

► 17th Asia-Pacific Regional Meeting

6–9 December 2022 | Singapore

Thematic Plenary Session 2 | Information Note

Institutional framework to support transitions towards formality and decent work

Key points

- The pandemic and other crises have led to considerable disruptions in the labour market. Supporting transitions towards more productive and decent work helps foster recovery and meet the priorities outlined in the ILO Centenary Declaration for the Future of Work and the Global Call for Action for a Human-centred Recovery from the COVID-19 Crisis that is Inclusive, Sustainable and Resilient.
- The vulnerabilities of informal workers and enterprises have been accentuated during the pandemic. The impact of climate change is also exacerbating weather-related hazards and natural disasters, affecting particularly workers and enterprises in the informal economy. An integrated approach to formalization is key to recovery as inclusive economies and resilient societies.
- There is diversity in the demographic context of the Asia-Pacific and the Arab States regions. Supporting all people at different stages of the lifecycle in different demographic contexts requires inclusive and strong labour market institutions and programmes.
- Migrant workers play an essential role in keeping economies functioning in many countries of the two regions, and yet they were among the worst impacted during the pandemic. Policy and legal frameworks for governance of labour migration need to be strengthened, including improved housing, protection of wages and extension of social protection for migrant workers.
- Labour market programmes and strengthened employment services will play a key role to ensure better and just transitions for all workers and enterprises, including in the informal economy.
- It is especially important to strengthen labour market institutions to support livelihoods and transitions of persons in countries affected by conflict and natural disasters. ILO Recommendation 205 on Employment and Decent Work for Peace and Resilience provides a framework to facilitate transitions to peace, prevent future crises, accelerate recovery and build resilience.



Youth not in employment, education or training (NEET)

(share of youth population in 2020 and change relative to 2019 in percentage points)

25%

(+2pp)

in Asia-Pacific

36%

(+1pp)

in Arab States



Migrant workers

(millions and % women, 2019)

24

(17%)

in Asia-Pacific

24

(38%)

in Arab States



Informal employment

(share in total employment, 2016)

68%

in Asia-Pacific

69%

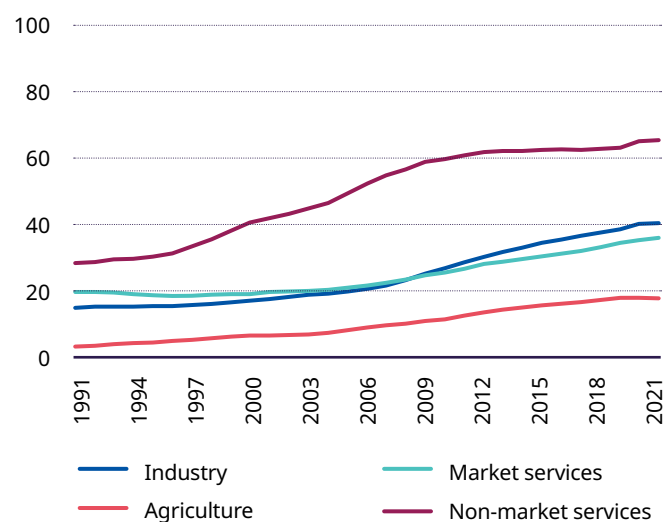
in Arab States

► Background

1. Supporting labour market transitions for inclusive and resilient recovery

Resilient recovery from disruptions in the labour market due to the pandemic and other crises resulting from conflict and natural disasters requires that people and livelihoods be supported through the turbulent times. The COVID-19 crisis has accentuated or accelerated the challenges associated with transitions into and out of the labour market, particularly for youth, and transitions into decent work. Addressing these challenges calls for labour market and social protection policies that are integrated within the broader macroeconomic and development policy objectives.

► **Figure 1. Formal employment rate by broad sector, 1991-2021, Asia-Pacific region (%)**



Source: ILO, *Asia-Pacific Employment and Social Outlook 2022*, 2022.

2. Diverse challenges of transitions

Transitions include job transitions (movements between occupations and/or sectors) and people's transitions between labour market status (entries and exits). The latter includes young people making their first entry to the world of work, older workers entering retirement, and other forms of temporary detachment such as women caring for younger or older family members and persons affected by natural disasters or conflicts. Other important forms of transition to be managed in line with the ILO Centenary Declaration for Future of Work are the transition from the informal to the formal economy, labour market transitions in a particular demographic context, labour migration, and just transitions related to climate change.

3. Informality is pervasive and will remain so without further policy commitments and actions

The vulnerabilities of informal workers and enterprises have been accentuated during the pandemic. Climate change is also exacerbating weather-related hazards and natural disasters and affecting especially workers and enterprises in the informal economy.

