



International
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Director-General's introduction to the International Labour Conference

Decent work for sustainable development

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Introduction

The International Labour Conference is the ideal occasion for the ILO's constituents from the world over to come together and reflect on the challenges that are being faced by workers, employers and governments, and the role that the ILO can play in helping them to meet these challenges. It is an occasion for looking to the future and planning, informed by the lessons of experience.

We have encapsulated our common goal in the concept of *Decent work for all*. This concept sums up our understanding of the contemporary mission of the ILO, founded on the values and objectives established in the Constitution. It is a concept that has captured attention around the world as a viable objective that can make a significant difference to people's lives everywhere, and which can help to bring our diverse and sometimes diverging world together.

Surveying our work together over the past few years, I am aware that we have created several important opportunities for ourselves and our institution to help ensure that policies, from the global to the local levels, combine fairness and efficiency in the ways in which investment and trade are promoted and work and the labour market are organized.

At its 2005 World Summit, and in greater detail at the July 2006 ECOSOC High-level Segment, the United Nations and the international system endorsed the ILO's goal of *Decent work for all* as a vital part of the international development agenda and an essential element in shaping a fair globalization. Our decision to make decent work a global goal has swiftly been taken up by the multilateral system. The practice of tripartism, so important to us, but underrated by so many others, has once again shown its resilience and its capacity to project a vision that can gather broad support. As the Minister for Labour and Social Solidarity of Portugal, Mr José António Fonseca Vieira da Silva, said when addressing the ILO's African

Regional Meeting in Addis Ababa earlier in the year, “Decent work is probably the most powerful concept, and effective tool that the international community has produced, as it provides political options that might offer effective responses to the effects of globalization.”

We must not waste this opportunity, as it may not come along again for quite some time. We have a moral responsibility to deliver on the promise of an idea that has rekindled hope in many hearts. To do this, we need to continue preparing the ILO for the accelerating pace of change in the world of work in the current context of globalization. We also have to position our Organization so that it can play its full role in renewing the United Nations and the multilateral system.

Keeping our Organization focused on these challenges is a major theme in the programme and budget proposals that I am presenting to the International Labour Conference this year, as well as the substantive discussions on enhancing the capacities of the ILO and on promoting sustainable enterprises.¹ Furthermore, the ILO’s recent round of Regional Meetings in the Americas, Asia and the Pacific and, most recently, in Africa, have developed programmes of action through Decent Work Country Programmes for the period up to 2015 aimed at contributing significantly to the international development agenda, including the Millennium Development Goals (MDGs).

But let me be frank. In the newspapers and on TV and radio, I read and hear political commentators and analysts saying that the social dialogue model will not survive the competitive pressures of globalization, and that tripartism just cannot respond rapidly enough to keep up with the fast pace of change. My heart tells me they are wrong, but my head tells me we had better make sure that tripartism can demonstrate its power of innovation if it is to survive and maintain its relevance. We must redouble our efforts to ensure that tripartism is a vibrant national and international reality.

The objective of this Report is to look at a number of issues that have to be addressed by the ILO’s tripartism. Most of them are the result of the international policies pursued over the past 25 years.

The discussions on my Report *Changing patterns in the world of work* at the last session of the International Labour Conference highlighted four major themes that should guide our policy development and institutional capacity building for years to come:

- globalization and the transformation of investment and employment structures;
- work and society – combating poverty, discrimination and social exclusion;
- modernizing the governance of the world of work; and
- decent work and the international development agenda.

These are all topics that are critical for the world, for the future of the ILO as an institution and for tripartism as a method of policy-making and policy implementation.

My Report this year takes up some of the key issues involved in promoting decent work for sustainable development. It highlights items on the Conference agenda, where I believe tripartism and social dialogue face major challenges and on which we need to show our readiness to think innovatively and act urgently, both in policy development and institutional capacity-building. I invite Conference delegates to take up these challenges, opportunities and responsibilities to advance the Decent Work Agenda effectively, and thus to help guide the Governing Body and the Office in the further development of our strategies. These issues are grouped under the following headings:

- a balanced approach to sustainable development;
- more coherent policies for trade, finance, investment and employment;
- promoting a socially just transition to green jobs;
- the wage squeeze and increasing inequalities threaten stability;

¹ See the following reports submitted to the present session of the ILC: *Draft Programme and Budget for 2008–09 and other financial questions*, Report II, Second item on the agenda; *Strengthening the ILO’s capacity to assist its Members’ efforts to reach its objectives in the context of globalization*, Report V, Fifth item on the agenda; and *The promotion of sustainable enterprises*, Report VI, Sixth item on the agenda.

- better policy-making requires a stronger labour market information base to measure decent work deficits;
- a global approach to social protection: every society needs a social floor;
- modernizing governance of the world of work;
- making the United Nations and the multilateral system more effective.

1. A balanced approach to sustainable development

I believe that an overarching issue that we are facing, at the national and international levels, is to reach agreement on much more effective ways of implementing a well-balanced approach to sustainable development, within which its social, economic and environmental pillars are fully integrated. In the ILO, we need to anchor the vision of sustainable development as the overriding policy paradigm within which the Decent Work Agenda can make its key contribution to development.

We should recall that, at the Johannesburg World Summit on Sustainable Development in September 2002, a commitment was made to “promote the integration of the three components of sustainable development – economic development, social development and environmental protection – as interdependent and mutually reinforcing pillars. Poverty eradication, 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”. This built on Principle 4 of the Rio Declaration on Environment and Development of 1992, which states that: “In order to achieve sustainable development, environmental protection shall constitute an integral part of the development process and cannot be considered in isolation from it.”

The ILO has recognized that following through on everything that was agreed at the Johannesburg Summit is a huge challenge. As I said in my speech in Johannesburg: “A daunting challenge, yes, but also a massive opportunity for technological breakthroughs, investment, skills development, gender equality and decent work.” I also emphasized that a fully integrated sustainable development strategy had to be rooted in the workplace and that managing change needed close collaboration between governments and organized workers and employers in making the technological transition to sustainability. The ILO welcomed the recognition given to the importance of dialogue and of the Declaration on Fundamental Principles and Rights at Work in the Plan of Implementation adopted at the Johannesburg Summit.²

Five years after the Johannesburg Summit and 15 years after the Rio Summit, we are lagging behind schedule. The international system, including the ILO, has not yet built the strong synergies between social, environmental and economic sustainability. As a result, little progress has been made in terms of policy convergence and practical results. Many enterprises, trade unions, community organizations and other major groups have engaged in significant environmental initiatives, with at least some convergent ambitions. But I do not see the integrated strategy across social, economic and environmental dimensions that is essential to really move ahead.

I believe this difficulty stems partly from the fact that there is another integrated strategy – another vision of global development – that has been promoted mainly by the Bretton Woods institutions over the past 25 years. It is frequently labelled the Washington Consensus. Although laid to rest many times, it continues to exercise an important influence on policies.

Many of its policy prescriptions have become common currency, including macroeconomic stability, low inflation, primarily private-led investment and greater openness in trade and fi-

² The Johannesburg Plan of Implementation, in Section II on poverty eradication, includes a paragraph 10(b) that calls for action to “Provide assistance to increase income-generating employment opportunities, taking into account the Declaration on Fundamental Principles and Rights at Work of the International Labour Organization.” The Section also includes explicit references to child labour and the Worst Forms of Child Labour Convention, 1999 (No. 182), as well as to “decent employment” for the urban poor, the promotion of micro, small and medium-sized enterprises, and safe and sustainable livelihood opportunities in small-scale mining ventures.

nance. Yet it has a fundamental flaw: it is based on the belief that markets can replace public policy in balancing economic, social and environmental needs.

