

**BOARD**50th Session  
Geneva, November 2008

## FIRST ITEM ON THE AGENDA

**Report of the Director***Contents*

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## Introduction

1. The Institute's programme of work for 2008–09, as approved by the Board in November 2007, includes the launch of a new periodic publication which will analyse transformations in the world of work in the context of globalization. The programme of work also envisages the completion of projects which started in earlier biennia, as well as new activities under the education programme and further policy dialogue and partnerships. This report summarizes the main achievements over the past 12 months. It also briefly indicates how the next stages of the programme of work will be completed, taking into account the newly adopted ILO Declaration on Social Justice for a Fair Globalization.

### I. Research

2. The period under review was marked by the launch of the new flagship publication of the Institute, entitled *World of Work Report*. In addition, a number of research activities were carried out under the overarching theme of globalization and decent work. Finally, progress has been made regarding the Institute's contribution to the ILO Century Project.

#### A. *World of Work Report 2008*

3. The first issue of this periodic publication was completed and published, under the subtitle of "Income inequalities in the age of financial globalization". The volume was prepared by a team gathering most of the Institute's researchers. The main findings of the volume, as summarized in the Director's editorial to the report, are as follows:
  - Since the early 1990s, the incomes of richer households have increased relative to those of the middle class and poorer households. This finding is observed in the vast majority of countries. It reflects developments in market incomes, with the share of wages in national income falling in the majority of countries. Likewise, top wages, notably those of executives, have grown faster than median wages.
  - Policy-makers and social partners should pay attention to these trends. Rising income inequality can be useful for the economy up to a point. It is crucial to reward work effort, talent and innovation – key engines of economic growth. However, income inequality can be excessive if it weakens social stability and does not reflect economic efficiency considerations. When income inequalities are perceived to reach excessive levels, social support for pro-growth policies like freer trade may be strongly eroded. Already now, there are widespread perceptions in many countries that globalization does not work to the advantage of the majority of the population.
  - Financial globalization has exacerbated inequalities, while also failing to contribute significantly to enhance global productivity and employment growth. In the 1990s, systemic banking crises were ten times more frequent than was the case at the end of the turbulent 1970s. Such increased instability has come at a steep cost as low-income households have been particularly affected by repeated boom–bust cycles. Financial globalization has reinforced the downward trend in the wage share recorded in most countries. On the other hand, financial globalization has had a disciplining effect on macroeconomic policies. The report therefore argues in favour of a middle-road approach to financial globalization, involving better regulation of financial flows.

- The report documents a growing disconnect between the remuneration of managers of large companies on the one hand, and firm performance on the other. This is especially problematic in the financial sector, where such a disconnect may have led some managers to take excessive risk, with major economic and social consequences. The report suggests that it is in the interest of enterprises and the economy as a whole to improve the institutional set-up for managers' remuneration, so as to avoid excessive risk-taking and strengthen the link between pay and performance.
  - Labour institutions continue to play a redistributive role in the majority of countries, despite the decline in trade union density. In particular, high trade union density, a more coordinated collective bargaining structure, and greater coverage of collective bargaining agreements tend to be associated with more balanced income developments. However, it is difficult for these institutions to counteract the inequality-enhancing trends arising from globalization.
  - Another domestic factor has been the rising incidence of non-standard employment observed over the past decade or so in the majority of countries. Indeed, non-standard jobs pay significantly less than their standard counterparts. This lends support to reforms that address the duality that presently characterizes labour markets in many countries.
  - Social policy, if well designed, can serve both efficiency and distributional objectives. Attention, however, needs to be paid to the interactions between welfare benefits and work incentives. The funding of social protection is important as well. The report shows that taxation has become less progressive in the vast majority of countries and thus less able to redistribute the gains from economic growth. This reflects cuts in taxes on high incomes, which have been applied in the majority of countries. There may be a risk that harmful tax competition among countries erodes the funding base for well-designed social policy.
4. A policy brief, focusing on the relevance of the above findings to debates on the financial crisis, was also prepared. It highlights the role of unbalanced income developments, both between countries and within them, as a key structural factor behind the crisis. Like the report itself, the policy brief was produced by the Institute's staff working as a team.
  5. Four discussion papers (Nos 190 and 192 to 194) have been produced as background to the report and a fifth (No. 191) is being finalized.
  6. The report was released at a press conference on 16 October 2008. It was widely covered by the media, with over 200 press articles and citations at the time of writing, including in some of the most prominent international papers. A series of diffusion events are being planned, with a view to participate in the research and policy debate regarding income inequalities, employment and the responses to the financial crisis. This may give rise to follow-up research work, with particular focus on key research issues arising from the financial crisis.
  7. The report, background papers, policy brief and related material can be found on the main page of the Institute's web site ([www.ilo.org/inst](http://www.ilo.org/inst)).

