



ELEVENTH ITEM ON THE AGENDA

**Report of the Committee on
Employment and Social Policy**

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1. The Committee on Employment and Social Policy (ESP Committee) met on 17 and 18 March 2009. Mr Amir Shahmir, representative of the Government of the Islamic Republic of Iran, chaired the meeting. Ms Goldberg (Employer) and Mr Patel (Worker) were the Vice-Chairpersons.

**A. The financial and economic crisis:
A Decent Work response
(Second item on the agenda)**

2. The Committee had before it a paper¹ entitled *The financial and economic crisis: A Decent Work response*.
3. The Chairperson indicated that the Officers of the Committee had agreed to change the order of discussion of the agenda items to allow for sufficient time to discuss the contribution of the Committee to the High-level Tripartite Meeting on the Current Global Financial and Economic Crisis taking place on Monday, 23 March 2009.
4. A representative of the Director-General (Mr Salazar-Xirinachs, Executive Director, Employment Sector) introduced the document. He mentioned that the Office had also produced a matrix on emergency services for constituents, which was available in the room, entitled *An operational decent work response to the crisis: Emergency services for constituents*.
5. A representative of the Director-General (Mr Raymond Torres, Director, International Institute for Labour Studies) presented the document, which had three purposes: first to inform on the nature of the crisis, its roots and transmission mechanisms; second, to analyse national responses to the crisis; and third, to show how a strategy based on decent work can improve the responses to the crisis and pave the way for a sustainable economy.
6. Mr Torres recalled that the financial crisis had originated in developed countries and had its roots in the poorly regulated financial system. The origin of the crisis could also be found in global imbalances. Mechanisms of transmission of the financial crisis to the real economy and from developed to developing countries included the credit crunch, lack of confidence and deflationary effects. The international transmission mechanisms such as foreign direct investment (FDI), trade, official development aid (ODA), and remittances, played a key role in propagating a global economic crisis. As a result of those mechanisms, there was a risk of zero global growth in 2009 with world trade possibly decreasing by 3 per cent. The document drew attention to the labour market consequences of the crisis, such as long-term unemployment in developed countries, and rising informality and poverty in developing countries. It also provided information on gaps in protection for unemployed workers, even in developed countries, as well as on consequences of the crisis on pensioners' living standards.
7. Mr Torres next outlined the current responses implemented at the national level on the basis of an analysis of 42 countries. He showed that in addition to financial rescue measures and monetary easing, most countries had announced a fiscal stimulus. However, fiscal packages were uncoordinated and smaller in size than monetary measures. Regarding the composition of these packages, employment measures and social transfers fared low, while the biggest share of spending went to infrastructure. The main results that emerged from this review of current responses included an acknowledgement that access

¹ GB.304/ESP/2.

to credit for enterprises had not returned to its normal level. Further, confidence among economic agents had not been restored, while international trade had further contracted.

8. For that reason, the Office had proposed launching a Global Jobs Pact, which was organized around four pillars. First, making financial support to banks conditional on providing credit and devoting special efforts to promote access to credit for small and medium-sized enterprises (SMEs). Second, making decent work the cornerstone of fiscal stimulus measures by creating labour-intensive infrastructure projects, supporting jobseekers through employment guarantee schemes and conditional cash benefits, creating a broader-based safety net, adopting special programmes for youth, and providing funds to vulnerable countries which did not have the fiscal space to implement such measures. Third, avoiding wage deflation and protecting workers' rights by increasing wages in line with productivity, with minimum wages acting as a real anchor, promoting social dialogue on wages and working conditions, avoiding a "race to the bottom" in workers' rights, and ensuring that women were not hit disproportionately. Fourth, promoting international coordination in policy responses and avoiding protectionist solutions, including through dialogue between the ILO and other international organizations around the Global Jobs Pact.
9. The Employer Vice-Chairperson noted that businesses and employers were being hit hard by the crisis owing to falling demand, low confidence and commodity price fluctuations. She emphasized that the employers recognized that the crisis was having an enormous impact on labour markets and social conditions. In responding to the crisis, she stressed the importance of staying focused on solutions within the mandate of the ILO. The ILO was now more relevant than ever, and it must step forward to address the challenges. She stressed the need to find some common ground on ways the ILO could help constituents.
10. She welcomed the document's support for open trade. She also agreed that the credit crunch was deepening the crisis and that regulation of financial markets was necessary and should be coordinated. She emphasized that one of the key elements to a recovery lay with supporting sustainable enterprises, especially for innovative SMEs which were responsible for the bulk of job creation. The Employers supported the document's proposal to stimulate global demand and protect the most vulnerable, through targeted measures such as the extension of social protection and unemployment benefits coverage, the facilitation of training and retraining, public employment services, and targeted safety nets. Social progress must not be placed at risk, and she recalled the usefulness of the 1998 Declaration on Fundamental Principles and Rights at Work on that issue. The rest of the multilateral system was looking for leadership on labour issues, and that implied that the ILO focused on priorities and rethought processes.
11. The speaker noted that sections I and II of the document were very thorough, yet there was relatively less on what the ILO could do to move forward. She welcomed the room document, which gave a sense of the magnitude and variety of the ILO's toolkit in practical terms. She raised questions regarding the idea of the Global Jobs Pact, in terms of what its elements were, how it would be administered, and the process by which such a pact would be constructed and agreed upon. She noted that the pact was not referred to in the ILO's Strategic Policy Framework, or in the programme and budget proposals. She also asked how the Global Jobs Fund as proposed in the Office document would be distinguished from other proposed funds, such as the "Vulnerability Fund" proposed by the World Bank.
12. She said that the ILO's emphasis should be on technical work and assistance to help constituents, and that it was important to focus on the ILO's areas of comparative advantage. That might involve strengthening some programmes and streamlining others, implying changes to the programme and budget. She underlined the principles which the

Employers believed should guide the ILO's policy response: support for open trade (need to avoid protectionism); keeping credit flowing so that viable businesses could have access to credit; effective regulatory supervision of financial markets (appropriate levels of regulation); recovery to be driven by enterprises (SMEs created jobs and added dynamism to the economy). For stimulating global aggregate demand, coordination was needed and there was an important role for the ILO in assessing the labour market impact of stimulus packages.