What economists call market failures are really policy failures. They have created serious imbalances, with attendant social and political reactions that can be measured in polls, observed in elections and, increasingly, seen in the streets. Together with the many benefits that certain categories can be seen to have gained in all countries, the World Commission on the Social Dimension of Globalization has warned us that the “current process of globalization is generating unbalanced outcomes, both between and within countries. (...) These global imbalances are morally unacceptable and politically unsustainable.”³

The ILO’s tripartism has its feet well planted on the sound governance of the labour market with a view to achieving fair, productive and competitive market economies. I therefore believe that it can play a central role in defining the convergence of public policies and market mechanisms that is needed to achieve the balances that are essential for sustainable development.

The discussion on the promotion of sustainable enterprises at the Conference this year is therefore particularly timely. Promoting sustainable enterprises is about strengthening the institutions and governance systems which nurture enterprises – strong and efficient markets need strong and effective institutions. It is also about ensuring that human, financial and natural resources are combined equitably and efficiently in order to achieve innovation and enhanced productivity. This calls for new forms of cooperation between government, business and society to ensure that the quality of present and future life (and employment) is maximized, while safeguarding the sustainability of the planet.

The ILO is able to inject more energy into the drive for a fully integrated approach to sustainable development because it is in workplaces that the social, economic and environmental dimensions come together inseparably. I am also convinced that, to ensure the progress of our Decent Work Agenda, we will have to situate it more clearly in a framework of sustainable development. We need more and better jobs, especially in societies suffering from widespread poverty, but they must also have the quality of sustainability. What does that mean?

In social terms, such jobs must be open to all equally and the related rewards have to be equitable. Inequality and discrimination provoke frustration and anger, and they are a recipe for social dislocation and political instability.⁴ In economic terms, jobs have to be productive and able to compete on a competitive market. And, environmentally, they must involve the use of natural resources in ways that conserve the planet for future generations, while being safe for working women and men and for the community.

Social inequality within and between nations, exacerbated by the uneven distribution of the benefits and costs of globalization, is a serious threat to sustainable development. Open markets are leading to an intensification of competition on domestic and export markets, thereby creating the need for enterprises throughout the world to maintain a constant improvement in their performance or to risk going under. Shifting our consumption of resources to much less environmentally destructive patterns will create many opportunities for poverty reduction through decent work, and will also drive significant adjustments in enterprises and employment.

Sustainable lives for people, sustainable enterprises and a sustainable environment for the planet are interlinked; they have to be built through collective action from the local to the global levels. We have to start thinking further ahead than the preoccupation with day-to-day survival in the market. Sustainability in all its three dimensions places the ILO’s tripartite constituents under the obligation to plan how opportunities are to be taken and adjustments managed in an equitable manner.

Market-driven economies, without effective public policies and strong social partners, do not automatically promote social inclusion, nor do they create enough routes to productive and decent work for the disadvantaged. Nor do unregulated markets internalize environmental

³ ILO: *A fair globalization: Creating opportunities for all*, report of the World Commission on the Social Dimension of Globalization (Geneva, 2004).

⁴ ILO: *Equality at work: Tackling the challenges*, Global Report under the follow-up to the ILO Declaration on Fundamental Principles and Rights at Work, Report of the Director-General, Report I(B), International Labour Conference, 96th Session, Geneva, 2007.

costs or reflect them in price structures. If we are to anticipate the impact of the accelerating rate of social, economic and environmental transformation that has been set in motion by the opening of national economies to stronger international and domestic competition, and to establish appropriate policies, it is necessary to strengthen the capacity of States for action and the capacity of tripartism for cooperation.

Sustainable development requires a strong and generally agreed public framework of rules and regulations. The aim, however, must be to avoid the burden of an overly centralized and bureaucratic State, with all the attendant risks of stifling innovation and competition. Tripartism is one of the most promising routes for the development of a strong social infrastructure, in which employers' organizations and trade unions can promote the dialogue and trust needed to ensure compliance with generally agreed rules, thereby reducing the need for costly mechanisms of state enforcement.

2. More coherent policies for trade, finance, investment and employment

One of the driving forces of change is trade. I am therefore pleased that this year marked the publication of a first-ever joint WTO/ILO study on trade and employment.⁵ It is a rich source of information on current knowledge of the complex relationships between trade and employment policies. It shows that trade liberalization triggers restructuring, which takes the form of company closures and job losses in some parts of the economy, and start-ups of new firms, investment in increased production and vacancy announcements in others.

Trade liberalization is associated with both job destruction and job creation. In the short term, the net employment effects may be positive or negative, depending on country-specific factors such as the functioning of labour and product markets and the fairness of the trade rules.

In the long term, however, and with a level playing field, the efficiency gains resulting from trade liberalization are likely to lead to positive overall employment effects in terms of the quantity of jobs, the wages earned, or a combination of both. Average wage increases may, however, hide income inequalities that affect some working women and men negatively. Where trade liberalization has a prejudicial effect on parts of the labour force, it is necessary for labour and social policies to redistribute some of the gains. It is also important to find ways of anticipating the impact of policy changes on jobs so that the pace, depth and sequencing of trade measures can be considered in the light of the adjustment challenges faced by employers and workers. And above all, fair trading rules are the best guarantee that the negative effects will be contained.

For some time, the trade and employment agenda has been on a dead end track. Pascal Lamy and I took a decision to address the issues in a straightforward knowledge-based manner, through objective analysis by the ILO and WTO secretariats. I am pleased that this decision has been well received in all quarters and I believe that it has opened an avenue for further constructive policy-oriented research.

This is a lesson that we can take into further vital areas of potential policy synergy, which have been blocked in the past. Take financial stability. It is most likely to be sustained where social expectations of increased opportunities for decent work and rising living standards are also being met. However, orthodox policy advice has held that low inflation and tightly controlled public finances are of such fundamental importance that they justify sacrifices, even by extremely disadvantaged sections of the population in poor countries. Financial conditionalities have been implemented in such a way that they have added to social and political instability in too many countries and have set back efforts to follow a path of equitable and sustainable development.

A number of countries have used the current upswing in the world economy to repay the IMF rapidly and to build up extremely strong reserves of foreign currency so that they can avoid being obliged to take such restrictive policy advice in the future. While such a strategy

⁵ ILO and Secretariat of the WTO: *Trade and employment: Challenges for policy research*, a joint ILO/WTO Secretariat study (Geneva, 2007).

is understandable, it too has its costs. Keeping national reserves at a level that is higher than would be warranted if a common international reserve were readily available on reasonable terms has the effect of diverting resources from investment in the development of the economy, including social infrastructure. It is also weakening the IMF at a time when the risk is very present of volatile swings in short-term financial flows and therefore calls out for a strong international regulatory regime. The emergence of new phenomena, such as private equity funds and hedge funds, requires urgent study by the competent international financial institutions with a view to ensuring transparency and the application of essential prudential controls. National and international systems should encourage stable productive investment and create disincentives for speculative behaviour that is damaging to equitable and employment-rich growth.

