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**Report of the Director-General**

**Report I**

# **The future of work centenary initiative**

**International Labour Office, Geneva**

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## Preface

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This Report returns to the future of work centenary initiative, which I first suggested to the International Labour Conference two years ago. It has attracted a great deal of attention and support, with general feeling that it should stand at the centre of activities to mark the ILO's 100th anniversary in 2019.

It is therefore timely to give greater substance to the initiative's content and process, and to obtain the views and guidance of the tripartite constituents on its implementation. Their interest and engagement in the initiative will be decisive for its success.

To this end, this Report proposes a three-stage implementation plan and discusses the types of issues that could make up four "centenary conversations", which would give preliminary shape to the initiative, feeding into a high-level commission and then the 108th Session (2019) of the Conference.

Although key issues are highlighted, they are not dealt with exhaustively or in depth. It will be for the initiative itself to do that at the appropriate levels of ambition and intellectual rigour. This Report does not try to anticipate its outputs. Instead, it seeks to address the organizational and scoping issues that are preconditions for the initiative to work. On that basis, its discussion in the Conference plenary provides the opportunity for governments and employers' and workers' organizations to shape the initiative and to become active and committed participants in the activities to be carried out under it.

The ambition is not to mark the ILO's centenary in a purely ceremonial way, but with a process that will help to guide its work for social justice into its second centenary. Your views on this Report will be the first steps to realizing that ambition.

Guy Ryder



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# Chapter 1

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## The future of work centenary initiative

1. Two years ago, my first Report to the International Labour Conference set out some of the long-term challenges for the ILO as it approached its centenary.
2. A central proposition of that Report was that processes of change were taking place at such speed and on such a scale as to constitute a transformation of the world of work. Therefore, the ILO needed to understand and to respond effectively to them in order to be able to advance its mandate for social justice.
3. For this reason, a “future of work” initiative was proposed as one of the seven that would mark the ILO’s centenary in 2019. The debate on the Report in the plenary of the 102nd Session (2013) of the International Labour Conference made clear that this central proposition was shared by constituents and that there was extensive support for a far-reaching process of reflection on the future of work as the centrepiece of the ILO’s centenary.
4. Subsequently, the Governing Body endorsed this and the other six centenary initiatives<sup>1</sup> and provided important guidance on their implementation. Nevertheless, given its pivotal importance for the continuing process of reform in the ILO, a further plenary Conference debate on the basis of this Report seems necessary for two reasons: it can give visibility to the future of work initiative and promote the broadest possible political and substantive engagement in it; and it can help give structure and focus to a process which, at first sight, needs to address issues of extraordinary diversity and complexity. Both these elements are preconditions for the initiative’s success and it is not too fanciful to suppose that the success of the initiative will itself substantially condition the relevance and influence of the ILO’s work in the second century of its history.

## The concept

5. The rationale underpinning the future of work initiative stems from the fact that it is difficult for the ILO (or any comparable international organization) to address all the implications of transformational change in its regular day-to-day activities. While all such activities are relevant, even taken together they are not enough. This is because, by their nature, they tend to be short-term and specific: necessary responses to immediate policy challenges.
6. Rarely does the opportunity arise to step back and to look at the broader picture or the longer term, overall dynamics and direction of change and to think through what they require of an organization. The centenary provides that opportunity and through this initiative it can be taken.

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<sup>1</sup> The governance initiative; the standards initiative; the green initiative; the enterprises initiative; the end to poverty initiative; the women at work initiative.

7. It follows that the initiative needs to operate at a high level of ambition. It needs to involve its tripartite constituency fully and universally, but has also to reach beyond them to the academic world, and indeed to all other relevant and interested actors. That implies no threat to tripartism; a greater threat would lie in failure to connect with that wider public.

8. Success will also depend on providing the right mechanisms and framework for engagement, and above all on clear recognition that this initiative must have consequences. The centenary is certainly an occasion to look back at past history and achievements (and to learn from them). But the value of this future of work initiative will be measured by how it provides concrete guidance for the future activities of the ILO.

9. In this regard, the initiative must, by definition, be a contribution to the cause of social justice. What gives it particular significance, and perhaps explains the great interest it has evoked, is that it is launched in a context of great uncertainty and insecurity, and of fear that the direction of change in the world of work is away from, not towards, the achievement of social justice.

10. This is to be found in growing inequality – widely commented but much less acted upon – and in the paradox that the extraordinary advances in the productive capacity of the global economy now provide the material means to eliminate poverty and meet human needs as never before, but are singularly failing to do so. At the same time, the workings of that economy are generating mass unemployment and underemployment and large-scale exclusion, as well as great prosperity and social advances, which are present in tense coexistence within and between our societies.

