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of the Pinochet regime to the predictability produced by political consensus. “In an authoritarian regime, rules can change. In political consensus, maybe you don’t get the best laws, but they are predictable”, he said.

The general view was that soft factors, such as governance and social dialogue, did as much for economic and employment success as hard factors, such as monetary, fiscal and industrial policies, but neither could do it alone. “What we’ve learned is the crucial necessity of an open market economy linked to a democratic system of government”, Mr. Taylor said in summing up the session.

Putting decent employment at the centre of policy making: Large country cases (Session II B)

Moderator: Mr. Robert Taylor

Panel: Mr. Jairam Ramesh, Karnataka Planning Commission

Professor Miriam Altman, Witwaterrand University

Professor José Marcio Camargo, Pontifical Catholic University, Rio de Janeiro

Professor Bernard Gazier, Paris 1, Panthéon-Sorbonne Univesity

Professor Fyodor Prokopov, Former head of the Russian Employment Services, St. Petersburg

The panel discussed the employment situation in five large countries with very different historical, political and economic backgrounds. It was perhaps not surprising, therefore, that there was much less of a common thread than in the previous panel covering small and medium-sized countries.

Nonetheless, one message from all the panellists was that employment strategies could not be dissociated from economic growth strategies and structural reforms. In these complex economies, which have substantial domestic markets, regional disparities and, in some cases, difficult recent historical legacies, it is not enough to get one part of the picture right. Policy makers often have to target a series of problems at the same time, or in rapid succession.

This means careful design of economic reforms. For example, in some developing countries, the reform of labour to promote employment should be accompanied by other measures to improve workers’ skills. And while governments have a more active role to play in sustaining demand, they also need to adopt policies that ensure the ensuing growth is employment friendly.

The Indian experience

In outlining the employment challenge faced by India, Mr. Jairam Ramesh singled out the special characteristics of the Indian labour market. Even after 50 years of economic growth and planning, about 60 per cent of India’s 400 million workers remain in agriculture. India is one of the few countries in the world where total employment in agriculture has remained virtually unchanged while the share of agriculture in gross domestic product declined sharply — from almost 60 per cent to 25 per cent over 50 years. Only 7 to 8 per cent of employment is in the organized sector, which is subject to rules and standards. Employment is heavily rural, with 25 per cent of workers in urban areas and 75 per cent in rural areas.

There are three big challenges for policy makers, Mr. Ramesh said. Firstly, despite slower growth in the work force in recent years, India still needs to generate about 8 million to 9 million jobs a year to ensure decent work or full employment. Secondly, a historical transition has to be made into productive and high quality jobs. Recent

studies have shown that the bulk of new jobs that are going to be created will be in manufacturing or services, with 70 per cent in services. Thirdly, policy makers have to ensure an appropriate regional distribution of employment among the country's 25 states.

Although India has had an employment strategy for the past 40 years, in the past few years there has been recognition that such a strategy can no longer be divorced from accelerating economic growth and structural changes. India's expected growth rate of 5.5 per cent this year isn't sufficient to create the needed jobs. Therefore, the government needs to emphasize the sectors that can absorb employment, create high quality jobs and provide additional employment in laggard regions. Laws, policies and regulations should be reviewed to ensure that they promote employment.

"There is a trade-off between providing flexibility and providing security and India in the past 50 years perhaps has erred on the side of providing excessive security", Mr. Ramesh said. The net result is that the organized sector constitutes such a small percentage of employment.

South Africa's high unemployment

Professor Miriam Altman, who presented the South African case, said the country was not a success story when it came to employment. Unemployment has risen to 36 per cent of the work force, with 1 million jobs lost over the past decade. Given that the labour force is expanding by about 500,000 a year, annual employment growth of 3 per cent a year would be needed "just to stabilize the situation". Instead employment is declining. Unlike in India, the informal sector is relatively small. Of a work force of about 16 million people, 10 million to 11 million are in the formal sector, about 1 million to 2 million are in the informal sector and the rest are unemployed. In the formal sector, a very large proportion of workers are in very low productivity jobs. "The upshot of that is we have very high levels of household poverty", Professor Altman said. For example, 25 per cent of children are stunted by malnutrition.

South Africa's economic profile is unusual for a middle-income country, given that there are high levels of income inequality, an insufficient productive base and very high dependence on fiscal transfers, Professor Altman said. Minerals earnings are extremely important to maintaining the country's middle-income status. The legacy of apartheid means low education levels and low nutrition levels. The small-business sector was also stymied because under apartheid it was illegal for black people to own businesses. "It's a middle-income country with a poor-country human development profile."