Nevertheless there are signs of change. One step forward in thinking about the social consequences of financial policies is the shift by the IMF to a much more qualified advocacy of capital market liberalization. The premature lifting of capital controls is now seen to have contributed to financial crises, which set back poverty reduction hugely in a number of developing and transition countries. The continuing debates about the reform of the IMF have taken on greater relevance in view of the reduced number of countries using its support, and they should form part of a wider multilateral reform agenda alongside United Nations reform. IMF reform must embrace a number of issues that have a bearing upon its capacity for “the promotion and maintenance of high levels of employment and real income”,⁶ and in particular its governance structures, its role in relation to major economies, financial crises, low-income developing countries, financial instability and its overall level of resources.⁷ All of these issues ultimately have an impact on the Decent Work Agenda.

But I believe that dialogue and convergence are possible. The ILO has opened a forum for discussion with other international agencies, including the IMF, the World Bank and the WTO, on how to achieve greater coherence between policies to promote decent work for all, financial stability and market opening.⁸ For many least developed countries, which are still tied into fiscal and monetary austerity programmes as part of debt cancellation and relief conditions, increased policy space is vital with a view, for example, to allowing a modest recovery in the purchasing power of extremely low minimum wages. This is especially important for public service pay, which in some countries is so low as to hamper the recruitment and retention of a qualified workforce. Progress towards the reduction of corruption and the building of a modern State, with labour market and social dialogue institutions that serve its citizens and national development, is bound to be held back if the regular pay of public servants is not sufficient to keep a family out of poverty and offer a healthy expectation of progress in working life.

As is argued in the report submitted to this Conference on the promotion of sustainable enterprises, entrepreneurship requires a stable and predictable financial environment conducive to productive investment and decent work. A well-balanced regulatory framework, which keeps up to date with financial innovation, is vital to ensuring that profit-making and the creative power of entrepreneurs serve society as a whole.

Our goal must be to develop coherent policies for investment, growth and employment which ensure that the global economy, as well as national economies, follow a path of sustainable and well-balanced increases in productivity and employment. We need to make progress each year in reducing unemployment and working poverty through the creation of more jobs and an improvement in the quality of jobs. If the ILO’s Decent Work Agenda and the multilateral effort are to achieve agreed international development goals, the joint examination of research and dialogue concerning the interrelationships between different policy fields are vital with a view to identifying the nature of the trade-offs and the scope for trade-ins. This effort is a basic challenge for the whole multilateral system and it must also take into account the need to conserve natural resources and the environment.

⁶ Extract from Article I (Purposes) (ii) of the IMF Articles of Agreement.

⁷ E.M. Truman (ed.): *Reforming the IMF for the 21st Century*, Institute for International Economics (Washington, DC, 2006).

⁸ See ILO: *Growth, investment and employment: An update on policy coherence research and meetings*, Governing Body, 298th Session, Geneva, March 2007, GB.298/WP/SDG/2.

3. Promoting a socially just transition to green jobs

The approach of looking for areas of policy synergy has far-reaching implications for the work of the ILO and its relations with other agencies. As well as offering scope for further useful work with the WTO and the Bretton Woods and other institutions on trade, investment and employment policies, this approach should be applied to reflection on the relationship between policies to mitigate climate change and to promote jobs. Evidence is mounting of the urgency of arresting and in due course reversing emissions of greenhouse gases, which are a major factor behind global warming.⁹ We in the ILO need to undertake a major research and policy effort to identify the scale and nature of the employment transformation that will accompany the shift to more sustainable patterns of production and consumption, and in particular to a low carbon economy. This should be done in cooperation with UNEP and other relevant international and national organizations. This is one of the priority areas for action identified by the United Nations Secretary-General, Ban Ki-Moon.

Major shifts in employment patterns and skill profiles are to be expected. They will probably occur on a scale and within a time frame to which labour markets will not be able to adjust easily. Past experience of transitions suggests that it is a good idea to be proactive. What can usefully be done to prepare for and accompany the transition and ensure that greenhouse gas emissions stop rising by 2015, as the Intergovernmental Panel on Climate Change (IPCC) has shown is necessary to hold back climate change?¹⁰ Action on adjusting production and consumption patterns should begin now, with the consequent employment adjustment effects following shortly afterwards. The period to 2015 is thus critical for the establishment of a transition process that maximizes employment opportunities and addresses potential job losses. Building on experience of other employment adjustment challenges, some of the priority issues that might be encompassed within such a green jobs transition initiative would include the identification and implementation of:

- programmes to develop and expand effective dialogue among all relevant stakeholders, and especially national and international social dialogue on the environment and the world of work among government, employers' and workers' organizations;
- a major research agenda on the consequences of different scenarios for climate change and mitigation measures on production and consumption patterns, poverty alleviation and future employment and income opportunities;
- a programme of support for the creation of new "green" employment within a series of priority sectors, such as renewable energy sources, energy conservation, carbon sequestration, new low carbon technologies, construction, public transport and waste disposal;
- as part of broader social protection and active labour market policies designed to underpin employment adjustment to technological and commercial change, measures to facilitate a fair transition for working women and men, communities and enterprises affected negatively by changes in production and consumption patterns, including policies to mitigate climate change;
- a programme to support education and training initiatives that will facilitate the development of the skills necessary for the creation of new green jobs and to facilitate the transition for workers who will lose their "old" jobs;
- new assessment techniques to improve estimates and where possible enhance the employment and income impacts of large-scale public and private infrastructure investments (transport infrastructure and investment in rehabilitation, mitigation and adaptation, such as carbon sequestration, biofuels and flood protection); and

⁹ The Intergovernmental Panel on Climate Change (IPCC) has published three reports as part of the process of preparing its Fourth Assessment Report. They represent a broad international expert consensus on the scale and urgency of the challenge and also the feasibility and advantages of early action to mitigate global warming. See, in particular, the IPCC Fourth Assessment Report, Working Group III, which concludes in its report that both "bottom-up and top-down studies indicate that there is substantial economic potential for the mitigation of global GHG [green house gas] emissions over the coming decades, that could offset the projected growth of global emissions or reduce emissions below current levels".

¹⁰ IPCC, *ibid.*

- measures to strengthen the institutional capacity to deal more effectively with the employment and income effects of sustainable development initiatives, including support for environment, employment, finance, education and other relevant ministries, workers' and employers' organizations and urban authorities.

4. The wage squeeze and increasing inequalities threaten sustainable development

The ILO's constitutional mandate is to pursue social justice and address conditions of labour which involve "such injustice, hardship and privation to large numbers of people as to produce unrest so great that the peace and harmony of the world are imperilled".¹¹ The growing evidence of a shift towards returns on capital and away from labour, together with increasing income inequality, is disturbing not least because it threatens sustainable development in an open world economy. It reminds us that for the ILO, "labour is not a commodity" and social justice is the foundation of peace.

