripartite agreement signed in August 2010 establishing the Economic and Social Council (ESC) to be consulted on matters related to labour and employment.
	Moldova	No social dialogue response to the crisis but tripartite agreement in November 2010 resulting in the introduction of a minimum wage.
	Montenegro	Tripartite memorandum on principles that should determine crisis response but no concrete output.
	Poland	Social partners negotiate crisis response in March 2009; government passes them into two bills but then social partners claim government has ignored their proposals.
	Romania	Although the government claims that the anti-crisis measures have been agreed with the social partners, the partners dispute the claim and protest against the "reform" of the public sector pay system.
	Russian Federation	Social partner consultation only.
	Spain	Social dialogue broke down over the government's response to the crisis, but a national framework agreement over wages was then signed. In 2010, unilateral decision of the government to cut wages in public sector.
	Switzerland	Informal consultations at the national level; sectoral negotiations.
	Sweden	Sectoral agreements on temporary lay-offs and training.
	Serbia	Consultations with a tripartite crisis working group but no agreement.
	Turkey	Work-sharing arrangements in some sectors.
Asia	Cambodia	Sectoral tripartite meetings held but no real agreement.
	India	Tripartite Experts Groups made recommendations on crisis response in June 2009.

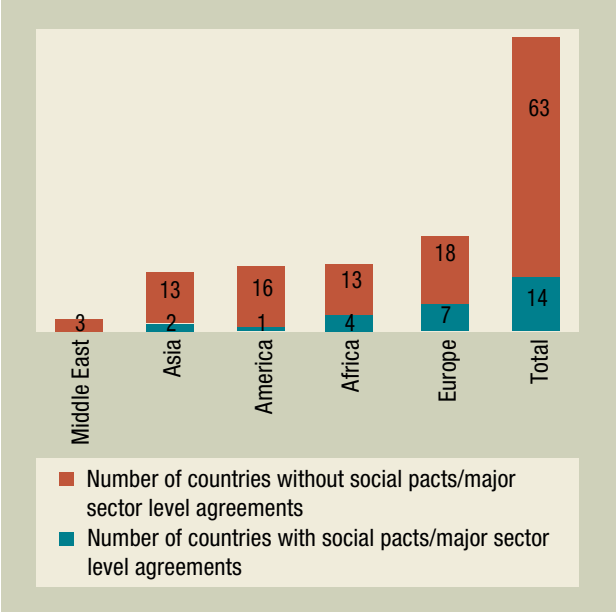
(continued on next page)

Table 4 (*continued*)		
	Indonesia	Tripartite agreement (Indonesian Jobs Pact) on recovery policies signed in February 2010, but lack of implementation.
	Japan	March 2009: Framework Agreement for Job Stability and Employment Creation.
	Republic of Korea	February 2009: Grand Agreement to Overcome the Economic Crisis; Korean Confederation of Trade Unions (KCTU) does not participate.
	Philippines	Sectoral consultations.
	Thailand	Sectoral consultations.

Source: ILO/WB inventory of policy responses to the crisis.

Of the 77 countries surveyed, 14 adopted tripartite national-level agreements or major agreements at the sector level in formulating their crisis responses, including seven in Europe, four in the Americas, two in Asia, and one in Africa (Figure 19). The strong regional trends reflect the historical development of industrial relations in Europe. The severity of the crisis, the strength of trade unions, tripartite legacy (whether the country has an institutional system in which public policy is traditionally discussed or negotiated with the social partners), and freedom of association are factors explaining the recourse to social dialogue to prepare the crisis response.[36]

Figure 19: Adoption of Social Pacts or Major Agreements at the Sector Level



Source: ILO/WB inventory of policy responses to the crisis, full sample of 77 countries.

[36] L. Baccaro and S. Heeb: "Social dialogue during the financial and economic crisis. Results from the ILO/World Bank Inventory using a Boolean analysis on 44 countries", *Employment Working Paper No. 102* (Geneva, ILO, 2011); see www.ilo.org/employment/Whatwedo/Publications/working-papers/WCMS_167806/lang--en/index.htm.

8

Labour Standards During the Crisis[37]

The crisis could have made it more difficult for enterprises to comply with labour regulations because of collapsing demand and liquidity problems. The crisis sometimes also made it more difficult for governments to monitor compliance because of budget constraints. Nonetheless, ILO member States have obligations with respect to the ILO Conventions that they have ratified. Further, the severity of the crisis also led governments and social partners to engage in consultations and dialogue, and to argue that international labour standards (ILSs) were part of the solution to the crisis.

For working conditions and labour rights, the economic crisis can be seen in terms of *risks* and *opportunities*. The envisaged risks are that *actual working conditions* and benefits might worsen and that *enforceable rights and standards* might be lowered. The opportunities are that actual working conditions are maintained, that rights and standards are respected, that the institutions underpinned by these rights and standards are strengthened, and that the relationship between these conditions and the function and institution of ILSs is acknowledged. A risk/opportunity approach makes it possible to appreciate the broad scope of potential impacts—positive and negative—for the individual worker, national bodies, and even international institutions. This approach makes it possible to go beyond the binary question of whether workers' rights were respected or not, and to treat more nuanced aspects of this topic.