## **B. Globalization and decent work**

### **(a) International framework agreements and participatory governance**

8. An edited volume entitled *Cross-border social dialogue and agreements: An emerging global industrial relations framework?* was published in May 2008. A discussion paper (No. 185) on the same topic was also released.
9. The edited volume focuses on so-called international framework agreements (IFAs), i.e. instruments which result from negotiations between individual multinational companies and Global Union federation with the aim of promoting labour relations and working conditions consistent with healthy firm performance. The volume brings together the contributions of 13 specialists in the field of IFAs with academic and policy-making backgrounds. It examines issues regarding the negotiation, implementation and monitoring of IFAs and draws policy lessons from this analysis.
10. The edited volume has attracted strong interest from academic and policy circles. The first edition has already been exhausted and a second edition is under way.
11. The findings of the volume have also been presented, upon invitation, at several events, including: the French Ministry of Labour under the auspices of the French presidency of the European Union (Lyon, France, 13–14 November 2008); the European Trade Union Institute (Brussels, Belgium, 29 October 2008); the 12th European Association of Development Research and Training Institutes (EADI) General Conference (Geneva, Switzerland, 24–28 June 2008); the 4th Global Labour University Conference (São Paulo, Brazil, 28–30 April 2008); the 5th International Industrial Relations Association (IIRA) African Regional Congress (Cape Town, South Africa, 26–28 March, 2008); the Helsinki Collegium for Advanced Studies (Helsinki, Finland, 6–7 March 2008); the EU-funded think-tank *Europe et Société* (Paris, France, 5–6 February 2008); and the European Foundation for the Improvement of Living and Working Conditions-Dublin (Brussels, Belgium, 10 December 2007).
12. The following papers conclude research on participatory policy-making (biennium 2005–06): a paper was published in an edited volume on *Changing images of civil society: from protest to governance* (New York, Routledge); a volume was released under the Institute's Research Series (No. 117), entitled *The promise and perils of participatory policy-making*. The main finding from these publications is that civil society organizations generally fail to exert real influence over policy-making unless they possess mobilization capacities and a credible exit option from participatory structures. The finding would thus run counter to predictions of theories of participatory governance and deliberation.

### **(b) Global production networks and decent work**

13. An edited book is being prepared, joining a selected set of papers from an international conference held in Bangalore, India (see below). The chapters include case studies of socio-economic impacts of global production in low, medium and high-tech sectors in India. The book examines how global production is impacting upon Indian industry and workers. The sectoral case studies show that engagement of Indian firms with global production has brought a number of advantages, such as increased output, new investment, growth in firm size, job creation (much of this benefiting women workers), employment of skilled workers and rising wages for core workers. At the same time, the benefits are mirrored with strong challenges. Pressures to meet the demanding cost, quality and delivery standards of global companies is compelling many suppliers to outsource parts of

production and to complement formal employment by the use of flexible labour practices, informal and contract labour. Wages received by workers in the low value-added segments of product markets or in lower tiers of global supply chains were found to be either stable or declining. Workers in higher value-added and knowledge-intensive products or services enjoyed rising wages but indicated more stressful working conditions and long working hours.