Many analyses of inequality suggest that recent trends are likely to have their origins in the manner in which labour markets are affected by globalization, as well as in historical inequities. It is significant that the labour share in national income is declining, while that of profits is rising in many countries. A chapter of the April 2007 IMF *World Economic Outlook* contains tables showing that, for 16 industrialized countries, employee compensation (wages plus employers' social security contributions) declined from 58 to around 55 per cent of GDP between 1980 and 2004. If the "labour" income of the self-employed and other own-account workers is included, the decline in the labour share of national income is steeper, falling from around 68 to 62 per cent. Preliminary ILO analyses of a larger group of industrialized, transition and developing countries show a similar overall decline, although it is small on average and varies between countries.¹² The decline in the labour share of national income is consistent with the perceived shift in the relative market power of labour and capital following the integration of several very populous countries into the global economic system and the effects of labour-saving technological change originating in the advanced countries.¹³

When national income increasingly goes to the owners of capital rather than to workers, inequality in the distribution of income is likely to increase, since the returns on capital largely accrue to a wealthy minority.¹⁴ In addition, the wages of professionals and the relatively skilled have often risen far faster than those of unskilled workers, which have in some cases stagnated or even declined despite economic growth. As a result of both of these trends, in many countries – both developed and developing – the incomes of people at the upper end of the scale have risen far more rapidly than those in the middle and at the bottom.

Another way of looking at global inequality is to compare average incomes per capita between countries. On the positive side, per capita incomes in a number of developing countries, including the two giants China and India, have been rising faster than those in the rich countries. The gap between a number of successful developing countries and the industrialized world has therefore narrowed significantly. However, elsewhere, and particularly in African countries, incomes have grown far slower than those in the advanced economies. As a result, the overall gap between the poorest and the richest countries has widened substantially: average per capita incomes in the 20 richest countries are now 112 times higher than those in the 20 poorest countries, compared to a 49-fold difference in the early 1960s. Since growth generally helps to raise the incomes of the poor and pushes up average incomes,¹⁵ the

¹¹ Preamble to the Constitution of the ILO.

¹² Analyses of labour and profit shares are very sensitive to classifications of the income of the self-employed and own-account workers and to the share of this group of workers in the labour force. Developing countries generally have a much higher number of these types of workers and therefore tend to show a lower labour share of national income.

¹³ IMF: "Globalization of labour", Chapter 5 of the April 2007 *World Economic Outlook: spillovers and cycles in the global economy* (Washington, DC, 2007).

¹⁴ E. Daudey and C. García-Peñalosa: *The personal and the factor distributions of income in a cross section of countries*, GREQAM (Marseille, 2005).

¹⁵ World Bank: *Global Monitoring Report 2007: Millennium Development Goals: Confronting the challenges of gender equity and fragile States* (Washington, DC, 2007).

progress achieved in successful countries – notably China – has lifted hundreds of millions of families above the \$1 and \$2 a day poverty thresholds.¹⁶ However, the number of people living in extreme poverty, while falling as a share of world population, remains high in absolute terms and is not declining in Africa.¹⁷

While growth has been an important factor in poverty reduction, the evidence of rising within-country inequality however suggests that current patterns of growth favour the better-off more than the poor. One study, based on consumption data, shows that only 9.5 per cent of growth between 1993 and 2001 benefited the poorest 50 per cent of the world's population. And the 19 per cent of the world's population surviving on less than a \$1 a day benefited from just 2 per cent of the increase in global consumption. The "global middle class" of those in the top half of the world income distribution received over 90 per cent of the increase. This includes most of the population in the world's richest countries, plus many in China and other countries in East and South-East Asia.¹⁸

A recent pioneering study by the World Institute for Development Economics Research of the United Nations University (UNU-WIDER) provides information on the global distribution of wealth, defined as the value of physical and financial assets less liabilities. It shows that the richest 1 per cent of adults alone owned 40 per cent of global assets in 2000, and that the richest 10 per cent of adults accounted for 85 per cent of the world total. In contrast, the bottom half of the world's adult population owned barely 1 per cent of global wealth. To be among the richest 10 per cent of adults in the world required \$61,000 in assets, and over \$500,000 was needed to belong to the richest 1 per cent. Wealth ownership is heavily concentrated in North America, Europe and high-income Asian and Pacific countries. People in these countries collectively hold almost 90 per cent of total global wealth. Although North America has only 6 per cent of the world adult population, it accounts for 34 per cent of household wealth. The concentration of wealth within countries varies significantly, but estimates of the share of the top 10 per cent range between around 40 per cent in China and 70 per cent in the United States.¹⁹

Analysis of these various trends has to be deepened and broadened, particularly with a view to obtaining a better picture of the way in which income and wealth outcomes and labour/capital shares interact with the functioning of labour markets, especially in developing countries. A gender perspective is also needed to quantify evidence more systematically that there are more women at the bottom of the income and wealth scale and fewer at the top.

The challenging task is to try to establish a better understanding of current relationships between growth, investment and employment, and the manner in which they are affected by policies. In most developing countries, the biggest single factor affecting labour markets is the steady flow of rural men and, increasingly, women, who are leaving the land for cities, where most of them end up in street trading or casual labouring jobs – perhaps a little better off than they were in farming, but not much. They are underemployed, work intermittently using few tools, but must do something to survive as there is no social support system. The various subdivisions of services include both highly skilled and well-paid work, as well as the huge informal and largely "survivalist" petty trading sector, in which women predominate. Growth in today's globalized economies is not reaching the latter. It is just not yielding enough decent work, and is not therefore promoting a faster pace of poverty reduction.

It is a political necessity today to slow or reverse the trend towards broader social gaps within countries, while maintaining progress in narrowing gaps between countries and in substantially reducing absolute poverty. This must be a priority for economic and social policy-makers. The effectiveness of investment and employment policies in creating a path into decent work for poor working women and men is of critical importance. In this respect, policies to upgrade informal work into the formal economy play a vital role in accelerating poverty reduction, arresting the rise in income inequality and overcoming discrimination, especially

¹⁶ P. Collier and D. Dollar: *Globalization, growth and poverty: Building an inclusive world economy*, World Bank (Washington, DC, 2001).

¹⁷ M. Ravallion and S. Chen: *Absolute poverty measures for the developing world, 1981–2004*, World Bank Policy Research Working Paper 4211 (Washington, DC, 2007).

¹⁸ P. Edward: "Examining inequality: Who really benefits from global growth?", in *World Development*, Vol. 34(10), 2006.

¹⁹ J.B. Davies, S. Sandstrom, A. Shorrocks and E.N. Wolff: *The world distribution of household wealth*, UNU-WIDER (Helsinki, 2006).

against women. Education and training strategies that reduce skill shortages and overcome discrimination and exclusion are also key to achieving faster, more employment-rich growth and increased earning power for those on lower incomes. It is also likely that improvements in labour laws, social security systems, active labour market policies and collective bargaining will be able to contribute to creating a new balance between flexibility and security which can underpin the dynamism of competition, while ensuring that opportunities are increased, especially for the most disadvantaged on the labour market.

5. Better policy-making requires a stronger labour market information base to measure decent work deficits

A strong information and knowledge base to track and monitor labour market developments is required to improve policy-making and the achievement of decent work objectives. A few developing countries have increased their investment in basic tools, such as labour force surveys, backed up by computerized methods of data storage and processing. But many have lagged behind, or even cut back these vital services when faced by competing priorities for scarce resources, sometimes as a result of austerity policies associated with internationally backed adjustment programmes. At the same time, we need to review international standards and basic concepts to ensure that what is being measured reflects what we need to know about labour markets now and in the years to come.