- 13.** She proposed a seven-element plan to strengthen the ILO response to the crisis. First, information should be gathered and disseminated, including data on labour market activity; developments under way at the enterprise, sector, country and regional levels should be catalogued; and lessons should be drawn from previous crises. Second, assistance for policy engagement of the social partners should be deepened, possibly through the development of "crisis response toolkits". Third, it was essential to give rapid technical guidance to SMEs, support entrepreneurship, strengthen labour market institutions and labour market advisory services, provide training services to businesses and workers, develop and maintain social safety nets, provide assistance to governments on social security spending, assist countries facing problems with vulnerable groups (such as migrant workers and youth), and provide advice on public works programmes. She suggested the establishment of focal points where the constituents could access information related to the crisis. Fourth, it was important to use the Global Employment Agenda in responding to the crisis. Fifth, social progress must not be undermined by the crisis. In particular, there was a need to ensure that the crisis did not give rise to more victims of child labour. Sixth, the ILO should work closely with other multilateral partners to leverage their respective expertise in overcoming the crisis. Finally, she proposed to focus the 98th Session of the International Labour Conference (ILC) on crisis responses strategies. The current crisis was the biggest jobs crisis facing the current generation and it was important to devote a major component of the ILC to strategies to overcome it. As a consequence, she suggested that two items should be deferred so that a special session could be convened to provide an analysis on the current situation in labour markets, gather information on current policy measures to alleviate unemployment and sustain enterprises and outline strategies for ILO constituents to overcome the crisis.
- 14.** The Worker Vice-Chairperson noted that the crisis risked reversing a decade of modest gains for workers. He said that the paper had a good empirical and analytical basis, was broad in scope and contained clear policy proposals. He emphasized that it was important to pay due attention to the causes of the crisis. The crisis was not wholly unexpected, as there had been several warning signs, such as the unbalanced model of globalization in both social and economic terms. There was also a noticeable effort towards deregulation, which had resulted in a diminished capacity of the public sector to carry out its role. He said that some developments in labour market policies were causing concern, such as the retreat from labour standards, an increase in precarious work, weakened trade unions, the weakened role of the State in labour market regulations, and a declining wage share of income.
- 15.** He said that a deregulation of financial markets, partly driven by corporate lobbying, had led to a system in which the needs of the real economy were not being served. Furthermore, conditionalities and policy prescriptions of some institutions had been ideologically motivated, which had in part contributed to the current crisis. He emphasized that activities in financial markets affected labour markets and social justice. Attention to those interlinkages was crucial, especially because during the previous expansionary period, workers had benefited only modestly, but now were expected to bear the costs of the recession.

16. The proposed Global Jobs Pact referred to in the Office paper had a number of good features, emphasizing green investment, active labour market policies, and the importance of avoiding wage deflation. The speaker stressed that a global crisis required a global response, the proposal would place jobs at the centre of discussion, and a pact would involve trade unions, employers and governments. He noted that a number of additional Conventions could be added to box 9 of the paper, those being Conventions Nos 151, 154, 135, 81, 129 and 155. In terms of the paper's suggestion that wages should grow in line with productivity, he recalled that wages constituted a declining share of national and global income and inequality was rising, and further noted that linking wages to productivity during recession now meant that wages might drop, and that should be avoided. There was a need to increase the real income of workers as a basic element of maintaining and growing the demand platform of economic growth.
17. He emphasized the problem of discussing protectionism in overly general terms. The State had an important role in creating jobs. Some developing countries might need to use targeted policy instruments in a time-bound fashion, consistent with WTO rules, to do what they could to prevent job losses. Overly broad statements denied developing countries the policy space to use those tools in the absence of other means.
18. He emphasized that the ILO was the only UN agency with representatives from the "real economy", and the ILO had an important role to play in the current context, but should work with other organizations. His group supported the proposed Global Jobs Fund.
19. He recalled the Statement of the Officers of the Governing Body at the November 2008 session that had served as a basis for consensus among social partners on how to respond to the crisis. That included the use of fiscal and wage measures to stimulate demand, extending social protection and unemployment benefits, a minimum living wage for all employed persons, supporting productive, profitable and sustainable enterprises, together with a strong economy and a viable public sector implementing fundamental principles and rights at work including freedom of association and collective bargaining, ensuring tripartism and social dialogue, maintaining development aid, providing additional credit lines and supporting low-income countries to cushion them from the effects of the crisis.
20. The Worker Vice-Chairperson noted that, beyond these consensus areas, there was a need to address other aspects of the crisis. That included balanced economic policies that would entail expanding domestic consumption, especially in surplus countries, and industrialization policies that satisfied basic needs as a key engine of growth. He noted that ILO work on enterprise promotion should recognize that the existence of enterprises was not sufficient. They needed to operate under conditions of buoyant aggregate demand. That could be attained by ensuring workers had the means to buy the goods and services produced by enterprises. In addition, there was a need to reorient economies to a low carbon and sustainable development path by investing in green and decent jobs. One also had to recognize the valid and legitimate role of the State in industrial and sectoral policies and the importance of the prudent use of trade measures. There was a need to invest in education, health and public infrastructure to create jobs and build societies of equal opportunities. It was essential to ensure that the restructuring of the financial system consolidated its public utility function of channelling savings into productive investment. The significant gaps in regulation should be addressed, particularly in financial markets. There should be limits on speculative investment activity, excessive incomes, and bonus schemes that fostered risky and reckless behaviour. It was important to ensure a new labour market framework that was rights-based, entailed coordinated collective bargaining and led towards a globalized industrial relations system. That would foster balanced development, address global iniquities, strengthen the role of minimum wages and provide a basic wage floor for all workers in all countries.