11. In 1919, the founders of the ILO stated that they were “moved by sentiments of justice and humanity as well as by the desire to secure the permanent peace of the world”. In 1944, the Declaration of Philadelphia stated that “the war against want requires to be carried on with unrelenting vigour”. The initiative that will culminate in 2019 should give expression to those same sentiments and point the way to how that war can be carried on, with the same vigour, but also performing the tasks and applying the methods required by radically changed circumstances in the world of work.

## The process

12. In order to meet these ambitions, the Conference may want to consider the three-stage process of implementation of the initiative, which has already received support in the Governing Body.

13. The first stage, which would be set in motion immediately, would be to invite the widest possible engagement in and contributions to the reflection on the future of work. Tripartite constituents, international organizations, research institutions, universities, civil society and individual personalities would all be asked to participate, and member States encouraged to establish their own networks and processes.

14. Current expressions of interest seem to indicate that, properly conducted, this stage has the potential to generate a considerable body of inputs. But it will still be a challenge to give them structure and to process them in such a way as to feed into the second and third stages of implementation. To this end, it is proposed to cluster participation in four “centenary conversations” outlined in Chapter 3 of this Report. This is not intended to limit the issues to be considered; on the contrary, the initiative will benefit from the fullest diversity of contributions it is able to attract. Rather, the aim is to ensure that these contributions are not so dispersed or unconnected that their value risks

subsequently being lost. Each conversation could be synthesized in core reports with publication targeted for late 2016.

15. The second stage would then be the establishment of a high-level commission on the future of work. It would be asked to examine the outputs from the centenary conversations, and to develop them, *inter alia*, through a series of public hearings and other activities designed to fill such knowledge gaps or deficits as become apparent. The output of the commission would be a report, to be submitted to the 108th Session (2019) of the Conference.

16. The ILO's centenary year, 2019, would be the occasion for the third stage of the initiative. All member States would be encouraged to hold ILO centenary events in the first half of the year. National tripartite constituencies would undoubtedly wish to give space to commemorative or historical components in such events in accordance with the specifics of their interaction with the ILO over the years. But it would also be important for each of them to give attention to the issues arising from the future of work initiative.

17. The 108th Session (2019) of the Conference would be the culminating event of the initiative. It would seem appropriate to give over a large part, or all, of this centenary Conference agenda to the initiative, within the limits set by the Constitution and other necessary work. Guidance on how this might be foreseen would be particularly valuable at this stage.

18. On the understanding that the report of the high-level commission on the future of work would be a key document presented to the Conference, it would be possible to examine it as a whole in a continuous plenary debate or to deal with specific themes arising from it in the technical committees or elsewhere in interactive sittings.

19. In any case, decisions on the organization of the 108th Session (2019) of the Conference should be guided principally by the need to ensure that the key objective of generating concrete guidance for the future direction of the ILO in its second century is met. With this in mind, a crucial question is whether the Conference should adopt a solemn "Centenary Declaration". The occasion would seem to demand it. But if it is to be of more than symbolic or ceremonial value, serious advance consideration will need to be given to its substantive content and political purpose.

## Some practical considerations

20. Considerable organizational and administrative efforts will be required for the ambitions outlined in this Report on the future of work initiative to be realized. While the majority of substantive activities will not be undertaken within the Office, it will be required to launch, coordinate and process the initial stage of reflection, to service the commission and, as always, to make preparations for the 108th Session (2019) of the Conference.

21. Consequently, it will be necessary to establish a dedicated unit within the Office, headed by an adviser on the future of work, and to mobilize financial resources to cover this work and other aspects associated with implementing the initiative. The scale of the activities undertaken will ultimately depend both on the level of active engagement demonstrated by constituents and others in the initiative, and on the material means available to translate that engagement into concrete outcomes.

22. On each count, the support of member States will be decisive.



## Chapter 2

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### The world of work today

23. The best point of departure for an examination of the future of work is a baseline understanding of what the world of work looks like today. What are the circumstances of our planet's approximately three billion strong workforce? Where are the most significant decent work deficits?

### Jobs, poverty and social protection

24. While the world as a whole has attained a level of prosperity higher than ever before, the current trend rate of global economic growth remains significantly lower than before the financial crisis struck in 2008. World unemployment today already stands at just over 200 million. That is some 30 million higher than in 2008, and when those who have dropped out of the labour force are taken into account, a "jobs gap" of about 62 million jobs is apparent, a measure of the toll that the crisis has taken on employment. Youth unemployment stands at a much higher level than the average unemployment rate for the general population, and in many cases it is more than twice as high. Also, more men than women are employed – while the labour market participation rate of women has increased enormously over the past century, it remains some 26 per cent lower than that of men. On the basis of the most recent data available, the gender pay gap remains over 20 per cent, with no unambiguous or rapid reduction in evidence. Furthermore, women continue to be over-represented in both non-standard forms of work and unpaid family labour.