For example, conventional measures of employment (number of workers engaged in economic activities) and unemployment (number of persons without work, looking for and available for work) have alone always been insufficient as indicators of employment or the labour market. In particular, they fail to capture essential characteristics of developing countries. A specific issue is the standard definition of persons in paid employment or self-employment. Persons are identified as being in employment when they report that they have carried out some work for at least one hour during the reference period. The same criterion applies to unemployment. Unemployed persons are identified as individuals without work, who have sought work in a recent past period and are currently available for work. To be without work is defined as having worked no more than one hour during the reference period defined for the survey, which is usually one week. I believe that this is not a socially acceptable definition. It certainly underestimates the real levels of exclusion from the labour market.

Furthermore, if conventional measures are to be sufficient as indicators, the following two conditions, among others, have to apply:

- regular full-time wage employment is the overwhelmingly dominant form of employment; and
- unemployment benefits are available to all labour force participants.

Yet these conditions rarely hold in developing countries, and in developed countries they have become much weaker.

In many developing countries, unemployment benefit systems are almost non-existent and full-time wage employment in the formal economy is only available to a proportion of the labour force that varies between 5 to 50 per cent. Thus, on the one hand, as most people have to work to survive and cannot afford to be inactive, the unemployment rate as conventionally measured tends to be low. On the other hand, a majority, and often a large majority of workers who are conventionally regarded as being employed, are either self-employed or in casual wage employment in the rural and urban informal economy. Many of these working women and men face various forms of underemployment, including very low productivity. As a result, measurements of the unemployment rate seriously underestimate the extent of the lack of productive work, while the measured employment rate seriously overestimates the availability of productive work.

The self-employed and casual wage labourers account for at least 60 per cent of the labour force in many developing countries. Assuming that they find employment for only 75 per cent of the time that they are available and looking for work, "labour underutilization" may be estimated at 15 per cent. Added to a conventionally measured unemployment rate of, say, 5 per cent, the total rate of labour underutilization would be 20 per cent. This figure would appear

to be much closer to the evidence of casual observation of developing country labour markets than those reported using the currently applicable statistical criteria. The assumption that the self-employed and casual wage labourers in the informal economy find work three-quarters of the time that they are available for work has to be tested empirically, but it serves to illustrate the possible scale of the shortage of work opportunities in developing countries. Measuring these decent work deficits more accurately, with more disaggregation by sex and age, is an essential step in moving towards development policies that accelerate poverty reduction by improving the quality of work, as well as by increasing employment.

An additional and related issue is the need to improve our knowledge of the scale of “working poverty”. Many women and men are in full-time employment, put in long hours every day of the week, but earn very little. Examples include the large numbers of street traders who spend most of their day waiting for customers. For large numbers of workers, full-time employment is coupled with low productivity and low returns on work. Poverty data collected by household surveys provide reasonable estimates of the numbers of adults or “working poor” among the total numbers of those living on less than \$1 or \$2 a day. Nevertheless, improved surveys of incomes from employment are important to verify these estimates.

The problem of incomplete information on the labour market situation of those who are most vulnerable to exclusion is not limited to developing countries. Better information is also needed in developed countries on the scale of informal employment, involuntary part-time and temporary work and the reasons for low labour market participation rates and poverty in certain groups of working women and men.

The International Conference of Labour Statisticians is holding its next regular session in 2008. This provides an excellent opportunity to address these important conceptual questions and to come up with additional indicators that can generate the sort of information that is needed for policy-makers and can be applied by national statistical authorities. The ILO’s tripartism needs to make an important contribution to ensuring that labour statistics reflect the real life situation of workers more accurately.

In addition to this vitally important work, urgent consideration needs to be given to the provision of international support to statistical authorities in developing countries that do not currently have the capacity to collect and process the data needed by their own policy-makers and which are increasingly important to complete the picture of global trends. Collecting and processing basic employment data is vital for the effective measurement and evaluation of policies. A much stronger basis of social data is needed in most countries to set reliable baselines and assess progress towards the achievement of the Millennium Development Goals and the broader international development agenda. Some work is already under way at the United Nations. The ILO is developing proposals for a significant technical cooperation programme on labour statistics as a means of providing support for national authorities and improving the quality and scope of international data sets.

6. A global approach to social protection: Every society needs a social floor

Every society has to design social security systems that fit its needs and specific circumstances. We also need to be able to think globally about how to organize solidarity across borders. Furthermore, if internationally open economic systems are to be maintained, we will have to start thinking about social security as a key governance issue and to begin developing mechanisms through which the benefits of globalization can be shared with those who are least able to grasp the resulting opportunities for decent work.

Historically, social security systems have developed more or less in parallel with the rise of today’s industrialized countries. One hundred years ago, the Nordic countries, which are today examples of strong welfare states, were poor with a high percentage of the labour force still working on the land. Their investment in social protection through social dialogue began in the 1930s and has paid off, as they now have the world’s lowest rates of poverty, crime and other indicators of well-being, as well as some of the highest per capita incomes. Economic growth and social equity can go hand in hand, but only by pursuing policies that are well thought out with the support and involvement of organized business and labour.

Planning is key to the achievement of equitable outcomes as productivity increases in the economy. This confirms a central message of the ILO Constitution: the organization of work cannot be separated from the organization of social responsibilities.

A further historical observation is that many societies started to build social protection systems following an experience of crisis. Major examples include the creation of the ILO after the First World War, the establishment of social welfare institutions in the United States and the Nordic countries to counter the crisis of the 1930s, and the development of the European Social Model in all its variations after the Second World War. The present form of globalization is not invulnerable to crises. A key stabilizing component has to be a global understanding that all societies need an agreed social floor, in accordance with their economic possibilities and with the support of international cooperation.

As you know, the accelerating pace of economic and social change deriving from heightened competition in global markets is producing major shifts in patterns of work, and therefore in the life experiences of working women and men and their families. Those with the lowest earning power are most at risk of falling into and becoming trapped in poverty. As indicated in *Equality at work: Tackling the challenges*, this year's Global Report under the ILO Declaration on Fundamental Principles and Rights at Work, discrimination, social exclusion and poverty are an interlinked chain of disadvantage that is best addressed by action to promote equal access to employment and equality at the workplace, particularly to reduce gender inequality. While most people work for a large part of their life, earnings from work alone do not provide a secure lifetime stream of income on which to plan. Some are also better able than others to make provision from their earnings to cover times when they are not able to work.

In most societies, families offer some support to individual family members by acting as income-sharing spaces of solidarity, thereby ensuring, for example, that children are able to enjoy a period of physical and mental development prior to entry into the labour market and that the elderly can retire from work. In more traditional societies, the extended family may also fulfil a duty of caring as best it can for its members in other non-earning periods, such as sickness or injury, maternity, job search and the farming off-season. However, this social security aspect of the family or clan in predominantly rural and agricultural societies was, and still is, also frequently part of very hierarchical authority structures where gender and other forms of discrimination are prevalent. Education and the spread of the ideas of human rights and democracy, coupled with the breakdown of traditional household economic units as a result of increased mobility and urbanization, have led to the development of more formal and rights-based systems of social security.

As we look to the twenty-first century, the countries in the developing world, which are today experiencing rapid urbanization, the weakening of extended family ties and greater occupational and geographical mobility of labour, need to have the policy space and international support to extend social security gradually in tandem with economic development. The slow but steady increase in the number of ratifications of the framework Social Security (Minimum Standards) Convention, 1952 (No. 102), since its adoption suggests that this process needs reinforcing. Social protection and fairness, in general, have to be built-in components of national development while societies are still relatively poor. The "grow first, distribute later" approach creates disparities that are difficult to reduce later. It should be recalled that Norway and Sweden were poorer in terms of real per capita income in the 1930s, when they started to develop the welfare state, than for example Brazil and South Africa are today.

