

The quest for a fair globalization three years on

Assessing the impact of the World
Commission on the Social Dimension of
Globalization

**Hamish Jenkins
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Gerry Rodgers**

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Geneva

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Preface

In 1919, when the ILO was founded, the world had been globalizing rapidly for several decades. Countries were becoming increasingly interdependent through trade, migration and capital flows, and under such circumstances failure to achieve “humane conditions of labour” in one nation, as the ILO Constitution puts it, may hinder progress in another. A global approach was needed if social progress was to be achieved. Globalization retreated in the early decades of the ILO’s existence, but its acceleration over the last twenty years has again put the ILO centre stage, for action at both national and international levels is needed, if today’s goal of decent work for all is to be realized. Globalization is contested, and history tells us that its advance is not inevitable, for whatever its benefits, those who are excluded or lose out are a source of resistance.

The tripartite ILO has again and again demonstrated the effectiveness of social dialogue as the means to advance on complex societal issues. The goal of a fair globalization is bound to be a chimera unless different voices and interests can come together, exchange and build agreement on a way forward which reflects common interests in stability and development. And so the World Commission on the Social Dimension of Globalization was born, as a first attempt to bring together on this theme a diverse, eminent group of people with much experience and capability on global issues. The Commission combined the perspectives of business, labour and government – and it was chaired by two presidents in office - with academics and activists, with representatives of every region, to construct a vision of a fairer globalization that could work for everybody.

The report of the Commission reflects the consensus that was reached, with difficulty at times, but it does not and could not reflect the richness of the debate in the Commission’s meetings and consultations, the willingness of members from business and from civil society to go the extra mile to understand each other, of academics to engage with political agendas and vice versa, of Commissioners from both rich and poor countries to understand each others’ problems. It was that which made the difference.

The present paper tells the story of the impact of the World Commission in the three years since its report was issued. It shows that the Commission has had a considerable effect on thinking and policy. President Mkapa, co-chair of the Commission, has said that “the report is forcing both sides of the debate to rethink assumptions and review their goals, thus adding momentum towards a fair globalization and a truly stable, sustainable development.” Three years is short to measure progress, but a number of important steps forward have been taken in line with the Commission’s vision, within the ILO and elsewhere. The road is long, though. New inequalities are emerging, and the governance of globalization is still weak. There remains much to be done, and the ILO and its constituents must continue to play a central role in the quest for a fair globalization.

Gerry Rodgers
Director
International Institute for Labour Studies
June 2007

1. Overview

The World Commission Report was an attempt to build consensus on a fair globalization

1. The World Commission on the Social Dimension of Globalization published its report in February 2004. It was created by the ILO at a time of persistent disquiet over the uneven impact of globalization on people, the exclusion of many from its benefits and the failure to adequately realize its potential for good. Much had already been written and said about globalization, but the World Commission was different, an attempt to build consensus across a wide range of perspectives, North and South, national and international, business and labour, government and civil society, politicians and academics, on the key issues to be addressed and a feasible way forward.

2. The Commission's report called for reform in the governance of globalization, to make it fair and inclusive. It asked for coordinated changes across a broad front, rather than a piecemeal approach. It called for the engagement of all the major actors, from the local to the global levels, in the implementation of policies and rules which could promote an equitable globalization in open economies and open societies. It argued that a fair globalization begins at home, with more effective national and regional action; that the rules of the global economy needed to be reformed; that decent work should become a global goal; and that the international institutions that could take this agenda forward needed to be more accountable to people. It argued for greater coherence in economic and social policy, and a more effective process of dialogue among the actors concerned.

Its impact was immediate

3. The impact of the World Commission's report was immediate. It was widely referred to in international debates, and its key messages received support not only within the ILO but also in many national, regional and global forums and declarations. Some of its specific recommendations were taken up by the ILO, which created the Commission, but many were addressed to other actors.

Today many of its concerns remain valid

4. Three years have now passed. Globalization continues unabated, indeed seems to have accelerated through several years of sustained global economic growth. The outcomes seem no fairer however, indeed inequalities have widened; and while there have been policy changes in some areas, in others there has been little progress.

This paper examines the impact of its recommendations

5. The World Commission called for a fair globalization, which would create opportunities for all. To judge progress since it completed its work, we need to look at both what has been happening in the global economy, and the policy changes which have occurred in the areas where the Commission made recommendations. Of course, in many cases, the World Commission was just one of many voices arguing the case for, say UN reform, increased resources for development or greater attention to employment creation, so policy changes can rarely be attributed directly or solely to the Commission. But it captured and amplified a wave, both supported a movement and in some key areas led it. Its recommendations influenced debate and decisions. We therefore in this paper look rather systematically at the concerns and recommendations of the World Commission in that light.

Institutions for the governance of the global economy still need to be strengthened, but there has been progress in some areas. It is widely agreed that decent work should be a global goal

6. The conclusion of this review can be summed up rather briefly: some progress has been made in three years, but the road is long. The pattern of globalization has evolved, but in one fundamental respect it remains unchanged – the continuing spread of the global market economy has still to be matched by the development of adequate institutions for its governance. In the medium term this poses dangers, for the social compromises and agreements that stabilize the economic model are at risk, the forces to prevent inequality from rising further are weak and globalization will continue to generate exclusion and insecurity, and as a result be contested by many.

7. While the inadequate governance of globalization which so concerned the Commission persists, there is nevertheless progress to report in a number of specific areas – core labour standards, corporate social responsibility, global framework agreements, UN reform, a multilateral framework for labour migration. The rules of the global trading and financial systems have been the subject of intense debate, especially the former, and there is no doubt greater acceptance today than in the past of the need for the rules both to be fair, and to be perceived as fair, even though negotiations are difficult. Policy coherence is on the political agenda, both nationally in many countries, and internationally, notably through efforts to strengthen the UN Economic and Social Council (ECOSOC) and the ILO's Policy Coherence Initiative. The call for decent work to become a global goal has received many echoes, and the challenge is now to translate this goal into country level action. In that respect the Decent Work country programmes, which the ILO has been developing to support the national agendas of its government, worker and employer constituents, are an important vehicle to build coherence between economic and social goals. Decent work provides the articulation between these goals, for it contributes to both personal and productive outcomes.

Tripartite participation is important

8. The engagement of the ILO's actors has been an important spur to progress. Governments, employers and workers have different agendas, of course, but each has responded within the context of their priorities – to take some prominent examples, employers on corporate social responsibility, workers on embedding core labour standards in production systems, governments on migration and policy coherence.

Dialogue between actors of globalization needs to be renewed

9. The World Commission was concerned to maintain an effective process of democratic dialogue around policy development, rather than imposing technocratic solutions. While dialogue within the ILO continues unabated, and was the instrument for building the multilateral framework for migration, for instance, dialogue beyond the ILO between the different actors of globalization seems to have faltered. A revival of this process of dialogue around the decent work goal as a route to a fair globalization may now occur, as the ILO prepares to hold a forum on Decent Work for a Fair Globalization.

A coherent approach is needed

10. In the end, the message of the World Commission was that a piecemeal approach to globalization cannot work. A coordinated, coherent approach on a broad front is needed. That message remains just as valid today. It is being heeded in some quarters, and notably in the United Nations, but building coherence of action among the key actors around a model of

globalization that serves the goals of people remains the central challenge.

2. The World Commission and its impact

2.1 Background to the World Commission

Popular discontent with globalization had grown

11. The Governing Body of the ILO established the independent World Commission on the Social Dimension of Globalization in February 2002. Growing popular discontent with current forms of globalization had first hit world headlines during the massive street protests surrounding the third Ministerial Conference of the World Trade Organization (WTO) in Seattle in late 1999, and subsequently in other cities around the world where leaders gathered to discuss global economic issues. Globalization was fast becoming one of hottest issues of the day.

ILO was the natural body to address this concern and created a Commission of world leaders

12. The growing controversy over globalization required a legitimate space at the international level to examine a complex problem that no individual nation could deal with effectively on its own. The ILO's long concern with the social dimension of the liberalization of international trade made it the natural body to take this debate forward in a constructive way. The Commission was a deliberate and structured effort to bring together "non-like-minded" people with varied backgrounds and interests to find common ground on this extremely divisive subject. The 26 personalities that made up the Commission included world leaders from governments, business, academia, trade unions and civil society, from different parts of the world and also very different political orientations. Two sitting Heads of State co-chaired the Commission: President Tarja Halonen of the Republic of Finland, and President Benjamin Mkapa of the United Republic of Tanzania (see full list of Commission members in the Annex).

13. During its two years of work, the Commission undertook extensive consultations across the world with people of all walks of life to understand their experiences and perceptions of globalization, and also pooled some of the best expertise on the subject.

The outcome was a message of hope that recognized the benefits of globalization ...

14. What resulted was a clear message of hope. The Report that emerged from this exercise, *A Fair Globalization: Creating Opportunities for All*, projected a critical but positive message for changing the current path of globalization. It recognized that the potential benefits of globalization, in terms of growing connectivity, exchange and productive capacity, are immense. The enhanced productive capacity of the global market economy, if wisely managed and shared, can generate much material progress and well-being for more people. Growing connections between people help to build solidarity and commitment to shared universal values.

but warned of effects on inequality and insecurity and

15. But at the same time, the Report warned that current forms of economic globalization have exacerbated existing problems of inequality within and between nations, uprooted local communities and economies, undermined indigenous ways of life and generated a pervasive sense of

failure to deliver enough to people in their daily lives

insecurity and social fragmentation. In its consultations around the world, Commissioners found that most people do not judge their relationship to globalization from a “pro-” or “anti-globalization” ideological standpoint, but in terms of how it is affecting their daily lives. “Seen through the eyes of the vast majority of men and women around the world, globalization has not met their simple and legitimate aspirations for decent jobs and a better future for their children”.

16. The Commission found that these trends were not only “morally unacceptable”, but also “politically unsustainable”. They were essentially due to failures of governance, rather than to globalization itself: unfair and unbalanced rules for trade and finance, a one-size-fits-all approach to economic and financial liberalization over and above social and development objectives; a bias in favour of global economic interests while neglecting local needs and priorities.

Reform of governance is needed at all levels, beginning at home

17. The Commission argued for a systematic reform of governance at all levels. In particular, it highlighted a fundamental “democratic deficit” in global economic governance. This was not just a question of global rules. Global governance is “merely the apex of a web of governance that stretches from the local upwards. The behaviour of nation States as global actors is the essential determinant of the quality of global governance”. How national governments manage their internal affairs directly influences the extent to which people will benefit from globalization while containing its risks. In that sense, the Commission emphasized that a better governance of globalization “begins at home”.

and centred on people’s needs

18. The vision put forward by the Commission is to bring into being a system of global governance that is genuinely supportive of and conducive to local and national development strategies, where powerful actors and institutions are held accountable, and where efforts to achieve greater coherence between economic and social objectives would place the needs and aspirations of ordinary people at the centre of rules and policies. To this end, it argued that decent work should become a global goal.

A political strategy is needed involving many actors

19. The report’s wide ranging set of proposals to correct the imbalances in the global system have found favour among social actors from both industrialized and developing countries, many from governments, business, labour and civil society. Taken together they could make a vast difference in the lives of people around the world. Their implementation calls for an effective political strategy involving diverse actors, which is why the final part of the report was dedicated to “mobilizing action for change”.

2.2 Global responses to the World Commission report

The Report supports multilateral efforts to make globalization a positive force for all

20. The World Commission was created by the ILO, but its report was addressed to the global community as a whole. At the multilateral level, there had been agreement at the UN Millennium Summit of 2000 that globalization should become “a positive force for all the world’s people”. The Commission’s Report provided the international community for the first time with the basis for building a consensus on how to achieve that, and so overcome polarized political positions.

A UN Resolution on the Commission report was adopted in 2004

21. In December 2004, the UN General Assembly unanimously adopted Resolution A/RES/59/57 on the World Commission's report. This was the first result of efforts by Presidents Halonen and Mkapa to mainstream the ideas and recommendations of the Report within the multilateral system, which started with their launch of the Report on the eve of the 59th session of the General Assembly—with the support of Presidents Inácio Lula da Silva of Brazil and Jacques Chirac of France, UN Secretary-General Kofi Annan, General Assembly President Jean Ping, and in the presence of some 30 Heads of State and Government. The resolution set the wider challenges and opportunities linked to globalization, including those in the Report, within the framework of the comprehensive review of implementation of the Millennium Declaration (at the September 2005 UN World Summit).

22. This Resolution was of strategic importance. The five-year review of the Millennium Declaration dealt with institutional reform questions, including the need for greater policy coherence and good governance both nationally and internationally. It was also to review the effectiveness of approaches to meeting the Millennium Development Goals (MDGs) on which the entire international community will be held to account by 2015. Yet decent work objectives - with the exception of youth employment promotion - were entirely absent from the MDG framework. Concerted efforts were needed to show that decent work constitutes the missing link between growth and poverty reduction, as well as a strategic objective in the pursuit of a fair globalization.

In 2005, the UN World Summit linked decent work to a fair globalization and the MDGs

23. At the 2005 UN World Summit, over 150 Heads of State and Government endorsed the following under paragraph 47 of the Summit Outcome document: "We strongly support fair globalization and resolve to make the goals of full and productive employment and decent work for all, including for women and young people, a central objective of our relevant national and international policies as well as our national development strategies, including poverty reduction strategies, as part of our efforts to achieve the Millennium Development Goals. These measures should also encompass the elimination of the worst forms of child labour, as defined in ILO Convention no. 182, and forced labour. We also resolve to ensure full respect for the fundamental principles and rights at work."

24. The international community thus set full and productive employment and decent work for all as a central objective of relevant national and international policies and as the means toward achieving a fair globalization. It therefore provided powerful support for the central message of the World Commission.