25. Current demographic trends bring 40 million people to the labour market each year, meaning that between now and the year 2030 the world economy needs to create over 600 million new jobs. Those jobs are more likely than ever to be in the services sector, which today accounts for some 49 per cent of total employment, relative to 29 per cent in agriculture and 22 per cent in industry.<sup>1</sup> Those workers will need to support an increasing number of older people, with the share of the world's population aged over 65 increasing from 8 per cent today to nearly 14 per cent by 2040.

26. The number of workers in extreme poverty has fallen substantially in recent decades, but some 319 million working women and men still live on less than US\$1.25 per day.<sup>2</sup> They are located for the most part in developing countries, especially the least-developed ones, but the level of poverty is a source of concern in many industrialized countries as well. Inequalities have increased in many countries over the past 40 years, while the labour share of gross domestic product has declined significantly, falling from

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<sup>1</sup> ILO: *World Employment and Social Outlook: Trends 2015*, Geneva, 2015.

<sup>2</sup> ILO: *World Employment and Social Outlook: Trends 2015*, op. cit.

75 per cent in the mid-1970s to 65 per cent in the mid-2000s in developed countries for which we have data.<sup>3</sup>

27. Linked to poverty is the issue of social protection, available on an adequate basis to only 27 per cent of the world's population. The ambition to provide a floor of minimum protection for everyone has gained wide support internationally and levels of social protection are increasing; however, there remains a very long way to go before that ambition is realized. Moreover, many mature systems of protection are confronted with challenges of sustainability and adaptation.

## Internationalization of production

28. Globalization has generated the continuing internationalization of the world's production system, with increasingly prevalent global supply chains frequently making it impossible to identify a single national origin of finished products – they tend to be made “in the world”. This has resulted in considerable new openings for economic development and employment-led paths out of poverty for hundreds of millions of people, but also the danger of global competitive processes placing downward pressures on working conditions and respect for fundamental rights. The onward process of the internationalization of production coincides with the continuation of primarily nationally-based labour-market institutions, legislation and processes, with consequences for the future governance of work.

29. The internationalization of labour markets can also be seen in the migration of increasing numbers of workers between countries in search of work. The level of international migration stands today at 232 million women and men, representing total growth of over 50 per cent since 1990. While they contribute significantly to the labour markets in their host countries, they often experience high unemployment and considerable insecurity, sometimes even open xenophobia and racism. Such pressures have also generated difficult political controversy.

## The quality of work

30. Globally, half of the labour force is working and producing in the informal economy.<sup>4</sup> Although the informal economy is largest in the developing countries, informality continues, and is even growing, in the industrialized countries.

31. Each year, some 2.3 million workers lose their lives, and there is a heavy burden in terms of occupational diseases, with a high social and economic cost for workers, employers and social protection systems as a whole, amounting to 4 per cent of global output. There is also growing awareness of the human and economic costs of current levels of mental stress at work. In many advanced economies, the number of working-age people who can no longer work as a result of poor health or disability now exceeds the number of people who are unemployed.

32. Universal respect for fundamental principles and rights at work remains a distant prospect. While there have been considerable advances, there have also been setbacks in recent years. Half of the world's workers are in countries that have not yet ratified the Freedom of Association and Protection of the Right to Organise Convention, 1948

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<sup>3</sup> ILO: *Global Wage Report 2012/13: Wages and equitable growth*, Geneva, 2013.

<sup>4</sup> ILO: *Transitioning from the informal to the formal economy*, Report V(1), International Labour Conference, 103rd Session, Geneva, 2014.

(No. 87); there are still 168 million child labourers and 21 million victims of forced labour; and the world of work is still affected by deeply ingrained discrimination, on the grounds of gender – as already noted – but also on other grounds, including ethnicity, religion and disability.

### Likely future developments

33. Whatever we think of them, the circumstances of the world of work are the outcome of a myriad of decisions taken, in the public and in the private domains, nationally and internationally, and with regard to all aspects of policy. Equally, and notwithstanding already observable dynamics of change and some very harsh realities, the future of work is what we will make it. The challenge is to make it the one we want.



## Chapter 3

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### The centenary conversations

34. As indicated in Chapter 1, a broad framework is needed to give the future of work centenary initiative the necessary structure and focus for concrete results to be obtained.
35. One way of achieving this would be to group inputs in the first stage of reflection into four “centenary conversations”, each of which would address a broad area of key significance. The four conversations suggested here should be regarded as non-exclusive and indicative; contributions may address more than one of them and all inputs relevant to the future of work should find a place within them.