As the sections on employment, social protection, and social dialogue have shown, there were instances of conditions reduced, de facto, such as a reduction in the capacities of labour administration and labour inspection in Latvia. Or, de jure, some countries such as Australia and the Czech Republic eased some requirements on termination. A number of migrant-receiving countries tightened the entry conditions of migrant workers to national labour markets, or encouraged repatriation.[38]

The crisis also represented in some instances an opportunity to broaden labour rights and their monitoring, like many social protection measures. Turning to migrant workers, the Brazilian and Irish Governments gave undocumented migrants the opportunity to regularize their situation, thereby reducing their vulnerability during the global financial crisis.

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[37] A deeper analysis on labour standards during the crisis based on the inventory is available from Tajgman, Saget, Elkin, and Gravel (2011) "Rights at work in times of crisis: Trends at the country level in terms of compliance with international labour standards", *Employment Working Paper No. 101* (Geneva, ILO, 2011); see http://www.ilo.org/employment/Whatwedo/Publications/working-papers/WCMS_167804/lang--en/index.htm.

[38] For instance, Ireland, Italy, Kazakhstan, Malaysia, the Russian Federation, Saudi Arabia, Spain and Ukraine.

Rights at Work with Respect to ILS

Turning to ILSs, a number of policy measures were taken, which responded to ILS provisions. This is the case of public tenders in Barbados and the United States, whereby the best local working conditions were guaranteed to workers through labour clauses in public contracts. Regarding promoting entrepreneurship and the creation of SMEs, there were a number of measures that followed the provisions of ILSs, particularly the Job Creation in Small and Medium-Sized Enterprises Recommendation, 1998 (No. 189).

There were few examples where non-conformity with ILSs prevented proposals for crisis response. In Costa Rica, a proposal was made in 2010 to modify a law on hours of work and allow for up to 12 working hours per day up to four workdays, followed by three rest days. The amendment would have given enterprises more flexibility in the post-crisis period. The proposal was rejected since it was not in conformity with the Hours of Work (Industry) Convention, 1919 (No. 1), ratified by Costa Rica.

In other cases, measures were passed without drawing on ILS prescriptions. For example, a number of countries supported tourism to counteract the decrease in tourist arrivals and receipts. These measures may have been implemented in line with the relevant international standards (Working Conditions (Hotels and Restaurants) Convention, 1991 (No. 172)).

Core Labour Standards

The questionnaire used in the inventory posed a set of questions on additional measures taken to fight child labour, trafficking, and discrimination. Measures to increase equality of opportunity or treatment in employment, reported in the inventory, were almost all related to long-term strategies to reduce discrimination rather than short-term crisis responses.

This includes the example of France, where a three-step action plan was adopted at the tripartite meeting organized by the government in November 2007 to reduce wage gaps between men and women over a short period of time. The first step consisted in revising the methodology for measuring wage gaps, and was realized in 2008. The second step, taken in 2009, was to encourage negotiation at the sector and enterprise levels on these issues. The last step of the plan was to introduce a fee for enterprises that did not submit an action plan to suppress gender wage gaps by the end of 2010, after consulting the enterprise's committee. The outcome of this plan, whose implementation did not change because of the crisis, seems to have been modest and constrained to the introduction of a limited number of indicators in an accounting exercise. Bulgaria also implemented a national strategy for the promotion of gender equality over the period 2009–15. Chile and Estonia adopted a law on the right to equal remuneration, respectively, in 2009 and 2008, while the Czech Republic introduced an anti-discrimination law in 2009.

There are also examples of countries that reported on the application of the principle of equality of opportunity in their anti-crisis package. For example, in Estonia, Act No. 509 of 22 June 2009, amending the Employment Contracts Act of 17 December 2008, provides that an employer may, extraordinarily, end an employment contract if the continuity of the employment relationship as accepted by both parties (employee/employer) becomes impossible to maintain due to a decrease in the volume of work, work reorganization, or other enterprise reorganization. Upon termination, the employer must also take into account the principle of equal treatment.

Turning to the introduction of anti-trafficking laws, Bahrain's anti-trafficking law, introduced in 2008, was probably unrelated to the crisis. Thailand, too, introduced an Anti-trafficking in Persons Act in 2009 that provides for policy on the prevention and suppression of trafficking in persons. During 2010–11, an action plan was implemented addressing the prevention of exploitative practices for migrant workers and forced labour in risk sectors, including seafood processing and manufacturing. The objectives of the plan were to improve awareness of relevant laws among employers in risk sectors, formulate guidelines for labour inspection, deliver training on the guidelines, and set up a labour protection network for more proactive labour monitoring mechanisms. This plan was not directly a consequence of the crisis.

Turning to child labour, there were expectations that the crisis would reverse the trend in the decrease of child labour. The inventory records few child labour

programs, which were introduced or extended, as a crisis response. However, the inventory does record long-term strategies to fight child labour. As an example, Botswana adopted a Children's Act in 2009, which provides for the promotion and protection of the rights of the child. Its implementation through the development of an action programme on child labour ensures compliance with the Minimum Age Convention, 1973 (No. 138), and the Worst Forms of Child Labour Convention, 1999 (No. 182). To give another example, in 2010, the Indonesian Bureau of Statistics (BPS) published a joint study with the ILO entitled the Indonesia Child Labour Survey. This survey was the first of its kind in Indonesia. According to the survey, out of a total 58 million children aged 5–17 years, some 4.05 million were working children and 1.76 million were in child labour. By establishing a clearer picture of child labour in Indonesia, the government can better address the challenge of eliminating it.