This was reinforced by ECOSOC in 2006

25. Soon after, the UN Economic and Social Council (ECOSOC) followed up on the steps needed to give concrete expression to these aspirations, notably in terms of the need for international institutions to work more coherently on issues affecting decent work. At its substantive session in June-July 2006, ECOSOC adopted a groundbreaking Ministerial Declaration, which specifically requests the entire UN system (its Funds, Programmes and Agencies, as well as the International Financial Institutions) to mainstream the goals of full and productive employment

and decent work for all in their policies, programmes and activities (see annex 2). And in August 2006, the Secretary General recommended the incorporation of targets for full and productive employment and decent work for all under Millennium Development Goal 1 on poverty reduction.

The Commission's Report was examined by the ILO

26. One advantage of the World Commission over many other comparable efforts is to have had a firm institutional anchor within the multilateral system, since it was created by the ILO. It was therefore natural for the ILO to take the lead in the follow-up to the report, which was submitted to its Governing Body and the International Labour Conference (ILC) in 2004. The ILO's Director-General also submitted his own proposals to the ILC for a strategic response by the ILO to the World Commission's recommendations, covering some of the key fields of work of the ILO: national policies to address globalization; decent work in global production systems; growth, investment and employment; a socio-economic floor; international migration; the international labour standards system; and the role of tripartism.

and was broadly welcomed with respect to elements that concern the ILO's mandate

27. The Report was widely welcomed by the ILO's government, employer and worker constituents, and the Director-General's proposals were broadly endorsed. There were, of course, some warnings that the ILO should not take on topics, no matter how relevant and timely, for which it does not have the human and financial resources, or which fall within the remits of other organizations. It was emphasized that the Commission was independent, and did not commit the ILO. But there was much support for an approach of collaboration with other organizations with intersecting mandates in order to build a coherent policy approach to globalization.

Follow-up has been mainstreamed into the ILO's programme

28. Subsequent to these discussions, many of the ideas and proposals of the Commission have been incorporated or mainstreamed within the ILO's programme of work, which took as its leitmotiv decent work as a global goal. The recommendations and positions of the Commission were examined carefully through the ILO's process of tripartite dialogue in establishing the programme of the Organization for 2006-07 and choices were made which reflected the positions and perspectives of each ILO constituent. Today a fair globalization is one of the mainstreamed strategies of the ILO, addressed in its programmes across the board. Decent work as a global or regional goal, seen as the key for a fair globalization, has also been reemphasized in ILO tripartite regional meetings in Europe (Hungary, 2005), Latin America (Brazil, 2006) and Asia (Republic of Korea, 2006).

2.3 Wider impact

The Commission's co-chairs played an especially significant

29. The wider impact of the World Commission owes much to the continuing engagement of its members, and in particular the two co-Chairs. Both President Halonen and President Mkapa addressed the ILO's Governing Body and UN General Assembly. President Halonen addressed the European Council in December 2004 and the High Level Segment of ECOSOC in July 2005, was a member of the UNCTAD Panel of Eminent Persons, and has extensively promoted the fair globalization agenda with other heads of state and in international fora

role in the
follow-up

around the world. President Mkapa has served on several major international panels and commissions, including the Commission for Africa, the Investment Climate Facility for Africa, the UNCTAD Panel of Eminent Persons, the High Level Panel on UN System-wide Coherence and the Commission on the Legal Empowerment of the Poor. He has indicated that the secretariats of all these panels and commissions were well informed about the work and recommendations of the World Commission, adopted its style of consultations, and in many respects drew on the World Commission's findings. In his view, the report of the World Commission has had, and continues to have, a clear and positive impact upon the globalization paradigm and spectacle. The creation of a series of Commissions and Panels to explore in depth issues raised by the World Commission testifies to its continuing impact.

30. Widespread impact could also be seen in the responses of numerous political leaders, including Heads of State and Government, senior ministers and parliamentarians from around the world. Many underlined the relevance and timeliness of the report's recommendations in the debate on globalization, either in public statements or letters to the ILO Director-General. The press gave ample coverage of the report when it was released¹.

There have
been many
activities
around the
world

31. A recent survey undertaken by the ILO suggests that since 2004, well over 100 meetings at national, regional and global levels were dedicated to the World Commission's report and its follow-up. These were organised by different actors of globalization—whether governments, international organizations, parliamentarians, trade unions, business, civil society, national economic and social councils, academic institutions, or the media. They included tripartite or multi-stakeholder dialogues at the national and regional level in places as diverse as India, China, Bangladesh, the Philippines, South Korea, Russia, Poland, Italy, Denmark, France, Belgium, Morocco, Lebanon, Tanzania, Ghana, Burkina Faso, United States, Brazil, Mexico, Panama and Argentina. Some of these meetings were part of ILO supported national Decent Work Programmes that addressed country-specific challenges related to globalization (see section 4.5 on national economic governance below). Many of the members of the Commission participated prominently in such meetings.

All sides of
the
globalization
debate have
engaged in
the follow-
up including
business,
civil society,
trade
unions,

32. All sides of the globalization debate have engaged in the follow-up to the report. Sessions dedicated to the themes of the World Commission were a prominent feature of the annual global meetings of the World Economic Forum (WEF) in Davos in 2005 and 2006. This included the Davos 2006 BBC World annual live "World Debate", which focused on the challenges of creating jobs in a globalizing economy as one of the most pressing problems facing the world today. Likewise, at a three-day conference on the social dimension of globalization during the World Social Forum in January 2005, global trade union and civil society organizations endorsed a joint declaration supporting the World Commission's recommendations and committed themselves to a campaign on making decent work a global goal and a common political vision. At the January 2007 World Social Forum in Nairobi, this was

¹ See excerpts at <http://www.ilo.org/fairglobalization/report/reference.htm>

parliamentarians and many others

followed through with the launch of a multi-year global “Decent Work for Decent Life” campaign. The engagement of religious leaders has also been significant, including that of the late Pope John Paul II.

33. The Helsinki Process on Globalization and Democracy has taken up many of the themes and recommendations of the report, notably in relation to governance, poverty and development. It held a major conference on “mobilizing political will” in September 2005, which brought together many State- and non-State actors to help forge multi-stakeholder coalitions on democratizing the governance of globalization. The Helsinki Process has taken up many of the themes and recommendations of the report, notably in relation to governance, poverty and development. In particular, the decent work deficit was identified at the conference as a problem that requires urgent multi-stakeholder action, and was the subject of a follow-up international meeting hosted by the Tanzanian government in 2006.
34. Parliamentarians too have engaged in the follow-up. For example, the Inter-Parliamentary Union (IPU) will be launching a joint programme with the ILO in 2007 aimed at “putting jobs at the heart of national policy making”, including with respect to their oversight role foreseen by the World Commission and also underlined in the Helsinki Process.

Policy coherence is a recurrent theme

35. The need for policy coherence at all levels of governance was a prominent theme of many follow-up meetings, such as at the international conference organized by the German government on “Fair Globalization – A Coherent Policy for More Employment and Decent Work” held in November 2006 in Berlin, which President Halonen addressed. Germany has decided to place the social dimension of globalization on the agendas for its presidencies of the European Union and the G8 in 2007.

Many negotiated political texts, practical programmes and other outcomes resulted

36. All in all, the ILO survey shows that some 30 negotiated political documents at national, regional and global levels make reference to the report or take up aspects of its recommendations. At least 36 programmes and other on-going activities were set up or strengthened as a result. Well over 100 academic or policy-oriented publications and other documents recorded relate to elements of the World Commission’s report, which by now has been translated into 17 different languages². In 2006 alone, there were over a million visits to the ILO’s fair globalization website, of which more than half a million were online consultations/downloads of the report.

Regional mobilization has been extensive

37. Regional mobilization has been particularly extensive. At an Extraordinary Summit on Employment and Poverty Reduction (Ouagadougou, September 2004), Heads of State and Government of the African Union adopted a declaration committing themselves to support and implement the World Commission’s recommendations—notably to “place employment creation as an explicit and central objective of our economic and social policies at national, regional and continental levels” and to “promote the decent work development agenda”. In December

² In addition to the ILO’s seven official languages (English, Spanish, French, Arabic, Russian, Chinese and German) the report was translated into Tamil, Sinhala, Turkish, Greek, Korean, Portuguese (Portugal), Portuguese (Brazil), Farsi, Swahili (synopsis only) and Italian (to be published soon).

2004, Heads of State and Government of the European Union underlined the importance of strengthening the social dimension of globalization in the light of the World Commission's report. Likewise, Presidents and Prime Ministers of the Americas committed themselves "to implementing active policies to generate decent work and create the conditions for quality employment that imbue economic policies and globalization with a strong ethical and human component..." (4th Summit of the Americas, Mar del Plata, November 2005). As part of support to a fair globalization, the decent work agenda was also endorsed in a number of communications, political conclusions and new development strategies by different institutions of the European Union; the European Commission has been particularly active in this respect.

A qualitative shift in perceptions has resulted

38. Taken together these political developments signal a qualitative shift in perceptions in official policy circles. There is increased recognition of the unfairness and imbalances in current global rules, and of the central importance of decent work for all as the means to achieve a fairer globalization.
39. In section 4 of this paper, we review how far this political impact has translated into concrete policy changes called for by the World Commission. But in order to evaluate progress on implementation, we must first consider how trends in the globalization process and its social dimensions have been evolving over the last three years.

3. Globalization: its nature and impact

Open economic policies and new technology have been the main drivers of globalization, transforming a patchwork of national economies into a more integrated global economy

40. The World Commission set out its views on the nature and impact of globalization in Part II of its Report. This served as the basic framework for the subsequent analyses and recommendations on the actions that were required to achieve a fair globalization. The commission saw globalization in terms of the rapid growth of cross-country trade, investment, and other financial flows and identified two main drivers of this process--a worldwide shift towards more open economic policies and the enabling effects of new technology. It documented the basic trends, showing that world trade had increased twice as fast as world GDP and that FDI and other financial flows had increased still faster. It also documented the worldwide shift towards more open economic policies:- the substantial reduction in tariffs and other barriers to trade, the increasing eagerness to attract Foreign Direct Investment, and the spread of domestic financial liberalization and the opening up of capital accounts.
41. The cumulative effect of these policy shifts was to transform what was, to a large extent, still a patchwork of national economic entities into a more integrated global economy, one where goods, services, and investment funds could flow more freely and hence play an increasingly important role in the structure of global production. In addition, the effects of this sea change in the global policy environment were amplified by the enabling effects of the contemporaneous development and diffusion of new technology:- the decline in costs of transport and communications that made international transactions cheaper, the

widening of the range of goods and services that could be traded internationally, and the emergence of global production systems based on the increasing scope that new information and communications technology provides for fragmenting production processes to take advantage of cost differences across countries.

While a global economy was rapidly taking shape the development of global-level institutions to support and regulate it lagged seriously behind

42. This basic depiction of the process of globalization was supplemented by a number of additional insights. First, the Commission noted with concern that while a global economy was rapidly taking shape there was a serious lag in the development of institutions at the global level that were clearly essential for supporting and regulating this new entity. Well functioning markets at the national level all have market-supporting institutions such as a legal system to ensure property rights and the enforcement of contracts, regulatory regimes to correct market failures and prevent the abuse of market power, and social institutions to temper the harsher social impacts of market forces. By analogy, so should the emerging global-scale market but this has yet to take root. The lacunae were most pronounced with respect to foreign direct investment, the global financial system, competition laws and corporate governance in global production systems, and the cross-border movement of labour. This situation arises largely from the fact, emphasized by the Commission, that while economies are becoming increasingly global, politics remains national and local. This mismatch between economics and politics has intensified with increasing globalization. Secondly, in addition to these a priori arguments the Commission also pointed to direct evidence of the deleterious effects this institutional deficit had already given rise to in areas such as the global financial system and international migration. In the former area it pointed to the increasing frequency and severity of financial crises and the high social costs they entailed. In the latter it highlighted the fact that increasing pressures towards international migration triggered by globalization were being reflected in negative developments such as increased clandestine migration and human trafficking. Thirdly, the Commission saw that the different elements of economic globalization—trade, investment, and finance—were becoming increasingly interrelated in a complex systemic whole. This had important implications for policy analysis and formulation, increasing the premium on integrated analyses of the process of globalization and on coherence in the formulation of policies to take advantage of the benefits of globalization and mitigate its costs.

In the past three years the trend towards increasing globalization has continued and the scope of international economic transactions

43. Three years on the basic elements of this analysis still remain robust and useful. In spite of many significant developments in the process of globalization in the intervening years, all of these changes can be understood in terms of the framework established in 2004. In the past three years global trade, foreign direct investment, and financial flows have continued to grow rapidly, confirming the trend towards increasing globalization. At the same time the worldwide trend towards ever more open economic policies has also continued. Trade barriers have continued to fall across the world in spite of limited progress in the Doha Round of multilateral trade negotiations; more countries are seeking to attract FDI and also to participate in the global financial system. The rapid development and diffusion of new technologies has continued and their impact on the growth of complex global production systems and the consequent expansion of the scope of international economic

has expanded further with the growth of outsourcing

transactions have become more visible. A case in point is the controversy generated in the U.S over the growth of outsourcing, via the Internet, of an increasing number of skilled professional tasks to India. This has led to doomsday predictions of the imminent undermining of American jobs and comparative advantage that we shall assess shortly.

Some limits have been reached

44. But not all changes have been in the direction of supporting ever increasing globalization. Limits are being reached to the continuous decline in transportation and communication costs.³ The price of oil has increased sharply as have the costs associated with meeting the demand for increased security. Cost-reducing technical progress in shipping has slowed down while the value of goods shipped has fallen rapidly because of declining prices driven by rapid productivity growth. As a consequence freight costs as a proportion of the value of goods shipped have been rising and will likely continue to rise as more measures to combat CO₂ emissions and global warming come into effect. Similarly, the costs of digital transmission have already fallen to close to zero, leaving little remaining scope for further reductions.

The continuing spread of a global market economy and production system has still to be matched by a parallel development of institutions for its governance

45. As a whole, however, globalization has continued to intensify. Where does this place us in relation to the three concerns over the nature of the process that were expressed by the Commission three years ago? First, the continuing spread of a global market economy and production system has still to be matched by a parallel development of institutions for its governance. As such the concern expressed by the Commission over this lag between market expansion and institutional development remains as strong as ever. Very little has happened to begin to address the institutional lacunae in areas such as foreign direct investment, global finance, global production systems, and the cross-border movement of people. Secondly, the consequences of this lag in institutional development continue to be highly visible. There has been no major financial crisis in the last three years but concern over the fragility of current global financial imbalances has increased. Tensions over illegal migration have intensified in the wake of graphic images of desperate, huddled Africans risking death at sea in order to seek entry into Europe. Thirdly, it has become clearer that the key elements of globalization are becoming increasingly intertwined.