### Work and society

36. The idea that work is crucial to achieving social justice presupposes a notion of the place and function of work in society. The ILO rarely pauses to examine that notion, but it is the compass with which it needs to find its road forward.
37. From the earliest times, the purpose of work has been to meet basic human needs. Initially it was defined by the prerequisites of survival itself, and then, as productive capacities increased and surpluses were generated, it extended to the satisfaction of other needs, notably through specialization and direct or monetized exchange.
38. Despite the extraordinary development of production through successive technological revolutions, this basic imperative to work is still with us in the contemporary world. Fundamental human needs still go unmet and the war on want is unfinished because poverty persists; a large part of the global workforce is still engaged in subsistence production.
39. The international community returns to this reality this year as it sets the post-2015 development agenda. As it does so, increasing attention is being devoted to a re-examination of one long-standing and seminal assumption – that meeting human needs is by definition dependent upon ongoing economic growth, and that the capacity to do so is predicated on gross domestic product per capita. The idea that alternative yardsticks can better measure human welfare and happiness is taking root, not as an abstract concept but as a concrete parameter of policy-making. It is given extra impetus by environmental considerations – equally to the fore now as the international community approaches the United Nations Climate Change Conference in Paris in December – given the awareness of planetary limits to ongoing gross domestic product growth, at least under current conditions of production.
40. The implications of these developments raise the prospect of a fundamental recasting of the place of work in society.
41. In this macro context, the work experience of individuals in society must also be examined, as a building block of our understanding. We know that work has the capacity

to destroy lives – 2.3 million die each year because of work,<sup>1</sup> 21 million are in forced labour<sup>2</sup> and 168 million children work. The ILO is responsible for ending such situations and it must combat the continued prevalence of poverty at work.

42. But its responsibilities go beyond that. The Declaration of Philadelphia refers to the need to act to ensure that workers “can have the satisfaction of giving the fullest measure of their skill and attainments and make their greatest contribution to the common well-being” and refers to the right to pursue “their spiritual development” as well as “their material well-being”. Embedded in the ILO’s mandate is the idea that work should be an act of self-realization, imbued with the notion of personal and collective purpose. Work must certainly meet material needs, but it must also respond to an individual’s quest for personal development and the instinctive desire to contribute to something larger than one’s own or one’s family’s welfare.

43. Sigmund Freud said “work is the individual’s link to reality” and when that link is broken through unemployment the consequences for the individual are serious, and in the long-term devastating – extending even to health status and longevity. Access to work is a precondition for personal development and social inclusion. But this can be more or less satisfactory, depending on the nature and the conditions of the work undertaken. The individual will want to find meaning and purpose in work and material compensation for it that allows him or her to become an independent, full and valued actor in society. The workplace itself is also where socialization processes initiated in education are deepened and where many of the individual’s social relations are forged and maintained. These are all reasons why the future of work will dictate many facets of the future of our societies.

44. It is tempting – but wrong – to extrapolate from the experiences already observable in the most advanced economies as a best estimate of what the future will look like, because developing and emerging economies may well follow distinctly different paths than the early industrialized economies. Nevertheless, some considerations do seem to be of general relevance.

45. The prospect of a single job for a working life has become outdated in today’s world of work. The question is then the extent to which this archetype (if it ever really existed as a general norm) is to be replaced by ever more flexible, short-term and transient forms of work, with workers being increasingly mobile spatially and functionally, and what that would mean for their insertion in society. At the same time, work units are becoming smaller and more dispersed, and workplace locations more disconnected from communities. There are concerns that strong social networks based on common experiences at work, personal relationships forged over long periods and the commitments that emerge from stable employment relationships are at risk of being eroded and replaced by situations that strip individuals of the social identity that work can confer and leave them isolated, insecure and alienated by the work experience.

46. That dystopian vision can be set against another which stresses the freedoms and opportunities which can arise from dynamic labour markets offering unprecedented choice and rewards for individuals ready to take advantage of them, and with the skills to be able to do so. The increasingly knowledge-based economy places a dividend on cognitive capacities and offers new perspectives to enrich the content and meaning of

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<sup>1</sup> ILO: *Safety and Health at Work: A Vision for Sustainable Prevention*, XX World Congress on Safety and Health at Work 2014: Global Forum for Prevention, 24–27 August 2014, Frankfurt, Germany, (ILO, Geneva, 2014).

<sup>2</sup> ILO: *Profits and poverty: The economics of forced labour*, Geneva, 2014.

work and give the individual greater control over it, representing a marked improvement over the fragmentation and routine, if not outright drudgery, of industrial or pre-industrial times. Here the emphasis is on individual initiative and responsibility, rather than familiar collective mechanisms, to mediate the relationship between work and society.