14. The volume is planned to be published in early 2009 by Oxford University Press. As a dissemination event, the planning commission of the Indian Government has proposed a meeting in 2009 to discuss the main findings and policy implications arising from the book.

### **(c) Internationalization of labour markets**

15. The fourth France–ILO dialogue took place as planned in May 2008. It was organized jointly with the French Ministry for Labour, Social Relations, Family and Solidarity. The theme was internationalization of labour markets. The event was attended by some 60 academic experts, government officials, representatives from social partners and experts from other international organizations. An edited volume gathering all the papers is being finalized and should appear in early 2009.
16. As a follow-up, and as part of the same theme, the Institute has obtained funding under the ILO regular budget special allocation in order to carry out a project on migration and development in selected North and West African countries. The overall objective of the project is to identify, through solid research, policies and institutions that help maximize the contribution of labour migration to development in countries of origin. The project will draw on the expertise of a network of African research institutes which has been created by the Institute. It will involve cooperation with the regional office, MIGRANT and the Turin Training Centre.

## **C. ILO Century Project**

17. Preparations for the volume on the 90th anniversary of the ILO have advanced. The volume, provisionally entitled “The quest for social justice. The International Labour Organization, 1919–2009”, should be published in early 2009. It explores the origins and development of key ILO ideas and policies since 1919, notably as regards human rights and rights at work, the quality of work, social protection, and employment and poverty reduction. It examines, both through general assessments and case studies, how the ILO contributed to social progress in different parts of the world and at different times. A long-term perspective shows that the Organization was a forerunner in many domains. The extent to which the ILO has supported, or led to social change depends on both the ILO’s strategies and the international climate of the time that was (or was not) in favour of ILO action. A final section looks at the challenges facing the Organization in the decade up to its centenary in 2019.
18. A dedicated web site ([www.ilocentury.org](http://www.ilocentury.org)) has been created and is available in the three working languages.
19. Progress has also been made regarding the oral history project. Seven interviews with key ILO persons, including a former Director-General, have been carried out. Transcripts will be posted on the web site. Three more publications are being finalized, namely the edited memoirs of Edward Phelan, a translation from French of Schaper’s *Albert Thomas. Thirty years of social reform*, and a translation from German of Daniel Maul’s *Human rights, social policy and decolonization*. A series of working papers has been launched, prepared

by academic historians and other experts on various topics related to ILO history. All completed papers have been placed on the web site.

#### **D. ILO Declaration on Social Justice for a Fair Globalization**

20. The Declaration is a major initiative which is expected to shape the Organization's programme of work. As agreed at the Board's meeting of November 2007, it is important that the Institute builds complementarities with other parts of the Organization (see INS.B.XLIX/1, section on "Closer linkages with other parts of the ILO"). With this in mind, and provided that additional resources are available, the Institute could provide a key contribution to the follow-up to the Declaration, namely through the launch of a pilot on country studies. The aim would be to examine the interactions between the different domains of the Decent Work Agenda, and identify good practices through sound research-based evidence – the comparative advantage of the Institute.

## **II. Education**

21. The Institute has a special mandate to organize educational activities aimed at strengthening the capacity of ILO constituents to analyse key labour and social issues and develop policy responses.

#### **A. International Internship Course on Labour and Social Policies for Decent Work (Geneva, 8–28 May 2008)**

22. Eighteen participants, nine women and nine men, all middle and senior-level officials representing the ILO tripartite community from 15 countries attended the 43rd Internship Course. This time it was held in French. The course focused on: (i) providing up to date information on the components of the Decent Work Agenda; (ii) enhancing awareness of ILO principles and programmes; (iii) encouraging an integrated approach to social and economic policies for decent work; and (iv) stimulating a cross-national exchange of views and experiences among ILO constituents.