The Commission had noted that globalization had demonstrated great productive capacity but generated very unbalanced outcomes both

46. A central part of the examination of the phenomenon of globalization in the Commission's report was an attempt to assess its impact so far. Its starting point was a recognition that "the global market economy had demonstrated great productive capacity. Wisely managed it can deliver unprecedented material progress, generate more productive and better jobs for all, and contribute significantly to reducing world poverty." Yet it did not fail to note how far reality had diverged from this potential:- "the current process of globalization is generating unbalanced outcomes, both between and within countries. Wealth is being created, but too many countries and people are not sharing in its benefits...Even in economically successful countries some workers and communities have been adversely affected." In documenting these observations in detail it noted that the impact of globalization on the growth of global GDP had

³ Anthony J. Venables: "Shifts in economic geography and their causes" (paper prepared for the 2006 Jackson Hole Symposium organized by the Federal Reserve Bank of Kansas City).

between and within countries

not been as great as that claimed by ardent proponents. At the same time growth had been very unevenly distributed across countries; the industrialized countries gained substantially from globalization, as did a minority of developing countries, but the least developed countries remained marginalized.

47. In examining the social impact of globalization it noted that open unemployment rates had increased and that poor quality employment in the informal economy had increased in most developing regions. There was also evidence that wage and income inequality as well as the concentration of wealth had increased in many industrialized and developing countries. It saw this as a reflection of the fact that “the economic benefits and social costs of globalization are not evenly distributed among social groups.” In many countries some workers had been adversely affected by the restructuring of production provoked by globalization. More generally, people with capital, entrepreneurial ability, and education and skills have benefited while the poor, the assetless, the illiterate, and unskilled workers have lost out. It also noted that in many developing countries deep-rooted and long-standing gender inequalities have meant that the social cost of globalization has fallen disproportionately on women.

Three years on these imbalances have become more acute. In spite of high growth in China and India, North-South income gaps have widened. Yet there has been a surge of anxiety in the industrialized countries over the threats to their economic future posed the rise of China and India

48. Three years on, these imbalances have, if anything, become more acute. This statement is based both on additional empirical evidence as well as on new theoretical insights from the economic literature on globalization. On one count there has been a clear improvement: Growth of global GDP has been close to 5 percent per annum over the past three years reflecting the recovery from the recession of 2000 and 2001. But the picture is less positive with regard to inequality between and within countries. On inter-country inequality there has been little sign of a move towards a convergence in income levels. In spite of continued high growth in China and India⁴, representing as they do a substantial share of the population in the developing world, the gap in average incomes between industrialized and developing countries has continued to widen.⁵ It is therefore ironic that, as mentioned earlier, there has been a surge of anxiety in the US and other industrialized countries over the impact of the rise of China and India on their economic future.
49. These anxieties consist of two elements. One is that the increasing engagement of low-income countries with the global economy, especially when spearheaded by such populous countries as India and China, has vastly increased the effective supply of unskilled labour in the global economy. This is seen as heralding the further loss of unskilled jobs from the industrialized countries as well as downward pressure on wages as the law of one price begins to operate in an increasingly integrated global labour market. But this is not all. There is also the perceived threat to skilled jobs through increased outsourcing of professional work both via the Internet and through conventional means

⁴ It is important to note in this context that while their growth performance has been undeniably impressive, China and India are not the economic miracles they are often made out to be. Both countries have experienced rising inter-regional and inter-personal inequalities and significant parts of both economies remain largely local in character and unconnected to the dynamic globalizing sectors. Widespread poverty still persists, especially in India.

⁵ See E. Leamer “A Flat World, A Level Playing Field, a Small World After All, or None of the Above?” *Journal of Economic Literature*, 2006.

such as sub-contracting and relocation. Underlying this process is the fact that there has been rapid increase in the supply of scientists, engineers, and other professionals in India and China and that the stock of such highly skilled workers will soon exceed that in many industrialized countries. As in the case of unskilled labour, the salaries of these workers in developing countries are substantially lower than in the industrialized countries leading to similar fears of vanishing jobs for skilled workers in the latter. Worse, this could signal vanishing comparative advantage for the industrialized countries in the skilled and high-tech industries, their veritable last bastion in the global economy. The augmented skill capacity in India and China will lead to their wresting of comparative advantage in these industries from the industrialized countries because of their lower cost structures.

For a variety of reasons such anxieties are not warranted

50. For a variety of reasons, this is not likely to occur in the foreseeable future. First, the fear is based on the view that there are no limits to the contestability of markets and that all transactions are in the nature of trading standardized commodities in impersonal markets.⁶ Reality is quite different. The extent of outsourcing of skilled jobs has been quite limited so far and there is in fact a limit to how far the process can go. The majority of the outsourced jobs have consisted of mundane tasks that can be codified but this represents only a tiny minority of skilled jobs. Most skilled jobs involve the exchange of complex messages that are context-dependent and hence cannot easily be codified and outsourced. Rather, they require face-to-face interaction, long-term relationships and trust. Physical closeness and agglomeration of activities will thus continue to be an inescapable determinant of the location of economic activity.
51. Secondly, in spite of the fall in transport and communication costs, geography is still a principal determinant of trade as attested to by the continuing robustness of the gravity model of trade (based on the idea that distance influences trade). In large part this is due to the many economic benefits of closeness and the agglomeration of activities. Thirdly, as to the potential loss of comparative advantage by the industrialized countries, the arguments advanced overlook several important considerations. These include the considerable market power and control over intellectual property rights enjoyed by the industrialized countries in capital- and skill-intensive industries; the fact that it is not the absolute but the relative endowment of skilled labour that determines comparative advantage; and that, more importantly, successful innovation and technical progress require a supporting structure of institutions that are still relatively underdeveloped in India and China and which cannot be created overnight. It is also relevant to note in this context there are still significant differences in the quality of nominally the same categories of skilled labour between the industrialized and developing countries, and that the actual integration of unskilled labour from the developing world into a global labour market is still quite limited.⁷ In addition the outsourcing debate overlooks the productivity and demand-enhancing benefits associated with the process.⁸

⁶ Ibid.

⁷ Richard N. Cooper: "How Integrated are Chinese and Indian Labour into the World Economy" (mimeo, World Bank,

The rise of India and China is nevertheless having a profound impact on the process of globalization. So far it has reduced the development prospects for some other developing countries but, looking ahead, more positive feedback will emerge

52. To dismiss this alarmist discourse in the industrialized countries is not, however, to deny the fact that the rise of China and India is having a profound impact on the process of globalization. As was already noted in the Report of the World Commission three years ago the sheer size of these countries has meant that their economic success has made a substantial difference to aggregate assessments of the impact of globalization. Most notably their success in reducing poverty, attributable in part to their increased engagement with the global economy, has meant that the global incidence of poverty has declined. But, as the Report also noted, “while it is clearly a cause for celebration that world poverty in the aggregate has been reduced, this is little consolation to those outside the few countries where these gains have been concentrated.” This basic ambiguity subsumes the larger question of what the rise of China and India really implies for the very many poor countries that still remain on the margins of the global economy. Can their success be easily emulated and hence spread to the rest of the developing world or has it pre-empted or at least diminished their development prospects? This is a highly germane question since “the rest of the developing world” consists of 3 billion people (nearly half the world population) and some 150 countries.

53. In answering this question it is necessary to distinguish between the impact so far and how things are likely to unfold in the medium term. In terms of the impact so far, the rise of China in particular as a manufacturing powerhouse has clearly had negative repercussions on other middle-income industrializing countries within the same cone of competition. The rate of growth of these countries has declined in the face of the powerful new competition from China for export markets and foreign direct investment and, in some cases, also from increased penetration of Chinese exports into their domestic markets. Looking further ahead, however, the picture appears less bleak since we can expect adjustment mechanisms, which had accommodated the rise of Japan and the Asian NICs, to also begin to operate in this case as well.⁹ These consist of rising real wages as a result of sustained growth and increases in labour productivity and the upward adjustment of exchange rates. This would shift their comparative advantage to higher value-added activities and hence vacate the economic space they currently occupy. In addition, new growth opportunities will be created for other developing countries by rising demand for imports in China and India.

There appears to be an inherent unevenness in the process of globalization and development ...

54. While we can quite reasonably expect such general positive adjustment mechanisms to operate this does not by any means imply that there will be increasing convergence across the rest of the developing world. Indeed, new insights from the economics of geography do not provide much ground for optimism on this score. This literature notes that there are very large global spatial inequalities at present, even within well-functioning national economies and that in the previous wave of globalization there had also been, contrary to the predictions of trade theory, little convergence in income levels across countries. The main message is that there is inherent unevenness in the process of

February 2006).

⁸ Gene M. Grossman and Esteban Rossi-Hansberg “The Rise of Offshoring: It’s Not Wine for Cloth Anymore” (paper prepared for the 2006 Jackson Hole Symposium organized by the Federal Reserve Bank of Kansas City).

⁹ See World Bank: *Global Economic Prospect 2006* (World Bank, Washington DC).

and spreading the benefits of globalization through growth requires more than just getting conventional policies right

globalization and development.¹⁰ Quite apart from the problems faced by many poor countries handicapped by unfavourable geography, there will remain strong disequalizing tendencies even among countries, which have the prerequisites for growth in terms of good geography, institutions and policies. The key problem is that small differences in initial conditions tend to be cumulative and makes entry for latecomers more difficult. The task of creating sound institutions in developing countries becomes more daunting as the market expands in scope and transactions become more complex. Barriers to entry remain strong and not only in terms of control of technology and intellectual property rights but also in terms of less tangible factors such as accumulated reputational advantages and network effects. The implication of this for creating a fair globalization is that spreading the benefits of globalization through growth is more complicated than just getting conventional policies and institutions right, essential though this still remains. The current laissez faire globalization is unlikely to ensure a fair distribution of benefits across countries and there is a clear need to search for additional instruments of international and national policy to promote this.

It has become increasingly clear over the last three years that growing inequality is now the overriding challenge of our times

55. In addition to this issue of inter-country inequality, it has become increasingly clear over the last three years that growing inequality is now the overriding challenge of our times. Globally, the entry of China, India, and other developing countries into the world economy has resulted in a huge increase in the potential supply of unskilled labour. These workers bring with them little physical capital and thus increase the relative scarcity of capital. Although we should not exaggerate the extent to which this absorption of a vast new supply of unskilled labour has actually occurred, the future trajectory is nonetheless clear. This bodes ill for a fair distribution of the benefits of globalization between capital and labour in the global economy. We have already begun to observe a significant worldwide shift in the functional distribution of income towards capital. Asset prices have increased substantially worldwide driving increased inequality in the distribution of wealth and income. This has been further exacerbated by tax-competition and consequent reductions in taxes on corporations and the rich. At the same time some aspects of the diffusion of new technology are inherently disequalizing, increasing the premium on skills and talent and magnifying the potential rewards for those who possess them. In contrast, the less skilled face downward pressure on their wages and conditions of work in the face of the vast increase in their relative abundance.
56. There are yet other pressures towards increased inequality that we have only recently come to recognize. The changes in the nature of international trade noted earlier have meant that the predictions of conventional trade theory that expanded trade will be equalizing no longer hold true. Instead, “there appears to be a widespread tendency for wage and income inequality to increase in the wake of trade liberalization and contemporaneous developments such as the increase in trade in services and intermediate goods, increased flows of FDI and outsourcing, and the diffusion of skill-biased technological change. The

¹⁰ See Venables op. cit

increase in the relative demand for skilled labour is a global phenomenon that often leads to an increase in wage inequality.”¹¹

There has been a widespread tendency for income and wage inequality to increase in the wake of liberalization. At the same time labour market turbulence has increased

57. At the same time there are several factors that tend to generate greater turbulence in labour markets. For instance the recent literature indicates that labour market adjustments following trade reform occur not only between sectors but also within sectors, thereby increasing the extent of job reallocation that is required. This implies that jobs are at risk in all sectors and not, as conventionally thought only in the import competing ones. This may explain why there is widespread increase in perceptions of job insecurity as countries undergo trade liberalization.¹² Similarly, as more industries become footloose, small shifts in costs can cause comparative advantage to shift abruptly from one country to another, implying an increase in labour turnover. In addition, in globally integrated production systems fixed cost activities are concentrated in the industrialized countries while variable cost activities are concentrated in developing countries. Since output shifts are driven mostly by changes in variable costs the volatility of output and employment will be higher in developing countries. All these developments imply greater insecurity for workers, over and above the erosion of their bargaining strength in the context of the current process of globalization.

There are thus serious new pressures on labour markets across the world as globalization intensifies and the contestability of jobs across borders increases, posing huge new challenges for policy-makers

58. There are thus serious new pressures on labour markets across the world emanating from the increased cross-border contestability of jobs and factors pushing towards increased wage inequality and greater labour market turbulence. An important way out of this quagmire is to increase the pace at which the global economy is creating decent jobs. Although the rate of global unemployment has not increased over the past three years because of the cyclical upturn in the global economy, it is abundantly clear from the preceding analysis that it is imperative to boost the rate at which decent jobs are created. In most of the developing world this rate lags seriously behind the increase in the supply of those seeking decent jobs, even in countries that have experienced rapid growth. As a consequence the concern expressed in the Commission's Report over the fact that bulk of employment creation was occurring in the low productivity informal economy remains just as valid today. Unless employment in the modern sector is boosted and effective means are at the same time found to raise investment and productivity in the informal economy, the contribution of globalization to poverty reduction will remain limited. In this context, it is clear that employment and labour market policies are confronted with huge new challenges as a result of increasing globalization.

¹¹ Jansen, M. and Lee, E.: *Trade and employment: Challenges for policy research* (International Labour Office and World Trade Organization, Geneva, 2007).