47. Neither of these two outcomes is a necessary future consequence of current world of work dynamics, nor are they mutually exclusive. In fact, they can easily coexist in increasingly segmented and unequal labour markets. It is perhaps precisely this danger of growing segregation and inequality at work solidifying into divided and unjust societies that most needs to be addressed.

48. A future of work conversation that tackles this and related matters will be dealing not with soft issues, but with some of the hardest problems we have before us.

## Decent jobs for all

49. Where will the jobs come from, and what will they be like? In the minds of the public and of political leaders around the world there are no more pressing questions relating to the future of work. And with the global economy in danger of sliding into a permanent state of slow growth those concerns seem well-founded. With current forecasts being for further increases in already unacceptably high unemployment, fears that the global jobs machine is broken, or at least malfunctioning badly, are widely prevalent.

50. The simple fact that the world needs to create 600 million new jobs by 2030 (the overwhelming majority in developing countries)<sup>3</sup> just to get back to pre-crisis levels of employment, to employ the young people entering the labour market and to boost the participation of women in line with internationally agreed targets, already invites reactions of resignation. Yet, at national level no government and no candidate for office can renounce the objective of full employment nor tell an electorate that there will not be enough jobs; obstacles may be highlighted, warnings of a long road ahead given, but the goal remains.

51. That political imperative coincides with the ILO's constitutional obligation to promote full employment and rising standards of living. In addition, our Organization is committed to ensuring that jobs meet the quality criteria of decent work.

52. There is inherent danger in adhering in words and principle to a policy objective – however commendable – that one believes to be unattainable or does not actively prioritize and pursue in practice. It erodes credibility and invites inevitable failure. Not just for these reasons, but above all because to do otherwise would be an abdication of a fundamental responsibility, the ILO has to pursue and promote decent work for all as an essential, realizable and urgent necessity and not as an act of faith.

53. This accepted, the experience of recent decades, and most particularly that of the post-crisis period, poses a prior and legitimate question to those striving to bring about conditions of full employment in the future. It is whether or not something has fundamentally changed in the workings of the global economy, some tectonic reorganization, which renders the policy instruments now at the disposal of national and international policy-makers incapable of generating the jobs that are needed in sufficient quantity and quality. That question is closely related to the attribution of current growth

<sup>3</sup> ILO: *World Employment and Social Outlook: Trends 2015*, op. cit.

and employment trends to the cyclical impact of the crisis or more permanent structural factors.

54. In short, do we need to use the policy tools we already know about, but use them better and with a greater dose of international cooperation and coordination, or do we need to substitute or supplement them with entirely new and innovative approaches and policies? In either case, renouncing the commitment to full employment is not an option. From this starting point, the centenary conversation about decent jobs for all will need to address a wide range of employment policy questions.

55. In the event that a qualitative shift to entirely new instruments is required, the conversation itself will need to break entirely new ground to give substance to them. The idea that the global economy is not able to generate enough jobs within established policy parameters may warrant examination of innovative methods of distributing available work and of compensating it. Two commonly identified sources for future job growth in both developing and industrialized countries are the green economy, given the need to invest heavily in energy-efficient infrastructure and production, and the care economy, given the aging population in much of the world. But what will it take to realize that potential? Already, many existing needs for care either go unmet because of financial constraints or are covered by resorting to underpaid or unpaid carers, and the world is challenged by the imperative of funding equitably the transition to a sustainable growth model.

56. The conversation will also need to address long-standing employment-related trends, with the impact of technological innovation foremost among them. The debate about the disruptive effects of technological change on jobs is some two centuries old, and the encouraging conclusion to be drawn from the historical record is that, notwithstanding the disruption it inevitably brings, over the long term it has created more employment than it has destroyed, and has pushed overall living standards to new levels.

57. The question today is whether the unfurling technological revolution identified by many observers, symbolized by the application of “big data” and of 3D printing and robotics to manufacturing, is so far-reaching in its labour-replacing potential that it is inherently different from what has been experienced in the past, and on balance is an inhibitor rather than a generator of decent work.

58. In any case, any attempt to resist innovation should not so much be considered misguided or self-defeating, but quite simply impossible; there can be no credible way of doing so. The policy challenge lies rather in managing the change, and that includes ensuring that the benefits of new technologies based on extraordinarily advanced knowledge and capacities are widely diffused, both within and between nations, rather than becoming the basis of even greater divisions, which could dangerously deepen already existing conditions of advantage and disadvantage.