In summary, the results yielded by the inventory on measures taken on discrimination, child labour, and trafficking mostly reflect long-term strategies rather than new programmes or regulations introduced because of the crisis. Interestingly, very few measures taken during the crisis had the objective of reducing gender inequality in employment and remuneration, perhaps because the crisis first hit male-dominated sectors or because it was not seen as a priority in the crisis.

Confronted with the seriousness of the global financial and economic crisis, most of the countries studied undertook a huge effort to boost aggregate demand and protect living standards of workers and families, sometimes in consultation with social partners. Most measures taken during the crisis seemed to have been in line with ILSs, although there is little evidence that ILSs directly influenced the crisis response for many countries directly concerned.

Many countries facing the challenge of rising unemployment in 2008–10 implemented additional activation measures, in line with the Employment Policy Convention, 1964 (No. 122). Crisis measures have sometimes led to more deregulated labour markets, although not necessarily to a decrease in the protection afforded by the labour rights consecrated in the ILSs.

9

Looking Ahead

The findings of this inventory of policy responses to the crisis suggest a number of areas of policy that require further attention:

- Understanding the correct sequencing of fiscal and monetary policies and the targeting of sectoral policies.
- Expanding the coverage of the social insurance and social assistance programmes.
- Reviewing and improving the design of active labour market programmes, including wage subsidies and work-sharing arrangements.
- Improving labour market information systems to better monitor labour market adjustments and their impact on different types of workers.
- Promoting social dialogue as a way to create consensus on policy responses to the crisis and avoid violations of fundamental principles and rights at work.

Fiscal, Monetary and Sectoral Policies

The complementarity of fiscal and monetary policies observed in the 77 countries surveyed indicates a careful sequencing. A majority of the countries undertook a fiscal stimulus and monetary easing. The fiscal stimulus propped up aggregate demand to the extent that fiscal space allowed, which is also implied by the few cases of fiscal austerity where presumably there was no fiscal space. Monetary easing complemented fiscal policy in that, as fiscal space was reduced, monetary easing facilitated investment and consumption through conventional cuts in interest rates as well as credit expansion. A further innovation in policy sequencing is seen, perhaps for the first time in this crisis, in the form of unconventional monetary policy. As conventional monetary policy reached its limits in terms of lowering interest rates in high-income countries, unconventional monetary policy was relied on, with state banks buying bonds, which raised the price of those bonds while lowering their yields and therefore the cost of borrowing. In addition, such unconventional policies provided increased liquidity for firms and households to enable additional investment and spending. Further work on this implied sequencing of policy is much needed.

Sequencing can also help explain the pattern of targeted sectoral policies across high-income and low- and middle-income countries. Since the crisis originated in the financial sector in high-income countries, that sector required and received much support. As the crisis was transmitted to the real sectors of the high-income countries, fiscal space presumably ran out, leaving fewer resources to assist those sectors of the economy. It would

be difficult to make an argument for better balancing of budgetary support across the financial and real sectors of the economy because of the challenges in assessing the impact of the counterfactual of less support for the financial sector. However, the current revamping of macroprudential regulations that should allow the financial sector to pay for more of its risks should also permit better balancing of budgetary support.

Social and Income Protection

The main challenge for social insurance programmes is expanding coverage. Even in middle high-income countries, such as Chile and Mexico, the social insurance system covers less than 60 percent of the labour force. Social insurance coverage in Africa and most of Asia, for instance, is below 5 percent of the labour force. In South Asian and African countries the share of those in self-employment or household enterprises is above 50 percent.[39] Social insurance programmes thus cover mainly civil servants and workers in public enterprises. Across nearly all levels of economic development there are countries where even basic social assistance coverage is deficient. Public works and targeted transfer programmes are more rapidly increasing their coverage than in decades before, but these are still far from reaching all workers in need of protection.[39] Globally, the majority of informal sector workers have no access to effective social protection.[40]

For social assistance programmes, an important aim should be to consolidate dispersed programmes and introduce institutional arrangements that would allow the programmes to expand and contract in response to economic cycles. For instance, countries could consider setting up integrated cash-transfer programmes that include conditionalities to invest in human capital, participate in public works, or participate in programmes to improve individuals' employability. These transfers would be targeted to the most vulnerable individuals while relying on well-designed administrative, monitoring, and evaluation systems.

Active Labour Market Programmes

Active labour market programmes can have an important function addressing information problems in labour and capital markets and in facilitating job reallocation—but they need to be well targeted and designed in order to be effective.[41] Well-designed employment services, retraining programmes, and strategically chosen individual-linked wage subsidies for on-the-job training can contribute to labour reallocation during a period of rapid change. However, these programmes are typically too small to effectively serve large numbers of workers during a crisis, and there are still open questions in terms of design and implementation.