¹² Ibid.

4. The recommendations of the World Commission

The Commission's central recommendation is improved governance

59. In the light of these developments, what progress has been made on the World Commission's recommendations? As we have seen in section 2, there has been a very favourable echo in declarations, debates and calls for action at all levels. The global community has now committed itself to pursuing the goals of decent work and a fair globalization. But the distance between a declaration which gives support to principles, and concrete changes in policies or rules, is often large. Moreover, it is not easy to reach definitive judgements about the Commission's influence, because much is happening of which the World Commission is only one part or one factor. However, it is possible to review the changes which have occurred in some of the key areas where the Commission made recommendations, and assess the extent to which they are aligned with the Commission's vision.

involving action on a broad front

60. The central thrust of the World Commission's recommendations was for improved governance at all levels. Governance, in the Commission's sense, is not just a question of states and governments, but reflects the roles and behaviour of a wide variety of social actors. The Commission argued that it was necessary to begin at home, at local, national and regional levels, with democratic and effective governance which provided public goods, widened access to opportunity, assured social protection, and managed the economy in the interests of all. At the global level, the Commission called for fair rules to govern trade, capital flows and migration, and argued in favour of a global strategy for employment and decent work. It called for better international policies for aid, macro-economic coordination and commitment to a range of social goals, and demanded institutions which were more accountable to people. It highlighted the importance of policy coherence, in the sense of consistency and complementarity of policies across economic and social fields and across different national and international actors.

61. In this section, we review progress in a number of key areas. We start with global rules and policies, which we group under the following headings: labour and employment; global production systems; trade and finance; and resources for global goals. We then turn to national and regional policy responses, and conclude with some comments on policy coherence. To anticipate our conclusions, there are some steps in the right direction, but they are mostly just a beginning, and much remains to be done.

4.1 *Labour and employment in the global economy*

62. One of the central messages of the World Commission was that decent work should become a global goal, and it made a series of recommendations designed to increase respect for rights at work and embed employment and social protection goals in the global economy.

63. Some of the key recommendations were:

- a balanced strategy should be implemented for sustainable global growth and full employment

- all international institutions should embed core labour standards in their regular practices
- the ILO's capacity to promote respect for core labour standards should be strengthened
- a multilateral framework is needed for the cross-border movement of people
- steps should be taken towards creating a socio-economic floor for the global economy, including a minimum level of social protection

Global growth and full employment

64. As noted in the last section, since the Commission's report was published there has been rapid growth of the global economy. Nevertheless, this growth has not appreciably improved the global employment situation, which remains characterized by extensive informality, difficult job access for young people and in some parts of the world very high open unemployment.

The call for a balanced strategy for growth and employment remains unmet

65. Employment goals have not figured strongly in efforts at international macroeconomic coordination. The Commission's call for a balanced strategy for sustainable global growth and full employment therefore remains unmet. Moreover, growing global imbalances, due to persistent balance of payments deficits and surpluses – already a concern of the Commission – create widely acknowledged risks of instability. The Commission called for a balanced distribution of the responsibilities for maintaining effective demand in the global economy, but in practice high levels of demand have depended mainly on the US deficit, which is generally considered to be unsustainable. There clearly remains an important need for better international policies to support sustained employment growth. This was emphasized, for example, at the last meeting of G8 labour and employment ministers in Moscow in October 2006, where ministers stressed the need to ensure coherence between social and economic policies and better international cooperation to improve employment performance¹³.

Core labour standards and rights at work

Many international organizations now ensure respect for rights at work

66. With respect to the promotion of core labour standards, there have been a number of important steps forward. It is now increasingly common practice for international aid and lending policies to incorporate respect for the ILO's core labour standards. Among the organizations which have implemented such policies, the World Bank's International Finance Corporation (IFC) has been requiring since May 2006 that all enterprises borrowing from the IFC abide by core labour standards, and former World Bank President Wolfowitz later announced the extension of this policy to the World Bank's public sector lending for infrastructure projects through the IBRD and IDA. Regional development banks such as the Asian Development Bank have been following similar policies, as have major international donors such as DFID. This is an important support for the realization of fundamental principles and rights at work at

¹³ Chair's conclusions of the meeting of G8 Ministers of Labour & Employment on "Productive Employment as a Factor of Economic Growth and Social Integration" (Moscow, October 9-10, 2006).

national level. There can still be some tension with economic policy advice, in which certain fundamental rights at work, and notably freedom of association, are sometimes treated as an “economic distortion” of market relationships, without considering the distortionary effects of asymmetrical bargaining relationships between workers and employers. But the progress is clear.

The ILO is the legitimate organization on labour standards

67. The legitimacy of the ILO as the institution with the responsibility for setting and supervising such standards has been reiterated in a series of international declarations, including key UN declarations such as those referred to above. The debate on labour standards and the WTO has become less strident, with some signs of mutual understanding of positions. Views still differ on references to labour standards in WTO agreements and procedures, but the primacy of the ILO in this domain is uncontested. Labour standards are increasingly referred to within trade agreements, however, both in regional trading blocks such as Mercosur, and in bilateral agreements, especially with the United States, which has regularly made respect for countries’ own labour standards a feature of such agreements. Here too, the ILO’s legitimacy as the global source of such standards is widely acknowledged, and the evidence suggests that the majority of FTA (free trade agreements) signatories have made some progress in terms of compliance with and improvement of their labour regulations¹⁴.

but resources have not increased

68. On the other hand, there has been no substantial increase in the regular resources of the ILO to monitor and support this progress. Promotional efforts – including a notable increase in efforts to eliminate forced labour – are largely dependent on extrabudgetary resources. Nor has there been much enthusiasm for the further use of Article 33 of the ILO Constitution which provides for action to secure compliance with ratified labour standards, and which is already being applied to the case of forced labour in Myanmar. It is widely believed that less drastic measures can be effective except in the most extreme cases.

69. While progress can be seen with respect to formal instruments, hard evidence as to the impact on people is thin on the ground. There is some evidence that child labour is in decline¹⁵, and while the evidence on discrimination is mixed, the density of policies and institutions tackling this issue is clearly increasing. But better data is clearly needed to confirm these impressions.

Migration

Some progress has been made towards

70. As for the cross-border movement of people, the World Commission's call for a multilateral framework for immigration laws and consular practices has been heeded within the ILO. A first important step was taken with the adoption of non-binding principles and guidelines for a rights-based approach to labour migration, known as the ILO Multilateral Framework on Labour Migration¹⁶. This framework

¹⁴ See C. Doumbia-Henry and E. Gravel, “Free trade agreements and labour rights: Recent developments” in *International Labour Review*, vol. 145, no. 3 (Geneva, ILO, 2006).

¹⁵ See ILO, *The end of child labour: within reach*, Global Report under the Follow-up to the ILO Declaration on Fundamental Principles and Rights at Work (International Labour Office, Geneva, 2006).

¹⁶ ILO, *Multilateral framework on labour migration: Non-binding principles and guidelines for a rights-based*

a framework for international migration

embraces many of the issues highlighted by the World Commission. It covers governance, protection and promotion of migrants' rights, development linkages and international cooperation -- however it is limited to the issue of labour migration, the subject of the ILO's mandate.

Global production systems play an important role

71. Beyond the ILO, the 2005 final report of the Global Commission on International Migration concurred with the World Commission's view that moving the migration agenda forward would imply strengthening the existing multilateral organizations dealing with the movement of people and improving coordination among them. Accordingly, it proposed the establishment of an Inter-agency Global Migration Facility. The UN Secretary General's report on international migration and development and the UN High Level Dialogue on the subject in September 2006 also emphasized many of the same issues as the World Commission. The World Commission had stressed the need for a global forum to enable regular exchange of information and views on issues related to the cross-border movement of people among all countries and interests concerned. In his report to the High Level Dialogue (A/60/871), the Secretary-General proposed the establishment of a Global Forum on Migration and Development that would allow countries to forge constructive approaches. The General Assembly endorsed this proposal in principle; however opinions differed, and continue to differ, on the institutional context in which this Global Forum should take place.

A global socio-economic floor

Little progress has been made on a global socioeconomic floor

72. Little progress has been made towards the goal of a global socio-economic floor, which has generated few echoes at the international level. The World Commission considered that the Millennium Development Goals could be considered as the "minimum for a decent world", and a foundation for the building of a common understanding of a global floor. So insofar as global attention to the MDGs highlights the responsibility of all to ensure that certain minimum targets of poverty reduction are met, it provides a starting point. The ILO has taken up this message with a campaign for social security for all, and for a Global Trust Fund, but in practice it is hard to mobilize resources for such goals.

Overall

Overall some significant steps forward but progress is uneven

73. Overall, it can be concluded that there has been significant progress on some key World Commission recommendations concerned with global policies for labour and employment. Nevertheless, progress has been uneven. More progress may have been made on respect for rights at work than on a full employment strategy, and very little on the need for security and a global socio-economic floor. A number of the other policy recommendations considered later in this section have a bearing on these goals, and we return to the issue in the discussion of policy coherence.

4.2 Global production systems

74. The World Commission acknowledged the growing importance of global production systems, both as a central feature of the new global economy, and as a key factor in realizing the benefits of globalization and determining how they are distributed. Its recommendations aimed to widen access to these systems, and to ensure that they address important social goals.

The Commission recommended: action on competitive markets, investment frameworks, social dialogue and voluntary private initiatives

- First, it noted that dominant interests in global markets create high barriers to entry, and recommended greater efforts to make global markets more transparent and competitive.
- Second, it argued for a more transparent, balanced and development-friendly multilateral framework for foreign direct investment, much of it within global production networks, and called for a forum to pursue policy dialogue to that end.
- Third, it called for a greater effort of social dialogue among workers and employers aimed at promoting decent work in global production networks. It underlined the importance of new developments in this direction, such as Global Framework Agreements between multinational companies and Global Union Federations.
- And fourth, it suggested various ways in which the voluntary initiatives of companies to incorporate social objectives into their policies could be strengthened.
- Given the extent of restructuring and adjustment in global production systems, the Commission also called for more adequate global policies to provide retraining and new opportunities for the workers affected.

There is little progress on binding rules for global markets

75. Progress in these areas has been uneven. There has been little substantial action to promote greater competitiveness in global markets, which remain dominated by a relatively small number of powerful multinational companies. Nor has there been any progress on a multilateral development framework for FDI. As expected, both issues were excluded from consideration in the Doha round at the WTO, but no credible forum has emerged in which multilateral rules could be established. The pressure of international competition for FDI on corporate tax rates, noted in the report, continues to influence national policies.

but private actors have made progress with Global Framework Agreements and there has been a rapid growth of voluntary

76. More progress has been made by private actors. Global trade union federations have sought to strengthen their global capacities and bargaining positions through the establishment of a consolidated International Trade Union Confederation (ITUC) in 2006. Moreover, the number of Global Framework Agreements, negotiated between multinational firms and workers organizations has doubled since the World Commission report was published. They now cover close to 5 million workers. There is evidence of real impact of these agreements in some areas – fundamental rights at work, safety and health – but it is too early to tell whether this may be seen as an incipient framework for global industrial relations, as some believe. The parent companies are

private
initiatives

concentrated in continental Europe for the time being, with relatively little impact on the Anglo-Saxon world.

77. Voluntary private initiatives, already expanding rapidly when the World Commission report came out, continue to do so. Few large companies can afford to ignore the issue, and they are increasingly visible actors in development policy¹⁷. The Global Compact, the largest such initiative, now covers 2000 companies in 80 countries. The Ethical Trading Initiative, another major initiative which explicitly aims to incorporate codes of conduct in supply chains, reports significant impact, especially on safety and health, and less consistently on hours of work, child labour and wages. Less impact was found on freedom of association, discrimination, and more generally migrant or contract workers. ¹⁸
78. While corporate social responsibility has limits, progress is clearly being made, and many actors remain mobilized around the issue – including the International Organisation of Employers (IOE), which has supported debate and policy development among its members. Within the ILO, an expanded programme of work is examining issues such as the ways companies can take advantage of international labour standards in developing their own policies.
79. Frameworks for “ethical” investment also continue to expand. In 2005-2006, at the initiative of the UN Secretary-General, the world’s largest institutional investors (pension funds and others that because of their scale of operation are increasingly taking a longer-term view of the social, environmental and economic performance of countries) developed Principles for Responsible Investment (PRI), which commit signatories to incorporate environmental, social and corporate governance principles into their investment decisions.
80. Increasing attention has been paid in recent years to the restructuring associated with changing trading patterns within global production networks. The impact on enterprises and workers of the phase-out of restrictions on global textiles and clothing trade in January 2005 is a case in point. The ILO convened an international tripartite meeting later that year to begin addressing the enormous uncertainties involved and to develop integrated responses, especially for low-income countries.
81. More generally, the need for adequate resources for retraining and income support for workers affected by global production shifts is now widely acknowledged in national and regional policies. An important recent initiative is the European Commission’s European Globalization Adjustment Fund (EGF), intended to help European workers made redundant as a result of trade liberalization. To receive this funding, EU countries will have to prove the link between job losses and structural changes in global trade and production patterns. In the United States similar programmes have existed for many years, and were strengthened

¹⁷ M. Hopkins: *Corporate social responsibility and international development: Is business the answer* (Earthscan, London, 2007).

¹⁸ S. Barrientos and S. Smith: *The ETI code of labour practice: Do workers really benefit?* (Institute of Development Studies, University of Sussex, 2006).

in the context of the North American Free Trade Agreement (NAFTA) in 2002, although they have since undergone significant budgetary cuts¹⁹.

There remain important gaps however

82. Overall, the multiplication of initiatives around global production networks reflects increased awareness of their importance for both social and economic goals. But the lack of progress on more formal rules and coordinated action by states sets a ceiling to the impact of such initiatives, because there is no mechanism to prevent free riding where social policy requires collective action. There remains an important rule-setting agenda, alongside the creation of institutions with transnational power of enforcement. Nor has there been much attention paid to the issue of employment creation in global production networks, since most existing initiatives are focused on rights and conditions of work.