And yet, was the development of the welfare state only possible in relatively closed economies from which capital could not flee when taxation started to rise? Do social protection systems inevitably introduce rigidities and disincentives to innovation which reduce competitiveness and thus weaken the performance of open economies? Although the size of social security systems varies considerably between industrial countries, there is no strong correlation between their growth performance and the share of their social security budgets in GDP.²⁰

I think we can begin to see some of the answers to these questions. But one thing is clear. The future of social security is intimately interlinked with the way in which we organize work,

²⁰ For several years, Nordic countries with high levels of social spending have dominated the top echelons of the World Economic Forum's Global Competitiveness Index. See World Economic Forum: *Global Competitiveness Report 2006-07* (Palgrave Macmillan, 2006).

and that is in turn strongly affected by the sort of globalization that we shape for the world. We need to build and gradually raise a global social floor. We also need to get away from the tendency to think of social protection as purely a cost. The experience of the Nordic and other countries shows that it is in reality a social and economic investment with a high rate of return.

Ensuring that women and men living in poverty are offered a route to decent, productive and reasonably secure employment must be central to poverty reduction strategies. Poverty hits hardest those who are most vulnerable to losing a job, face the greatest difficulties in finding a new job and are most likely to be low paid. Poverty is too easily passed on from generation to generation in a cycle of deprivation. And ill health, weak educational attainment, gender and other forms of discrimination, alongside the many other facets of poverty, make it harder to find and keep a decent job. It must be the aim of societies to prevent people from becoming trapped in poverty, while at the same time offering support to those who face great difficulties in obtaining work.

In most industrialized countries, on average at least one in six people change jobs every year, most of them of by their own choice, and some as a result of lay-offs.²¹ Many developing countries are moving towards similar rates of mobility. It is thus essential to equip women and men with the skill to manage employment transitions and the income support to ensure that such transitions can be faced as a normal part of working life, and not as a catastrophic event with a high risk of falling into and becoming mired in poverty. Such strategies, by raising the overall productivity of the economy, generate more resources that can be ploughed back into strong social protection systems which provide a social floor that helps to prevent people from falling into extreme poverty. As the G8 labour and employment ministers said in the conclusions of their 2007 Conference in Dresden on shaping the social dimension of globalization, “we thus consider the strengthening and broadening of social protection one of the most important tasks in the context of globalization processes.”²²

The primary causes of poverty are not individual, but structural, and they must be tackled as a social responsibility. With a social floor in place, society is in a position to ask women and men to accept their responsibility for taking the available opportunities to work their way out of poverty. Indeed, in wealthier countries, there is a trend towards the provision of more specific support to individuals facing difficulties in securing regular work. However, in most of the developing world, the overwhelming priority is the construction of a basic social floor.

Investing in social protection is a means of preventing the social dislocation that stems from deprivation and of building up the human and social capital of economies. However, despite the clear advantages for both countries and individuals, only about 20 per cent of the world’s population, mainly in the richer countries, benefit from some degree of social security coverage. Why is it so difficult for poorer countries to start building social protection systems?

Part of the answer to this question is that the orthodoxy of recent decades has held that growth eventually reaches even the poorest – welfare trickles down without the State having to stimulate its redistribution. This is partially true. But the pace of poverty reduction has been alarmingly slow in many countries. Moreover, while many hundreds of millions of people have moved just above the \$1 and \$2 poverty lines in recent years, incomes at the other end of the spectrum have shot up at a much faster pace, thereby increasing inequality. Systems to provide a basic income support for the most vulnerable are required if the reduction of extreme poverty is to be accelerated and inequality reduced, or at least prevented from rising.

ILO policy research has therefore focused on assessing the impact of a basic package of social protection to determine its likely impact on poverty with a view to its widespread introduction in developing countries. The package would consist of:

- access to basic health care through pluralistic national systems consisting of public tax-financed components, social and private insurance components, as well as community-based components linked to a strong central system;

²¹ P. Cahuc, A. Zylberberg and W. McCuaig: *The natural survival of work: Job creation and job destruction in a growing economy*, MIT Press (Cambridge, Mass., 2006).

²² G8 Labour and Employment Ministers Conference on Shaping the Social Dimension of Globalization, Dresden, 2007, Chair’s Conclusions (<http://www.bmas.bund.de>).

- a system of family benefits that permits children to attend school;
- the development of a system of basic universal pensions for old age, invalidity and survivors that in effect supports whole families;
- a system of self-targeting basic social assistance (cash-for-work programmes) that helps to overcome abject poverty for the able-bodied; and
- basic rights at work.

Recent ILO studies have found that expenditure on the old-age and invalidity, child benefits and essential health care elements of such a package would amount to between 5 and 7 per cent of GDP in seven African and 3 per cent of GDP in five Asian countries.²³ This would amount to around 20 per cent of government expenditure in most of the countries concerned. Although the level of cash transfers assumed for the study was very modest, the impact on extreme poverty is sharp, with an estimated reduction of about 40 per cent in the numbers below national poverty lines. The package is therefore fiscally sustainable for low-income developing countries, although support from international cooperation, especially at the start-up phase, would speed its introduction. In addition, experience in Bangladesh, Brazil and Mexico with conditional cash transfer programmes shows a marked improvement in such indicators as lifetime earnings and reductions in the days off work for sickness, suggesting a positive effect on productivity due to improvements in levels of education and health status. Namibia and South Africa have introduced basic pension schemes, which are showing positive results in terms of poverty reduction. Interestingly, cash income for grandparents in the form of pensions also leads to improvements in school attendance and nutritional status of children. It is expected that these trends will become more evident as childcare increasingly falls on grandparents in countries with a high HIV/AIDS prevalence and considerable migration for work.

We now have a demographic window of opportunity to extend basic social security systems. In some of the richer countries, that window is starting to close as the proportion of the elderly begins to rise. Efforts will therefore be needed to extend periods of economic activity in an ever healthier population, particularly amongst the 55 to 65 age group. In a number of developing countries, that window will remain open for another generation, allowing the financing of basic social transfers, which would have the maximum impact on the lives of the poorest. As developing economies become more prosperous, they will increasingly be able to support an ageing population in the later years of their lives.

Economic security is an essential foundation for responsible citizenship. It is also a prerequisite for the stable market environment that is conducive to productive entrepreneurship and sustainable development. It fosters self-confidence and the sense of social solidarity that makes for strong communities and creative work. We have all seen how the absence of economic and social security leads to loss of hope and an increase in social tension. A lack of security is a source of instability and erodes the credibility of both public and private authorities in their efforts to address the uncertainties hovering over many individuals, families and communities.

7. Modernizing governance of the world of work

Adapting labour laws and social dialogue institutions to changing patterns in the world of work and in markets, while ensuring full respect for fundamental rights at work, is a priority task for the ILO's constituents worldwide. The ILO is fully involved in helping to find the necessary balance in specific national situations.