The South African government "doesn't really have an employment policy", Professor Altman said. (Two South African audience participants, however, disagreed with this statement during the question and answer section.) Instead, the government has concentrated on structural adjustment, holding down the size of the deficit and the level of inflation. The success stories of Southeast Asia have led many in South Africa to advocate a low-cost, labour-intensive export-oriented strategy, but Professor Altman argued that this was inappropriate for the South African economy. Instead, any employment strategy should focus on the opportunities and constraints found in the South African economy. This could involve better use of mineral revenues and government action to stimulate demand.

Brazil's labour market

Brazil's main problem isn't high unemployment as such, according to Professor José Marcio Camargo. There is currently an unemployment rate of about 6.2 per cent and even in periods of crisis the rate has gone up to about 8.5 per cent for a few months and

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then fallen again quickly. Instead, the problem in Brazil is a large number of working poor. Salaries in medium-sized companies are low, which leads many of the better skilled to prefer to be self-employed. As a result, real income in the self-employed sector is higher than in many companies.

The requirement for companies to make big severance payments means that there is a premium for being dismissed when the economy is growing. This discourages investment in training in medium-sized companies, which have badly paid, low productivity workers. In such circumstances, “the market for labour becomes a market for lemons”, Professor Camargo said.

Labour regulations were badly designed in Brazil, because they protected the individual worker rather than the work relationship, according to the professor. Instead, the aim should be to design institutions that create incentives for employers and workers to negotiate at company level to protect relations between the firm and all of its workers. “This would create an incentive for investment in specific training ... and incentives for growth in productivity and in output”, he added. Professor Camargo said that it wasn’t a question labour deregulation. “The real discussion is how to regulate the labour market”, he said.

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The French employment strategy

Professor Bernard Gazier said the French situation should be viewed in the context of the European Union. Despite significant success recently in creating jobs in Europe, the overall level of unemployment remains fairly high, with the French rate at or a little bit above the average. Since 1997, the French unemployment rate has fallen from 12 per cent to 9 per cent, with a record number of jobs created during 2000. Unemployment in France is found mainly in young workers and low-skilled workers, as is the case in other EU countries. About 30 per cent of unemployed people in France are long-term unemployed.

In Europe, there are national and EU-wide employment strategies. The European strategy was developed in a decentralized manner, with each country first taking its own initiatives, which were then pulled together. There were three main policy responses in Europe to growing unemployment. The first was to foster European economic integration, which could stimulate growth; the second was to conclude pacts with trade unions that delivered wage moderation; the third was to activate labour-market policies. EU countries agreed to set guidelines that fixed common objectives and “benchmarked” best practices. There are now annual reports by the European Commission as well as peer review.

The French strategy involves more public initiatives than in other European countries. It has involved a two-phased move to a 35-hour workweek, which is expected to create 500,000 new jobs over a five-year period beginning in 2000. This figure, however, depends on the way in which the reduction in working time is financed. There are state subsidies, productivity gains and a contribution from workers. Another feature of the French strategy is a reduction in the cost of low-skilled work, mainly through exemptions on social security contributions. Other features are early retirement, semi-public jobs aimed at helping young people enter the job market and intensive services to help the unemployed find work, especially for young people.

Policies in the Russian Federation

Professor Fyodor Prokopov said there were several lessons to be learned from Russia’s experience in recent years. Despite efforts to “graduate” various policies after Russian opted for “shock therapy” in 1991, each policy has tended to progress at its own

speed, creating bottlenecks. During the five years of reform, Russia lost 37 per cent of GDP, labour productivity declined by 30 per cent, but the number of employed workers decreased by only 13 per cent. While the country's shift away from IMF prescriptions in the mid 1990s prevented a bigger surge in unemployment, the country now has increased poverty, unprotected labour and long-term unemployment. The crucial point in assessing employment is the length of time out of work rather than the level of joblessness, Professor Prokopov contended. This is because long-term unemployment presses on the labour market, reducing the benefits of strong economic growth.

The success of active labour market policies has been patchy in Russia, Professor Prokopov said. "Some (policies) are very effective and some are very costly with very low effect", he said. Mr. Prokopov strongly endorsed the view of former U.S. Labour Secretary Robert Reich that fiscal and employment policies are closely intertwined. Ministers of labour should change seats with finance ministers, and vice versa, he said.

