I. The Employment Pillar of the Decent Work Agenda

How to make productive employment and decent work a reality?

Jose M. Salazar-Xirinachs
Executive Director, Employment Sector, ILO
The Hague, 14 April, 2008
The employment policy framework in one page: Basic concepts, approaches and tools

### BASIC CONCEPTS
Determinants & Prerequisites
- **Growth:**
  - Capital-Investment
  - Human Capital
  - Productivity
  - Trade
  - Governance
- **Distribution-equity, & social inclusion:**
  - Taxes & transfers
  - Access to:
    - Assets - credit
    - Education and training
    - Infrastructure
    - Health
  - Social Protection
- **Empowerment, Governance & Institutions:**
  - Representation
  - Participation-Power
  - Social Dialogue

### OBJECTIVES, TARGETS & OUTCOMES
- **EMPLOYMENT**
- Poverty reduction
- Gender
- Young people
- Target Groups: Old, Disabled, others
- Informal Economy
- Crisis response

### KEY POLICY AREAS
Checklist
1. **Economic Policies for Employment Expansion (Demand Side)**
   - Macroeconomic Policies
   - Financial policies
   - Investment Climate/Policy
   - Trade, RI, sectorial policies
   - Labor Mobility/Migration
2. **Skills, Technology & Employability**
   - Training policies and systems
   - Skills for technological change
   - Employment Services
   - Improved access to training
3. **Enterprise Development**
   - Policy & regulatory framework
   - Value-chain Upgrading
   - Local Economic Dev-LED
   - Workplace practices
4. **Labor Market: Institutions and Policies**
   - LM adjustment policies
   - Passive and ALMPs
   - Employment Services
   - Industrial Relations
5. **Governance, empowerment & organisational capital**
   - Representation and advocacy
   - Freedom of Assoc/Coll bargaining
   - Social dialogue
6. **Social Protection (Sector III)**

### TOOLS
Illustrative list:
- Employment-centred growth strategies
- Growth-Employment-Poverty reduction links
- LM adjustment to Trade/Regional integration
- Access of working poor to finance
- E-Intensive Investment Approaches
- Recognition of skills across borders
- Training, Lifelong learning, on the job-training.
- Worker Displacement, career guidance,
- Community-based rehabilitation
- Use of ICTs for productivity
- Business Development Services (BDS) for SMEs
- SME Finance
- Entrepreneurship and Productivity Tools
- Corporate Social Responsibility
- Strengthening cooperatives
- Capacity-building materials for LED
- Passive Policies: Income Support for Jobless
- ALMP: training for jobless, job creation, wage subsidies, enterprise creation
- E-Services
- Flexibility and Security
- Capacity building with constituents
- Coalition building for DW Projects with Employers and Workers
- Upgrading of informal enterprises & communities

### MAINSTREAMED STRATEGIES:
A fair globalization
Working out of poverty
Advancing gender equality

Greater influence of International Labor Standards in Development
Expanding the influence of social partners, social dialogue and tripartism

Roadmaps for countries at different levels of dev.

Country A  Country B  Country C
In terms of general principles
Good practice is…

- To consider E&DW policies under an integrated approach that considers the D-side and the S-side, the macro policies and micro interventions, and the quantitative and qualitative dimensions. In practice this means that all key Ministries and agencies have to be involved.

- To place E&DW in the main frameworks driving policy in the country (eg PRSPs, UNDAF, etc).

- To recognize that the public sector can play an important role as employer, in a market economy the challenge is to create an enabling environment for the private sector to create wealth and jobs.

- To target particular groups: women, young people, informal economy workers, persons with disabilities, indigenous groups

- To include quantitative goals and baselines measures so that progress can be assessed.

Using mechanisms that apply broad-based social dialogue and participation in the policy reform process.
In the area of Skills, technology and employability, good practice is...

- Promoting access to basic education as well as vocational skills because: Education makes a person trainable, training makes her employable, and attitude and continuous learning keeps the person employed.
- Working closely with the private sector to provide skills that are in demand in the marketplace
- Promoting apprenticeships in private companies
- Developing not only technical skills but also so called life skills or core skills
In terms of job-rich growth

Good practice is…

- Employment friendly macroeconomic policy
- Promote upgrading and diversification of the production structure (exports, FDI, local sectors)
- Strengthen linkages locally and with global value chains
- Increase domestic technological capabilities
- Pay attention to sectorial sequencing of trade liberalization, facilitate trade adjustment and competitiveness promotion.
- Promote flexicurity in labour markets, appropriate to each national context
In the area of labour market policies/institutions good practice is:

