

REPORT OF THE DIRECTOR-GENERAL

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102nd Session, 2013
Report I (A)



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Towards the ILO centenary: Realities, renewal and tripartite commitment



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Introduction

1. This Report, my first as Director-General to the International Labour Conference, examines the forces transforming the realities of the world of work and the innovative action they require of the ILO to renew its capacity to deliver its mandate of social justice. The Report recognizes that tripartite commitment to the ILO is, as it has always been, crucial to the achievement of its objectives, and concludes with a number of concrete initiatives to harness that commitment as the Organization approaches its centenary.
2. Delegates will be aware that in the nine months preceding the Conference the ILO has embarked upon a major process of change and reform designed to equip it to respond better to the needs and expectations of its constituents. In addition, the Conference has before it Programme and Budget proposals for 2014–15 which build on the reform and establish clear priorities around which the Organization can concentrate its efforts and better service constituents.
3. Against this background, my Report takes a longer-term view and broader perspective as it addresses the major developments and challenges in the world of work and the role the ILO has to play in this twenty-first century.
4. The ILO began its history with 44 member States; today it has near universal membership of 185. Over the 94 years of its history, the ILO has repeatedly demonstrated great creativity and a remarkable capacity to adapt to changing circumstances. Ever vigilant when global developments called for a forceful reminder that social progress could not be ignored, it adopted the Declaration of Philadelphia in 1944, the ILO Declaration on Fundamental Principles and Rights at Work and its Follow-up in 1998 and the ILO Declaration on Social Justice for a Fair Globalization in 2008.
5. These Declarations have given the ILO essential direction at critical times, but there has been much more. The Organization has built strong partnerships and become a leader in the changing constellation of the multilateral system. Under my predecessor it established decent work as a shared objective of the international community in the twenty-first century.
6. The lessons of the ILO's past are that its future depends on constant renewal in the face of evolving realities and the active commitment of its tripartite constituency to unchanging values and goals. Throughout, the ILO has resisted pressures to deviate from those enduring values, and it will continue to do so.
7. Yet the goal of universal justice, and hence of universal and lasting peace, is still to be achieved. Indeed, there are good reasons to see it less as a fixed goal that will one day be reached definitively, and more as a receding horizon defined by the permanent distance between reality and aspiration which is part of the human condition. If that view is taken, then what really matters in practice is the direction that society takes with

respect to social justice and, for our specific purposes, the contribution of the ILO to that dynamic through the world of work.

8. From this perspective, it is proper to focus on our shared concerns: the persisting injustices we need to work against. The economic and financial crisis that hit in 2008 – and the tragedy of mass unemployment and underemployment it has brought to some countries – should not obscure the real economic and social progress generated by the unprecedented dynamism of the emerging countries in particular. By the same token, the continued and widespread absence of social justice should not blind us to the historic achievements of the ILO. Failure to recognize our successes is just as harmful as complacency to our determination and capacity to continue the job.

9. When David Morse, fifth Director-General of the International Labour Office, delivered his Nobel lecture in 1969, after the ILO was awarded the Nobel Peace Prize on its 50th anniversary, he dedicated the second half century of the Organization's existence to defusing the "dangerous explosives" that still remained "in the hidden depths of the community – the national community and the world community".

10. Many of those explosives are still with us as we approach the end of that second half century, and others have been added to them. This Report points to where they lie and how we can better go about the continuing task of defusing them.

11. The opportunity offered by this Report is for constituents to provide clear and ambitious guidance on initiatives that can carry the ILO forward to its centenary well equipped, confident and committed to the mandate it was given a century earlier. The appeal conveyed in the Report is for the tripartite constituents to commit anew to the realization of that mandate.

12. I trust that the opportunity will be taken, and the appeal heard.

Chapter 1

A world transformed: Work in the twenty-first century

13. Since 1919, the world's population has tripled, average per capita output has increased fivefold and the volume of global trade has grown by a factor of more than 25. The world of work was beset by challenges during the first two decades of the ILO's existence, characterized by stagnant per capita incomes. During the three decades that followed the Second World War, living standards improved spectacularly in advanced economies, while developing countries, many of which were acceding to independence, sought to catch up. Recent years have seen the rise of the South, serious difficulties in many advanced economies and, almost everywhere, significant or even widening social inequalities.