21. The speaker said that the Governing Body should issue a statement for the G20 meeting, with proposed paragraphs for inclusion in summit outcomes. The ILO should be invited to the G20 Summit as a full participant. All member States should be called upon to recognize the employment dimension. National ministries of labour should be involved in designing stimulus measures. Social partners should be actively involved in designing rescue packages. The ILO budget should give priority to work on the crisis, but also ensure that the ILO response was not just a repackaging of existing tools. The matrix of measures presented in the room paper needed to be broader. It was not possible to return to “business as usual”; the global responses needed to lay a basis for a different and fairer world. He suggested that a short statement based on the paper could be distilled into an ESP Committee outcome that would serve as an input to the High-level Tripartite Meeting that would be held on 23 March to discuss the global economic crisis.
22. The representative of the Government of France, speaking on behalf of the group of 38 industrialized market economy countries (IMEC), appreciated the collaborative work of the Office in preparing the paper. He said that governments understood the urgency of the situation and the need to address the credit crunch, raise aggregate demand, and coordinate fiscal measures. He also recognized the importance of putting employment and social protection at the heart of such rescue packages, as recommended in the Global Jobs Pact. It was important for countries to protect existing social protection schemes, provide unemployment benefit coverage, and make full use of social dialogue. He recognized the importance of the ILO’s contribution to the debate and in ensuring that the voice of the real economy was heard. The ILO should use that opportunity to enhance the visibility of its programmes. Enhanced coordination between global economic and social partners was crucial. He requested that the Director-General share the contents of the paper with ILO constituents. In conclusion, he suggested that the Office consolidate, in a short paper or on the web site, various reports written since the beginning of the crisis as an information guide for the Organization’s Members. The outcomes of the debate on the Office paper should be utilized at international meetings on the crisis. If it became clear that there would be a discussion of the social and employment consequence of the global crisis at the ILC, it should be a substantive point with a full discussion process.
23. The representative of the Government of the Czech Republic, speaking on behalf of the European Union (EU), expressed support for the IMEC statement. He noted that the crisis was affecting employment and social conditions, and said that the analysis of stimulus measures in the paper was valuable. The EU had introduced a 200 billion euro plan to stimulate recovery and address the human costs of the downturn, with a view to ensuring that short-term actions were consistent with long-term objectives. For example, the package included measures to encourage energy efficiency of the economy. Ministers of labour of the EU had reconfirmed their commitment to the Lisbon Strategy. The EU championed a coordinated approach to address the crisis. The social and employment consequences of the crisis should be at the heart of the ILC in June 2009.
24. The representative of the Government of the United Republic of Tanzania, speaking on behalf of the Africa group, expressed appreciation to the Office for preparing the paper. She proposed the full participation of the ILO at the G20 Summit. She also advocated a new round of debt cancellations as part of the response to the crisis and the restoration of credit flows. She said there was a need to consider reducing conditionalities imposed by international financial institutions. She also emphasized that negotiation capacities of the social partners in Africa urgently needed to be strengthened.
25. The representative of the Government of India expressed appreciation to the Office for preparing the paper, and commended the Director of the International Institute for Labour Studies for his analytically rich presentation. He noted that developing countries were more sensitive to the effects of the crisis, which would have a disproportionate impact on

migrant workers, women and youth; measures were needed to protect these vulnerable groups. He noted that India had introduced a number of counter-cyclical measures before the crisis, which had helped mitigate the negative impact of the crisis on the country. Such measures included the National Rural Employment Guarantee Scheme of 2005 and the Social Security Act of 2008. Those measures, enacted before the crisis, were one reason why the fiscal stimulus for India appeared relatively modest. He noted that reducing inequality and increasing the purchasing power of workers was essential in boosting effective demand.

26. The representative of the Government of China emphasized that all countries were faced with an employment crisis. She noted that the impact of the crisis on China had been severe. China's Government had taken significant measures to address aggregate demand and employment growth, enhance social security, protect job security and enhance worker training. Subsidies had been given to enterprises in order to minimize job losses, and labour market initiatives had been introduced for new graduates. There were also measures to help enterprises absorb rural migrant workers. It was estimated that 20 million jobs would be saved through such measures.
27. The representative of the Government of South Africa noted that the impact of the crisis on Africa would be severe, but there was not much emphasis on Africa within the paper. Depending on countries' particular circumstances, measures to support vulnerable sectors might be necessary, so there was a need to avoid discussing protectionism in an overly general way. She noted that social dialogue was important to going forward and the ILO's Declaration on Social Justice should constitute an important basis for further action.
28. The representative of the Government of Cuba said that the non-aligned movement was concerned about the crisis. He stressed that advanced countries needed to follow through on their commitment to spend 0.7 per cent of GDP on development, and encouraged additional financial investment in developing countries. He noted that young people, women and migrant workers were particularly vulnerable. He emphasized that a global crisis required global solutions, and the non-aligned movement wished to work together with international partners to find solutions.
29. The representative of the Government of the Republic of Korea thanked the Office for the paper and emphasized the importance of social dialogue as a vital instrument for overcoming the crisis. She noted that measures such as job-sharing could prevent lay-offs. She suggested that the information contained in the paper on stimulus efforts could be useful if made available to constituents, and noted the importance of further research on fiscal tools and their implementation to stimulate demand and provide employment. She noted that the ILO could pay more attention to the diversity of specific country situations.
30. The representative of the Government of Japan expressed support for the IMEC statement and agreed that decent work should be a cornerstone of recovery. He said that many suggestions of the paper were inspiring in terms of the Global Jobs Pact on which the Government of Japan was undertaking measures. He stressed that global policy coherence and coordination were very important and that avoiding duplication among international organizations and national governments was necessary.
31. The representative of the Government of the Islamic Republic of Iran emphasized that, in order to overcome the crisis, it was important to understand its roots, as that could help to guide more efficient rescue measures. He noted that a global approach was required. He acknowledged that the severity and nature of the impact varied by country, but every country was eventually affected.