- To strengthen role of employment services institutions
- To put in place smart active labour market policies
- To balance the necessary flexibility for enterprises and economies with security for workers
- To use labour market tools to facilitate adjustment to the main drivers of change associated with globalization (trade, technology, migration).
II. A 21st Century vision from the ILO on the promotion of enterprises and development

The Promotion of Sustainable Enterprises
Role of the private sector
Paragraph 3, ILC Conclusions

Sustainable enterprises are a principal source of growth, wealth creation, employment and decent work. The promotion of sustainable enterprises is, therefore, a major tool for achieving decent work, sustainable development and innovation that improves standards of living and social conditions over time.
The concept of sustainable enterprises
Paragraph 12 of ILC Conclusions

- At the enterprise level, sustainability means operating a business so as to grow and earn profit, and recognition of the economic and social aspirations of people inside and outside the organization on whom the enterprise depends, as well as the impact on the natural environment.

- Long term viability implies that the management of enterprises should be based on the three pillars of sustainability: economic, social and environmental. This allows enterprises to create wealth and decent work.
# ILO Approach to the Promotion of Sustainable Enterprises

**External conditions:** Enabling environment

- Political: Peace and political stability, Respect for universal human rights, Good governance, Social dialogue
- Economic: Sound and stable macroeconomic policy, Trade and economic integration, Enabling legal environment, Rule of law and secure property rights, Fair competition, Access to financial services, Physical infrastructure, Information and Communication Technologies
- Social: Social justice & social inclusion, Education, training and lifelong learning, Entrepreneurial culture, Adequate social protection
- Environmental: Responsible stewardship of the environment

**Internal (Enterprise Level) Conditions and principles**

- Social Dialogue and Good Industrial Relations
- Human resource development
- Good conditions of work
- Fair benefits for workers in terms of productivity, wages and shared benefits
- Use of Corporate Social Responsibility
- Good Corporate Governance

Sustainable Development
Enterprise Development Programme

**Key objectives:**
1. Enhance job creation potential of enterprises
2. Improve the quality of the jobs

**Four major levels:**
- **National:** Policies and regulation for an enabling business environment
- **Sectoral:** Methodologies for upgrading value chains and clusters
- **Local, regional:** Methods and tools for local development
- **Enterprise:** Promoting productive and decent workplace practices

**Target groups:** MSMEs, MNEs, COOPs, IE units
ILO approach and tools

Business Environment (BE)

- Advice and training on why and how to reform the BE
  - Support for mapping and assessing the BE
  - Strengthen small business associations to identify, prioritize and influence areas for reform
  - Facilitate dialogue with government on these issues

- Some key concerns:
  - Ensure that reforms support formalization of enterprises
  - Create a level playing field for cooperative enterprises
  - Reduce regulatory barriers to women’s entrepreneurship
  - Balance the need to reduce regulatory burden on MSEs with protection of workers

- Promote enterprise culture and entrepreneurship in education and training systems
Relevant ILO tools….

- Assessing the influence of the business environment on SED: An Assessment Guide
- Turin training course for policy makers
- Electronic toolkit for employers’ organizations: Reaching out to SME
- The Small Business Associations Trainers’ Manual
- Women Entrepreneurs’ Association Capacity Building Guide
- Assessment framework for growth oriented women entrepreneurs
- Guidelines for Cooperative legislation
- Tools to promote Women’s Entrepreneurship, including:
  - Establishing or strengthening WE associations
  - Promoting market access for WEs
  - Media campaigns: Month of Women Entrepreneurs, role models etc.

- FACT SHEETS ON THESE AND OTHER TOOLS AVAILABLE IN ILO WEBSITE
Integrated Approaches
Growth Oriented Women Entrepreneurs

Promotion & Role-Models

Training & Mentoring

Access to Financing

Research

Support Centers & Information

Regulation & Legislation

Premises

- Policy Coordination and Leadership
- Project Development and Management
- Advocacy
- Gender Sensitivity

Associations & Networks
The evidence is well documented (in all types and sizes of enterprises)

- Company success rests on quality management. There is a solid link between how well managers adopt good practices and how well a company performs (McKinsey & LSE, 2005).
- A trusting relationships with employees improves productivity and profitability of an enterprise. A positive workplace raises productivity levels (Tzafrir, 2005).
- There is a clear and positive link between better working conditions and business success. Companies listed on Fortune’s 100 Best companies to work for annually outperform their competitors (Fortune, 2005).
- Companies investing in their workforce can expect higher productivity and profitability. Investing in training and development pays off for the company (Kochan, 2006).
Good workplace practices for high performance and labour standards