23. The course included lectures from academics and ILO officials, workshops, group work and a field visit to a prestigious Swiss watchmaker. Participants were encouraged to build on group exercises, evaluate the state of decent work in their countries, and prepare a brief analysis of the policies and programmes required for the promotion of decent work. Participants were also solicited to evaluate the organization of the course and encouraged to give suggestions on ways to improve it. Overall, they assessed the course very positively. A CD-ROM with all the teaching materials is available.

#### **B. Regional Training Workshop on Labour Market Analysis in English-speaking African Countries (Durban, 7–11 April 2008)**

24. The Training Workshop, mandated through an Institute Board decision in November 2006, was organized as a joint activity with the ILO social partners and member institutions of the African Regional Network for Labour and Social Studies in English-speaking Africa. It was held at the Workers' College, Durban, which provided all the necessary facilities, and was organized in close cooperation with the ILO Pretoria Office.

25. The purpose of the Workshop was to help strengthen the analytical capability of researchers, trainers and practitioners of the ILO tripartite community (employers, trade unions and governments). The Workshop was aimed at demystifying the use of statistical data and enable trainees to better assimilate available sources of statistical information.
26. Participants were mainly from the academic staff of universities, research/training institutions of the ILO social partners, and mid-level officials of labour departments and statistical offices in different African countries. The participants submitted a written evaluation of the course which showed a very positive feedback.
27. In preparation for the Workshop, the Institute had prepared two volumes of training modules on the “Techniques of labour market data analysis”, primarily addressed to the needs of students, scholars and activists with a university-level education.

### C. Visiting scholars and study visits

28. During the year under review, Prof. Russel Lansbury (University of Sydney, Australia) and Prof. Yoshio Okunishi (Hosei University, Japan) joined the Institute to carry out research under the Visiting Scholars Programme.
29. Eleven study visits, involving 422 students from various universities, were organized. The programmes of these visits included presentations by the Institute’s staff and specialists from ILO technical units.

## III. Policy dialogue, lectures and partnerships

### Research conference

30. A Regional Research Conference on Green Jobs in Asia/Pacific took place in Niigata, Japan, in April and was organized in close cooperation with the regional office and the Policy Integration and Statistics Department. The purpose of the event was mainly to shed light on key analytical issues that need to be addressed in order to move forward with the green jobs agenda. It also served as a device to identify key messages to be brought to the meeting of G8 Employment and Labour Ministers, which took place in May also in Niigata. Key research issues addressed at the event are discussed in a note by the Director published in the *International Labour Review*, No. 2-3, 2008.

### Seminars and workshops

31. A conference was held in Bangalore, India from 18 to 20 November, 2007, to discuss the issue of global production networks and decent work in India, and global trends. It was built upon a fruitful partnership established with the Indian Council of Social Science Research (ICSSR) and the Institute for Human Development (IHD). The conference gathered approximately 55 Indian and international scholars.
32. A research workshop on “Evaluating the impact of codes of conduct and IFAs: Research projects and methodologies” was organized with the participation of external academic networks and representatives of ILO constituents (ILO, Geneva, 12 March 2008).
33. An experts’ meeting on “National Social Dialogue: Within and beyond Tripartism” jointly organized by the Institute, DIALOGUE, and the Hungarian Institute of Social Policy

(Budapest, Hungary, 6 December 2007), examined the policy options relative to building tripartism at the national level.

34. Two decent work research seminars took place: Lucio Baccaro on “Too much restraint? Centralized bargaining and wage growth in advanced countries” (January); and Prof. Russell Lansbury, University of Sydney and President of IIRA, on “Work and Employment Relations Studies: An Agenda for The Future” (May).
35. Upon request from Prof. Michael Piore (MIT), President of the Society for the Advancement of Socio-Economics (SASE), the Institute organized two panels on “Global Production and Decent Work” at the SASE Conference in June 2008. This generated a rich cross-regional perspective that ranged across Asia, Africa, South and North America.
36. The Institute presented research at two meetings (January and May, 2008) organized by the MIT-Stanford research network on “Just supply chains”.