A critical agenda item going forward is to build capacity to better evaluate and monitor active labour market programmes. Although impact evaluations are becoming more common, they are still rare in middle- and, particularly, low-income countries; the few evaluations that exist focus on the effects induced by the presence or absence of a given programme. There is only a limited understanding, however, about how different characteristics of the programmes affect outcomes—for instance, in terms of governance, targeting mechanisms, the duration of the intervention, or the interactions with other programmes. Context also matters considerably, to the point that it might be difficult to come up with universal recommendations in terms of design. Instead, the alternative could be to systematically pilot any intervention before scaling up.

Labour Market Information Systems

In terms of labour market information systems, it is critical for policy-makers to facilitate: 1) collection and compilation of information; 2) analytical capacity; and 3) institutional arrangements with specialised agencies or research institutions. The channels through which the downturn affected labour markets were numerous and complex; effects

[39] For South Asia, see World Bank (2011), "More and Better Jobs in South Asia", and for Africa, see Fox, Louise, and Melissa Gaal. 2009. Working Out of Poverty: Job Creation and the Quality of Growth in Africa. Washington, DC: World Bank.

[40] Grosh, Margaret, Carlo del Ninno, Emil Tesliuc, and Azedine Ouerghi. 2008. For Protection and Promotion. Washington, D.C., World Bank.

[41] See World Bank (2011) Stepping Up Skills: For More Jobs and Higher Productivity. Washington, DC: World Bank.

depended on a number of factors, such as exposure to foreign trade, dependence on remittances, the amount of debt or savings held in foreign banks or countries, the importance of foreign-owned firms and foreign direct investment, and many other channels. Labour market adjustments varied considerably from country to country. In addition, individuals or employers may behave in unexpected ways, or not at all, when a policy is implemented in a particular manner in a given setting.

Unfortunately, many developing countries do not collect and disseminate the data necessary to inform policy. Although most OECD countries and some larger low- and middle-income countries (Argentina, China, Indonesia, Mexico, the Russian Federation, and South Africa) published employment data in each of the last eight years, data collection and dissemination in some parts of the world, especially Africa, is lagging. Based on data from LABORSTA, CEIC, and Haver Analytics of 200 countries screened worldwide, only 110 have published labour market data of any sort since 2000.[42] But even among this group, the frequency of publishing is too low. For instance, data on employment for 2008 were missing for 57 percent of the 200 countries covered. In some cases (e.g. Bangladesh, Colombia, India, Kenya, and Paraguay) there were no data available for the entire interval 2006-08, while in others (e.g. Brazil, Egypt, Nigeria, and Pakistan) the issue was more of timeliness, as countries had not published data on the labour market situation in 2008 by the middle of 2010.

Better data collection and dissemination will require that governments make it a priority, build institutional capacity, and adopt open access policies. The obvious first step is for governments to consider the collection of labour market data a precondition for efficient policy-making and, just as important, devote sufficient resources to it. In general, the total costs of the surveys needed to collect labour market data represent a small amount when compared to total government spending. In addition, the potential improvements in programme design that such data allow can lead to savings that compensate for the costs. Once resources have been allocated, implementation requires significant institutional capacity, which is often lacking.[43] However, it is possible to invest in this capacity, and international organizations have an important role in supporting these efforts. Once the data have been collected, decisions about how to disseminate it become critical.[44] Often, statistical institutes can be extremely protective of the data, sometimes to the point at which important line ministries do not have access to the information that they would need to better craft their policy responses. Governments would need to ensure that data on the state of the labour market are available to the public at large within and outside the country.

Social Dialogue and International Labour Standards

In the initial phase of the crisis, there were many forums and possibilities for social dialogue on crisis responses, which sometimes led to the adoption of social pacts or major collective agreements at the sector level. In the second phase of the crisis, these possibilities were reduced, either because countries had some recovery, or because there was less fiscal space available for such agreements. Yet social dialogue is a major component of building trust and consensus to implement policies helping recovery.[45] Hence, governments should encourage the coordination, whether formal or informal, of collective bargaining, as it can lead to speedier adjustment to shocks. Social dialogue can bring positive change through information sharing, which governments can facilitate by providing economic and labour market indicators to inform public debate.

Several measures taken during the crisis were directly linked to rights at work and international labour

[42] Annual publication is defined here as having a series of at least three consecutive annual observations during the 2000–08 interval.

[43] Some of the key activities in which expertise needs to be developed include: (1) management and logistics; (2) questionnaire development; (3) sampling; (4) staffing and training; (5) data management; (6) field work; and (7) data analysis and documentation.

[44] The Statistical Data and Metadata Exchange Initiative (http://sdmx.org) provides guidelines for countries on how to present and disseminate data to the broader community in a common framework in order to improve its understanding and comparability.