14. The ILO's record of creative adaptation to evolving circumstances, highlighted above, can be seen as a continuous process of change in its working methods and institutional arrangements designed to equip the Organization to deliver on a mandate which itself remains unchanged.

15. The Declarations adopted by the Organization in 1998 and 2008, and the successful deployment of the Decent Work Agenda, are evidence that the ILO and its constituents have been exceptionally conscious in its recent history of the imperatives of adaptation, and diligent and productive in responding to them.

16. Yet there is still widespread sentiment among constituents that the speed and extent of the evolution taking place in the globalized economy are outpacing the ILO's capacity to change.

17. Current circumstances, including the perennial requirements of economic and social development, the pressing need to create opportunities for decent work and the multiple challenges generated by the crisis, have reinforced the view that the ILO and its mandate are more pertinent and important than ever. At the same time (and sometimes from the same sources), the ILO is criticized as being ill-adapted to the rapidly evolving realities which it must address. Such criticism is not confined to matters of detail, but extends to fundamental aspects of the ILO, such as its body of international labour standards and the system for their supervision; the real legitimacy of its tripartite representative structures; and its ability to make a difference in meeting some of the major challenges of the world of work.

18. What, then, are the forces transforming the world of work? What do they imply for the ILO, and its capacity to deliver on its mandate? This chapter examines the following:

- ❑ the impact of demographic change;
- ❑ the transition to environmental sustainability;
- ❑ the onward march of technology;

- ❑ the changing contours of poverty and prosperity;
- ❑ growing inequality and the challenge to social justice;
- ❑ rebalancing, convergence and recovery; and
- ❑ the changing character of production and employment.

The impact of demographic change

19. Demographic trends are easier to predict and quantify than others. They tell us with a high degree of certainty much about coming world of work challenges up to the ILO's centenary and well beyond. The global population is on its way to 9.3 billion by 2050, when seven out of ten will be living in cities, with much of the urban growth taking place in developing countries.¹ The rate of increase is slowing, but the world's population will still grow by about a third in four decades. Africa's population is rising the fastest, and the inverse relationship between income levels and fertility means that by 2035 the population of the least developed countries will overtake that of the developed world.

20. Overall, the world's population is getting older, with the median age going up from 28 years in 2009 to 38 in 2050.² By then there will be four persons of working age for every person over 65, compared to nine in 2000.³ By contrast, youth dependency rates overall will decline. There are marked regional differences, however, and the pressure to provide decent work opportunities for new labour market entrants will be particularly acute in South Asia, the Middle East and Africa. On the understanding that policy dealing directly with demographic trends lies outside the ILO's mandate, there are five obvious areas in which the ILO's own work will necessarily need to address their consequences:

- ❑ **Job creation.** We know that at current participation rates, 44.5 million workers per year will enter the labour market in the next five years – a total of more than 222 million people seeking new and decent jobs.⁴ The projected increase in participation rates of women is a positive development and will yield economic benefits. A more rapid growth in these rates would be desirable. Getting the world back to work is not just about overcoming the conjuncture of crisis, with 200 million now out of work. It requires a shift of policy mixes and production patterns towards job-rich growth.
- ❑ **Social protection.** This year's session of the International Labour Conference is dealing specifically with employment and social protection in the new demographic context. The ILO will need to integrate its outcomes into its work programmes, building on the mandate already provided by the Social Protection Floors Recommendation, 2012 (No. 202).

¹ United Nations, Department of Economic and Social Affairs, Population Division: *World Population Prospects: The 2010 revision, Highlights and advance tables*, Working Paper No. ESA/P/WP.220 (New York, 2011).

² *idem*: *World Population Ageing 2009* (New York, 2009), p. 16.

³ ILO LABORSTA database: Economically active population, estimates and projections (sixth edition, 2011), at: http://laborsta.ilo.org/applv8/data/EAPEP/eapep_E.html.