4.3 Fair rules in global trade and finance

Unfair rules in global trade and finance were a central concern of the Commission

83. A central concern of the World Commission was the unfairness of key rules on trade and finance and their asymmetric effects on rich and poor countries. This was manifest in unfair barriers to trade and agricultural subsidies, as well as in multilateral rules which restricted the “policy space” within which developing countries could pursue appropriate home-grown national development strategies. Fair rules would be based on the principle that liberalization is not an end in itself but a means to achieve ultimate objectives such as full employment or poverty reduction and should be assessed accordingly. Key recommendations of the World Commission related to global trade and finance included:

A broad range of recommendations were put forward to make the system fairer

- Key global rules should be formulated in such a way as to allow greater space for developing countries to adopt policies to accelerate their development in an open economic environment;
- Prohibition in industrialized countries of new export credits and subsidies, and domestic support measures; and rapid phase out of existing measures;
- A strengthening of “affirmative action” measures in favour of countries that do not have the same capabilities as those that developed earlier;
- Better representation of developing countries in the governance and reform of global trade and finance;
- A mechanism to facilitate consultation, consistency and surveillance of national macro-economic policies, which takes account of the needs of countries at different levels of development;
- Increasing the supply of emergency financing in times of crisis;
- An effective mechanism that provides for a fair allocation of responsibilities and burdens between debtors and creditors.

The issue of policy space

The importance of policy space

84. Soon after the report was released, an initial, albeit limited, multilateral consensus on policy space (a concept that was not until then recognized

¹⁹ <http://www.aflcio.org/issues/bushwatch/2007budget.cfm>

is more widely
recognized
although
progress is
modest

by all countries) was achieved at the 2004 UNCTAD XI Conference in Brazil. The Sao Paulo Consensus reads: “It is for each Government to evaluate the trade-off between the benefits of accepting international rules and commitments and the constraints posed by the loss of policy space. It is particularly important for developing countries, bearing in mind development goals and objectives, that all countries take into account the need for appropriate balance between national policy space and international disciplines and commitments” (para.8). This, however, is a modest step since policy space remains constrained by unbalanced rules, conditionality and the rapid integration of international financial markets.²⁰

Trade

Major
proposals for
cutting farm
subsidies are
still under
negotiation

85. With respect to the World Commission’s recommendations on trade, many are being addressed within the Doha round; but since negotiations are still under way, it would be premature to draw strong conclusions. One important consideration is that the outcome of the negotiations will have substantial consequences for domestic employment, but these are often poorly understood ex ante, and vary greatly in terms of who are the “winners” and “losers” within and between countries²¹.

86. There are nevertheless some areas where progress seems likely. As part of the trade negotiations, WTO members agreed to the elimination of all forms of export subsidies and equivalent measures by the end of 2013. This is a welcome step called for by the World Commission, even if it only corresponds to a small fraction of industrialized countries’ farm support programmes²². On the larger issue of industrialized countries’ trade-distorting subsidies and related measures, significant cuts in nominal terms have been offered in the negotiations but this is one of the more difficult areas and it is not clear at the time of writing whether substantial progress will finally be made.

87. The policy space issue is also on the agenda. During 2004-2005, some 75 per cent of proposals on strengthening Special and Differential Treatment ask for rules and mechanisms to give more policy space to improve productive capacity. On the other hand, according to a number of observers, including global trade union federations, on-going negotiations under the rubric of Non Agricultural Market Access (NAMA) would tend to reduce rather than increase the policy space of developing countries for industrial development. The implications for employment have yet to be adequately assessed.

A new
proposal
links trade
to
livelihoods

88. It is worth highlighting the potential of a collective proposal that is now an integral part of the Doha agriculture negotiations, and which reflects in many respects the true spirit of World Commission’s call to make global trade rules fair and equitable. The proposal, referred to as “Special Products” and complemented by a “Special Safeguard Mechanism”

²⁰ Yılmaz Akyüz, “Global Rules and Markets: Constraints over Policy Autonomy in Developing Countries” (forthcoming publication by the International Institute for Labour Studies, International Labour Organization, 2007).

²¹ Sandra Polaski “Winners and Losers: Impact of the Doha Round on Developing Countries”, (Carnegie Endowment for International Peace, 2006); Sandra Polaski “The Future of the WTO” in *Policy Outlook* (Carnegie Endowment for International Peace, September 2006).

²² Oxfam International “What Happened in Hong Kong?” *Oxfam Briefing Paper 85* (December 2005).

would enable developing countries to deal with sustained import surges that risk undermining the livelihoods of subsistence farmers, rural development and food security. Each developing country member could designate specific products on the basis of a number of social indicators, including dependence on the product for sustainable livelihoods. These products would be exempt from further tariff reductions, with the possibility of readjusting tariff levels above the rate at which they are “bound” at the WTO, as a protective mechanism in the face of a sustained import surge. This is perhaps the first trade rule proposal that links aspects of the decent work agenda from a development perspective and could improve the livelihood security of the majority of the world’s poor, who still live in developing countries’ rural areas²³.

Global finance

There has been little progress on reform of the international financial architecture

89. There has been little progress on reform of the international financial architecture since the report of the World Commission was issued, partly no doubt because of the relative stability of the global financial system in recent years. Nevertheless, as noted above, the potential for renewed instability due to the current global payments imbalances is widely acknowledged, including by the IMF, which initiated discussions on multilateral exchange rate surveillance in 2006. Whether this initiative can help address part of a bigger problem remains to be seen.
90. The Commission’s recommendation for increased supply of emergency financing in times of crisis cannot be dissociated from its recommendation that an improved framework for international coordination ensure that countries have greater space to apply countercyclical policies and can introduce selective instruments to manage the capital account as appropriate. In the absence of significant progress on these fronts²⁴, a trend that has intensified considerably over the last three years is efforts by developing countries to build up large reserves to reduce the need to turn to the IMF in the event of a financial crisis. This effort is particularly building steam among East Asian countries.²⁵ But helped by high export earnings, a growing number of other middle-income countries have accumulated enough reserves to be in a position to pay back the entirety of their debt to the IMF ahead of schedule, following the lead of Argentina and Brazil in 2006.²⁶
91. However, some prominent economists have warned that this pattern of reserve accumulation imposes an enormous cost to developing countries, especially if measured as the “opportunity cost” of holding very high reserves rather than investing in high return socio-economic projects. On

²³ The illustrative list of indicators for designation of Special Products is contained in annex of the G-33 proposal (JOB (05)/304).

²⁴ On capital account management, a recent report by the IMF’s Independent Evaluation Office suggests that “the IMF has learned over time on capital issues” and “the new paradigm...acknowledges the usefulness of capital controls under certain conditions...” but this is not yet reflected in policy advice because of “the lack of a clear position by the institution” (IMF Independent Evaluation Office Report on the Evaluation of the IMF’s Approach to Capital Account Liberalization, International Monetary Fund, Washington D.C. 2006).

²⁵ Injoo Sohn: “East Asia’s Counterweight Strategy: Asian Financial Cooperation and Evolving International Monetary Order” G24 Technical Paper (September 2006).

²⁶ Countries that have made such announcements include Indonesia, Uruguay, Serbia, Ghana, and more recently the Philippines. See Bretton Woods update 51 & 52; Marcel E. Burgonio “Philippines to break free from IMF yoke by year-end” *The Manila Times* (December 29, 2006).

average, developing countries' reserves amount to some 30 per cent of GDP, in sharp contrast to the average 5 per cent for developed countries. Lost opportunities in terms of more ambitious employment-generating fiscal expansion in the global economy may be very significant²⁷.

nor on fairer rules on responsibilities of debtors and creditors

92. There has not either been further impetus to tackle the problem of unfair allocation of responsibilities between debtors and creditors, which remains biased in favour of the latter. Even the diluted version of the IMF's proposal for a Sovereign Debt Restructuring Mechanism has been put on the backburner for reasons that have been attributed to recovery of capital flows to developing countries.²⁸

Overall

Overall progress on trade and finance has been limited

93. Overall, very limited progress has been achieved in improving global rules in trade and finance, while new challenges are emerging. As far as better representation of developing countries in governance structures are concerned, the majority of developing countries still find it difficult to make their views felt in multilateral trade negotiations, but the increasing role and influence of the larger middle income countries is clearly visible compared with earlier trade rounds. Steps were initiated to increase the voting share of a few developing countries in the International Financial Institutions in 2006, but this is still a far cry from what the World Commission thought was needed. Other issues and recommendations related to global finance that concern low-income countries in particular are examined in the following sub-sections on mobilizing resources for global goals and national economic governance.

4.4 Resources for global goals

A sharp increase in resources for development was recommended

94. The World Commission noted that achieving the MDGs depended in the first instance on domestic resource mobilization, but additional international resources were also essential. It made a number of recommendations on international resource mobilization, notably to:
- Meet the time-honoured commitment to reach the 0.7 percent target of industrialized countries' GDP to be devoted to ODA, while improving aid delivery and coordination.
 - Tap more fully the potential of voluntary contributions and philanthropic endeavours.
 - Deepen and accelerate debt relief/cancellation for poor countries, funded through additional resources rather than diverted from existing ODA funds.
 - Actively consider a range of innovative sources of funding, from better international tax cooperation to new international taxes and monetary instruments.

²⁷ Joseph Stiglitz, *Making Globalization Work* (Penguin/Allen Lane, 2006); Dani Rodrik "The Social Cost of Foreign Reserves", NBER Working Paper 11952 (National Bureau of Economic Research, January 2006). Rodrik focuses on calculations of excess reserves, amounting to 1% of average developing country GDP.

²⁸ Akyüz, Y., 2007 op cit.

Conventional means may not be enough

But core ODA has not improved

95. At first sight there was some progress in 2005 towards meeting the 0.7 per cent ODA target. Aggregate ODA from OECD Development Assistance Committee (OECD-DAC) members rose to US\$106.8 billion, representing 0.33 percent of combined Gross National Income, up from 0.26 percent in 2004. This is the highest ratio since 1992. However, putting aside exceptional items (such as debt relief to Iraq and Nigeria, and tsunami-related humanitarian assistance) combined development aid has remained essentially the same. Excluding Nigeria, aid to Africa has actually fallen by more than 2 percent²⁹. This has to be set against the enormous increase in ODA needed if the MDGs are to be met.

Philanthropy is growing

96. Charitable and philanthropic giving is certainly one avenue on the rise, as illustrated by financier Warren Buffet's pledge of US\$31 billion to the Bill and Melinda Gates Foundation. But these private initiatives are not regarded as substitutes for the bolder collective action that is needed.

A breakthrough on debt relief

and there has been substantial progress on debt relief

97. Such bold action was at the heart of the 2005 global civil society campaign to make poverty history which rallied some 36 million people in over 70 countries demanding that world leaders act on "debt cancellation, more and better aid and trade justice." This global mobilization certainly had an impact on the debt front. At the Gleneagles Summit of July 2005, the G8 leaders agreed to cancel 100% of outstanding debts of eligible Heavily Indebted Poor Countries to the IMF, the World Bank's International Development Association (IDA) and the African Development Fund.³⁰ The Multilateral Debt Relief Initiative (MDRI) launched at Gleneagles so far covers about half of the more than 40 eligible countries. By mid-2006, it was estimated that the IMF had wiped off the debt of 19 countries, the IDA that of some 18 countries, with some further 25 countries becoming eligible over the next five years. Overall this represents between 21 percent and 79 percent of these countries' total debt stock³¹.

Innovative sources of financing

Several new financing initiatives have been launched

98. While no significant progress on international tax cooperation can be noted, nor on the proposal to increase allocations of Special Drawing Rights to developing countries, there have been very significant moves on some of the other initiatives supported by the Commission. UK Prime Minister (then Chancellor of the Exchequer) Gordon Brown's International Financing Facility (IFF) proposal—consisting of leveraging funds from financial markets by issuing long-term donor government bonds—has taken concrete shape when the UK, in partnership with a number of other countries, launched the International Finance Facility for Immunisation in September 2005, which should provide US\$ 4

²⁹ Source: OECD-DAC

³⁰ Paragraph 29 of the G8 Gleneagles Communiqué on Africa.

³¹ Alex Wilks and Francesco Oddone "Forever in your Debt?" in *Social Watch Report 2006* (Instituto Tercer Mundo, Montevideo, 2006); Oxfam International "The view from the Summit – Gleneagles G8 Summit one year on" (Oxfam briefing note June 2006).

billion over the next ten years to support immunisation programmes³². Similarly, President Chirac's proposal on new levies has garnered the support of more than 40 governments that have already joined the international "Leading Group on Solidarity Levies to Fund Development" established in March 2006 to promote a range of innovative financing projects, starting with a drug-purchasing agency called UNITAID, which is so far funded through national taxes on air travel in more than a dozen countries³³.

Financing for Development Conference in 2008

99. These and related issues will no doubt form part of the upcoming Follow-up Conference on Financing for Development which the UN General Assembly decided to hold in Qatar in the second half of 2008. The Conference will assess progress made since the 2002 Monterrey Conference on the same theme and "share best practices and lessons learned, and identify obstacles and constraints encountered, actions and initiatives to overcome them and important measures for further implementation, as well as new challenges and emerging issues."³⁴

4.5 National and regional governance

100. It is beyond the scope of this report to undertake a comprehensive assessment of progress on the Commission's national- and regional-level recommendations. Many of its national governance reform proposals are too complex and country-specific for a meaningful generic analysis. However, we can point to some trends and evolutions on the following recommendations:

- Adopting decent work as a central policy objective and achieving greater coherence among national policies to that end, especially through more employment-friendly macro-economic policies and commitment to social dialogue in the formulation of economic and social policies.
- A decisive shift from external conditionality to national ownership of policies
- Policies and institutional reforms to integrate the informal economy into the economic mainstream
- Strengthening the social dimensions of regional integration

Decent Work Country programmes

Decent Work
Country
Programmes
are now a key
national
instrument

101. The key ILO instrument for supporting an integrated national agenda consists of Decent Work Country Programmes. Based on dialogue and consensus among workers, employers and governments, these programmes identify the priority areas for action in order to pursue the decent work agenda as a whole, and determine those activities in which the ILO's support and expertise can be brought to bear. The response to globalization is a key factor in the design of these programmes. Decent

³² http://www.hm-treasury.gov.uk/documents/international_issues/international_development/development_iff.cfm

³³ www.diplomatie.gouv.fr/actu/bulletin.gb.asp?liste=20060301.gb.html#Chapitre2; John Foster "Beyond consultation : innovative sources" (Social Watch Report 2006), op.cit.