- 32.** The representative of the Government of Portugal supported the IMEC statement and the EU statement. She welcomed the paper, and noted that it was in line with other papers that had been prepared, but also that there was a need to go into greater depth in some areas. She stressed the importance of keeping long-term measures in mind while addressing the short-term. She said that responses should be effective to help professional and disadvantaged workers. The Portuguese Government had announced a stimulus package with measures to support families and businesses, and employment-related initiatives. She stressed the important role of the ILO in responding to the crisis.
- 33.** The representative of the Government of Spain supported the IMEC position. He noted that the Decent Work Agenda should be at the core of national policy responses. While the recovery of the financial system was crucial, it was also important not to neglect the human and social dimensions of the crisis. It was necessary to protect those who had no employment, while ensuring that those who had created the systemic risks to the global financial system were not rewarded. It was also necessary to promote self-employment. One needed to highlight the Madrid Pact that focused on protecting the aged and the young from unemployment and underemployment. The ILO should have a high profile in the G20 meeting. The document that the Office had produced could serve as a basis for dialogue with the World Bank and the International Monetary Fund (IMF). The Director-General of the ILO and the Employer and Worker spokespersons should be invited to participate in the G20 meeting.
- 34.** The representative of the Government of Mexico noted that social dialogue was crucial for achieving decent work. Mexico had organized 25 specific areas of activity in response to the crisis, including measures to strengthen the national employment service and support labour mobility. He said that the Government of Mexico had undertaken a series of measures within an agreed national framework that had assisted 250,000 people. Those included (but were not limited to) provision of scholarships to the needy, employment services for the most vulnerable groups, extension of benefits to unemployed workers and provision of efficient and transparent public spending programmes.
- 35.** The representative of the Government of the United States fully supported the IMEC statement. She said that governments recognized the severity of the crisis, which was truly global in nature. Section III of the Office paper demonstrated the breadth and depth of the ILO's expertise. Concrete advice could be offered on a wide range of issues. She stressed the need to be cautious about the language used and the expectations created. In her view the terms "Global Jobs Pact" and "Global Jobs Fund" suggested a "one-size-fits all" approach to job creation. A better approach would be to make the world aware of the ILO's core competencies and provide advice to fit the diversity of situations facing countries. She hoped to see a clearer distinction made between background information and new information about the value the ILO could add.
- 36.** The representative of the Government of the Bolivarian Republic of Venezuela noted that the benefits of globalization had bypassed some people, although the crisis affected everyone. He noted that those who had caused the crisis were now seeking generous financial support from the State. It was necessary to identify those responsible, directly or indirectly, for causing the crisis. Those who were responsible should not be allowed to be the leaders of change. Local, regional and global ways out of the crisis had to be found. It was important to note that the developed countries had not met their commitments to help developing countries, although they were prepared to assist wealthy bankers. It was necessary to promote activities that stimulated aggregate demand. The Commission of Experts set up by the President of the UN General Assembly had said that support should be given to the task of designing a new financial architecture. There was a need to engage in social dialogue, to support workers' rights and to build solidarity today between the world's workers.

37. The representative of the Government of Germany supported the IMEC and EU statements. He thanked the Office for its work, including the preparation of the well-structured paper. The ILO was well placed, analytically and technically, to play a leading role in responding to the crisis. Answers and solutions to the current crisis could not occur in a piecemeal fashion. He welcomed the room document (the matrix of policy tools), and noted that ILO should support regional and local activities and develop a coherent global framework. He highlighted the importance of the tripartite structure and pointed out that it was utilized by the German Government to offer wage protection to workers.
38. The representative of the Government of Australia supported the IMEC statement and noted that there was value in examining the ILO's expertise in responding to the crisis. He said that the Strategic Policy Framework was a highly valuable document that provided guidelines on how visible results could be achieved by the organization. The ILO's technical assistance on the ground was important. A focus on field operations was a way of ensuring that technical assistance reached those who needed it most. The practical application of labour standards was even more important in times of crisis than in normal periods. The work done by the ILO on sustainable employment opportunities was an important element. Green jobs and green investments were important steps in regenerating the economy. It was important to encourage re-skilling the workforce in ways that would contribute to sustainable development in areas significantly affected by the crisis.
39. The representative of the Government of Argentina thanked the Office for the document. Putting employment at the heart of economic and social policies was critical to overcoming the crisis. National policies needed to regenerate domestic demand for labour and consumption and rebuild national markets. Drawing on the experiences of Argentina during the 2001 crisis, he highlighted the lessons that could be learned in dealing with the current crisis. Thus, processes were being put in place to avoid mass lay-offs through social dialogue. Subsidies were provided for enterprises facing economic difficulties in order to support wages, investments in infrastructure, housing and schools were sustained, and minimum wages were maintained to keep up demand. Access to credit by SMEs was being facilitated, and mortgage payments had been temporarily suspended.
40. The representative of the Government of Belgium commended the Office for producing an analytically robust, coherent and useful paper. He noted, however, that the paper was unbalanced in saying that governments were looking at short-term goals, rather than longer-term solutions. Governments were in fact preparing for a greener economy in the longer term. The paper referred to sustainable enterprises, but the concept needed to be developed fully. Policy recommendations should distinguish between the different concerns and needs of developing and developed countries. Another fundamental problem was that of budgetary deficits and the sustainability of public finances. He wondered to what extent IMF conditionalities threatened social investments. He urged the G8 and the G20 to develop a more coordinated approach. He suggested that future documents should focus on coordinating plans and policies with a view to better global governance. It was essential to maintain the level of development cooperation and commitment.
41. A representative of the Director-General (Mr Salazar-Xirinachs, Executive Director, Employment Sector) thanked the participants for their very rich and detailed comments. He noted that the paper had been generally well received. The comments focused on causes, impacts, country responses and ILO proposals for further action. He noted that one could find common ground on immediate causes of the crisis, the mechanisms of transmission from the financial economy to the real economy within developed countries and from the developed to the developing countries. In reply to the questions that had been raised regarding the Global Jobs Pact, he said that a binding agreement was not envisaged. A Global Jobs Pact was best seen as a way of focusing attention and calling the global economy to come together to forge a common front in order to fight a growing and world-