[45] Aidt and Tzanattos (2003): "*An interesting but often overlooked, feature of collective bargaining is its capacity to provide insurance against shocks arising from international markets*", in Unions and Collective Bargaining: Economic Effects in a Global Environment (Washington, The World Bank, 184 pp.), p. 119.

standards, such as working conditions, social protection, social dialogue mechanisms, and other compliance mechanisms. Although the different measures taken in this regard during the crisis seemed to have been in line with ILO instruments, it is important to increase vigilance to avoid violations of fundamental principles and rights at work. It should be recalled that lowering labour standards, in particular in times of crisis, can encourage the spread of low-wage, low-skill, and high turnover industries and prevent a country from developing more stable high-skilled employment, while at the same time making it more difficult for trading partners to develop their economies upwards. Because international labour standards are minimum standards adopted by governments and the social partners, it is in everyone's interest to see these rules applied across the board. Some of the measures taken during the crisis have shown that fair labour practices, in line with international labour standards and applied through a national legal system, can ensure an efficient and stable labour market for workers and employers alike. Governments should therefore continue to give appropriate follow-up to the comments of the ILO's supervisory bodies when these bodies have identified gaps in compliance with international labour standards.

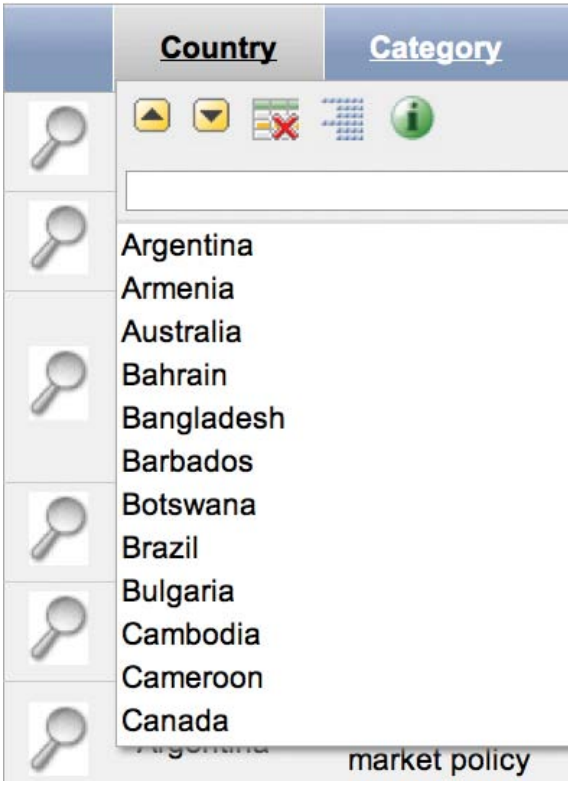
Annexes

Annex 1

Table A1: List of Countries by Income Level and Region			
High income	**Upper middle income**	**Lower middle income**	**Low income**
Latin America and the Caribbean	***Latin America and the Caribbean***	***East and Asia Pacific***	***Sub-Saharan Africa***
Barbados	Argentina	Indonesia	Kenya
Trinidad and Tobago	Brazil	Philippines	Mali
	Chile	Viet Nam	Mozambique
Europe and Central Asia	Colombia		Rwanda
Czech Republic	Costa Rica	***South Asia***	Tanzania, United Republic of
Estonia	Ecuador	India	Uganda
Hungary	Mexico	Pakistan	
Poland	Panama	Sri Lanka	***South Asia***
	Peru		Nepal
North America	Uruguay	***Europe and Central Asia***	Bangladesh
Canada	Jamaica	Armenia	
United States		Moldova	***East Asia and Pacific***
	Europe and Central Asia	Ukraine	Cambodia
Western Europe	Bulgaria		
France	Kazakhstan	***Latin America and the Caribbean***	
Germany	Latvia	El Salvador	
Ireland	Macedonia, FYR	Paraguay	
Italy	Montenegro		
Netherlands	Romania	***Sub-Saharan Africa***	
Spain	Russian Federation	Lesotho	
Sweden	Serbia	Cameroon	
Switzerland	Turkey	Cape Verde	
United Kingdom		Ghana	
	Sub-Saharan Africa	Nigeria	
East and Asia Pacific	South Africa	Senegal	
Australia	Botswana	Mauritius	
Japan		Guinea	
Korea, Republic of	***Middle East and North Africa***		
	Jordan	***Middle East and North Africa***	
Middle East and North Africa		Egypt	
Bahrain	***East Asia and Pacific***		
Saudi Arabia	China		
	Malaysia		
	Thailand		

Annex 2

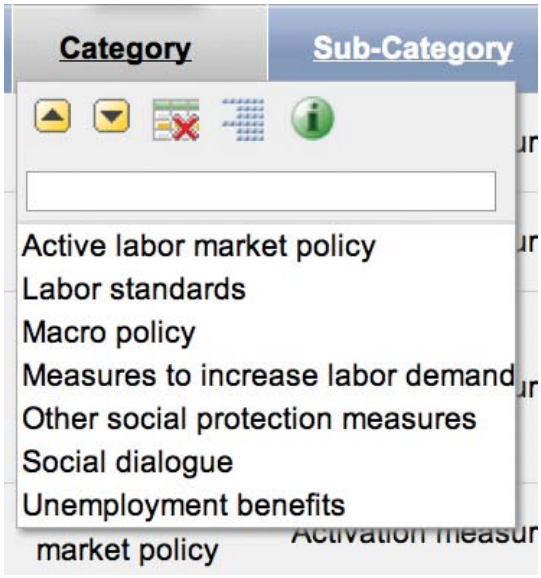
The Database



The 77 countries included in the database (See Table A1) are meant to represent all regions and a range of development levels throughout the world. The data were collected for the period mid-2008 to mid-2010 by the coordination of national consultants, along with ILO and WB staff. A quality check of the data was carried out by technical specialists in the areas of employment, social protection, labour standards, and social dialogue. The structure of the database is in English, while the policy measures are in one of the three official languages of the ILO (English, French and Spanish). As an example, the information for most Latin American countries is in Spanish.