³⁴ <http://www.un.org/esa/ffd/>

work pilot programmes in a core group of countries have developed the methods, and an increasing number of countries worldwide are now adopting this systematic approach. Decent Work Country Programmes are also seen as a means to introduce labour and social policy goals into wider frameworks – such as the Poverty Reduction Strategy Papers (PRSP) framework and the integrated UN country frameworks, which are being strengthened in the context of the UN reform process.

From external conditionality to national ownership

102. The World Commission had emphasized that a better governance of globalization begins at home, but that developing countries required the policy space to take appropriate measures tailored to local conditions. The Bretton Woods institutions and the donor community had therefore to “shift more decisively from external conditionality to national ownership of policies.”

The need to move from external conditionality to national ownership is widely acknowledged

103. Since then, the IFIs’ major shareholder governments have made a very clear commitment to genuine national ownership of economic policies: at the Gleneagles Summit of 2005, the G8 leaders agreed that “It is up to developing countries themselves and their governments to take the lead on development. They need to decide, plan and sequence their economic policies to fit with their own development strategies, for which they should be accountable to all their people.”³⁵ However, in practice problems of conditionalities remain, especially with respect to core macro-economic frameworks that many observers argue have not sufficiently deviated from the “one-size-fits all” approaches of the past. A recent independent study of World Bank and IMF aid to 20 poor countries suggests that conditions to adopt specific economic policies have actually increased in number over the last few years³⁶. This issue was also actively debated at a recent international conference on conditionality organized by the Norwegian government with participation of many donor governments that emphasized the need for more policy space in IFI lending³⁷.

Employment-friendly macro-economic frameworks

Research shows more employment-friendly macro-economic

104. The Commission called for national strategies for achieving the highest feasible rate of output and employment growth compatible with macroeconomic stability over the medium term. It suggested that a focus on employment may call for a different balance of fiscal and monetary policy. The literature on employment-friendly macroeconomic policy is still limited but growing³⁸. A recent comparative study across a broad spectrum of developing countries suggests that it is possible to shift from

³⁵ Paragraph 31 of the G8 Gleneagles Communiqué.

³⁶ Eurodad “World Bank and IMF Conditionality: a Development Injustice” (European Network on Debt and Development, June 2006).

³⁷ <http://www.dep.no/ud/english/topics/dev/032201-220074/dok-bn.html>

³⁸ See for example: Gerald Epstein and Erinc Yeldan (Eds.) “Alternatives to Inflation Targeting Central Bank Policy for Employment Creation, Poverty Reduction and Sustainable Growth” (Political Economy Institute, Massachusetts 2007, <http://www.peri.umass.edu/Alternatives-to.382.0.html>); ILO-ECA “Employment-friendly macroeconomic policy for Africa” (mimeo, International Labour Organization and United Nations Economic Commission for Africa, 2005); Roberto Frenkel “Real Exchange Rate and Employment in Argentina, Brazil, Chile and Mexico” (G24 Technical Paper, August 2004); and various country case studies published by UNDP’s International Poverty Centre <http://www.undp-povertycentre.org/ipcpublications.htm#country>

policy is possible

a narrow focus on inflation-targeting to more heterodox employment-targeting policies that could maintain macroeconomic stability while generating higher levels of growth and employment.³⁹

Successful experience of policy coherence for employment and decent work in Argentina

105. The successful experience of Argentina's post-crisis recovery strategy that sought to coordinate macro-economic policies for employment is worth highlighting in this context. After having gone perhaps furthest in espousing the neoliberal model - which ended abruptly with the popular uprising provoked by the nation's 2001-2002 crisis - Argentina is now one of the countries that have most explicitly integrated decent work in their development strategy. The President has placed decent work at the centre of State decision-making and decent work targets are included in the country's MDG strategy. During the June 2004 International Labour Conference, the government and social partners launched Argentina's National Decent Work Programme against the backdrop of World Commission follow-up. The Minister of Labour emphasized that the country was overcoming the crisis "not by using traditional methods, but by relying on the principles put forward by the ILO, that is, putting employment at the centre of development strategies". In the Memorandum of Understanding that Argentinean tripartite constituents signed with the ILO, the Decent Work Programme emphasized among others that "decent work should be fixed as an objective when macroeconomic and social policies are adopted. This calls for explicit coordination between economic, labour and social policies."⁴⁰

106. In practice, this meant having to confront one of the difficulties that the Commission had pointed out in relation to the need for more employment-friendly macro-economic policies: namely whether financial openness implies that countries have to surrender autonomy over either the exchange rate or monetary policy. Both have a bearing on financial stability and employment growth. The government declared that maintaining a stable competitive real exchange rate was a central objective of its macro-economic strategy for growth and employment. In close coordination with the independent national Central Bank, it has so far been able to cope with this so-called "policy trilemma" highlighted by the Commission—by maintaining simultaneously a stable real competitive exchange rate and control over the money supply, thus limiting inflation and ensuring that local enterprises remain competitive in the domestic market⁴¹. This policy was complemented by a range of other measures, including reserve requirements on short-term capital inflows, collective price agreements, social programmes for the unemployed, extension of social security, investments in public works and periodic hikes in the minimum wage. The record shows that by the first quarter of 2006, the country has reached the highest employment rates since the early 1980s, while steep inequalities have been narrowing and poverty levels are going down. By 2006, the country's overall

³⁹ Epstein and Yeldan, Eds. (2007), op. cit.

⁴⁰ ILO, Argentina Emerging from Crisis: Special Event, International Labour Conference, 14 June 2004 (International Labour Office, Geneva, 2004).

⁴¹ This was achieved primarily through concerted interventions on the foreign exchange market by the government and the Central Bank to maintain the real exchange rate within range, and complemented by "sterilization" policies to absorb resulting excess liquidity, principally through the issuance of central bank letters and notes.

economic and fiscal performance enabled the government to pay back its dues to the IMF ahead of schedule.⁴²

107. These policies would not have been possible if the government had not been in a position to claim policy space by pushing ahead despite opposition of the IMF on a number of counts, notably interventions on the foreign exchange market. The government also built up considerable fiscal space through an exceptionally successful agreement on reduction of dollar-denominated sovereign debt with foreign bond holders in a post-crisis devaluation context, combined with taxes on high export earnings and high reserves/GDP ratio—which themselves however may not be sufficient to neutralize a very strong surge of capital inflows without additional measures to manage the capital account. Hence, in the absence of progress on global financial rules (notably greater resources, policy autonomy and fairer rules between debtors and creditors), it is unclear how far Argentina's experience could be replicated in other highly indebted developing countries. However, this example does show that with the right competencies, commitment by the political leadership to policy coherence for employment in cooperation with the national central bank, and adequate policy space to experiment with alternatives (all key Commission recommendations), there can be tangible results through appropriate national action.
108. Among other countries which have made employment and decent work central to their development strategy, Tanzania, under the presidencies of both the co-Chair of the World Commission and his successor, has mainstreamed employment, decent work and child labour policies by ensuring that Cabinet papers have a clear job creation content.

Integrating the informal economy into the mainstream

Initiatives on the informal economy confront a Herculean task

109. Since the World Commission report was released, there have been several national initiatives in Africa, Asia and Latin America aimed at bringing informal economy actors (waged or self-employed workers and small enterprises) into the formal economy. Many national Decent Work Programmes have incorporated the informal economy in their agendas. But the task remains Herculean: in the great majority of developing countries the formal economy accounts for less than half of employment, and in large regions for less than 10 per cent. There is clearly growing worldwide interest by policy makers, development practitioners, academics and researchers to identify effective approaches that can curb the spread of unprotected forms of work and enterprise. This is manifest in a number of initiatives taken by various international organisations and the emergence of new global partnerships on this front, notably the High Level Commission on the Legal Empowerment of the Poor, established in 2006 and chaired by former US Secretary of State Madeleine Albright and World Commission member Hernando de Soto.

There is a critical need for

110. More efforts are needed to capture the diverse realities of informal economy actors and find adapted measures that can both preserve

⁴² Roberto Frenkel, Mario Damill and Roxana Maurizio "Macroeconomic policy changes in Argentina at the turn of the century" (forthcoming publication by the International Institute for Labour Studies, International Labour Organization, 2007).

increased funding

employment and income generating potential as well as extend protection. Few country initiatives embrace the broad policy approach that is needed in a coherent and simultaneous manner. Moreover, “success stories” are still being developed through pilot project frameworks with short term funding. An initiative focused on the informal economy has been incorporated in the ILO’s programme for 2006-2007, but the need for increased and sustained funding in this area remains critical.

Deepening the social dimensions of regional integration

111. While much can be achieved at the national level, the Commission viewed regional integration as a “stepping stone” to better manage the benefits and risks of globalization. It noted with concern that regional integration was primarily motivated by economic or political considerations and that the social dimension tended to lag behind, if at all part of the agenda. Three years on, some promising developments can be noted, while new challenges are appearing in sharper relief.

The social dimension of regional integration has been treated in many agreements

112. The social dimensions of regional integration have become a prominent part of inter-regional negotiations and agreements, but primarily along North-South lines. As noted, bilateral agreements with the US increasingly include respect for core labour standards. There have been no tangible developments on the US-led hemispheric project for a Free Trade Agreement of the Americas (FTAA), but as we have seen, Heads of State and Government of the Americas committed in 2005 to promote the Decent Work Agenda as part of an effort to imbue globalization with a human and ethical dimension. The European Union has also strengthened the social dimension of its strategic relations with Latin American countries, notably by highlighting social cohesion as a common objective and essential axis of cooperation (EU-Latin American Summits of 2004 and 2006). Its EU-ACP cooperation framework (the Cotonou Agreement, which makes explicit reference to internationally recognized social rights, including core labour standards) will evolve into separate bilateral/regional Economic Partnership Agreements (EPAs) between different sub-regions of the Africa, Caribbean and Pacific Group. These agreements, to be completed by 2008, have been subject to considerable criticism from civil society groups on grounds that they are being negotiated under conditions of asymmetrical bargaining relations that do not adequately take into account local economic realities⁴³. More recently, however, the European Commission noted that it would “take into account” the decent work agenda in the context of the Cotonou Agreement and regional strategies vis-à-vis Africa, the Caribbean and Pacific.

113. The concern about potential asymmetric regional/bilateral treaty outcomes, already expressed by the World Commission, is certainly reflected in the proliferation of bilateral/regional free trade agreements between major industrial countries and developing countries that reduce policy space further than existing WTO agreements in areas such as

⁴³ UNU-CRIS “Deepening the Social Dimensions of Globalization : An Overview of Recent Trends and Future Challenges in Light of the Recommendations of the Report of the World Commission on the Social Dimension of Globalization” (forthcoming publication by International Institute for Labour Studies, 2007).

industrial tariffs, investment, services and intellectual property⁴⁴. The Commission emphasized the need to strengthen the social dimension of regional agreements among countries of similar levels of development. On this count, more limited but potentially significant developments can be noted.

114. The Extraordinary Summit of the African Union on employment and poverty reduction of September 2004 not only committed African political leaders to place employment creation as an “explicit and central objective” of economic and social policies at national, regional and continental levels. It also adopted a follow-up mechanism through which governments are expected to report on progress in integrating employment in their policy planning and other mechanisms by which they are giving effects to their commitments. At the MERCOSUR Presidential Summit of July 2006 in Córdoba, the need to formulate and implement a social agenda for MERCOSUR was strongly emphasized, and resulted in efforts to set up a regional Social Institute that would serve in the design, promotion and implementation of regional social policies and a harmonized system of social indicators. No comparable regional integration mechanisms exist in Asia. However it is important to note that the tripartite ILO Asian Regional Conference (Busan, August-September 2006), in recognizing that the Decent Work Agenda can make an important contribution to the achievement of the MDGs and progress towards a fair globalization, committed to an “Asian Decent Work Decade” for the period up to 2015. This will involve “concerted and sustained efforts to realize decent work in all countries” of the region. And as noted above, East Asian countries have strengthened financial mechanisms to provide endogenous buffers against the risks of financial crises, and are also exploring the possibility of establishing an Asian Monetary Union⁴⁵.

115. The report of the World Commission certainly gave a renewed impetus to deepening the social dimensions of the European Union’s integration frameworks, notably through mechanisms to better manage the social costs of adjustment to globalization, such as the above mentioned European Globalization Adjustment Fund. Both the EU’s political bodies and its Commission have shown determined efforts to integrate decent work into the EU’s development agenda and strategy towards meeting the Millennium Goals, as well as in promoting greater coherence between international organizations around this agenda.

But more needs to be done to reverse incentive competition

116. All in all, there have been piecemeal, but in themselves potentially significant, developments on deepening the social dimensions of regional integration. Little progress however can be reported on the World Commission’s call to develop intra-regional frameworks to reverse beggar-thy-neighbour incentive competition in areas such as taxation, labour and environmental standards, especially among developing countries, as an intermediate step towards a more balanced development-friendly multilateral investment framework.

⁴⁴ Akyüz, Y. (2007), op. cit.

⁴⁵ Sohn, I. (2006), op. cit.