59. In part, this must address the wider matter of skills and training as a key component – although no panacea – of a future agenda for full and decent employment for all countries, including the least developed. The buzzwords “skills mismatch” and “employability” have become popular in recent years, but have done more to highlight a fairly evident problem than to stimulate action on a scale that could respond to it effectively. In the process, however, a better appreciation has emerged of the complexity of the issues involved and the nature of the obstacles to progress. Certainly, there is a need to invest in the cutting-edge skills required in the new knowledge economy, and for a better connection to be established between educational systems and business needs. The access of many to labour markets is hindered by an absence of soft skills and by

behaviour and attitudes that are the consequence of social exclusion and deep disadvantage.

60. This situation is illustrative of the wider need for targeted policies that respond to the needs of groups whose disadvantaged position in labour markets is so universal and so marked that it can only be the result of deep-seated structural factors operating almost everywhere. The well-known cases are those of young people, of women and of the disabled (although the list of disadvantages does not end with them), all of whom have reason to think that responses to their specific circumstances are badly overdue.

61. Evidently, the backdrop to all of these issues is the macroeconomic management of the global economy. To the extent that that management succeeds in restoring sustained, strong and balanced growth, the goal of decent jobs for all is correspondingly advanced, while secular stagnation would add to the already formidable dimensions of the challenge. This global macroeconomic agenda for jobs, growth and development, and the ILO's mandated and established contribution to it, constitute a vitally important variable in the conversation. And it should not be forgotten that the interaction of divergent national and regional development experiences with demographics and other factors will, on current trends, continue to broaden the gap between the geographical locations where decent jobs are available and the geographical locations where the people who need access to them actually are. Consequently, the ILO's agenda for fair migration will also need to be integrated into this complex, crowded and crucial centenary conversation.

## The organization of work and production

62. An increasingly globalized economy experiencing rapid and deep change under the impetus of technological transformations and a constant quest for increased competitiveness, and conditioned by an evolving policy agenda and, more recently, renewed geopolitical tensions, is generating major developments in the way that work and production are organized.

63. These developments are the result of the interplay between public policy decisions and private initiative. The State, individually at the national level, and collectively at the regional or global level, sets the regulatory framework. In the public sector it also organizes work directly as an employer, and in that capacity has brought in extensive reforms. But it is above all in the private sector, where most jobs are and most new ones are created, that the real impetus and impact of the reorganization of work and production are to be found. The enterprise is the key vector of change, and this centenary conversation should help the ILO better understand the dynamics of the enterprise and how it will shape the future of work.

64. In public and ILO discourse, enterprises tend to be placed in binary fashion into the categories of micro-, small and medium-sized enterprises on the one hand, and large and sometimes multinational ones on the other, no doubt failing to do justice to the real-life variety of experiences, not least that of informality. This Conference is giving attention to small and medium-sized enterprises at its current session, but change is impacting on all enterprises, albeit in different ways. While there is little question that the enterprise will continue to be the essential unit of work and production, very fundamental questions are posed about what it will look like in the future and how it will operate.

65. There are a bundle of interrelated characteristics that have tended to define our general understanding of the nature of the enterprise over the last century. Among them has been its identity as the producer of goods and services through the direct

employment of a workforce on a stable and relatively long-term basis. But that archetype is being increasingly called into question by current processes of change.

66. Over and above the largely assumed reality that a lifelong attachment to a single enterprise employer is no longer a generalized societal expectation, the very existence of the employment relationship as the normal contractual arrangement between enterprise and worker is being called into question. Where it does exist, that relationship may increasingly depart from the classic full-time, open-ended relationship, taking instead one of a variety of “non-standard” forms, including part-time, fixed-term and flexible contracts. Beyond this, there are also instances of enterprises dispensing with a directly employed workforce altogether, or for large parts of their operations, generally through processes of subcontracting, outsourcing, third-party agencies, and the operation of supply chains, which are increasingly taking on a global dimension. In the most far-reaching cases, business models have appeared in recent years which, through the mediation of Internet-based technologies, connect individual demanders of goods and services with those in a position to supply them, in a transient commercial relationship that lasts no longer than the time taken to deliver that product or service.

67. With enterprise dynamics in a phase of such flux and uncertainty, it would be premature to draw generalized conclusions from a limited set of examples. But enough is already evident for some key questions to be addressed. The fact that the long-term trend of increase in the percentage of wage and salary earners in the global workforce has now stalled shows that important and widespread processes are at work, and that the idea that progress in labour markets can be schematized as a one-way street from informality to formal employee status may be significantly misplaced. There is increasing probability that various permanent forms of self-employment will become alternative destinations.

68. If so, the question that arises is whether and how this matters, and what the implications are for the pursuit of the ILO’s mandate for social justice.