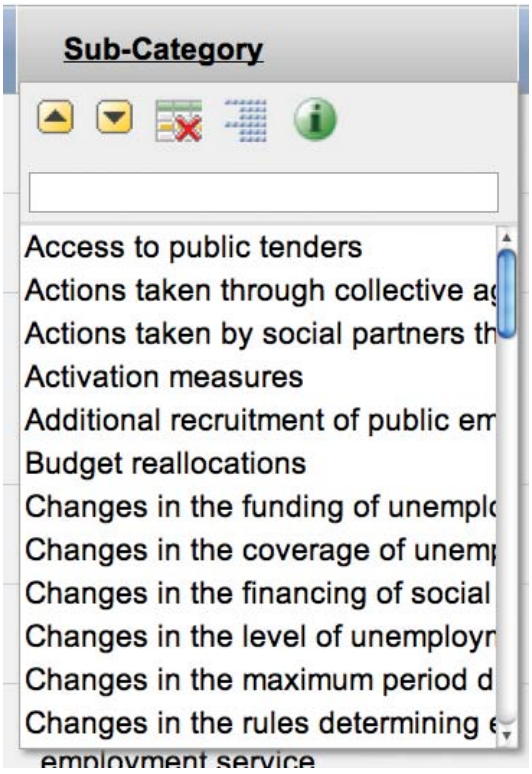
The inventory database, perhaps the first of its kind, is user-friendly and allows queries by countries, by categories, and by sub-categories of policy, as well as by target population, as shown in the screen-shots.

The data collected include a detailed description of each policy measure, information about the targeted sector of the economy, target population and enterprises, cost, number of beneficiaries, expected or estimated



impact, and the role of social partners in the design and implementation of the measure. The list of sectors is based on the International Standard Industrial Classification of all Economic Activities (ISIC Rev.3).

The information contained in the inventory is organized around seven categories of policy: macroeconomic policies, measures to increase labour demand, active labour market policy, unemployment benefits, other social protection measures, social dialogue, and labour standards.



Nested in each of these seven categories are more detailed and specific sub-categories. As an example, *measures to increase labour demand* includes the following sub-categories: access to public tenders; credit facilities and access to credit guarantees; employment retention measures; other special measures for SMEs, microenterprises, and cooperatives; payment facilities; public sector job creation; subsidies for job creation that are targeted on newly created jobs; other subsidies of various sorts; supportive regulatory environment for sustainable enterprises; tax reductions; and wage reductions. The screen captures a sample of these measures.

The attempt to identify the target population is ambitious in intent even if difficult to capture in a first one-off survey. Target population refers to two groups. The first comprises individuals and households including children, elderly, disabled, employed workers, economically active, low-income households, low-skilled workers, migrant workers, non-regular workers, senior workers, public sector employees, rural workers, self-employed, unemployed, women, and youth. The second comprises enterprises, such as SMEs and multinational enterprises (MNEs), crisis-affected enterprises, start-ups, and export-oriented enterprises.

The survey questionnaire was based on 62 questions on policy responses, and more than 3,600 policy measures were recorded in the inventory. Figure A1 illustrates the distribution of policy measures across the seven broad categories of the database.