Prior to the crisis, informality affected almost 70 per cent of the employed population in the two regions. This large segment of the employed population lacks access to emergency assistance and social protection because of the absence of readily identifiable institutional channels to extend support. Positive change over time in reducing informality has been limited, especially in the agricultural and market services sectors, where low-productive, low-skilled work continues to be concentrated.

As countries strive for a human-centred recovery, now is the time to look at formalization as an investment for inclusive growth in the long term and as a building block for resilience against future crises. The integrated, gender-responsive and inclusive approach to formalization guided by ILO Recommendation 204 on Transition from the Informal to the Formal Economy places formalization objectives within a broad array of policy areas including those related to job growth, social protection, regulatory frameworks, enterprise development, skills development, and compliance and enforcement.

4. Demographic factors influence effective targeting of labour market policies

There is diversity in the demographic context across the Asia-Pacific and the Arab States regions. Some economies remain youthful, while other economies – especially in Eastern Asia and South-Eastern Asia – have progressed to aged status. Supporting people of all ages through the multiple transitions of their working lives requires that adequate investments be placed in labour market institutions and social protection systems.

Regardless of demographic context, young people and women have been disproportionately affected by the pandemic through disrupted education and training, stalled labour market transitions, employment and income losses. The proportion of young people who are not in employment, education or training (NEET) increased sharply in 2020, affecting more than one quarter of Asia-Pacific youth and more than one third in the Arab States, with distinctly higher rates for young women. To hasten recovery from the crisis, it is important to target young people, women and other vulnerable population groups with active labour market policies and programmes so they are not left behind in the recovery.

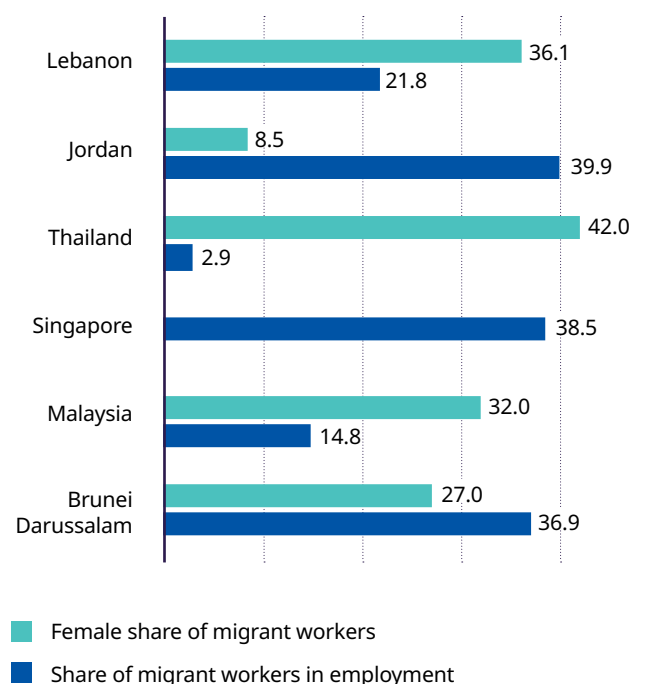
5. Transitions through labour migration

In 2019, there were around 48 million migrant workers in the Asia-Pacific and the Arab States regions. Migrant workers, while playing an essential role in keeping economies functioning, were among the most vulnerable

groups during the COVID-19 pandemic. Going forward, there is a need to address structural weaknesses at the institutional level and within policy and legal frameworks that leave migrant workers unprotected. Due attention is called for to improving housing and protecting wages of migrant workers, extending social protection, and strengthening protection from exploitation, violence and harassment.

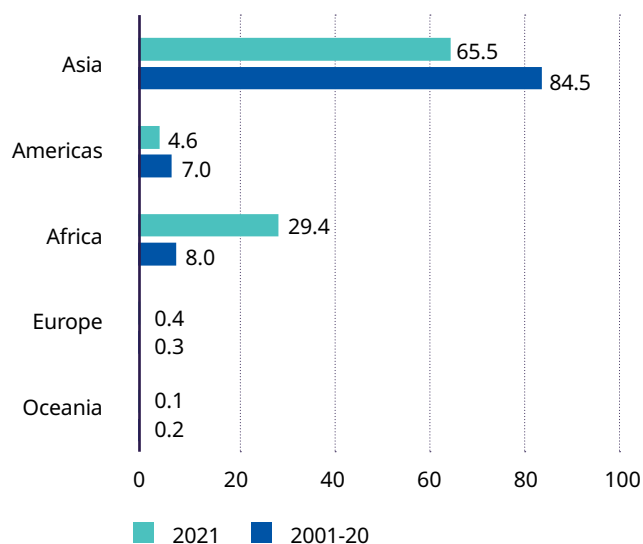
Other priorities involve enhancing the mobility of migrant workers regionally and within the labour market, including through skills development and recognition; strengthening the voice of migrant workers; legally recognizing domestic work as work; ensuring fair recruitment; promoting sustainable socio-economic reintegration of returnees; and strengthening bilateral, regional and international cooperation.