4.6 Policy coherence

The Commission argued strongly in favour of greater policy coherence

117. A central message of the World Commission was that progress towards a fair globalization was contingent on coherence between economic and social policies at both national and global levels. The goals of decent work and full employment could only be achieved through a mutually reinforcing set of policies covering trade, finance, production systems and other key economic relationships on the one hand, along with policies to build capabilities, provide for representation and voice, and ensure that access to opportunities was widely distributed. It was not enough to assume, as some do, that globalization will generate sufficient resources to deal ex post with its social consequences. In addition to making progress in the various areas discussed above, therefore, it was necessary to make progress on building consistent approaches to the economic and social agenda as a whole. Coherence concerned policies, but it was also about social and policy actors, who needed to work together around common objectives.

and suggested several ways to achieve this

118. The World Commission recommended:

- the launch of “Policy Coherence Initiatives” by international organizations, to design more balanced and complementary policies for a fair and inclusive globalization
- a more integrated and consistent approach to economic and social policy objectives in policy advice by the organizations of the multilateral system to national actors
- new instruments and methods within the ILO to promote coherence between global economic and social policy
- a better processes of dialogue among key actors to build support for coherent policy approaches

The ILO has taken the lead with its Policy Coherence Initiative

119. In 2004 the ILO launched a Policy Coherence Initiative on investment, growth and employment, involving the Bretton Woods Institutions, the WTO and relevant organizations of the UN system. Six meetings have been held, covering a range of technical issues in labour market and economic policy formulation, and in the development of adequate data systems. The meetings have confirmed the shared interest in policies related to employment, often embedded in constitutional mandates – as, for example, in the case of the International Monetary Fund and the World Trade Organization – or driven by the constituents served by each organization, as in the case of the World Bank. Coherence reposes on the premise that each agency has a distinctive comparative advantage which can be brought to bear on a common issue and the need to avoid conflicting advice on intersecting mandates. Meetings and joint action at the country and regional levels are now planned to build further on the momentum of this initiative, involving social partners and other stakeholders.

and there has also been joint research

120. No other Policy Coherence Initiatives have been launched, but there are also more limited and specific efforts. For instance, the ILO and the WTO have jointly undertaken a review of the relationships between trade and employment, with a view to strengthening the impact of trade

between ILO
and WTO

growth on job creation, and identifying key issues which need to be addressed, in terms of skill development, adjustment assistance, employment-friendly trade policy and inequality of access and opportunity.⁴⁶

Coherence
is also a
central
issue in
UN reform

121. Coherence was also the leitmotiv of the Secretary-General's High Level Panel on UN reform. At the heart of the Panel's report is the proposal that the UN system as a whole should function in a coordinated and coherent manner to support national policy agendas. Although the panel does not quote the World Commission, this is precisely the Commission's recommendation. This is now a central goal of the UN reform process. Within this framework, as noted above in the discussion of national governance, the ILO's decent work country programmes clearly play a central role, integrating as they do both economic and social goals.

Within the
ILO the next
International
Labour
Conference
will consider
possible new
instruments

122. In its report the World Commission underlined both the potential contribution that the ILO could make to greater coherence between economic and social goals thanks to its wide ranging constitution and its constituency as well as the need to strengthen its capacity in terms of monitoring and promotional assistance. Following extensive consultations the ILO's Governing Body decided in November 2005 to place an item on the 2007 agenda of the International Labour Conference which was entitled "Strengthening of the ILO's capacity to assist its Members' efforts to reach its objectives in the context of globalization". The Conference discussed proposals about various courses of action, and will return to the issue in 2008 with a view to reaching a definitive conclusion.

A stronger
ECOSOC is
emerging

123. There are therefore a number of developments which take the recommendations of the World Commission forward. Moreover, this needs to be seen in the context of the support for the World Commission's recommendations within the United Nations and at regional level, discussed in section 2. In particular, it is important to note the current efforts to strengthen the functions of ECOSOC to become an effective organ for policy coordination, review and dialogue on economic and social development issues. The 2005 UN Summit decided that ECOSOC should hold a biennial high-level Development Cooperation Forum to promote coherence amongst actors in the development sphere. This would provide the first global platform where all actors involved have an opportunity to engage in dialogue on key policy issues affecting development cooperation.

However
unequal
power limits
coherence

124. Despite these developments, it would not be unfair to say that most are still at the level of good intentions. The effective implementation of many recommendations for policy coherence comes up against the unequal distribution of power in the global economy. Does coherence mean that social policies are coherent with economic goals, or that economic policies are coherent with social goals? The question is rarely as sharply posed, but the issue is real, and when the chips are down it is still social policy which tends to be sacrificed. Convergence of policies around social goals depends ultimately on the mobilization of a wide

⁴⁶ Jansen, M. and Lee, E: (2007), op. cit.

range of actors towards those goals. We return to this point in the next section.

5. What next?

125. The Report of the World Commission ended with a section entitled “Mobilizing Action for Change”, which made a series of proposals as to how its recommendations might be taken forward. In particular, it aimed to engage the participation of a wide range of actors in dialogues, reviews, and initiatives. As we have seen above, much has in fact been done, and some important advances have been made. Awareness of the issues raised by the World Commission has grown, as evidenced by the wide variety of events, declarations and policy developments summarized above. There is therefore a favourable environment for continued efforts to follow up the Commission’s recommendations. At the same time, there are new developments which may call for additional efforts; and there are also significant policy domains in which progress has been very limited. The following paragraphs identify a number of such developments and issues, raising ideas, questions and options about priorities for the future.

5.1 New developments

Growing inequality

New approaches are needed to tackle growing inequality

126. The growing inequalities in the global economy, some of them new, call for reflection about the global model of growth and development as a whole, and the way its benefits are shared. Since the Commission’s report was issued, concern has grown that unacceptable inequalities have emerged and need to be addressed, but there are few new ideas about how to tackle this issue which stand up to close scrutiny, and considerable resistance to the obvious routes such as redistributive taxation. New approaches are clearly required that can counteract the new pressures towards increasing wealth, income, and wage inequality without an undue sacrifice in terms of efficiency and growth.

Labour market turbulence

There is growing vulnerability and insecurity for many workers

127. A second issue which has acquired greater visibility is the vulnerability and insecurity of many workers in the global economy. The intensified concern with the consequences of outsourcing and offshoring is one aspect of this problem, but it also concerns the more general difficulty of creating formal, regular protected jobs in the increasingly competitive international environment. The issue is one of building labour market institutions that achieve both security and economic efficiency. This is particularly urgent in developing countries where the existing institutions for protection are relatively weak and only reach a fraction of all workers, while in industrialized countries it is widely acknowledged that the existing social models need to be reformed, but there is little agreement on the content of the reform.

The inconvenient truth

Policies must link the environmental and social dimensions of globalization

128. An issue that the World Commission treated only in passing, but which has emerged as a major global concern, is the relationship between social and environmental dimensions of globalization. Climate change and the exhaustion of fossil energy resources (including measures to combat CO₂ emissions) will certainly have major social implications that are poorly understood. How does the introduction of environmental goals affect the ability to achieve economic and social objectives? What “win-win” scenarios can we imagine between job creation and environmental conservation and rehabilitation? There is on the one hand a decent work deficit and on the other a deficit of social and environmental services. What innovative financial mechanisms might capture the value of work of this kind, which is typically undervalued in the market? It would seem urgent to develop viable policy approaches in this area.

5.2 Areas where progress has been limited

129. Among the World Commissions recommendations there are important areas where little advance has been made, or where a consensus is hard to reach.

Global rules for finance and investment

There is a need for durable solutions to financial instability

130. While progress towards fairer rules for trade may well emerge from the on-going negotiations at the WTO, the same cannot be said of the international financial system. Lack of progress on international financial architecture reform continues to leave many developing economies vulnerable to financial instability and crisis, while inadequate access to emergency liquidity is driving developing countries to build up large reserves at a high opportunity cost. Joseph Stiglitz—who was also a member of the World Commission—has taken the (so far still stalled) proposal for reissuing Special Drawing Rights a step further by proposing the creation of a new global reserve system, designed to offset the instability and unemployment costs provoked by what he describes as the “zero-sum game” of persistent payments imbalances. Stiglitz suggests that “this single initiative could do more to make globalization work than any other....”⁴⁷

131. No significant progress has been made on fair global rules for FDI or for competition policy either.

Policy space

Policy space should become an integral part of multilateral rules

132. The UNCTAD XI consensus on policy space could be considered a step forward in that it recognized the legitimacy of the demand by countries to have adequate space to implement appropriate national policies. But it still treats the issue as a “trade-off” between national policies on the one hand, and multilateral rules and disciplines on the other, rather than as an integral part of such rules. The reality is that the major industrialized countries are still unwilling to make the considerable concessions and

⁴⁷ Stiglitz 2006, op. cit. p.268. The idea builds on John Maynard Keynes’ original idea of a global reserve currency called “Bancor” but which would have to be compatible with the new context of global capital mobility.

exemptions in international rules that would be required for many presently developing countries to overcome their initial disadvantages as late developers.

A socioeconomic floor

Lack of progress on a socio-economic floor is worrying

133. There has been virtually no progress with the idea of a socio-economic floor, one of the few ideas of the World Commission not to receive an important echo in international debates. The Millennium Development Goals do not substitute for such a floor, for they do not adequately treat issues of vulnerability and insecurity. This lack of progress is worrying, if only because such a floor would be a vital part of any strategy to limit growth in inequality.

Policy development dialogues

More policy development dialogues are needed

134. The World Commission also called for policy development dialogues to deal with issues such as globalization, adjustment and social protection; capacity building on education and skills; regional integration; and gender equality for a more inclusive globalization. While the trend appears to be in the right direction on some of these issues (for instance on regional integration and gender equality), the global dialogues needed to create a framework for international action have not taken place.

5.3 Areas where progress has been made but needs to be reinforced

135. There are also many areas where steps have been taken towards the World Commission's vision, but much more remains to be done. Among them one might mention:

Migration

There is a need to strengthen rights of migrants & workers in global production systems

136. As noted above, the ILO's Multilateral Framework for Labour Migration represents a step forward in this domain, but the World Commission's ambitions were considerably greater. There is little sign of any of the major labour importing countries conceding any power of decision to an international authority in this domain, although that is surely the only way that some of the abuses and imbalances can be adequately addressed.

Global production systems

137. There is clear progress in the embedding of rights at work in global production systems, through the actions of companies, trade unions, governments and international organizations, but there is still little attention paid to employment goals. The development of policies and incentives which can increase the employment impact of global production networks would make an important contribution to the global goal of decent work for all. Even on rights at work, there are still pressures to bypass rights in the global economic environment, for example the right to freedom of association in export processing zones, and these too need to be addressed in all countries.

Policy coherence

More coherent policies require better knowledge & capacities on macro-economic policies for employment

138. The need for coherence between economic and social policies has been widely recognized, and the ILO's initiatives in this field have successfully engaged the Bretton Woods Institutions and the WTO, along with relevant UN bodies. But the reality is that practical progress on the ground is still limited. Market fundamentalism still dominates global economic thinking. A good example of an area where greater coherence is still needed concerns employment-friendly macro-economic policy formulation. We need a stronger knowledge base on the ways different combinations of fiscal and monetary and other policies can not only help generate higher growth while maintaining relative macroeconomic stability, but also increase the employment intensity of that growth. This knowledge also needs to be better shared among developing countries to strengthen their capacity to articulate appropriate home-grown approaches.

5.4 Building coalitions for change

139. The World Commission had noted how new forms of “networked governance” are characterizing the current shift from an international community of nation-States to a global community of state- and non-state actors. Today, the time may be ripe to build on the mobilization that has begun in 2004 towards forging global coalitions for decent work and a fair globalization. The potential for synergies between actors and existing networks/coalitions with complementary strengths and expertise around this agenda is immense. We have seen how governments, local authorities, parliamentarians, central banks, international organizations, civil society, business, trade unions, academics and others all have distinctive contributions to make. A key challenge is how to facilitate such convergence across borders but in a manner that is also firmly anchored in national political processes.

An ILO forum on decent work for a fair globalization is planned

140. An important step in this direction is the decision by the ILO to hold a Forum on Decent Work for a Fair Globalization in November 2007, which derives from the Commission recommendation for a Globalization Policy Forum. The meeting will provide an important space for debate on how to take forward this policy agenda. The ILO remains a central actor in the process, not least because of its tripartite structure, which permits it to build coherent approaches which integrate the key different perspectives of the actors of the global economy.

Appendix I: Members of the World Commission on the Social Dimension of Globalization

Co-Chairs: H.E. Ms. Tarja Halonen, President of the Republic of Finland
H.E. Mr. Benjamin William Mkapa, Former President of the United Republic of Tanzania

Members: Giuliano Amato
Ruth Cardoso
Heba Handoussa
Eveline Herfkens
Ann McLaughlin Korologos
Lu Mai
Valentina Matvienko
Deepak Nayyar
Taizo Nishimuro
François Perigot
Surin Pitsuwan
Julio Maria Sanguinetti
Hernando de Soto
Joseph Stiglitz
John J. Sweeney
Victoria Tauli-Corpuz
Aminata D. Traoré
Zwelinzima Vavi
Ernst Ulrich von Weizsaecker

Ex officio members: Bill Brett
Eui-yong Chung
Daniel Funes de Rioja
Juan Somavia
Alain Ludovic Tou

Appendix II: United Nations Economic and Social Council: Substantive session of 2006

Agenda item 2

Creating an environment at the national and international levels conducive to generating full and productive employment and decent work for all, and its impact on sustainable development

Ministerial declaration of the high-level segment

We, the Ministers and Heads of Delegations participating in the high-level segment of the substantive session of 2006 of the Economic and Social Council, held in Geneva from 3 to 5 July 2006,

Having considered the theme “Creating an environment at the national and international levels conducive to generating full and productive employment and decent work for all, and its impact on sustainable development”, as well as the report of the Secretary-General on the subject,⁴⁸

Recalling the internationally agreed development goals, including the Millennium Development Goals and the outcomes of the major United Nations conferences and summits in the economic, social and related fields,

Recalling the 2005 World Summit Outcome,⁴⁹

Having considered the World Economic and Social Survey 2006: Diverging Growth and Development,

Recognizing that the total number of people unemployed worldwide reached a new high in 2005, even though the global unemployment rate remained unchanged, and that half of the world’s workers, most of them women, are unable to earn enough to lift themselves and their family members out of poverty,⁵⁰ and hence emphasizing the dual challenge of creating new productive jobs and improving the quality of existing ones,

Have adopted the following declaration:

1. We are convinced of the urgent need to create an environment at the national and international levels that is conducive to the attainment of full and productive employment and decent work for all as a foundation for sustainable development. An environment that supports investment, growth and entrepreneurship is essential to the creation of new job opportunities. Opportunities for men and women to obtain productive work in conditions of freedom, equity, security and human dignity are essential to ensuring the eradication of hunger and poverty, the improvement of the economic and social well-being for all, the achievement of sustained economic growth and sustainable development of all nations, and a fully inclusive and equitable globalization.