The ILO's international labour standards provide an internationally agreed set of principles for labour laws, and therefore a framework for the continuous balancing act between flexibility and security at work. They constitute the largest rules-based international legal system in operation today, with over 7,500 ratifications of the various Conventions. Each of these

²³ K. Pal, C. Behrendt, F. Léger, M. Cichon and K. Hagemeyer: *Can low-income countries afford basic social protection? First results of a modelling exercise* (ILO, Geneva, 2005); S. Mizunoya, C. Behrendt, K. Pal and F. Léger: *Costing of basic social protection benefits for selected Asian countries: First results of a modelling exercise*, Issues in Social Protection Discussion Paper No. 17 (ILO, Geneva, 2006).

ratifications reflects a decision by a national legislature to opt into an international system of accountability and to allow the country's law and practice to be scrutinized by the competent bodies of the ILO supervisory machinery. It is a remarkably advanced system of international law, which many would argue has not yet been fully utilized.²⁴

The labour laws of most ILO member States show strong traces of the influence of ILO Conventions and Recommendations. Even where Conventions have not been ratified, laws have often been framed drawing on the principles that they contain. This is not surprising. The ILO has helped many countries to draft their legislation, and the process of preparing international labour standards draws heavily on national experiences from around the world.

International labour standards are thus shared commitments which, in the emerging global market economy, provide a global reference point for labour laws that is vital in building the cooperation at workplaces that is necessary to improve competitive performance. It may be that fairness, like beauty, is in the eye of the beholder. But when arguments arise about whether workers are being treated fairly, it is extremely useful to have an agreed benchmark for a constructive dialogue. It is also useful to have an agreed process by which performance can be measured against expectations. The ILO's standards system, including its supervisory machinery, provides all of these. Without it, or if it were weakened and allowed to wither, the efforts that are being made by all the ILO's constituents to ensure that globalization is a race to the top could be undone.

International labour standards are at the peak of a pyramid of rules on work relations, which has its origins in the workplace and in the need to organize cooperative productive activity. The day-to-day experience of workers and employers is that they do not constantly refer to labour law to regulate their relations. But laws establish the basis and the values on which both collective bargaining and individual work contracts are built, even for the many working women and men who have no formal contract.

Creating an environment of trust at the workplace is first and foremost the responsibility of employers and the workforce, within a strong legal framework. But they often need help. And it is their representative associations, employers' organizations and trade unions, which are best placed to provide support for sound workplace relations. Solving problems through negotiation at the local level forms the base of the pyramid of good governance in democratic societies and dynamic economies.

The ILO's standards on freedom of association, together with those on equality, forced and child labour – the fundamental principles and rights at work – are vitally important in achieving a good balance between flexibility and security at the workplace because they provide a basis for non-coercive relations, mutual respect and constructive dialogue.

ILO standards also embody the enabling rights that are needed by workers and employers in their relations with government to establish a platform of stability in a fast-changing world – a platform that can be adapted and developed as patterns of work change. They offer a basis for the further development of labour laws, drawing on the corpus of international labour standards for inspiration and guidance.

Increasingly, individual companies, private sector establishments, non-governmental organizations and international bodies such as the International Organization for Standardization (ISO) are turning to ILO standards as reference points for their own codes of conduct and for the social auditing services that have developed in support of efforts to ensure compliance. In addition, over 50 multinational enterprises have signed framework agreements with global union federations, many of them based on the ILO's fundamental principles and rights at work.

The ILO's standards system is at the heart of its Decent Work Agenda. Without it, sustainable enterprise development and employment generation would lack the anchor of equity.

Just as national laws and collective agreements need to be kept up to date, so do international labour standards. That means preparing new standards, where appropriate, and revising

²⁴ ILO: *Strengthening the ILO's capacity to assist its Members' efforts to reach its objectives in the context of globalization*, Report V, International Labour Conference, 96th Session, Geneva, 2007.

and strengthening existing ones. It also means investigating how voluntary mechanisms can support national laws and the ILO standards system.

The resilience of the system was shown last year with the adoption of the new Maritime Labour Convention, which rationalizes and develops several long-established standards into a new global package for what is the quintessential global industry – shipping. Some have argued that without the revolution in containerization that has transformed the shipping industry within a working lifetime, the acceleration in the growth rate of world trade could never have happened. I think they are right, and it is therefore very appropriate to demonstrate the capacity of the ILO's standards systems to contribute to modernizing the governance of work through the adoption of a comprehensive new Convention for the world's seafarers and ship-owners. A further example of this resilience is the extremely rapid rate of ratification of the Worst Forms of Child Labour Convention, 1999 (No. 182).

As I said in the introduction, I believe we need to build on these successes and further strengthen the ILO. We have before us a tremendous opportunity to prove the relevance of the rights-based approach to good governance founded on social dialogue, which offers the best opportunity for adapting the ILO's traditional strengths to the demands of a changing world.

8. Making the United Nations and the multilateral system more effective

The international system is evolving, and it is timely for us to come together and reflect on the implications in the light of recent developments.

Our actions have centred on doing our part to operationalize the political endorsement of the Decent Work Agenda by Heads of State and Government at the 2005 World Summit, followed by the call made in last year's ECOSOC Ministerial Declaration to mainstream decent work throughout the United Nations system.

We are taking steps to implement these decisions in a number of ways: by expanding our work with the United Nations specialized agencies with which we share similar governance approaches; by strengthening collaboration with the UNDP, as formalized in a joint agreement that I signed at the ILO with the UNDP Administrator, Kemal Derviş, to advance the Decent Work Agenda in UN country programmes; and by joining with other interested organizations through the United Nations Chief Executives Board for Coordination to develop and use a Toolkit for mainstreaming employment and decent work to help the agencies assess the potential impact of their policies, programmes and activities in terms of employment and decent work outcomes. As Kemal Derviş said at the ILO's African Regional Meeting in Addis Ababa in April 2007: "Decent work is at the heart of development and has to be also at the heart of the United Nations' various work on development".

On a separate track, the issue of the reform of the United Nations system has also arisen with the release late last year of the report of the High-level Panel on System-wide Coherence.²⁵ I believe that we can all point to areas where the system can improve its responsiveness and delivery, provide better service to constituents, enhance agency cooperation and policy coherence and make better use of its knowledge and assets. We also reject any potential effort to weaken the United Nations system.

The conclusions of the Committee on Technical Cooperation at last year's International Labour Conference offer guidance:

"... reforms in the United Nations provide an opportunity for the ILO, with its distinct tripartite structure, to influence outcomes positively at both the national and international levels (...). This will help raise the ILO's profile, visibility and weight among the international agencies".²⁶

²⁵ The report of the Secretary-General's High-level Panel on System-wide Coherence in the areas of development, humanitarian assistance and the environment, *Delivering as one* (www.un.org/events/panel/).

²⁶ ILO: "Conclusions concerning technical cooperation", *Provisional Record* No. 19, International Labour Conference, 95th Session, Geneva, 2006.

I believe we have an important contribution to make. To begin with, let me say that the proposals of the High-level Panel – which join a large number of past United Nations reform initiatives – may have an additional effect. Although its proposals are relatively modest and focus mainly on enhancing country delivery, they are slowly leading to a wider discussion: the reform of the multilateral system as a whole, including the Bretton Woods institutions and the WTO.

We may be at the first stages of a major reorganization of the roles of the various international organizations. Economic weight in the world is shifting and democratic demands are growing, calling into question more strongly the governance methods of the Bretton Woods institutions. Developing countries are challenging conditionalities and are looking for new approaches and more policy space. Collectively they have the leverage to press for reforms, not just in the United Nations system, but also in the IMF and World Bank.