69. Given that enterprises themselves are the primary drivers, it would seem axiomatic that these developments act unambiguously to their advantage. Yet there may be limits to the benefits to be gained by enterprises from this type of change. Particularly where specialized and sought after skills are in play, employers will be anxious to retain employees. Moreover, worker identification with, and commitment to, an enterprise can make a substantial difference to its performance. High-involvement work systems are recognized as being beneficial to enterprise performance, and employers will certainly be conscious of the downside risk of weakening or dissolving such connections with employees.

70. For workers, the emphasis is most frequently placed upon the disadvantages resulting from the increase in “non-standard” forms of work organization, in terms of loss of employment and income security in particular. Ongoing and difficult debate – including in the ILO – about how to reconcile the needs of enterprises with the interests of workers, most neatly encapsulated in the idea of “flexicurity”, should not, however, obscure other aspects of innovative work forms. With information and communication technologies also providing increased scope for remote working, new opportunities exist to reconcile professional and family responsibilities through more satisfactory and equitable work–life balance, with women potentially the principal beneficiaries. Here, too, there are concerns as well as hopes; a blurring of the spatial and temporal boundaries between work and the private sphere provokes disquiet in some quarters, and echoes of pre-industrial organizational forms. Processes of change that allow the individual to be more at home in their work, but also more at work in their home, could prove a mixed blessing for some.

71. More generally, these developments provide society as a whole with some broader policy challenges. It is already evident that they are testing the capacity of tax and social protection systems, which have for long periods been designed on the basis of the assumed template of a standard employment relationship (and nuclear family), to adjust to new realities. In the absence of such adjustments, the danger is that key areas of public policy beyond the immediate labour market arena could be badly disrupted by what happens in the world of work. This has implications too for the many countries that are still putting in place sustainable systems of social protection.

72. The global financial crisis of 2008 rapidly generated the great recession, with dramatic consequences for employment and living standards that are still being felt around the world in both developing and industrialized countries. It was a sharp and painful reminder of the influence of the world of finance over the world of work.

73. There is nothing new or surprising about the existence of this relationship; the crucial role of financial institutions in directing resources to productive investment has always been acknowledged. The Declaration of Philadelphia mandated the ILO to examine and consider financial policies and resources to assess their contribution – or otherwise – to the Organization’s social justice objectives.

74. Nevertheless, the greatly increased influence of the financial economy over the real economy, evident not only in episodic finance-induced crises of increasing frequency and gravity, but also in a permanent state of affairs characterized by the concept of “financialization” of the world of work, raises the concern that this relationship has become deleterious to the functioning of enterprises and the operation of the productive economy. The pursuit of high levels of short-term returns, to the detriment of the sustainability of enterprises and employment, has been one observed effect, while the post-crisis period has seen the choking off of finance to viable enterprises – particularly small and medium-sized ones. The advent of crowdfunding may provide some welcome relief in specific cases, but finance will do much to determine how the world of work will function in the future and there needs to be a place for it in this conversation.

## The governance of work

75. Societies seek to exercise governance over the way work is carried out through a combination of instruments: laws and regulations, voluntarily concluded agreements, labour market institutions, and the interaction of governments and organizations of employers and of workers. These have generally been developed in accordance with underlying social norms – unwritten but powerful collective ideas about what is fair and acceptable and what is not. At the international level, these have been embodied in the ILO’s goal of social justice, but that universal mandate encompasses a rich variety of national specifics and is none the weaker for it.

76. The unique and historic role of the ILO has been to take these tools of governance and apply them at the international level, with ever greater scope as its membership has expanded to near universality. That endeavour was genuinely historic in its conception, and remains hugely ambitious. Over the years it has had to confront major challenges which, for the most part, it has managed to do with notable success.

77. The core of the international governance of work is the adoption of international labour Conventions through tripartite negotiation which, when ratified, have the force of international law and are subject to ILO supervision. Three underlying threads of logic can be detected in that system: the need to establish a level playing field between member States on the basis of common standards; the shared objective of establishing

universal respect for fundamental principles and rights at work as set out in the 1998 ILO Declaration on Fundamental Principles and Rights at Work; and the idea that international labour standards – including non-binding Recommendations – should provide a framework of guidance for member States as they seek to marry economic growth with social progress.

78. Controversy, particularly since 2012, centred on the right to strike, has revealed the very firm support of governments, employers and workers for the ILO's key international standards-based global governance function. They want it to work well, to have authority, and to be strengthened. Through the standards centenary initiative, the ILO is addressing the admittedly complex issues that must be tackled to ensure this happens, and recent developments open up encouraging avenues for progress.