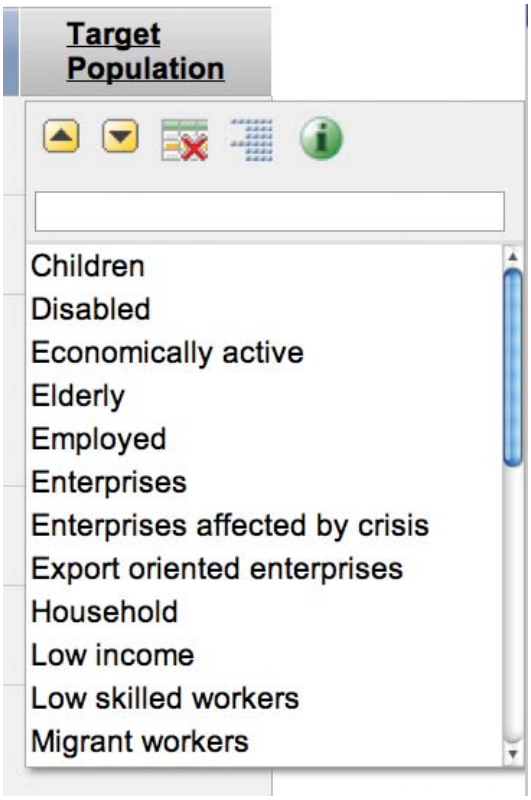
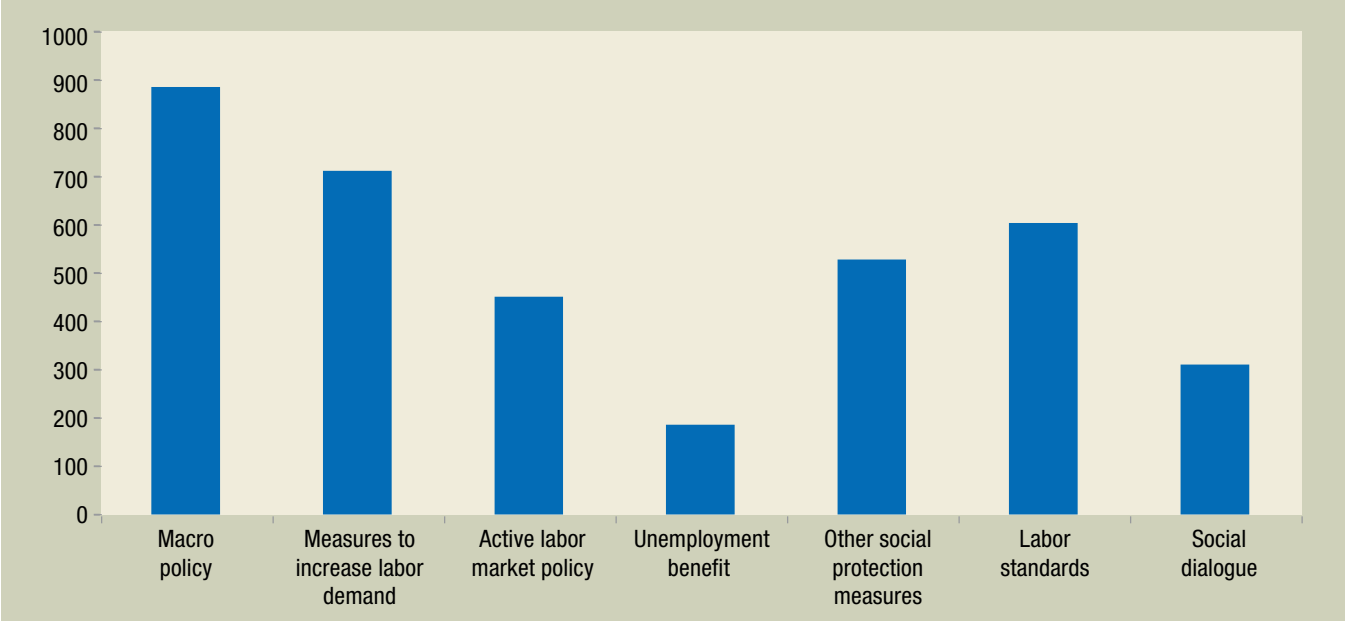


Figure A1: Distribution of Policy Measures by Categories of Responses



Source: ILO/WB inventory of policy responses to the crisis.

Annex 3

Questionnaire for crisis policy inventory

- Country/region
- Date of completion of the questionnaire
- Details of the person filling in the questionnaire
- Details of the person answering the question
- Source

Purpose of the questionnaire

The main purpose of this questionnaire is to obtain an overview of the most important employment and social policy responses to the labour market impacts of the severe economic downturn, both those already implemented and those in the process of being implemented.

Questionnaire responses will not be released to the public at this stage.

For simplicity, the questions below ask about "new measures" that have been implemented since the beginning of the crisis. This formulation should be interpreted broadly also to encompass situations such as: (i) decisions to speed up, delay or cancel policy reforms that had previously been planned in response to rising unemployment (e.g. postponement of a planned reduction of contribution rates for unemployment benefits); (ii) recent measures that had been planned independently of the crisis, but have gained additional importance because of the current crisis; (iii) measures that have been decided upon or announced, but are not yet fully implemented; and (iv) important changes in the operation of existing programmes (e.g. changes in directions given to policy delivery organizations) in response to the crisis.

Please also indicate instances where employment and social programmes have been scaled down (e.g. as an austerity measure in the context of declining tax revenues and lack of fiscal space) or expanded (e.g. in order to ensure that levels of social protection are adequate or as a measure of deficit spending).

Since crisis timing differs across countries, no common time frame can be specified. However, we request that responses be limited to policy changes and programme responses that are recent and closely related to the economic downturn.

The questionnaire is divided into four areas: employment, social protection, ILSs and social dialogue, and under each area a number of policy measures are distinguished.

For each question (see questionnaire below), please indicate:

- Detailed description (text description, target population, effectiveness date, new/expanded measure, temporary/permanent, result of social dialogue).
- Implementation arrangement (private/public, institutions).
- Funding (State/PES budget/external financing).
- Cost (percentage of GDP if possible or local currency) at what date.
- Impact (number of "direct" beneficiaries, other impact) at what date.
- Other comments.

A. Accelerating employment creation, jobs recovery and sustaining enterprises

1. *Macro policy to boost aggregate demand, through:*

    a. Monetary policy, e.g. quantitative easing and credit expansion.
    b. Fiscal policy, e.g. stimulus packages.
    c. Other.

