



**Remarks by Juan Somavia
Director-General of the International Labour Office
to the World Bank Presidential Fellows Lecture**

“Working for a Fair Globalization”

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Mr. President, thank you for your kind words of welcome.

In 1998, when I chaired the Economic and Social Council of the United Nations, I led a delegation to meet with you and the Board of the Bank. It was a first.

Four years ago, at the beginning of my first mandate, you invited me to address the Bank staff.

So here I am again.

It is an honour and a privilege to be back with all of you today.

I believe that the World Bank is the key development institution today. So thinking together about what we can do to build a fair globalization is absolutely critical.

This year, both our institutions are marking 60th anniversaries.

Just weeks before your founders gathered in Bretton Woods, the ILO, which was already 25 years old at the time, met down the road in Philadelphia and crafted the Declaration of Philadelphia.

It observed—simply and profoundly—that poverty anywhere is a threat to prosperity everywhere. Social progress needs an economic foundation. But economic progress has to meet the aspirations of workers and their families. This is the basic interdependence on which to build a future of peace.

That is all part of the Constitution of the ILO. But, let me say, it is also part of the constitution of Jim Wolfensohn.

Jim, thank you for your partnership and friendship—and for your vision so deeply rooted in the values of dignity, opportunity and social justice.

You and your team are taking the hard road of rethinking development for the 21st century and reorienting this institution towards people’s priorities and human needs.

What are the tools? What are the instruments? Are we going to repeat the same approach—or are there new ways of doing things, of working together, of connecting with people’s hopes? I think all of these issues are key to the topic I would like to discuss today.

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You have invited me to address the challenge of ‘Working for a Fair Globalization.’

So what is our immediate context in the development field?

The international community is nearing the review of the Millennium Declaration and its Development Goals, the stocktaking of the first generation of PRSPs, and the tenth anniversary of the commitments made in Copenhagen and Beijing. All leave something to be desired.

The Doha Round trade negotiations continue to be heavy lifting. We had Monterrey, but the aid money doesn’t seem to be coming through.

We had Johannesburg, but we cannot yet say that we have shifted to the sustainable development policy track.

Commitments that raise hopes followed by inaction is the road to political failure—as every government that has been turned out of office knows only too well. Except that no one can turn the international community out of office.

International organizations—whether individually or collectively as a multilateral system, are not accountable to voters for their failures. They are not really accountable to “we the people of the United Nations.”

In this respect, Jim, you have been raising a lot of tough questions—not least the comparison between military expenditures and development aid. As you say, the world is out of balance and we are at a tipping point. I agree.

So what do we do about it?

I would like to focus today on three issues: What people expect from those in authority; the approach of the World Commission on the Social Dimension of Globalization; and, the way we carry forward a strong partnership between the World Bank and the ILO.

Universal demand: Jobs

What do people expect? Simply put: “Give me a fair chance for a decent job.”

Through my days fighting for democracy in Chile, to preparing the Copenhagen Social Summit, to heading the ILO—the demand is still there and growing. People are worried about jobs.

Work on which I can raise my family and send my children to school. Work in which I am respected, can organize and have a voice. Work, which will provide a reasonable pension at the end of a working life.

That is what we mean by decent work.

In Copenhagen, the key decision was to progressively eradicate poverty and reduce social exclusion. The solution was full employment as the sustainable way out of poverty and a great step into social inclusion.

But today neither the workings of the global economy nor most national policies are delivering sufficient employment where people live and want to stay.

And in order to confront it, one has to keep in mind that labour is not a commodity. Work cannot be treated as just any other simple product on the market.

After all, what is a cost in terms of the production process is, at the same time, a human being for whom work is the source of dignity and family well being. That should never be forgotten. This is precisely where ethical values confront market values.

The denial of opportunities affects the political system. Every politician runs on the platform of jobs. More jobs. Better jobs. But what is at the heart of politics is not at the heart of much of the policy advice of the multilateral agencies.

And it has consequences. Look no further than the front-page of yesterday's New York Times: "Latin America is growing impatient with democracy."

The UNDP recently found that the majority of Latin Americans today would support authoritarian regimes over democracy if it could solve their economic problems.

For someone who has spent part of his life fighting a dictatorship, fighting for democracy, it is deeply troubling for me to see this happening in Latin America. Of course, the problems there are not simply the result of the present model of globalization. Latin America has been unjust for long periods of time.

But the fact is, these sorts of reactions are emerging because there is a decent work deficit worldwide. It is deep and widespread. We need to find practical ways to build the capacity of people, of institutions and of countries to overcome it.