► **Figure 2. Share of migrant workers in employed population and female share of migrant workers, 2019, available countries (%)**



Source: ILO, ILOSTAT, Employment by sex, age and citizenship.

► **Figure 3. Share of population affected by natural disaster by continent (%)**



Note: The Asia continent includes the Arab States.

Source: Centre for Research on the Epidemiology of Disasters (CRED), *Disasters in number 2021, 2022*.

6. Proactive and targeted labour market programmes for a human-centred recovery

To ensure better and just transitions for workers and enterprises, including in the informal economy, proactive and targeted labour market programmes and strengthened employment services are required. Inclusive and gender-transformative approaches can accelerate the recovery and encourage labour market participation of those who face obstacles in their transitions to decent work.

Supporting labour market transitions is also critical in the context of crises resulting from conflicts and natural disasters. As guided by ILO Recommendation 205 on Employment and Decent Work for Peace and Resilience, a multi-pronged and integrated strategy – formulated through social dialogue – that prioritizes stabilizing livelihoods and income through immediate social protection and employment, promoting skills and safeguarding rights is essential. To this end, a more development-oriented approach is needed that engages humanitarian, peace and development actors towards strengthening public systems, provision of basic social services and access to decent work.

► Session objectives

The session aims to facilitate discussions on the existing institutional frameworks in the Asia-Pacific and the Arab States regions that support labour market transitions during and beyond the COVID-19 crisis for a human-centred recovery. It will reflect on the necessary legal frameworks and labour market institutions for supporting i) transitions to formal employment, ii) mobility of workers, including migrant workers, across sectors and localities, iii) adaptability of workers and enterprises through climate change and situations of crises, and iv) targeting vulnerable groups through successful labour market transitions through all life stages.

Specifically, the session will cover some of the following topics:

- Accelerating transitions to the formal economy while addressing vulnerabilities of workers and units in the informal economy through an integrated, gender-responsive and inclusive strategy, building upon evidence of what works, what does not work and why.
- Investments that are needed to meet the diverse labour market challenges posed by demographic trends; mechanisms needed to support persons of all ages and sexes in youthful and ageing societies in their labour market transitions to productive and decent work, with special focus on vulnerable groups including women striving to balance labour market attachment with unpaid care responsibilities.

- Enhanced business regulations and digital administrative procedures to facilitate business formalization, productivity growth within small and medium enterprises, and the creation of decent jobs, also in the framework of national industrial policies and new trade agreements.
- Enhancing public service delivery to support labour market transitions, including digitally-enhanced, gender-responsive and inclusive employment services and quality labour market information.
- Policies and institutions that support the mobility of workers, in particular, those most marginalized such as women, youth, persons with disabilities, ethnic minorities, and migrant workers, to sectors or occupations that are growing and will likely continue to grow during the recovery period.
- Policies and institutions needed to better govern labour migration and protect migrant workers, including through bilateral, regional or international cooperation.
- The role of social partners and tripartism in supporting the transitions of workers and business units toward more productive income-generating opportunities in the formal economy.

► Possible points for discussion

1. In labour markets characterized by frequent transitions required by individuals, what are the legal frameworks, labour market institutions and incentives needed to support successful labour market transitions throughout the lifecycle, including for vulnerable population groups?
2. How can labour migration governance, including through social dialogue and local and international partnerships, be strengthened to offset the demand for labour while ensuring adequate protection for migrant workers?
3. The UN Sustainable Development Cooperation Framework stresses the importance of joint outcomes between humanitarian, development, and peace actors. How would you see yourself engaging in this process?
4. What are the opportunities that digitalization can bring to facilitate progress on the formalization of informal enterprises and workers?
5. How can we support the development of an ecosystem that enables an entrepreneurial culture especially among youth and women in the formal economy?
6. In the recovery period, what more needs to be done to support resilience among businesses and an environment that enables businesses to develop, particularly the micro, small and medium enterprises (MSMEs)? What is the requisite support for both formal and informal MSMEs, including those led by women?
7. From the employers' and workers' perspective, what are the important transitions that need to be supported during the recovery period? What mechanisms can be established to ensure that the voices of workers and employers are heard and reflected in just transition policy making? What roles can employers and workers play to ensure that such transitions are successful?