2. *Have sectoral policies been implemented to help sectors that have been strongly adversely affected by the crisis (see the list in the annex)? Have export sector policies been implemented? Have domestic sector policies been implemented?*

3. *Measures to increase labour demand:*

    a. Lowering non-wage labour cost (i.e. reduction in employer social security contributions).
    b. Subsidies to employers who maintain existing jobs.
    c. Public support to enterprises through measures like (specify special measures to SMEs):
        i. Credit facilities, access to credit guarantees.
        ii. Payment facilities in general.
        iii. Access to public tenders.

iv. Subsidies of various sorts (non-wage labour cost (date), export credit facilities).
v. Facilities for training programmes, skills development, upgrading, and reskilling.
vi. Other special measures for SMEs, microenterprises and cooperatives.
vii. Tax reductions.
viii. Supportive regulatory environment for sustainable enterprises.

d. Subsidies for job creation that are targeted at newly created jobs.
e. Subsidies or tax exonerations for hiring individuals from certain groups (e.g. reductions in employer social security contributions for newly hired workers who were previously long-term unemployed).
f. Public-sector job creation programmes, including employment guarantee schemes, emergency public works, other direct job-creation schemes, public spending on infrastructure and on "green" jobs.
g. Protection of employed workers through:
i. Employment retention measures including working-time reductions, wage subsidies, other employment retention measures.
ii. Wage reductions (non-wage cost, e.g. social security contributions or wage).
iii. Training measures.

4. *Information, intermediation and matching*

a. Increased (or decreased) funding for ALMPs in 2009.
b. Budget reallocations of ALMPs.
c. Recruitment of additional public employment service (PES) case managers.
d. Expanded use of private placement agencies.
e. Expansion (or contraction) of the number of training slots available to unemployment benefit recipients or changes in the mix of training offered (e.g. the mix between short-term and long-term training courses).
f. Other ALMP measures to assist workers (training, job-orientation measures, skills certification, youth programmes, programmes for disabled, programmes for vulnerable workers).

5. *Other measures/remarks/comments*

B. Expanding income and social protection systems

1. *Unemployment benefit schemes*:

a. Increase spending on unemployment benefits (percentage of GDP).
b. Percentage of jobseekers receiving unemployment benefits (year).
c. Changes to the rules determining eligibility for unemployment benefits applying to:
i. Job-losers.
ii. Other jobseekers (e.g. school leavers).
iii. Workers whose hours have been reduced (e.g. changes in the minimum previous employment or earnings threshold required to qualify for benefits).
d. Changes in the generosity of unemployment benefits, including:
i. Changes in the levels of benefits; and
ii. The coverage of benefits; or
iii. The maximum period during which benefits are paid.
e. Changes in the funding of unemployment benefits, such as changes in employer or employee contribution rates for unemployment insurance, or ad hoc funding of unemployment benefit schemes from general government revenues.

2. *Expanding social protection: Social protection for all*

a. Increase in social spending.
b. Initiatives to providing social protection for all, drawing on a basic social protection floor.
c. Measures to protect purchasing power of low wage earners, for example, avoiding deflationary wage spirals, including minimum wage policies.
d. Measures to reduce the gender wage gap.
e. Expansion of cash-transfer programmes, including for vulnerable groups.
f. Expansion of in-kind programmes.
g. Expansion of non-contributory social assistance (social pension, health insurance, unemployment assistance).
h. Extending social security coverage for temporary and non-regular workers.
i. Measures for domestic migrant workers and international migrant workers; protection and support in receiving countries; measures to

encourage return migration or other measures affecting the protection of migrant workers.

j. Prospective changes in financing of the social security system, including contribution requirements and future benefits.

3. *Other measures/remarks/comments*

C. Strengthening respect for international labour standards

1. Please indicate relevant national labour standards (labour codes, labour relations, constitution, etc.) in actions referred to in response to this questionnaire.

2. Please indicate measures taken to ensure compliance with national labour standards (labour codes, labour relations, constitution, etc.) in actions referred to in response to this questionnaire.

3. Please indicate relevant ILSs (Conventions, ratifications, with comments of the supervisory bodies) in actions referred to in response to this questionnaire.

4. Please indicate measures taken to ensure compliance with relevant ILSs (especially in the light of supervisory comments) in actions referred to in response to this questionnaire.

5. Please indicate measures taken to implement ILSs directly related to the crisis, including gender disaggregation.

6. Please indicate measures taken to prevent the worsening and achieve the elimination of:

   a. forced labour, including trafficking;
   b. child labour, including trafficking;
   c. discrimination at work.

7. Please indicate measures taken to strengthen respect for freedom of association, the right to organize and collective bargaining.

8. Please indicate legislative or practical measures to remedy problems of implementation of labour standards identified by international supervision or national legal or consultative processes.

9. Please indicate other measures/remarks/comments, particularly cases where international standards on employment or relating to rights in the workplace have been invoked.

D. Social dialogue: Identifying priorities, stimulating action, bargaining collectively

1. Actions taken through social pacts on working time, wages, working conditions, employment protection by social partners; results achieved from these pacts; level of the pact.

2. Actions taken through collective agreements on working time, wages, working conditions, employment protection by social partners; results achieved from these collective agreements; level of the agreement.

3. Examples of measures to reduce gender inequality in the labour market through social dialogue in the fields of:

   a. employment;
   b. social protection;
   c. rights at work.

4. Actions taken to strengthen capacities for labour administration and labour inspection.

5. Other measures/remarks/comments.

Annex 4

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