



## **Labour markets need to urgently adapt to the challenges of globalization**

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*March 17* - The clear message from the IOE's inaugural Global "Trends in the Workplace" survey which was launched in Geneva today is that globalization is presenting opportunities for business in all reaches of the globe.

However, the sobering message coming through from national business communities is that if countries want to benefit from new markets or become destinations of choice for investors, then serious efforts will be required by governments to create the regulatory environments conducive to enterprise growth and development; to get the right skills flowing into the labour market; and above all to create a culture where innovation and entrepreneurship can flourish.

Employers' perception of the labour market in the global context is one of change and the need for effective adaptation to that change. We can identify four major developments that are concurrently taking place:

First, is the impact demographic changes are and will have on labour markets; second, the increase in the number of women in the labour market; third, the movement of people across labour markets; and fourth, the mismatch between skills and labour market needs.

*These are major issues that will require a variety of policy responses.*

What clearly comes through from this survey is that increasingly flexible working arrangements that differ from the traditional employer/employee relationship will facilitate the entry of groups such as women, youth, migrants and older people into present labour markets. Furthermore there is a demand for such workplace flexibility. A new generation of employees is entering the labour force that increasingly want to decide when, how and where they work. With greater choices available for both businesses and employees the two can benefit to their mutual advantage.

### ***Legislation that works for all***

A second clear policy response is the need to make sure that the right regulatory framework is in place. It remains too hard to 'do business' in far too many countries. Excessive bureaucracy and rigidities in labour legislation are driving the growth of informality in many economies. *Legislation needs to work for enterprises and all in the workplace and not just the protected few.*

It is also clear that governments need to think through legislation more carefully – for example, while many governments have put in place regulation to protect certain groups of workers (e.g. young, female, older, disabled) often this does not have the desired effect. Indeed, in some

cases as the survey demonstrates, the regulation does the *exact opposite* and serves as a barrier to labour market entry for these groups.

Furthermore, legislation needs to be tested to see if it is workable. Is it having the desired effect? Such as providing adequate protection to those in the workplace without impacting negatively on the competitiveness of companies. The survey reveals that sadly 80% of governments are not doing this!

### ***Skills Skills Skills***

Worryingly, a shortage of skills is a problem experienced by enterprises in all parts of the globe. In many cases fast growing economies are not turning out enough skilled school-leavers and graduates. A clear message here is the need to closer connect the skill requirements of the labour market to education systems. Policy makers need to work more closely with the business community to this end.

Skills development programmes need to respond to changing workforce demographics, the challenges of skill development, re-skilling and up-skilling. Additionally, better methods of identifying skills and recognition of prior learning need to be developed in order to help better equip a person for the job market and help employers recognize the specific attributes that an individual can bring to the job. Importantly migrants can bring essential skills to economies but better ways of identifying and recognizing their skills will be needed.

Finally, there is the urgent need to address the deficit of awareness within the education system of what enterprises expect from new entrants and what are the responsibilities of those new entrants in the workplace.

*Business can help in all these endeavours!*

### ***Looking Ahead***

The renowned British economist John Maynard Keynes famously said that, when he got new information, he would change his opinion and then ask others what they did with new information. What we clearly know now is that globalization is changing the way labour markets operate. Old certainties and ways of working are increasingly becoming outdated. Governments in partnership with the business community need to face up to these challenges – their future economic development depends on it.

***The IOE's Global 'Trends in the Workplace 2008' is available at [www.ioe-emp.org](http://www.ioe-emp.org)***