wide jobs crisis, and to come together at the national level. The room paper highlighted the tools made available by the ILO for its constituents. It was not a “repackaging” of tools, but a real managerial tool, albeit a work in progress. He took on board the various suggestions from constituents that would guide the future work of the ILO.

42. A representative of the Director-General (Mr Diop, Executive Director, Social Protection Sector) welcomed the call for the ILO to be invited to the G20 meeting. It was a well-founded proposal because the ILO had a unique mandate to pursue the cause of social protection for all. That meant reinforcing existing social protection policies in developed countries and extending them in developing countries.
43. Mr Torres thanked all the participants for their rich and diverse commentaries. It was essential to distinguish between country-specific and global dimensions of the crisis and between global and national responses to it. Both aspects were complementary. He noted the questions raised by some participants about the Global Jobs Pact and the Global Jobs Fund. The former was a global expression of national pacts between social partners to deal with the fallout of the economic crisis. A good example was the tripartite pact designed by the Government of the Republic of Korea during the 1997 financial crisis. It had been critical in ushering in recovery. The Global Jobs Fund could be thought of as a financing mechanism for broad-based social protection initiatives and for facilitating the use of counter-cyclical policies in developing countries that lacked fiscal space. The details of the Global Jobs Fund needed to be worked out, but the ILO was not unique in assuring the responsibility for substantiating a novel proposal. The World Bank, for example, had proposed a “Vulnerability Fund” whose particular operational details needed to be known. He also noted the importance of balancing the imperative of fiscal expansion in the short-run with the long-run issues of fiscal sustainability. It was important to act now, as decisive and prompt action was cheaper than a drawn-out strategy. It was also important to guard against the dangers of uncoordinated policies, such as competitive wage cuts. He noted the point made by the various groups that there could be no question of retreating to a “business as usual” mode. It was essential to have a long-term agenda simultaneously with the short-term task of coping with the crisis. The speaker informed the Committee that impending publications included the paper under discussion. There would be a companion paper examining in greater detail the fiscal stimulus packages and an analytical exercise that would highlight how a fiscal policy package could be tailored to maximize job creation. He concluded by highlighting important research questions that needed to be pursued and would facilitate the work of the Institute.
44. In his concluding remarks, the Worker Vice-Chairperson emphasized the need to develop a document with a common ILO position on responding to the crisis, and noted that strong grounds existed for such a common position. He outlined the possible basis for such a common position and drew on the comments of Governments and the Employers, as well as the Workers’ group statement that highlighted social, regulatory, decent work and operational issues. He noted wide support for ILO involvement in the G20 meeting and the value of a discussion on the Global Jobs Pact and Fund. The statement of the Officers of the Governing Body in November 2008 should also be used as a basis, and he drew attention to the statements by the representatives of the Government of China on domestic demand and of the Government of India on wages, with which his group associated itself. He expressed support for a discussion of the crisis at the ILC.
45. The Employer Vice-Chairperson expressed reservations about the wisdom of forging a common position at the present stage and felt that the High-level Tripartite Meeting would need more time for deliberations.

46. The Worker Vice-Chairperson clarified his position by noting that he sought common agreement on general principles rather than a binding agreement with full operational details, and suggested that a Chairperson's summary document be produced.
47. The Employer Vice-Chairperson agreed with that proposal.
48. The Chairperson noted the concluding interventions by the Worker and Employer Vice-Chairpersons and thanked all the participants for their valuable contributions. He suggested that the discussion on agenda item 3 (Update on minimum wage developments) be deferred to the November session owing to the time constraints. The suggestion was accepted by the Committee.

B. Impact of the Social Justice Declaration on the implementation strategy of the Global Employment Agenda (First item on the agenda)

49. The Committee had before it a paper² *Impact of the Social Justice Declaration on the implementation strategy of the Global Employment Agenda*.
50. A representative of the Director-General (Mr Salazar-Xirinachs, Executive Director, Employment Sector) introduced the paper. First, he gave an overview of the recent developments that challenged the Office to revisit the way it worked, in particular the adoption of the Social Justice Declaration and the current financial and economic crisis. Secondly, he presented the three-pronged implementation strategy of the Global Employment Agenda (GEA) since 2003 and up to the adoption of the Social Justice Declaration. He then presented nine main themes (or strategic orientations) which provided a framework within which to organize discussions on future directions of the work on employment in line with the guidance of constituents in the Declaration. He stressed that the exercise raised key questions, and helped the Office to prepare better for the recurrent item discussion on employment for the Conference in 2010 and to better understand and respond to constituents' needs and realities. He informed the Committee of concrete steps taken by the Office, such as setting up task forces on key issues derived from the Social Justice Declaration. Finally, he invited the Committee to provide guidance to the Office particularly on the choice of strategic orientations and on what the Office was already doing and proposing to do to give effect to the Declaration in the area of employment.
51. The Worker Vice-Chairperson noted the importance of the paper and appreciated the Office's efforts in compiling the information. He noted, however, that the paper did not achieve its purpose. While it recognized some weaknesses in the implementation, it did not include explicit proposals to address them. A primary weakness of the GEA was the repackaging of existing work as GEA programmes, even where the link was tenuous. He gave examples of specific paragraphs in which certain key issues were missing. For example, he noted that paragraph 29 embedded the same concept as core element 8 of the GEA, and that the current paper should have offered ideas on how to implement that concept; paragraphs 32 and 33 did not say anything other than that there would be cooperation across the Office on research; paragraph 39 did not show how resource mobilization would be done in the light of the Declaration; paragraphs 42–45 simply stated the work which the ILO had been doing or decided on prior to the adoption of the Social Justice Declaration. He noted that the proposal to build capacity in economic policy areas