⁴⁸ E/2006/55.

⁴⁹ General Assembly resolution 60/1.

⁵⁰ US\$2 a day poverty line.

2. We recognize that full and productive employment and decent work for all, which encompass social protection, fundamental principles and rights at work and social dialogue are key elements of sustainable development for all countries, and therefore a priority objective of international cooperation.

3. We recognize the decent work agenda of the International Labour Organization as an important instrument to achieve the objective of full and productive employment and decent work for all.

4. We strongly support fair globalization and resolve to make the goals of full and productive employment and decent work for all, including for women and young people, a central objective of our relevant national and international policies and our national development strategies, including poverty reduction strategies, as part of our efforts to achieve the internationally agreed development goals, including the Millennium Development Goals. These measures should also encompass the elimination of the worst forms of child labour, as defined in International Labour Organization Convention No. 182, and forced labour. We also resolve to ensure full respect for fundamental principles and rights at work.

5. We resolve to promote full and productive employment and decent work for all, inter alia, by:

(a) Respecting, promoting and realizing the principles contained in the International Labour Organization Declaration on Fundamental Principles and Rights at Work and its Follow-up, recognizing the central role of the International Labour Organization in this regard;

(b) Making continued efforts towards ratifying – where Member States have not done so – and fully implementing the International Labour Organization conventions concerning respect for fundamental principles and rights at work, namely, freedom of association and the effective recognition of the right to organize and bargain collectively, the elimination of all forms of forced or compulsory labour, as well as the effective elimination of child labour and discrimination in respect of employment and occupation;

(c) Considering the ratification and full implementation of other International Labour Organization conventions concerning the employment rights of women, youth, persons with disabilities, migrants and indigenous people.

6. We reaffirm that an employment strategy that aims to promote full, freely chosen and productive employment, as well as decent work for all, with full respect for fundamental principles and rights at work under conditions of equity, equality, security and dignity, should constitute a fundamental component of any development strategy. We further reaffirm that macroeconomic policies should, inter alia, support employment creation. The social impact and dimension of globalization should be taken fully into account.

7. We reaffirm our determination to promote gender equality and the empowerment of women and girls, recognizing that these are critical for achieving sustainable development and for efforts to combat hunger, poverty and disease. We are determined to implement our commitments to promote and protect all women's human rights

by, *inter alia*, ensuring equal access to full and productive employment and decent work.

8. We recognize that violence against women and girls is a serious obstacle to the achievement of full and productive employment and decent work for all, and of sustainable development, and reaffirm our commitment to elaborate and implement strategies and policies, including targeted measures, in order to fulfil the obligation to exercise due diligence to prevent all forms of violence against women and girls, provide protection to victims, and investigate, prosecute and punish perpetrators of such violence.

9. We underline the need for the consistent use of a gender mainstreaming strategy for the creation of an enabling environment for women's participation in development that requires multisectoral, integrated approaches and a range of measures, including political commitment at the highest levels; institutional and organizational change; the adoption and implementation of sector-specific policies and programmes; the establishment and enforcement of legislative frameworks in line with any obligations undertaken under international human rights instruments, such as the Convention on the Elimination of All Forms of Discrimination against Women and International Labour Organization conventions; adequate resources and gender-responsive budget initiatives; accountability and monitoring mechanisms; and capacity-building and public awareness-raising.

10. We affirm our commitment to develop and implement strategies that give persons with disabilities everywhere equal opportunities to full access and productive employment and decent work on an equal basis with others and without any kind of discrimination, including by promoting a labour market and a work environment that are open, inclusive and accessible to all and by ensuring just and favourable conditions of work.

11. We reaffirm our commitment to develop and implement strategies that give youth everywhere a real and equal opportunity to find full and productive employment and decent work. In this respect, noting that almost half of the unemployed people in the world are young people, we are determined to mainstream youth employment into national development strategies and agendas; to develop policies and programmes for enhancing the employability of youth, including through education, training and lifelong learning that meet labour market requirements; and to promote access to work through integrated policies that enable the creation of new and quality jobs for young people and facilitate access to those jobs, including through information and training initiatives.

12. We recognize the importance of the work of the Youth Employment Network as a peer exchange, support and review mechanism, and invite Member States, the United Nations and partner organizations to strengthen and expand the Network at the national, regional and international levels.

13. We stress the important nexus between international migration and development and look forward to the General Assembly High-level Dialogue on international migration and development to be held on 13 and 14 September 2006 as an opportunity to discuss the multidimensional aspects of international

migration and development in order to identify appropriate ways and means to maximize their development benefits and minimize their negative impacts.

14. We reaffirm the importance of promoting and attaining the goals of universal and equitable access to quality education, the highest attainable standards of physical and mental health and the access of all to primary health care as part of the effort to eradicate poverty, promote full and productive employment and foster social integration. We recognize the continued need to address the impact of HIV/AIDS, malaria and tuberculosis, and other major infectious diseases on social and economic development.

15. We emphasize that good governance at the international level is fundamental for achieving sustainable development. In order to ensure a dynamic and enabling international economic environment, it is important to promote global economic governance through addressing the international finance, trade, technology and investment patterns that have an impact on the development prospects of developing countries. To this effect, the international community should take all necessary and appropriate measures, including ensuring support for structural and macroeconomic reform, a comprehensive solution to the external debt problem and increasing the market access of developing countries.

16. We call upon all countries to promote good governance, which is essential for sustainable development, and reaffirm that sound economic policies, solid democratic institutions that are responsive to the needs of the people and improved infrastructure are the basis for sustained economic growth, poverty eradication and employment creation, and that freedom, peace and security, domestic stability, respect for human rights, including the right to development, the rule of law, gender equality, market-oriented policies and an overall commitment to just and democratic societies are also essential and mutually reinforcing.

17. We recognize that appropriate institutions and regulation, including frameworks for social dialogue, are important elements for the effective and fair functioning of labour markets. This includes the adoption and implementation of labour laws that protect workers rights.

18. We encourage Governments and other relevant institutions, where appropriate, to consider the impact of their policies on employment and decent work for all, including ensuring coherence of policies.

19. We recognize that, in the context of globalization, countries need to devise policies that enable them to pursue both economic efficiency and social security and develop systems of social protection with broader and effective coverage, which should be guided by each country's needs and circumstances, and in this regard invite the international community, including the international financial institutions and the International Labour Organization, to work together to assist, as appropriate and upon request, the developing countries, in their efforts.

20. We reaffirm that, with three quarters of the world's poor living in rural and agricultural regions mostly in developing countries, rural and agricultural development should be an integral

part of national and international development policies, and working out of poverty requires urgent efforts to improve productivity and raise incomes in rural farm and non-farm sectors given the importance of livelihood security for subsistence farmers in developing countries. This should include substantial improvement in market access; reductions of, with a view to phasing out, all forms of export subsidies; substantial reductions in trade-distorting domestic support; and increased investment, including foreign direct investment, in physical infrastructure and product diversification, as well as increasing the value-added content of exports. We call for enhanced support for agricultural development and trade capacity-building in the agricultural sector in developing countries, including by the international community and the United Nations system, and encourage support for commodity development projects, especially market-based projects, and for their preparation under the Second Account of the Common Fund for Commodities.

21. We re-emphasize that rural and urban areas are economically, socially and environmentally interdependent and that cities and towns are engines of growth that contribute to the development of both rural and urban human settlements. Integrated physical planning and balanced attention to rural and urban living conditions are of crucial importance for all nations. Full advantage must be taken of the complementary contributions and linkages between rural and urban areas by giving appropriate attention to their different economic, social and environmental requirements. While addressing urban poverty, it is also essential to eradicate rural poverty and to improve living conditions, as well as to create employment and educational opportunities in rural settlements and small and medium-sized cities and towns.

22. We reaffirm that the eradication of hunger and poverty, changing unsustainable patterns of production and consumption, and protecting and managing the natural resource base of economic and social development are overarching objectives of and essential requirements for sustainable development, and invite all countries to promote sustainable consumption and production patterns, with the developed countries taking the lead and all countries benefiting from the process, taking into account the Rio principles, including, inter alia, the principle of common but differentiated responsibilities as set out in principle 7 of the Rio Declaration on Environment and Development,⁵¹ as called for in the Plan of Implementation of the World Summit on Sustainable Development (Johannesburg Plan of Implementation).⁵²

23. We recognize that the increasing interdependence of national economies in a globalizing world and the emergence of rule-based regimes for international economic relations have meant that the space for national economic policy, that is, the scope for domestic policies, especially in the areas of trade, investment and industrial development, is now often framed by international disciplines, commitments and global market considerations. It is for each

⁵¹ Report of the United Nations Conference on Environment and Development, Rio de Janeiro, 3-14 June 1992 (*United Nations publication, Sales No. E.93.I.8 and corrigenda*), vol. I: Resolutions Adopted by the Conference, *resolution 1, annex I*.

⁵² Report of the World Summit on Sustainable Development, Johannesburg, South Africa, 26 August-4 September 2002 (*United Nations publication, Sales No. E.03.II.A.1 and corrigendum*), chap. I, *resolution 2, annex*.

Government to evaluate the trade-off between the benefits of accepting international rules and commitments and the constraints posed by the loss of policy space. It is particularly important for developing countries, bearing in mind development goals and objectives, that all countries take into account the need for appropriate balance between national policy space and international disciplines and commitments.

24. We resolve to encourage greater direct investment, including foreign direct investment, in developing countries and countries with economies in transition to support their development activities and to enhance the benefits they can derive from such investments.

25. We further resolve to continue to support efforts by developing countries and countries with economies in transition to create a domestic environment conducive to attracting investments through, *inter alia*, achieving a transparent, stable and predictable investment climate with proper contract enforcement and respect for property rights and the rule of law and pursuing appropriate policy and regulatory frameworks that encourage business formation.

26. We commit ourselves to promoting and facilitating, as appropriate, access to and the development, transfer and diffusion of technologies, including environmentally sound technologies and corresponding know-how, to developing countries and countries with economies in transition, on favourable terms, including on concessional and preferential terms, as mutually agreed.

27. We acknowledge the vital role the private sector can play in generating new investments, employment and financing for development.

28. We encourage Governments to continue to pursue the creation of a conducive environment for enterprise development in both rural and urban areas. Particular attention should be given to policies that promote micro, small and medium-sized enterprises and women's participation and entrepreneurship in formal and informal sectors through, *inter alia*, simplified and improved administrative regimes for the registration of small businesses access to microcredit, social security systems and information on markets and new technology, as well as better regulations. Such policies should contribute to the integration of informal economic activity into the mainstream economy.

29. We stress the importance of promoting corporate responsibility and accountability. We encourage responsible business practices such as those promoted by the Global Compact and call upon the private sector to take into account not only the economic and financial but also the developmental, social, human rights, gender and environmental implications of their undertakings. In this context, we underline the importance of the International Labour Organization tripartite declaration of principles concerning multinational enterprises and social policy.

30. We call for increased national investment and international development funding and investment flows to developing countries and countries with economies in transition that are targeted to sectors of the economy with greater potential to generate productive employment and decent work for all. Such

development funding could include, as appropriate, debt-for-sustainable-development swaps aimed at creating employment and decent work for all, particularly for youth and women.

31. We also acknowledge the important role the public sector can play as an employer and in developing an environment that enables the effective generation of full and productive employment and decent work for all.

32. We underline the important contribution that employment generation can make to post-conflict reconstruction and development. We stress the urgency of generating employment opportunities for men and women whose livelihoods have been destroyed by the impact of conflict or disaster. We call on all international organizations, civil society groups and the private sector to complement national efforts towards employment generation when addressing the impact of such emergencies.

33. We strongly encourage multilateral and bilateral donor and inter-agency cooperation and coordination, in the pursuit of the goals of full and productive employment and decent work for all. To this end, we invite all the relevant international organizations, at the request of national Governments and relevant stakeholders, to contribute, through their programmes, policies and activities, to the goals of full and productive employment and decent work for all in accordance with national development strategies.

34. We request the United Nations funds, programmes and agencies and invite financial institutions to support efforts to mainstream the goals of full and productive employment and decent work for all in their policies, programmes and activities. In this regard, we invite stakeholders to duly take account of the International Labour Organization decent work country programmes in order to achieve a more coherent and pragmatic United Nations approach to development at the national level on a voluntary basis.

35. We also request the functional and regional commissions to consider how their activities contribute, or could contribute, to the goals of full employment and decent work for all.

36. We also encourage all relevant agencies to collaborate actively in the development of the toolkit to promote decent work that is currently being developed by the International Labour Organization at the request of the United Nations System Chief Executives Board for Coordination.

37. We call upon the International Labour Organization to focus on the implementation of commitments regarding the promotion of full and productive employment and decent work for all at the major United Nations conferences and summits, including those contained in the outcomes of the 2005 World Summit and the World Summit for Social Development, in order to achieve significant progress in both policy and operational programmes, and in this regard we request the International Labour Organization to consider developing time-bound action plans to 2015, in collaboration with all relevant parties, for the achievement of this goal.

38. We commit ourselves to the implementation of the present declaration and invite all relevant actors, including the Bretton

Woods institutions and other multilateral banks, to join our efforts in this regard.

39. We decide to keep the implementation of the present declaration under review, including through the subsidiary bodies of the Economic and Social Council, and underline that the Council should ensure the coordination and coherence of the relevant programmes of United Nations entities.

40. We request the Secretary-General to include, in his annual report on the follow-up to the outcomes of the major United Nations conferences and summits, a review of the progress achieved in creating an environment at the national and international levels conducive to generating full and productive employment and decent work for all, and its impact on sustainable development, at both the policy and the operational levels.

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