But jobs are not created in a vacuum—employment is connected to growth, investment, social institutions, active labour markets, capacity building, skills development—and above all—the present model of globalization.

Opening up opportunities for decent work is linked to spreading the benefits of globalization.

And most people that feel excluded do not have an ideological resistance to globalization. They approach it in a very practical way.

"I'm going to like it if I see and feel the benefits. But don't tell me to embrace it when I don't see those benefits in my life, in my family, in my community, in my own future. I want a globalization that works for me. I want a globalization that delivers decent work."

A fair globalization

The [World Commission on the Social Dimension of Globalization](#) was a deliberate effort to call in some of the leading thinkers on the subject and create a space for reflection.

We brought together 26 personalities from across the spectrum—geographically, ideologically, from different fields of experience. It was co-Chaired by two sitting Presidents, President Halonen of Finland and President Mkapa of Tanzania.

We wanted to make the point that this is a political issue. The political challenge in the world today is about creating jobs and the linkage between employment, stability and security.

President Wolfensohn spent a morning with the group. The Managing Director of the IMF at the time, Horst Köhler, and the Director-General of the World Trade Organization, Dr. Supachai, also shared their views. We conducted 26 consultations in all regions.

With this Commission, we put our trust in dialogue. For too long, there has been a dialogue of the deaf, parallel monologues when it comes to globalization.

I believe in dialogue with all of my heart and soul. Of course, dialogue does not mean that we all agree all the time. I have seen how a steady flow of honest dialogue can corrode the armor of ideology and mistrust and build common ground.

But in Latin America, I have also seen how lack of dialogue among civilians has opened the way to many dictatorships.

So my utter belief in dialogue is not just an intellectual conviction. It is also a profound political conviction.

And as the head of an institution founded on dialogue, I have seen its power. It is how the ILO has constantly renewed itself since 1919.

We are tripartite. We have representatives of employers. We have representatives of workers. We have governments—North and South. I head an institution whose *raison d'être* lies in the methodology of making dialogue work.

So, we put the power of dialogue to work by creating this independent Commission. What they produced is not an ILO report—it is an independent report. And by looking at fairness as a global issue, the Commission naturally addressed issues which are covered by a variety of international organizations. That is not the function of the ILO. But it was essential for an independent commission to go about trying to find common ground by looking at the issue in an integrated way.

The [Commission's Report](#) should not be seen as the last report on globalization on top of a pile of existing ones—but rather the first built on dialogue and consensus building among clearly non-like minded people.

And that dialogue ultimately produced a report that is balanced—critical, positive and common sense.

It is critical—it clearly states that the benefits are not reaching enough people and that the present path is not sustainable.

It is positive because the point is not to stop globalization, but to manage and shape it.

It is a common sense report, because the recommendations are feasible and realistic. It takes an integrated view—connecting the dots among different issues.

Some recommendations may be more difficult to implement than others, but they are all doable, sound, down-to-earth ideas.

Way forward

There are four key messages I would like to highlight that emerge from the report.

First, **start at home**. Much policy advice has been given to facilitate global finance, trade and investments to connect with the global economy. But much less to reinforce local communities and local markets where people live and want to stay if given the opportunity. There cannot be a successful globalization without a successful “localization.”

National policies matter in all countries—developed and developing. And they can yield better or worse results in dealing with globalization. A strong and effective state, productive and efficient markets, and an honest, open and well-functioning public and private sector are key to sound policy-making.

So too are stronger capabilities of individuals, enterprises and social institutions which support widespread participation and dialogue. And respect for freedom of association, gender equality, among others.

The report highlights the key role of entrepreneurship and an enabling environment for investment and enterprise creation.

And, of course, it mentions that this requires international rules and policies which leave sufficient policy space for developing countries to have real national ownership of their development goals, which offer access, opportunity and international support.

In the past, we have been dominated too often by an approach that says to a country—here’s a checklist of what you should do. Of course, there must be certain basic common rules, but countries also need to have the space to decide how best to achieve policy objectives.

There is another element to the way the Commission tackles national action. It says that minimizing the costs and maximizing the benefits of globalization depends very much on national policies. It says to countries: You have the potential through your own actions to deliver better or worse results from globalization to your people.

The Commission suggests that there should be national discussions so government leaders, political parties and social actors together decide how the country as a whole must answer the globalization challenge. Much of this is closely related to the agenda of good governance. But it is a different point of departure.