² GB.304/ESP/1.

contained in paragraph 22 was one example of a clear idea on GEA implementation in the light of the Social Justice Declaration; more such examples would be desirable. He welcomed the planned work referred to in paragraph 49 on promotion of international labour standards, and requested that the standards on the employment relationship and termination of employment, as well as the governance standards, be added. He noted that it was not clear why those nine strategic orientations had been chosen. He identified some important gaps and provided examples of issues that should be main themes as well as cross-cutting areas that should influence the work under the GEA. Those included capacity building for constituents, promotion of governance standards, the addition of public enterprises to sustainable enterprise promotion, the special role of freedom of association and collective bargaining, and ILO work on trade and financial market policy. He pointed out examples of subsections that needed further elaboration. Finally, he noted that a crisper paper was required to spell out clearly how the implementation of the GEA would change in the light of the Declaration.

52. The Employer Vice-Chairperson noted that the paper was refreshing, valuable and timely in the current context. She summarized the main challenges faced by the sector and highlighted the paragraphs where these issues were addressed. She noted that there was a lack of focus, as the sector had tried to do too much, and cutting some areas of work would therefore be necessary. She noted that the paper honestly pointed out that the Office was under-equipped in terms of tools, analytical products and statistics. She raised the issue of delivering demand-driven outputs, and noted that Decent Work Country Programmes should be the starting point for feeding in demands. She also addressed the issue of the quality of research, and noted that too often analytical work was confused with policy advice. She stressed that the Office needed to separate fact from viewpoint, and to let the facts assist the constituents arrive at their own viewpoint. Regarding the staff profile suggested in section III, she disagreed with the suggestion to have a greater number of authoritative development economists in place of specialists. The Organization in fact needed specialists in technical areas. The speaker then highlighted the opportunities available to the Office, in particular through a more effective use of the GEA. Finally, regarding ways of using the GEA more effectively, she noted that two different but fundamental questions were missing namely, what the Office had done in terms of technical work and the need to refocus on crisis response strategies.
53. The representative of the Government of France, speaking on behalf of IMEC, welcomed the presentation. He noted that the two major events – the adoption of the Social Justice Declaration and the economic crisis – that affected the GEA with particular force were well taken into account. He noted that another important development was the move of other international organizations towards working on employment and labour markets. He appreciated the Office's efforts in responding coherently to the orientations of the Social Justice Declaration in section III of the paper. He stressed that a good implementation of the way forward outlined in paragraph 25 would contribute to achieving one of the most important aims of the Declaration regarding the “inseparable, interrelated and mutually supportive” nature of the strategic objectives. He supported the call in paragraph 27 to analyse key partnerships and highlight the extent of coherence of policies advocated by other multilateral and regional organizations on employment and labour market issues. In that regard, he urged the ILO to play a key role, to work with the World Bank and other international organizations and to share its best practices. He also requested the ILO to disseminate a list of good practices. In the next evaluation reports, he expected the Office to inform the Committee of the resources allocated, progress made and difficulties encountered.
54. The representative of the Government of the United Republic of Tanzania, speaking on behalf of the Africa group, appreciated the Office's efforts to meet the challenges its Members faced in the areas of policies and mechanisms that placed full productive

employment at the centre of economic and social policies, as highlighted in paragraph 8, and ways in which the social partners could work together to meet those challenges. For African countries, the speaker noted the need to have appropriate institutional mechanisms and processes for integrated policy formulation and implementation in order to incorporate the Decent Work Agenda effectively. In order to achieve that, the Ministry of Labour and Ministry of Finance needed to collaborate and the Ministry of Labour should play a coordinating role. The speaker also supported the promotion of knowledge sharing and understanding of the synergies between the strategic objectives through empirical analysis, as provided for in paragraphs 24–45. She noted that the capacity of the ILO constituents remained a challenge to the implementation of the proposed strategies in Africa.

55. The representative of the Government of Nigeria reiterated her support for the Social Justice Declaration. In relation to paragraph 7, she expressed her concerns that only a few countries had managed to sustain sufficient economic growth. In relation to paragraph 19, she emphasized that a dialogue between the ministry of labour and the ministries of planning, development and finance was required to adequately embed employment concerns.
56. The representative of the Government of India congratulated the Office on its comprehensive document providing a useful background to the discussion on evolving strategies for better implementation of the GEA. He recognized a need to develop a better understanding of constituents' realities and render effective advice to strengthen their capacity. Efforts should be made to create a knowledge base and enhanced empirical work was heeded to develop diagnostic and statistical tools. He emphasized that the Social Justice Declaration should be seen as an opportunity to strengthen and further improve the implementation of the GEA.
57. A representative of the Director-General (Mr Salazar-Xirinachs, Executive Director, Employment Sector) responded to the comments by the members of the Committee. He stressed that the adjustment of the Office's working methods in line with the Declaration was a learning process and welcomed the opportunity for dialogue in the Committee. He cautioned that the balance between different areas of specialization and their uniqueness and the drive towards working in an integrated manner needed to be maintained. In reply to the comments made by the Worker Vice-Chairperson, he described how the Office was working towards better identification of the needs of the constituents, as well as the consultations reorganizing the "integrated, interrelated and mutually supportive" (IIMS) agenda. He explained that the processes behind the Task Force in five of the strategic orientations of the Social Justice Declaration were participatory and involved colleagues from across the sectors and the field. He also said that movement in a number of dimensions depended on Office-wide processes linked to the Strategic Policy Framework (SPF) and programme and budget discussions. He concluded by thanking the Committee members for their comments, noting the commitment of the Office to follow-up the guidance received, and welcoming further dialogue in that area.
58. In her concluding comments, the Employer Vice-Chairperson emphasized that the Committee was interested in providing strategic directions to the work of the Employment Sector, not in micromanaging it.
59. The Worker Vice-Chairperson in his concluding comments emphasized that the Workers' group was interested in receiving replies to some of the questions raised by themselves and the Employers' group in their opening remarks to which he expected the Office to give serious consideration. He emphasized that the Workers' group wanted the GEA to succeed, to be refocused, and to be implemented, and that a clear implementation message was not yet forthcoming.