The era is passing when the established economic powers could insist on very specific policies in return for balance of payments or development financing. They have exercised a de facto normative role based on the power of resources and conditionalities in a number of policy areas that go beyond the legitimate expertise and mandate of lending institutions. The resulting duplication, and sometimes conflicting policy advice, are no doubt an inappropriate utilization of taxpayers' resources which are placed at the service of the multilateral system as a whole. The need for a new and more balanced approach that responds to nationally determined priorities is slowly emerging with regard to the role and weight that the various international organizations should have in the early twenty-first century.

In any such process, which certainly will not happen overnight, the responsibility of the ILO will probably be reinforced. Our tripartite identity and governance system makes us the most democratic multilateral institution. Our constitutional mandate is at the heart of a rules-based international system. Our Decent Work Agenda has strong political support as a central component of development and poverty reduction. And our role in highlighting the social dimension of globalization, with the need for a fair globalization, has received wide support. All of this taken together places the ILO in an excellent position, provided that we deepen our tripartite capacities for research, policy formulation and delivery.

What we bring to the table

But for the moment we must address United Nations reform. As we engage in this process, we bring enormous richness to the table:

- Our vision that universal and lasting peace can be established only if it is based on social justice.
- Our value that labour is not a commodity.
- Our unique tripartite identity – the synergistic added value of governments, workers and employers, as well as the methodology of tripartism in securing peace and stability.
- Our normative mandate, underpinned by 7,500 ratifications of Conventions.
- Our policy focus, as encapsulated in the Decent Work Agenda and its four strategic objectives.
- Our delivery system, the Decent Work Country Programmes.
- Our method of work: we help our constituents to implement their own priorities.
- And, of course, our central connection to the leading political demand of people the world over for a fair chance to obtain a decent job – the core of a fair globalization.

ILO engagement

In more practical terms, effective reform will require action on a number of different levels: action within countries, throughout the multilateral system, among donor countries and between United Nations agencies.

Our work to support these efforts is focusing on three priority areas. At each level, the role of governments, employers and workers is absolutely critical in ensuring that the ILO plays its full role.

First, at the country level

The report of the High-level Panel recommended the establishment of pilot countries to test the One United Nations approach. We are participating in all eight pilots.²⁷

I want to emphasize that the One UN pilot countries are just that – pilots. Experiments. Testing grounds. Each distinct from the other, making it clear that one size will not fit all. The new role foreseen for the UNDP as manager of an autonomous Resident Coordinator system will be especially critical, particularly for the specialized agencies.

I would add that the success of the pilot countries will depend to a large degree on the engagement of the social partners at the country level. This is an area in which there is tremendous opportunity and responsibility at the country level to show tripartism at work. We intend to maximize technical support to constituents in this fundamental area.

Second, the inter-agency level

We are working together with constituents in taking a number of steps to strengthen collaboration and coherence throughout the United Nations system and to better leverage our collective strengths in delivering on people's priorities. We have developed a *Toolkit for mainstreaming employment and decent work* which has been endorsed by the United Nations Chief Executives Board for Coordination. This is a unique instrument for building partnerships around a shared goal.

If our common objective is delivery at the country level – the people level – it is essential to involve all the key development actors in each country with the aim of streamlining and harmonization. This means the Bretton Woods institutions and bilateral development partners. Without this, reform will be haphazard, hampered and ultimately incomplete – missing out on the benefits of a truly integrated approach to development cooperation. However, the key to integration is country ownership. The system must offer coherent advice and convergent thinking, but countries have to decide on the necessary combination, sequencing and pace, in line with their priorities and possibilities.

Third, deepening the support system at the ILO to play a full role as the reform effort unfolds

In-house, we have established a Task Force on UN Reform to ensure: full ILO participation in the One UN pilots; the active involvement of tripartite constituents; and that United Nations country programmes embrace the decent work policies and approach.

Challenges

As reform efforts progress, there are a number of challenges ahead.

- It is important to ensure that the process is not driven by the interests of any one particular donor or group of donors, in view of the risk of the potential for reform being viewed as disguised conditionality.
- The process should be focused on the richness of every element of the United Nations system working together better and empowering each other – not on diluting or homogenizing identities in the diversity that is the strength of the United Nations. Our particular focus is on ensuring that our tripartite identity and our governance structures are acknowledged and respected, so that they can contribute the full measure of their strength.
- In very practical terms, most agencies are not represented on the ground in each and every country. The process must ensure full representation through recognition of the role that has to be played by a strengthened subregional and regional structure.
- Process should not drive out substance. Integration is far more than a managerial effort: it is an extremely complicated policy exercise and countries are requesting support to

²⁷ The eight pilot countries are Albania, Cape Verde, Mozambique, Pakistan, Rwanda, United Republic of Tanzania, Uruguay and Viet Nam.

ensure that key policy themes are addressed through and among all the relevant ministries. The work of the African finance ministers in supporting the Decent Work Agenda is one important example of success in this respect.

- The pace of the reform effort is also critical: we must ensure that a headlong rush does not backfire by resulting in a more fragmented and less responsive system. The entirely redefined notion of the role of the Resident Coordinator is one key example. To operationalize an untested and general notion takes time and planning. Awareness of the required process is embedded in the results-based management framework. Resident Coordinators must all be appropriately trained to perform these new functions.

Opportunities

Efforts to reform the system represent an enormous opportunity, but only if reform is managed well. If not, the opportunity will pass us by. The key is to be proactive and draw from the excellent guidance provided by the conclusions concerning technical cooperation last year, as well as by the Governing Body in March.

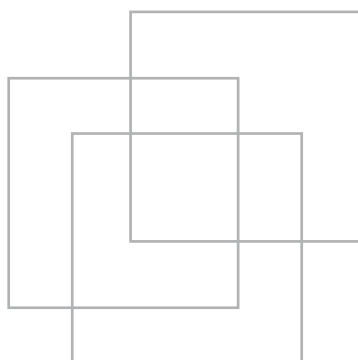
The immediate test is our engagement and performance in the eight One UN pilot countries. We have the opportunity to show that ILO commitment and tripartite agreement can improve the performance of the entire United Nations system. It is natural to seek guarantees of our identity in the process. But ensuring our presence requires us to make our own efforts to modernize, strengthen and develop tripartism through our commitment, engagement and action. It is something we can only do together. We will advance if we have the systematic support of the entire Organization in carrying out a United Nations reform that has extraordinary potential to enhance the value of the Decent Work Agenda.

9. Conclusions

Faith in the magic of the market has faded with the realization that well-functioning markets require effective States if they are to operate without distortions and balance out uneven social outcomes. A modern, effective welfare state and vibrant tripartism remain central to sustainable development with its three pillars of economic development, social development and environmental protection. However, the context of globalization presents new challenges that require new responses and a strengthening of the ILO's governance systems and resource base.

I believe that tripartism, nationally and internationally, is ready for a new period of resurgence. We need to secure its foundations through increased respect for the freedom of association of workers and employers, the reinforcement of the role of labour administration within government and active labour market policies based on social dialogue. We also need to build partnerships nationally and internationally.

Our advocacy of the Decent Work Agenda has proved very successful. We have increased recognition and support for the ILO and for tripartism. Your guidance on meeting the challenges, opportunities and responsibilities that we have created for ourselves is key for our common future.



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