Second, **focus on fairness**. There is a feeling by many that globalization has developed in an ethical vacuum based on a “winner-take-all” mentality. It has been conceived for the strong—be it the individual, the community, the enterprise, the country.

And there is very little recognition that not everyone, not every country, can take advantage of openings right away. There are latecomers to the development game. That is not sufficiently recognized today.

Fairness is about opportunity and access, about rules that work in the interests of all. The rules of the global economy are perceived as unfair by too many people and that undermines its

legitimacy. The legitimacy of the whole notion of open economies and open societies may suffer unless more action is taken on the fairness front.

The fairness issue shows up in the unbalanced pattern of trade liberalization, in migration, in the contagion effect of instabilities in capital markets and in commodity prices. These issues, which you know by heart, are patent expressions of the unfairness of either the trading or financial system.

Third, **make decent work a global goal**. Work and employment is the way benefits of globalization reach most people.

Global markets must deliver jobs.

International economic, trade, financial and labour policies must be assessed for their impact on employment.

Respect for workers' rights needs to be embedded in the management practices of global enterprises, as in the Global Compact Initiative, as well as in the policies of governments, multilateral organizations and other actors.

When it comes to human rights, there is no division of labour in the international system. And promoting the Declaration on Fundamental Principles and Rights at Work is a system-wide responsibility.

Unless the goal of decent work is moved up on the priority list, the benefits of globalization will not be fairly distributed. Decent work is a development tool that integrates employment and enterprise creation, rights at work, social protection and social dialogue.

Fourth, **rethink global governance**. Global markets are moving ahead at full speed. Economic and social institutions are lagging far behind. The Commission observes that the problem is not globalization itself, but its governance.

We need to improve the way global institutions perform and talk with each other, and adapt the post Second World War architecture to 21st century priorities. To reap the full benefits of good national governance, we need good global governance.

After all, there is a limit to which good national governance can deliver if you have bad global governance. And we do not have the type of governance at the global level that is fully up to addressing the concerns that people have and which they are directing to those in authority.

A fair globalization will not come about only through disjointed decisions on trade, or finance, or labour, or education or health policies, conceived and applied independently. It is an integrated phenomenon. It takes integrated solutions. And obviously, integrated policies.

Coherence must grow from the local to the global level. You build coherence through dialogue. The more voices and interests that participate in the formulation of policies—the more balanced and efficient the results will be.

It is a major lesson we draw from the work of the Commission itself. It is very easy to take an authoritarian, top-down decision based on the power to do it. Dialogue takes longer, but the results last longer.

Many sound national efforts are underway for example, to implement the Millennium Development Goals and to make the Poverty Reduction Strategies more attuned to social and employment priorities. There is increasingly better coordination of international organizations at the country level, though we still have work to do.

But as the Commission has said, when it comes to **international** policy coordination, we need an upgrade.

The need for more integrated and balanced policies has never been more urgent as globalization has intensified. It is extremely difficult to deal with the integrated phenomenon of globalization with sectoral approaches on trade, on finance, on labour issues, and so on down the list of interrelated issues.

Where does the system come together to look at globalization at 360 degrees? It doesn't.

It is going to take some time to follow that approach across the board—so the Commission says “why don't we begin with something that is doable right away?”

Among other proposals, the report calls on the relevant international organizations to work together on sustainable growth, investment and employment creation through a Policy Coherence Initiative—the World Bank and the ILO along with the International Monetary Fund, the World Trade Organization and other concerned organizations of the United Nations system.

The Commission states that this would respond to a major democratic demand in all countries and demonstrate the capacity of the multilateral system, acting together to find creative solutions to address it.

The stakes are of course high. We all know that if we do not solve the employment challenge, global stability is at risk.

This is not about creating new institutions or stepping on someone else's mandate. I know there is a classical reaction from bureaucracies: one says ‘coherence’ and the other hears ‘control’. One says ‘policy integration’ and the other hears ‘policy interference with my mandate’.

But this is not about bureaucratic infighting. It is about being politically relevant. It is about working together on a central human need on which we all have complementary knowledge bases, and it is about responding to one of the main demands people are expressing today.

And frankly speaking, I do not think any of our organizations can claim to have found the right solution. Maybe if we tackle it together we will find the right policy mix.

I very much welcomed the World Bank's participation in an exploratory meeting last month on policy coherence on these issues. I believe there is a lot we can do together.