C. Implementation of the Global Employment Agenda: Country presentation Brazil (Fourth item on the agenda)

60. A room document *Bolsa Família in Brazil: Context, concept and impacts* was distributed before the session of the Committee to provide inputs for the discussion under the item: Implementation of the Global Employment Agenda: Country presentation Brazil.
61. The Chairperson welcomed His Excellency, Mr Patrus Ananias, Minister for Social Development and Hunger Alleviation of Brazil, and Ms Lúcia Modesto, Secretary of State for Citizens' Income, and thanked the Brazilian authorities for their participation in the session.
62. A representative of the Director-General (Mr Diop, Executive Director, Social Protection Sector) introduced the item. He said that ten years before the UN's 2015 deadline, Brazil had already fulfilled the Millennium Development Goal on reducing poverty, levels of which were now the lowest in the country's recent history. The main reason was the extension of social protection through cash transfer programmes including *Bolsa Família*, social security for rural workers and social assistance benefits targeted towards poor, older and disabled citizens. He pointed out that *Bolsa Família* was the largest conditional cash transfer programme in the world and coverage had expanded rapidly, with the number of beneficiaries tripling in four years. From a gender perspective, since benefits were paid preferentially to mothers or pregnant women, it had shown positive effects in empowering women, strengthening their position in the household, increasing their influence within the family and raising their self-esteem. *Bolsa Família* benefits could double the household income of extremely poor families and, in times of global economic crisis, cash transfers in Brazil had functioned as a counter-cyclical policy cushioning the adverse impacts on the most vulnerable groups and stimulating consumption. The speaker stressed the important links between *Bolsa Família* and the decent work approach. Employment and skills development initiatives had been implemented alongside the basic social security income it provided. The programme was an example of the way in which objectives in the areas of social protection, employment promotion, microfinance, child labour, education and nutrition could be coherently integrated into public policy with a remarkable impact on poverty, inequality and social development indicators. *Bolsa Família* had shown that it was possible to carry out a massive and rapid social inclusion process at relatively low cost. That evidence was consistent with several studies and simulations conducted by the ILO showing that developing countries could afford to build a comprehensive, if basic, social protection package. Finally, the speaker affirmed that the Brazilian experience with cash transfers had shown that it was possible to achieve the Millennium Development Goals at an affordable cost, given the political will and the right priorities.
63. Mr Patrus Ananias (Minister for Social Development and Hunger Alleviation, Brazil) explained that *Bolsa Família* was part of the Brazilian Single System of Social Assistance (SUAS) comprising three subsystems: the national food and nutrition security programme; the conditional cash transfer programme (*Bolsa Família*); and the social assistance benefit for older persons and those with disabilities. He presented an overview of the conditional cash transfer programme which combined income support to the poor with social development objectives related to school attendance, health and nutrition. The programme aimed to alleviate poverty and improve the skills of future generations. The speaker informed the meeting that the programme benefited 11.1 million poor families and, as part of the anti-crisis package, the Government had announced an extension of coverage to 12.4 million people by the end of 2009, at an approximate cost of US\$5 billion (0.4 per cent of GDP). He explained in detail the design of the programme, eligibility criteria, benefit calculation, conditionality control and decentralized operational strategy, and

emphasized its role in promoting the integration of public policies focused on the poor. The starting point for building such a system was the identification of the poor in a unified database or registry that could be used to assess socio-economic profiles and social needs. The speaker referred to the links between *Bolsa Família* and the Decent Work Agenda, emphasizing cooperation with the Ministry of Labour and Employment in measures to support the elimination of child labour and forced labour, as well as skills development, labour integration, microcredit and employment generation. He stressed the effects of the programme on reducing poverty and inequality, improving living standards, lowering the numbers of malnourished children, mitigating the risk of child labour, empowering women, boosting local economies, accessing consumption and raising self-esteem. He pointed out that the programme did not generate disincentives to work; on the contrary, it contributed to overcoming barriers to labour market entry. Finally, he reaffirmed that *Bolsa Família* should not be seen as a self-sufficient strategy for reducing poverty and inequality; its results could only be properly assessed when considering its integration into the wider network of protection and social promotion in Brazil. In times of economic crisis, social policies should be considered not as mere palliatives but as a core part of the crisis solution in moving towards the promotion of a fair and inclusive development model.