### **Decent Work Research Prize**

37. During the International Labour Conference of last June, the jury of the Decent Work Research Prize named Professor Joseph Stiglitz, for his lifetime contribution to knowledge on the central concerns of the ILO and its constituents which reflects and advances understanding of different dimensions of decent work; and to Professor Harry Arthurs for a major specific contribution to the understanding of socio-economic relationships and policy instruments for the advancement of decent work, namely his report “Fairness at Work. Federal Labour Standards for the 21st Century”.
38. Professor Arthurs will give a lecture during the November Governing Body and it is envisaged that Professor Stiglitz will also give a lecture in 2009.

### **Partnerships**

39. A cooperation agreement between the Institute and the main legal body of Spain (Consejo General del Poder Judicial) has been signed. Similar Memoranda of Understanding are under discussion with India (ICSSR) and the Russian Federation (Academy of Labour and Social Relations, Moscow).

## **IV. *International Labour Review***

40. The past year saw consolidation of the reorganization of the *International Labour Review* following its 2007 relaunch under the auspices of the Institute. In particular, the journal’s new editorial board, chaired by the Director, coupled with its more policy-focused editorial line, have significantly improved the research quality and policy relevance of its contents. Also, the signing in 2008 of a new publishing and distribution contract with Wiley-Blackwell has greatly enhanced the journal’s global image, visibility and outreach, while already generating positive feedback from this leading commercial publisher. The result is a marked increase in the number of articles downloaded and, even more noticeably, a 60 per cent increase in the number of unsolicited papers submitted for publication by independent researchers around the world. Several campaigns will be launched in the next few months to increase the journal’s readership further and encourage still more world-class contributions.

## V. Staff movements

41. The following new colleagues joined the Institute's staff: Uma Rami Amara, as Development Economist (January); Steven Tobin, Head of Education Programme (May); Naren Prasad, Development Economist (June); Ekkehard Ernst, Senior Economist (July). In addition, several researchers joined the Institute with short-term assignments: Matthieu Charpe, to carry out quantitative analysis on the factors behind income inequality; Verónica Escudero and Sameer Khatiwada, to support overall statistical and analytical work of the Institute; Megan Gerecke to support work on redistribution policies as part of the *World of Work Report*; and Emily McGirr to work on migration and employment in selected African countries.
42. Eddy Lee continued his affiliation as a fellow and Francis Maupain joined the Institute as a new fellow. Thanks to a donation by Mr Maupain, a fund managed by the Institute has been created to support internships and work on ILO values and objectives.

## VI. Publications

43. A list of books, papers and other monographs published since October 2007 can be found in the appendix.

## Appendix

### Publications, November 2007–October 2008

#### (a) *World of Work Report 2008*

International Institute for Labour Studies. *World of Work Report 2008: Income Inequalities in the Age of Financial Globalization*, (published also in French and Spanish), 2008. Preface by Mr. Juan Somavia, Director-General of the ILO. Editorial by Raymond Torres, Director of the Institute.

Steven Tobin, Matthieu Charpe, Ekkehard Ernst, Raymond Torres. *Trends in employment and inequality* (Chapter 1).

Ekkehard Ernst, Verónica Escudero. *The role of financial globalization* (Chapter 2).

Lucio Baccaro. *Labour institutions and inequality* (Chapter 3).

Uma Rani Amara. *Employment patterns and income inequality* (Chapter 4).

Naren Prasad. *Redistribution through taxes and social transfers* (Chapter 5).

Steven Tobin, Matthieu Charpe. *Decent work as a coherent policy package* (Chapter 6).

#### (b) *Other books*

Papadakis, K. *Cross-border social dialogue and agreements: An emerging global industrial relations framework?*, 2008.

#### (c) *Discussion papers*

No. 194 Naren Prasad. *Policies for redistribution: The use of taxes and social transfers*, 2008.

No. 193 Uma Rani Amara. *Employment structure and income inequality*, 2008.

No. 192 Lucio Baccaro. *Labour, globalization and inequality: Are trade unions still redistributive?*, 2008.