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Linking this to the Global Agenda for Employment

Mr. Taylor, the panel's moderator, said the presentations had given the impression that "large countries are not full of employment successes, but employment failures", especially when compared with the small and medium-sized countries discussed earlier. He added, however, that this was the wrong conclusion to draw, because the problems outlined by the panellists were probably more reflective of those being faced globally than the situation in smaller European countries. There were also "appalling legacies" in some of these bigger countries. Mr. Taylor opened the question and answer session by asking whether the ILO's Global Agenda for Employment would address some of the issues raised by the panel.

In the lively discussion that ensued, there were two opposing answers to Mr. Taylor's question. Several audience participants praised the ILO strategy for its integrated approach. "The general strategy put forward by the ILO is to be welcomed, particularly by developing countries, because its emphasis on addressing unemployment and poverty together is a breakthrough", said one South African government delegate. By bringing the focus onto employment and poverty relief, "we will start seeing a discussion unfold about the equitable distribution of productive assets in society, looking at the distribution of skills and credit", the participant added.

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Mr. Ramesh, however, said he feared the Global Agenda for Employment, as outlined on the first day of the conference by Mr. Allan Larsson, sought to link labour standards to world trade rules. "If decent work is a nice way of reintroducing the debate on labour standards back into international trade, I would say let's not have decent work", Mr. Ramesh said. Brazil's Professor Camargo backed Mr. Ramesh's concerns.

An ILO official in the audience said it was not the ILO's position to link trade with standards or to be an annex to the World Trade Organization. "What we are putting on the table (in the decent work agenda) ... is the relationship between poverty and the labour market or between poverty and employment", the ILO official said. "On the other hand, it remains clear that there are certain human rights and rights at work", that have nothing to do with a country's standard of living, he added.

A representative from the International Federation of University Women said both decent work and labour standards were embodied in United Nations declarations. The ILO's approach fitted into this wider effort for global policies involving all U.N. institutions, she said.

In summing up, Mr. Taylor said the session had provided a "flavour of the enormous difficulties and obstacles that stand in the way of a coherent, credible and effective employment strategy from the ILO in alliance with other international organizations".

Regional groupings and their role in employment policy (Session III B)

Moderator: Mr. Rudi Bogni, Chairman, Oxford Analytica Advisory Board

Panel: Mr. Dato Ahmed Mokhtar Selat, Deputy Secretary-General, ASEAN.

Mr. Anthonis Kastrissianakis, Director, European Commission

Ms. Maria Carmen Ferreira, National Director of Employment,
Ministry of Labour, Uruguay (MERCOSUR)

Mr. Anthony Giles, Research Director of NAFTA's Commission
on Labor Cooperation

This session discussed the key achievements by regional groupings in the area of employment policy. Participants were asked what success stories could be identified, which could be improved and what were the key success factors.

Association of Southeast Asian Nations

Mr. Dato Ahmed Mokhtar Selat, of ASEAN,* said the organization began to cooperate in the employment field when its labour ministers met for the first time in 1975. After the 1997-1998 Asian financial crisis, which resulted in employment retrenchment, downsizing and closures, ASEAN labour ministers focused on responding to the social impact of the crisis. Valuable lessons were drawn in terms of labour policies.

First, the lower ability to invest in retraining workers to meet the changing labour market scenario resulted in less supply of skilled workers, who were needed for the economic recovery. Secondly, there was a need to include social safety net programmes in planning strategies, given that countries with social safety nets weathered the storm better.

To respond effectively to crises and minimize their negative social impact, the ASEAN Labour ministers, with financial and technical assistance of UNDP, adopted a regional work programme in May 2001. The work programme's main priority areas over the next five years are:

- Employment generation and human resources development in the context of globalization and trade liberalization.
- HRD training and labour market monitoring.
- Enhancing labour mobility.
- Strengthening social security/social protection.
- Strengthening tripartite cooperation.

The work programme has taken into consideration the importance of decent work, namely the fundamental principles and rights at work, and aims to assist, through a peer learning process, in the implementation of ILO conventions.

During the discussion, it was highlighted that by 2020 ASEAN countries envisaged the free movement of labour among all member countries. For this reason, the work programme includes provisions on standardization of qualifications. Also, ASEAN has an action plan on informal sector development and there are focal points in all ASEAN countries to coordinate activities under this plan.

Among the job creation strategies described by Mr. Dato Selat was a programme to establish a network of skill development institutions, for which Thailand would be the leader. In addition, there were special programmes to improve the skills of young people who have left school and of disadvantaged women.

* Indonesia, Malaysia, the Philippines, Singapore, Thailand, Cambodia, Brunei Darussalam, Viet Nam, Laos, Myanmar

Countries with social safety nets weathered the storm better