

ILO Address to the General Debate (UNCTAD XIII)

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Introduction

In the name of Director-General Juan Somavia, I would like to express my compliments to Secretary General Supachai Panitchpakdi and his staff for the organization of this thirteenth session of the United Nations Conference on Trade and Development. ILO welcomes the opportunity to address today's distinguished audience and wishes to stress the importance ILO attaches to the excellent working relationship between the United Nations Conference on Trade and Development and the International Labour Office. We also particularly welcome the fact that this Conference is for the first time taking place in the Arab Region and wish to congratulate Qatar's Minister of Culture, Arts and Heritage HE Dr. Hamad bin Abdulaziz al-Kuwari for his appointment as President of this Conference.

ILO welcomes the Report of the Secretary-General of UNCTAD to UNCTAD XIII. The concept of "development-led globalization" presented in the report has many points in common with ILO views on how to make globalization fair and socially sustainable. In fact, this is the central theme of the 2008 Declaration on Social Justice for a Fair Globalization, adopted by ILO constituents just before the crisis. It is also a prominent objective of the ILO Global Jobs Pact adopted in June, 2009. In order for globalization to go hand in hand with development, it needs to be beneficial for the *many*, not just for the *few*. In order for globalization to be socially sustainable, growth paths of countries need to be socially inclusive and job-rich by generating decent work, and international policy frameworks and governance arrangements must help in this task, not be a hindrance.

In our view, many of the proposals in the Secretary-General's report can contribute to make globalization more socially sustainable and inclusive, and to rebalance patterns of growth within countries and between them. This is an urgent matter. The crisis has rightly led to a reevaluation of social and political assumptions and of economic theories, even on issues that go far beyond those

directly linked to the impact of the crisis itself. The opportunity for policy rebalancing must be seized. Policies should not continue business as usual.

Let me use my intervention today to emphasize a few points that are particularly relevant from an ILO perspective and therefore offer the greatest opportunity for collaboration and for ensuring coherence between the agendas of our respective organizations.

The role of sectoral approaches and of skills development policies for raising productive capacity

The need for globalization to go hand in hand with the development of productive capacity is eloquently described in the Secretary General's report. Productive capacity is crucial for countries to grow and to generate employment. In order for productive capacity to be strengthened, enterprises need to benefit from an enabling business environment. Macro, trade, investment and other policies need to be aligned in order to create an environment that allows entrepreneurial activities to flourish. The access to finance for companies, in particular small and medium sized ones and start-ups, including by young entrepreneurs, is crucial in this context. But enterprises do not only need access to finance, physical capital and networks, they also need access to human capital in order to develop.

Ensuring that enterprises find the skilled workforce they need and ensuring that workers find jobs that correspond to their skills is one of the most pressing issues to address in the current situation of high unemployment that particularly hits the young. The fact that in many countries well-educated youngsters are among the unemployed is a signal of serious mismatches between the supply and the demand of skills in the labour market. Reducing this mismatch is crucial for enterprises and economies to grow and for the young to find jobs. Aligning business growth strategies and skills development policies is therefore, in ILO's view, an important ingredient for strengthening countries' productive capacity.¹

¹¹ See the policy approach for skills development agreed by governments, employers and workers at the 2008 International Labour Conference: *Conclusions on Skills for Improved Productivity, Employment Growth and Productivity* http://www.ilo.org/skills/pubs/WCMS_103457/lang--en/index.htm

In ILO's experience, strategies for raising productive capacity work best if they are designed at the sectoral level. The sectoral level is a dimension also emphasized in the Secretary General's report to this conference. At the sectoral level, it is easier to foster collaboration between employers, workers and relevant education, training or other governmental institutions. It is also easier to ensure alignment between skills development policies and other development policies. I am, for instance, thinking here of relevant trade-related and investment policies.

ILO has already started to collaborate at the sectoral level with other UN agencies, to combine *their* expertise related to productivity and competitiveness with *ILO's* expertise related to skills development policies. This collaboration is taking place under the umbrella of the UN-CEB Cluster on Trade and Productive Capacity. These joint approaches are in our opinion very promising and effective for strengthening productive capacity in developing countries and for ensuring that growth goes hand in hand with the creation of decent employment. ILO actively supports collaboration in the context of the UN-CEB Cluster, for instance, through the design of ILO technical assistance tools that can easily be integrated into trade-related technical assistance initiatives. I am speaking here, notably, of a tool titled STED: Skills for Trade and Economic Diversification. ILO looks forward to further opportunities for collaboration with UNCTAD and other UN agencies and stands ready to offer additional expertise particularly in the area of green jobs and employment promotion for women and for young people.

The role of social protection systems to provide insurance during transition periods

Development goes hand in hand with structural change and structural change goes hand in hand with the destruction of some economic activities and the creation of others. Individuals can suffer during such periods as they often imply job loss or other forms of income losses. Open economies are not only constantly exposed to structural change, but are also frequently exposed to external shocks as witnessed in the recent Great Recession. Again, such shocks can lead to job and income loss for individuals. While holders of financial assets can protect themselves against fluctuations in global markets through sophisticated financial instruments, the large majority of the populations, that is those depending on income from their labour or entrepreneurship, are not in a position to take advantage of those instruments. They depend on their labour income and if it falters, entire households are likely to suffer.

Social protection systems can play an immensely important role in facilitating structural change and associated transition periods when people are losing jobs and have to find new ones. They also provide a very effective buffer against external shocks. They provide to ordinary citizens much needed insurance that they cannot obtain from private insurance nor financial markets. The stabilizing effect of social protection systems during the recent Great Recession has been demonstrated in numerous studies, notably conducted by institutions like ILO and the World Bank. Secretary General Supachai's Report to this Conference also emphasizes the importance of what the report calls "universal social programmes".

The International Labour Organization already included in 1944 support to the objective of extending social security measures into its Constitution and has recently intensified its activities on social security and coverage for all by taking the lead, with other UN organizations, of the UN Social Protection Floor Initiative.

For a long time, social protection systems were seen by some to be a privilege for those working in industrialized countries. The recent Bachelet Report², however, illustrates that there is by now a wealth of experience with the design and the funding of social protection systems in low and middle income countries. Programs tend to differ across countries in their components, in their scale and in beneficiary selection. Their funding mechanisms will also differ. Examples exist of countries funding social protection through mineral based taxation, social contributions, increases in general taxation or through Official Development Assistance. These examples illustrate that even low income countries can afford social protection systems. Given the positive effects such systems can have on economic transition processes - including those induced by trade reform or trade shocks – it makes sense to accompany steps in the direction of more openness by investments in social protection. The 101st session of the International Labour Conference in June this year will discuss a new international labour standard in this area.³

² Bachelet, Michelle: Social Protection Floor for a Fair and Inclusive Globalization, Report of the Advisory Group chaired by Michelle Bachelet and convened by ILO with the collaboration of WHO, Geneva: 2011.

³ ILO: Report IV(2B): Social protection floors for social justice and a fair globalization, http://www.ilo.org/ilc/ILCSessions/101stSession/reports/reports-submitted/WCMS_174637/lang--en/index.htm

Conclusion

Let me finalize my intervention by underlining the importance of policy coherence - that is coherence among trade and investment policies, labour and social policies but also macroeconomic and financial policies - in order to achieve “development-led globalization”. I invite you to see my intervention today as a contribution to the ongoing thinking about policy coherence and wish to re-emphasize ILO’s appreciation of the collaboration with UNCTAD and other UN agencies towards greater policy coherence and towards “sustainable and inclusive growth and development paths”.