Our constituents see this as a priority issue. They know what works better at the enterprise and workforce level and have been very active in promoting, in a tripartite manner, the need to put decent work at the heart of development policies.

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So why don't we work together for a fair globalization?

The ILO and the World Bank are already working together on a number of fronts—building a global Youth Employment Network (YEN), accelerating poverty reduction by making employment creation and decent work part of the PRSP process, creating jobs and better lives by scaling up projects such as labour-intensive infrastructure.

We have been exchanging ideas on a broad range of policy issues—pension reform and social protection, the informal economy, migration, training, core labour standards and child labour in particular, and chemical safety. The list goes on and it is growing.

And we are committed to strengthening that collaboration, both between Washington DC and Geneva, and at the country level where our work touches people's lives directly.

I would suggest a few items for our future agenda.

Equity: The work of the World Commission has added to our understanding of contemporary social justice issues and how the process of dialogue can reveal and start to resolve the tensions injustice causes. I know the World Bank intends to focus its Development Report for 2006 on equity.

Collaboration on how to achieve equitable development through decent work and enterprise development strikes me as a potentially very rich common endeavour.

On all these matters, people count. And in people like François Bourguignon, you have a world leader in the rigorous analysis of inequality in all its facets and its relationship to growth and poverty reduction. And on the external partnership front, our collaboration with Ian Goldin—with his rich multifaceted experience—has been superb. We look forward to continuing to work with them and the all of the World Bank staff.

PRSPs: The review process you are undertaking could help incorporate more centrally issues related to social institutions, social dialogue and employment.

Research: We look forward to a stronger partnership with the World Bank's extensive research programme on a wide range of issues of common interest, such as following up on the ILO's recent study on the costs and benefits of eliminating child labour.

On the **child labour** front, I would add that, Convention no. 182 on the Worst Forms of Child Labour is the most rapidly ratified Convention in ILO history. Eliminating child labour is something that countries want to do and they regard it as part of their ownership of development policies. But much greater support for national policies would be very important.

HIV/AIDS in the workplace is clearly another area of joint interest.

Migration: At this year's International Labour Conference we adopted an ambitious work programme for the ILO aimed at establishing a non-binding multilateral framework for a rights-based approach to labour migration.

This is quite a significant breakthrough on a very sensitive matter. This is an issue on which the World Bank, the ILO and other multilateral organizations need to forge a strong partnership.

One final area of common work is the upcoming African Union Extraordinary Summit of Heads of State and Government on Employment and Poverty Alleviation in Africa. We are already working together. But it's not too early to start thinking about the follow-up, which will be critical.

Credibility test

Working for a fair globalization is about people. It is a test for the multilateral system. The issue runs much deeper than one of competing economic or social policy visions.

It is about delivering policies that give people voice and organization. It is about providing communities and local decision makers the space they need.

None of these demands are new. They have been out there for a long time. But they have not been satisfied.

And that sense of dissatisfaction is at the heart of the weakening of faith in the legitimacy of governments and the credibility of international organizations.

People feel that those with the power to do something are not doing enough. This is the biggest indictment against our family of organizations. Every institution should decide on its contribution to a fair globalization.

Let me conclude with a story from my life. My father was a diplomat, and I happened to spend some of my early years in New Orleans. You could probably tell from the accent.

We are talking early 1950s. I was in high school.

At the time, they were moving away from segregation, but it was still a segregated society. I used to take the street car home. The street car was segregated. Black and white were separated by a moving bar.

I got on one day and there were a couple of elderly ladies sitting—coloured ladies, as African-Americans were called at the time in the South.

I got in with a 12 or 13-year old kid. He picked up the bar, put it behind them, and told the old ladies to stand up. And they did. They actually did.

I remember running off the street car. It shook me. How could people be treated this way?

And when I was thinking about the topic last night I realized that, fairly or not, this is the way far too many people perceive globalization and sense their place in it.

They are on a moving train. Where they stand or sit is not up to them. Their destiny is determined by others—stronger and with full authority.

That breeds a sense of powerlessness and loss of control. It drains hope away. And Jim (Wolfensohn), no one has been more eloquent in articulating the damage that losing hope can inflict on the soul of society.

But fundamentally, people do not want to get off the train. They want to be a part of it. They should have the opportunity.

That is why we must work for a fair globalization.

It is fundamental to peace. It is fundamental to security. It is fundamental to social justice and individual dignity.

That is what people are demanding of us. Work together. Help solve our problems. Give me a fair chance for a decent job.

That is where people want the train to go. And by working together, I know we can get there.
