



ORGANISATION FOR ECONOMIC
CO-OPERATION AND DEVELOPMENT

**OECD Directorate of Employment, Labour and Social
Affairs (ELSA)**

and

**European Union Directorate General for Employment,
Social Affairs and Equal Opportunities (EMPL)**

International Conference

Inequalities in Emerging Economies:

What Role for Labour Market and Social Policies?

**19th of May 2010
OECD Conference Centre
Room CC 1
2, Rue André Pascal
75016 Paris, France**

CONCEPT NOTE

Background

Greater integration into the world economy has allowed emerging economies to move to a higher and more sustainable growth path with often impressive results in terms of economic growth, social development and poverty reduction. But the benefits of stronger growth have not always been shared equally across different socio-demographic groups, and income inequality has often increased within these countries.

Brazil, China, India and South Africa are good examples of countries having experienced over the past decade major economic and social transformations. Economic growth has translated into strong job creation but also more labour mobility. In this context, some workers have been able to seize better job opportunities emerging in the formal sector, but others have remained trapped in low-paid and unstable informal jobs. The current global economic crisis and its negative impact on unemployment and underemployment have exacerbated this problem. Indeed, this can seriously compromise past efforts to reduce chronic poverty and presents daunting challenges to employment and social policy, especially in the current context of tight fiscal constraints (China being a notable exception).

The lack of enough productive and rewarding jobs and the limited coverage and effectiveness of the social protection systems in the four countries imply that the poor often have to accept any available job in order to sustain themselves and their families. Structural changes on the labour markets, coupled with lack of effective social insurance mechanisms, may lead to bad matches in the labour market. The lack of unemployment benefits or similar social transfers, for instance, makes it very difficult to continue searching for a better job match.

During the past decade, sustained economic growth contributed to reduce extreme poverty in the four countries. But high and often growing disparities in employment opportunities, coupled with limited coverage by social protection, have been associated with persistently high and, in some cases, rapidly widening earnings and income inequalities. Moreover, growing segmentation in the labour market makes it increasingly difficult for the tax and benefit systems to redistribute economic resources as growing informality, for instance, erodes the tax bases.

The persistence of high income inequality raises a number of questions. What factors have been driving the changes of inequality? Do observed patterns in inequality stem from demographic and household compositional changes, from decisions to migrate (often from rural to urban areas)? Is inequality the consequence of market forces or of market failures? Is it caused by the introduction of new technologies and skilled-biased labour demand, by different access to trade and the discovery of natural resources? Or, is it caused by unequal opportunities, different access to education and weak bargaining power? Does imperfect land distribution, imperfect access to credit and labour markets and segmentation and discrimination in the labour market play a role? Is it caused by the absence of a safety net for the poor, by regressive government policies, or dysfunctional social norms?

Numerous studies have tried to estimate the contribution of some of these factors without reaching a conclusive answer. The existing evidence suggests that the evolution of the distribution of income is the result of many different aspects often interlinked and reinforcing one another. However, as employment is the primary source of income for most households, understanding better the outcomes reached in the labour market seems to be crucial.

To further explore the links between labour market outcomes and income inequality, and in the context of increased dialogue and cooperation with emerging economies derived from the Heiligendamm process and the G-20 dialogue, the OECD Employment Analysis and Policy Division

www.oecd.org/els/social/inequality/emergingeconomies

and the Social Policy Division have undertaken a joint project with the European Union on “Growth, labour market developments and income inequality in Brazil, China, India and South Africa: what role for labour market and social policies?”.

The Joint OECD/EU International Conference

The core of the Conference’s discussions will centre on the role played by both labour market institutions and policies and social policies in shaping these trends, as well as the different interventions from these two policy layers to improve income redistribution. Some lessons can be learned from the measures taken by each government to alleviate poverty, tackle income inequality and promote more inclusive societies for future generations. Although this is even more pressing in periods of economic uncertainty and external shocks -as the one derived from the current economic downturn- it is the long-term perspective towards inclusive and sustainable development that needs to be privileged.

The key questions that will be discussed include:

- **Links between labour market outcomes and inequality:** To what extent does high unemployment lead to increased inequality? Do changes in the amount of formal/informal work drive changes in market income distribution? To what extent has informality contributed to wage inequalities in some sectors of the economy and for some group of workers (*i.e.* urban versus rural, young versus older workers, male versus female workers, unskilled versus skilled)? To what extent have new forms of employment (*i.e.* casual and temporary work) been accompanied by a deterioration of working conditions and can they explain the persistence of high income inequality? To what extent has increased educational attainment of the labour force been rewarded in the labour market and does it favour the reduction of income inequality? Is a bad matching between labour supply and demand part of the answer and how can this be improved?
- **What role for labour market institutions and policies?:** Does the design of the current labour market policies and institutions facilitate labour market segmentation (formal/informal) and what can be done to overcome it? What have been the effects of the most recent changes in labour legislations? And of minimum wage policies? What role for worker’s representation and collective bargaining? Is it possible to expand unemployment benefits coverage through the introduction of simple versions of such programs for specific groups of the population? How better ensuring labour flexibility combined with growing security for workers? To what extent the diversity of European models on “flexicurity” can offer some clues for emerging economies?
- **What role for social policies?:** Is the current design of social programs a cause or a consequence of the segmentation of the labour market? Does it create (or not) incentives that maintain/favour informality and inequality? How can the vicious circle between informality/low protection and inequality be broken? Is the extension of social protection coverage (or the provision of a basic and universal package of social security benefits) realistic and affordable? What is the scope of conditional cash transfer schemes and can they be scaled up? How can income support programmes be improved to avoid dependency, stigmatisation, and increase participants’ labour market prospects? To what extent does the unequal provision of public services (*i.e.* education and health) both in terms of access and quality, contribute to reinforce/reduce income inequalities?

Participants

Representatives of OECD Delegations and the European Union, representatives from Enhanced Engagement Countries, academic experts and internal staff. Around 100 participants.

Registration and further information

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AGENDA

OECD/EU International Conference Inequalities in Emerging Economies: What Role for Labour Market and Social Policies?	
19th May 2010	
09:00-09:30	Introduction and opening remarks Mr. John Martin , Director, OECD Employment, Labour and Social Affairs Ms. Lenia Samuel , Deputy Director General of DG Employment, Social Affairs and Equal Opportunities
SESSION ONE: Economic Growth and Inequality in EECs: an Overview	
09:30-11:00	Chair: Mr. Armando Barrientos , Brooks World Poverty Institute, University of Manchester Presentation: Key trends in growth, labour market outcomes and inequality in Brazil, China, India and South Africa by Mr. Michael Förster , OECD Social Policy Division Discussant: Ms. Nora Lustig , Samuel Z. Stone Professor of Latin American Economics, Tulane University Short country statements: <ul style="list-style-type: none"> • <i>Brazil</i> by Mr. Marcelo Cortes Neri, Fundacao Getulio Vargas • <i>China</i> by Mr. Du Yang, Chinese Academy of Social Sciences • <i>India</i> by Mr. Dipak Mazumdar, University of Toronto and Institute for Indian Development • <i>South Africa</i> by Mr. Murray Leibbrandt, University of Cape Town Questions and Answers
11:00-11:30	Coffee break
SESSION TWO: Reducing Inequality Through Better Jobs and Skills Upgrading	
11:30-13:00	Chair: Mr. Michael Morass , European Commission DG Employment, Social Affairs and Equal Opportunities Presentation: Skills for a better job matching: the role of education and training , Mr. Rolph Van der Hoeven , International Institute of Social Studies <i>- The case of Brazil</i> by Mr. Marcelo Cortes Neri , Fundacao Getulio Vargas Presentation: Achieving inclusive growth: policy challenges for emerging economies , Ms. Ana Revenga , Director of the Poverty Reduction and Equity Group, World Bank <i>- The case of India</i> , Mr. Dipak Mazumdar , University of Toronto and Institute for Indian Development Questions and answers
13:00-14:30	Buffet-Lunch (Marshall Room)

SESSION THREE: Improving Income Support and Redistribution

14:30-16:00	<p>Chair: Ms Monika Queisser, Head of the OECD Social Policy Division</p> <p>Presentation: <i>Targeting low-income households: lessons from conditional and unconditional cash transfer programmes</i>, Mr. Ian Walker, World Bank</p> <p>- <i>The Case of South Africa</i>, Mr. Murray Leibbrandt, University of Cape Town</p> <p>Presentation: <i>Extending the coverage of social protection: the role of social insurance and social pensions</i>, Ms. Luciana Jaccoud, Social Security Department, IPEA, Brazil</p> <p>- <i>The Case of China</i>, Mr. Du Yang, Chinese Academy of Social Sciences</p> <p>Questions and answers</p>
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16:00-16:30 Coffee break

SESSION FOUR: Round table: Policy challenges for the future

16:30 – 18:00	<p>Chair: Mr. Aart de Geus, Deputy Secretary-General, OECD</p> <p>Country challenges</p> <p>- Ms. Teresa Cristina Cotta, Deputy National Secretary of Citizenship Income, at the Ministry of Social Development and Fight against Hunger</p> <p>- Mr. Huabo Hang, Chinese Mission to the European Union</p> <p>Comments from TUAC, BIAC and ILO</p> <p>- Mr. Noriyuki Suzuki, General Secretary of the Asia Pacific Region of the ITUC</p> <p>- Ms. Sandrine Cazes, Head of the Employment Analysis and Research Unit, International Labour Organization</p> <p>Concluding remarks</p> <p>Mr. Michael Morass, European Commission DG Employment, Social Affairs and Equal Opportunities</p> <p>Mr. Stefano Scarpetta, Head of the OECD Employment Analysis Policy Division</p>
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