No. 191 Ekkehard Ernst and Verónica Escudero. *Will the next globalization be great? Evidence on the effects of financial globalization on employment and inequality*, 2008.

No. 190 Franz Ebert, Konstantinos Papadakis and Raymond Torres. *Executive compensation: Trends and policy issues*, 2008.

No. 189 Dominique Anxo and Harald Niklasson. *The Swedish model: Revival after the turbulent 1990s?*, 2008.

No. 188 UNU-CRIS. *Deepening the social dimensions of regional integration*, 2008.

No. 187 Eddy Lee. *Harnessing globalization for development: Opportunities and obstacles*, 2008.

- No. 186 Jill Rubery, Gerhard Bosch and Steffen Lehndorff. *The influence of the EU on the evolution of national employment models*, 2008.
- No. 185 Tony Edwards, Paul Marginson, Paul Edwards, Anthony Ferner and Olga Tregaskis. *Corporate social responsibility in multinational companies: Management initiatives or negotiated agreements?*, 2008.
- No. 183 Dev Nathan and V. Kalpana. *Issues in the analysis of global value chains and their impact on employment and incomes in India*, 2007.

**(d) Research Series**

- No. 117 Lucio Baccaro and Konstantinos Papadakis: *The downside of deliberative public administration*, 2008.
- No. 116 Rémi Clavet, Gregorio de Castro, Isabelle Daugareilh, Isabelle Duplessis, Eric Grave, Hagen Henry, Jean-Claude Javillier, Marianna Linnik, Sune Skadegaard Thorsen, Yun Gao, Arnold M. Zack. *Governance, International Law and Corporate Social Responsibility*, 2008.
- No. 115 Gerry Rodgers and Christiane Kuptsch: *Pursuing decent work goals: Priorities for research*, 2008.
- No. 114 Marta Novick, Carlos Tomada, Mario Damill, Roberto Frenkel and Roxana Mauricio. *Tras la crisis: El nuevo rumbo de la política económica y laboral en Argentina y su impacto* (also available in English), 2007.

**(e) Articles in the ILR and external publications**

- Papadakis, K: “Civil society and participatory governance in South Africa: The struggle for socio-economic equity in the post-apartheid era”, in Bruno Jobert and Beate Kohler-Koch (eds). *Changing images of civil society: From protest to governance*, New York: Routledge Studies in Governance and Public Policy, 2008, pp. 151–74.
- “Research on transnational social dialogue and international framework agreements (IFAs)”, in *International Labour Review*, Vol. 147, No. 1, 2008, pp. 100–4.
- “Les accords cadres internationaux comme éléments d’un système transnational de relations professionnelles” in *Les négociations transnationales en Europe: Où en est-on?* Les Cahiers de la Fondation, No. 69–70, Paris: Europe et Société, 2008.
- Posthuma, A.C. “Seeking the high road to Jepara: Challenges for economic and social upgrading in Indonesian wood furniture clusters”, in Puppim de Oliveria (ed.) *Upgrading Clusters and Small Enterprises in Developing Countries*, Economic Geography Series, Ashgate Publishing, Hampshire (forthcoming).
- “The industrial district model: Relevance for developing countries in the context of globalization”, in Beccatini et al. (eds). *Handbook of Industrial Districts*, Edward Elgar Publishing (forthcoming).
- Prasad, N. “Social cohesion, governance and social development in small states” in L. Briguglio et al. (eds). *Small states and the pillars of economic resilience*, Valletta, Islands and Small States Institute, University of Malta, Commonwealth Secretariat, pp. 289–301.

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Torres, R. “The social impact of policies to address climate change: A review of the issues”, in International *Labour Review*, Vol. 147, No. 2-3, 2008, pp. 275–279.

**(f) External publications**

Prasad, N. “Social policies and private sector participation in water supply: Beyond regulation”, Palgrave/Macmillan, 2008.

Rani, U. “Flexibility of labour in globalising India: The challenge of skills and technology”, in *Tulika Books*, New Delhi, 2008 (co-authored with Jeemol Unni).