- Enterprises that achieved positive results usually applied a mix of workplace practices in the fields of:
  - employee involvement
  - compensation
  - working time and work-family balance policies
  - training and development
  - employee well-being programmes
  - equity and non-discrimination
  - occupational safety and health
  - job security

- International Labour standards provide a foundation for developing these practices but they need to be embedded in the management practices within the enterprise. Thus we increasingly see reference to ILS in codes of practice and in company competitive strategies.
Multinational Enterprises (MNEs)
ILO approach and tools, including CSR

- Main instrument: Tripartite Declaration of Principles on MNEs and Social Policy – 1977), framework for contribution of MNEs to:
  - General economic and social policies
  - Employment
  - Training
  - Conditions of work
  - Industrial relations

- Main areas of work:
  - Promote the Declaration
  - Inform of good practice: cases and surveys on Declaration follow-up
  - Research: Key sectors, monitoring and reporting systems
  - Good practices on CSR
III. Employment Challenges in the Netherlands

Main Issues for the workshop
Main Issues for the workshop

- **Labour supply:** Tackle problem of shrinking labour force due to ageing & bring marginalized workers into the labour force by turning potential labour supply into effective labour supply:
  - Stimulate the participation of Women (relatively low)
  - Increase youth employment
  - Increase participation of old age workers
  - Sickness and Disability benefits
  - Improve skills (functional literacy is low)
  - Migration

- **Labour Demand-Side:**
  - Business environment
  - Growth (ICT, R&D)
  - Entrepreneurship

- **Labour market intermediation, competitiveness and other:**
  - Balancing Flexibility and Security: dismissal regulations
Youth Employment

Issues and Problems:
- Netherlands has a relatively well-performing youth labour market
- However youth unemployment (6.6%) is higher than total unemployment (3.9%), although the difference is lower than for the EU as a whole: 17.1% vs 8.2%
- And a large number of young people are disengaged from the labour market:
  - 6.5% were neither in education nor working
  - Early school leaving: 13% leave school with less than upper secondary education.

The Government has put in place a number of reforms recently

Recommendations by OECD Study:
- Ensuring all young people leave school with the necessary skills
- Removing remaining barriers to promote better jobs for youth
- A comprehensive activation strategy to reach out to the hard core of disadvantaged youth

Questions:
- Are these programmes effective?
Older Workers: Employment rates
EU average and the Netherlands
55-64 age group, in %

Source: Employment in Europe, 2007
Older Workers
Recent Reforms and challenges

- Recent measures/reforms:
  - Closing of early-retirement routes
  - Greater emphasis on activating long-term older unemployed
  - Screening of persons applying for disability benefits as a pathway to leave the labour force
  - Measures to change employers’ perceptions of older workers

- But further reform may be needed:
  - Gradually adjust the official retirement age (65) in accordance to life expectancy
  - Remove obstacles to hiring and retaining older workers
  - Improve the employability of older workers – lifelong learning, age-specific training tools, convince employers that training older workers pays off
  - Better targeting of older workers by employment services
Women

- Relatively low participation rate
- Good news is that the higher the education level, the higher the participation rate, and since young women are doing well in higher education this could mean higher participation rates in future.

Policy options:
- Continue investing in educ & skills for women
- Activation policies targeting women
Flexicurity and dismissal regulations

- Unions: the system is flexible enough
- Employers: improvement is possible.
- Issues:
  - NL has a special EPL System, dual dismissal system:
    - PES (CWI): low compensation but long process, or
    - Courts: quick but more expensive for firms (53%)
  - NL has a very high transition rate from temporary to permanent employment (40%, one of highest in EU). Also high employment rate.
- Question: what are the reasons for wanting to change the law?
Migration

Issues:
- Inmigration flows have been expanding—they help tackle the problem of shrinking labour force.
- In January 2007: free access to Labour Market to citizens of the 10 Member States that joined EU 2004
- Scheme for highly skilled in operation since 2004

Questions:
- Which policy options are you considering?
  - Education?
  - Labour market?
  - Combat discrimination?
Enterprise creation

Issues:
- Lower indicators of entrepreneurship than US and Australia, close to EU average.
- Need to stimulate interest in entrepreneurship

Policy options:
- Teach more entrepreneurship principles in schools and universities
- Promote company visits and internships
- Work on cultural aspects
Functional illiteracy high

- 1.5 million people! (18-65 years) are functionally illiterate

- Sept 2007 Tripartite Agreement to reduce this by
  - Setting clear targets at schools
  - Training employees with difficulties in reading and writing
  - Training the unemployed with difficulties

Questions:
- Are social partners involved in these programmes and how?
- Is there confidence that these measures will work?
- Are the right measures being implemented?