64. The Chairperson thanked the Minister for his excellent presentation and congratulated the Government of Brazil on its efforts to extend social protection, eliminate child labour and forced labour, and promote gender equality.
65. The Worker Vice-Chairperson complimented the Government of Brazil on its successful experience and its achievements in the fight against poverty. He introduced Mr Arnaldo Benedetti, Worker member from Brazil.
66. Mr Benedetti (Worker member, Brazil) highlighted the *Bolsa Família* programme as a very successful programme with strong worker representation. He stressed its ethical component, which took account of citizens' rights. *Bolsa Família* sought to reinforce food security in locations with high prices, expand schools, improve access to drinking water, and strengthen social assistance policies. He explained how the programme was fully integrated with other income and job-generating policies in the country, and noted that, although the programme was associated with the present Government, it had broader acceptance in the political and social spectrum, which would contribute to guaranteeing its institutional durability. The speaker emphasized that the social actors had participated in discussions on the design of the programme during meetings of the National Social and Economic Development Council.
67. The Employer Vice-Chairperson thanked the Minister for an interesting and substantive presentation. She introduced Mr Dagoberto Godoy, Employer member from Brazil.
68. Mr Godoy (Employer member, Brazil) thanked the Minister for his presentation and the Office for the preparation of the room paper. He acknowledged the merits of the programme, analysed it in the context of Brazil's overall non-contributory cash transfer framework, and summarized the arguments for and against that were frequently heard in Brazil in the technical and political debate about the programme. The speaker acknowledged the programme's substantial impacts on poverty reduction and inequality, as calculated by the *Instituto de Pesquisa Aplicada* (Institute of Applied Economic and Social Research) (IPEA). He listed a set of redistributive programmes that had been implemented in Brazil since the adoption of the 1988 Constitution, and said that *Bolsa Família* represented a continuation of that effort. Finally, he summarized the pros and cons of the programme in relation to fiscal sustainability and opportunity costs, beneficiary selection and targeting, conditionalities, effects on labour participation, exit pathways, political risks, gender and nutritional indicators.

69. The representative of the Government of the Bolivarian Republic of Venezuela commended the Government of Brazil for its initiative, especially in a context of global crisis. He said that investment in the poor was an excellent strategy to boost business, not only because it could boost consumption but also because it increased the quality of the labour force and overall productivity.
70. The representative of the Government of Argentina recognized the efforts of Brazil's federal Government and other social sectors, and highlighted them as an example of ways in which a comprehensive and integrated social policy could be established. He also emphasized that *Bolsa Familia* could contribute to recovering human integrity and the dignity of the underprivileged, and noted the role played by such programmes in times of crisis in the framework of social development.
71. The representative of the Islamic Republic of Iran congratulated the representatives of the Government of Brazil for the success of *Bolsa Familia*, and raised a question about the participation of social actors in the programme's governance and supervisory structure.
72. The representative of the Government of Peru thanked the Minister for his presentation and said that the programme had served as a model for the Peruvian programme *Juntos*, which had led to a 5.5 per cent reduction in extreme poverty. He noted the importance of a combination of economic growth and social development.
73. The representative of the Government of South Africa asked about the potential negative impacts on the labour supply, and noted that, in some cases, social assistance could create dependency and reduce willingness to work. He asked why in Brazil such impacts had been in the opposite direction.
74. The representative of the Government of Uruguay underlined the fact that the programme had benefited millions of families, and that other programmes such as *Fome Zero* and *Meninos de Rua* also deserved mention. He stressed that the programme could be used as an example for future plans based on equality and solidarity.
75. The representative of the Government of Singapore said that it was well known that the lack of substantial investment in the supply of health and educational services could jeopardize the effectiveness of conditional cash programmes. She wondered whether, in a context of crisis and severe budget constraints, the expansion of *Bolsa Familia* would undermine social investments in other areas.
76. The representative of the Government of the Philippines commended the programme's success in giving families control over their own lives.
77. The representative of the Government of India said that countries had common goals and objectives in reducing poverty. He expressed concern about the high cost of delivering social security.
78. Mr Miro (Worker member) complimented the Office for organizing the presentation and insisted that without mistakes there was no action at all. He recognized the value of such experience during a period of crisis.
79. Ms Jacob (Worker member) asked about the potential application of the programme to other countries. She raised concerns about institutional and political sustainability and financing mechanisms.
80. The Worker Vice-Chairperson stressed that *Bolsa Familia* was one vital part of a network of social programmes. Emphasizing the links between social security and employment

skills development, he said the Brazilian experience showed that social protection could be phased in step by step, starting from a basic social floor. The Brazilian experience showed that in times of economic crisis such programmes should be expanded. He pointed to the gains of *Bolsa Família*: lower income inequality, poverty reduction, positive impacts on local economies and the emergence of a basic social floor. He asked about the role of the ILO and Convention No. 102 in that process, the cost of administering compliance with conditionalities, and advice Brazil might offer to other countries.

81. The Employer Vice-Chairperson pointed out the interest generated by the programme and the general agreement about its impacts. She requested that the Office provide comparative information on such programmes and stimulate sharing of knowledge and experience from different countries. She emphasized the need to improve impact assessment methodologies and develop synergies between programmes, and called for more research on three issues: administrative costs, conditionality control and linkages with employment policies.

82. Mr Patrus Ananias expressed appreciation for the support and recognition afforded to his Government, and underlined his availability to continue the dialogue in relation to efforts to extend social protection. Regarding the questions raised, he said that the Government of Brazil would continue its efforts to meet the Millennium Development Goals in 2015. Affirming that debt should not be left for future generations, he said it was not for him to advise other countries but rather to build mutual cooperation channels. He said that Brazil had also learned from other successful experiences, and emphasized the importance of the unified registry as a mechanism for identifying the poor. Brazil's efforts to combat poverty had begun in earnest with the Constitution of 1988, and there was now no turning back. As for what the ultimate goal should be, the speaker referred to the Millennium Development Goals and especially the eradication of hunger. He also addressed the need to build fair patterns of rights and opportunities for all, stressing efforts to integrate economic and social development, linked with environmental and ethical issues. He noted that the conversion of *Bolsa Família* into a basic universal income programme was not economically feasible, and there was no justification for that in terms of fairness. He also emphasized the importance of the programme in overcoming entry barriers in the labour market, and expressed his agreement with the comments related to the role of cash transfers in boosting the economy. He defended conditionality, which should not be seen as a punishment but rather as a tool for identifying families' vulnerabilities and shortfalls in the delivery of public services. In conclusion he emphasized the importance of South-South cooperation in the extension of social protection and employment for all.

Geneva, 24 March 2009.

(Signed) Mr A Shahmir
Chairperson