79. A number of fundamental questions about the appropriate level of detail, the nature of and the content of international labour market regulation and how it may be made more effective constitute the context for the detailed work that lies ahead, for example through the Standards Review Mechanism. On the one hand, the trend in recent decades has been towards deregulation in many countries – and the large number of workers in the informal economy who fall outside the realm of governance altogether cannot be overlooked – but on the other, labour standards are increasingly recognized as key components of regional and subregional integration processes and of a rapidly increasing number of trade agreements at various levels. Moreover, the very processes of change that are transforming the world of work are themselves reason for renewed focus on standards, and in particular for the adoption or revision of standards in response to newly arising needs and circumstances.

80. In parallel to these legally grounded processes, the era of accelerating globalization has seen the explosive growth of a wide range of initiatives commonly grouped under the heading of corporate social responsibility (CSR). Whether or not these are properly regarded as elements of governance, they indisputably play an important role in guiding enterprise behaviour and consequently the conditions in which economic activities are performed.

81. The ILO has found it difficult to define its role in respect of CSR, even though its standards are frequently cited in the voluntary arrangements that companies are putting in place. The future of CSR is certainly highly relevant to the future of work, and in its relatively short existence it has evolved rapidly and is likely to continue to do so. In order to reach minimum thresholds of public credibility, CSR has already been challenged to become more rigorous, and it is notable that governments and the international community are increasingly spelling out what they expect of business, above and beyond compliance with the law. This can be seen in national and regional CSR policies, and in the United Nations Guiding Principles on Business and Human Rights. The distinction between the strictly legal and the purely voluntary seems to be getting blurred, not least as accountability and reporting mechanisms are tightened. This situation has a precedent going back to the adoption in 1977 of the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, and the Conference discussion next year on decent work in global supply chains will possibly add to it new, as yet unknown, elements.

82. It is evident from its tripartite structure that the ILO regards governments and workers' and employers' organizations, and the processes of social dialogue that bring them together, as key to the governance of work. Tripartism has served the ILO and its member States well for nearly a century, but it is not without its detractors or its challenges.

83. Among the more frequently heard reproaches of bipartite or tripartite dialogue is that it tends to act against the requirements of prompt and decisive decision-making. When major and difficult adaptations are needed in the face of rapidly changing conditions or even crises, the types of compromise resulting from such processes may be seen not to go far enough or quickly enough. Worse still, the positions taken by social partners may be characterized as special pleading by vested interests to the detriment of the common good.

84. The record of achievement of tripartism, internationally and nationally, can go a long way to countering these arguments, not least in the harsh light of conditions imposed by the current global crisis. But they have gained ground from the falling membership of some workers' and employers' organizations, and will continue to do so should those trends continue. If the representative legitimacy of the partners to engage in social dialogue is called seriously into question, the place of tripartism as a keystone of governance will be too.

85. The future of trade unions and of employers' organizations must therefore be part of this centenary conversation. It is understood that strong, democratic, independent organizations interacting in conditions of mutual trust and respect are the preconditions for credible social dialogue. The question then is, what part will the future world of work accord to such organizations, and how will they contribute to shape that future?

86. Underpinning all of these considerations concerning the governance of work is the simple reality that, for most enterprises and workers, governance occurs through the operation of national labour-market institutions, such as ministries, tripartite councils, employment offices, labour inspectorates, health and safety authorities, and vocational training institutions. The way these operate varies enormously across ILO member States; some have remarkable institutional capacities, others have very considerable institutional deficits. Moreover, their organization and functioning have evolved considerably over time, sometimes with a notable reallocation of responsibility between public and private sectors. They too have an important role to play in determining the future of work.



## Chapter 4

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### The future of social justice

87. The turbulence of our times – economic, social and political – makes the achievement of social justice very much an agenda for today. Perceptions of unfairness are among the most powerful causes of instability in many societies, including some where peace is threatened or has already been undermined. The considerations that moved the founders of the ILO to make social justice the ultimate goal of an organization whose everyday business is the world of work, established a nexus and responsibility that remain unchanged nearly 100 years later. Consequently, when governments, employers and workers come together at the ILO to seek consensus on the very many work-related matters that come before them, they must always be guided by the requirements of social justice.

88. That fundamental logic means that the future of work centenary initiative also relates to the future of social justice. The concrete results that come from it, whatever form they may take, must provide material guidance to the ILO, in particular as to how that cause can be advanced. This is clearly a values-led agenda; necessarily so in the light of the ILO's unchanging mandate. It is an agenda in which governments, employers and workers all have a major interest, and to which they have an enormous contribution to make. It is also an agenda that the world needs to see succeed.

89. These are all good reasons to join forces in the future of work centenary initiative.