⁴ *ibid.*

- **Migration.** Differentiated demographic and income trends are already adding to migratory pressures, and these pressures will become even stronger. With the United Nations General Assembly High-level Dialogue on International Migration and Development to be held in October 2013, the ILO must be instrumental in upgrading the multilateral system's work for a framework which is truly respectful of the rights and interests of the working people involved.
- **Fragile and conflict-affected States.** Demographic pressures are particularly strong in these countries, where poverty rates are generally 21 percentage points higher than in other States,⁵ and decent work deficits are the greatest. Eliminating extreme poverty means enabling their inhabitants to change their lives for the better, with decent work as a key driver.
- **Planetary limits.** Current demographic trends are raising serious questions about the capacity of the planet to provide its growing population with the resources for a decent life. The ILO's responsibilities lie in the field of sustainable production processes.

The transition to environmental sustainability

21. Since the first ILO discussion on work and the environment in 1972,⁶ it has been recognized that the Organization's responsibilities extend beyond the working environment. The international community has also moved beyond the false choice between jobs and protecting the planet.

22. Current patterns of consumption and production are resulting in unsustainable use and loss of natural resources. Scientific evidence and direct experience have brought home the reality of climate change and led to general acceptance of the imperative of transition to a low-carbon world of work. That is why this year's Conference is discussing green jobs as a necessary component of the sustainable development agenda.

23. Progress in multilateral negotiations on climate change has been slow, even as the consequences of inaction have become ever more apparent. With no change in current trends in carbon emissions and other pollutants, losses in productivity will be 2.4 per cent in 2030 and 7.2 per cent in 2050, by which time global per capita consumption will have declined by 14 per cent.⁷ Moreover, the danger of irreversible change in climate patterns would then be acute, with catastrophic consequences for human existence.

24. Environmental factors, in particular climate change, are already a strong driver for migration, within and across borders. In 2002, the Office of the United Nations High Commissioner for Refugees (UNHCR) estimated that 24 million people around the world became refugees because of floods, famine and other environmental factors,⁸ exceeding the number of all other refugees, including those fleeing from armed conflicts. According to forecasts, 150–200 million people may become permanently displaced by the middle of the century owing to rising sea levels, heavier floods and more intense

⁵ World Bank: *World Development Report 2011: Conflict, security, and development*, p. 5.

⁶ ILO: *Technology for freedom: Man in his environment – the ILO contribution*, Report of the Director-General, Part 1, International Labour Conference, 57th Session, Geneva, 1972.

⁷ ILO: *Sustainable development, decent work and green jobs*, Report V, International Labour Conference, 102nd Session, Geneva, 2013, para. 46; OECD: *OECD environmental outlook to 2050: The consequences of inaction* (Paris, 2012).

⁸ K. Warner et al.: *Human security, climate change and environmentally induced migration* (United Nations University – Institute for Environment and Human Security, 2008), at: <http://www.ehs.unu.edu/file/get/4033>.

droughts.⁹ Inevitably, the poorest will be most vulnerable to the impact of climate change, and its increasing effects have the potential to reverse many of the achievements in poverty reduction over the last decades.

25. The prevention and mitigation of climate change, more than any other single element, will distinguish the ILO's future responsibilities and activities from those of the past. The role the ILO must take up is easily stated in conceptual terms: to promote the considerable potential for creation of decent work associated with the transition to a low-carbon sustainable development path and to minimize and manage the inevitable dislocation that will accompany it. But the required transformation of the global system of production, including not just the replacement of certain technologies but their renunciation, even if they are the most efficient in purely economic terms, is unprecedented and daunting in its scale and complexity.

26. Accordingly, "green" issues will need to inform all areas of ILO activity in the years ahead. The difficulties evident in multilateral processes to date show just how challenging it is to find common ground in addressing the needs and responsibilities of all parties in the transition to environmental sustainability. The ILO's added value lies in tripartism.

27. Environmental sustainability is a precondition for sustainable enterprises and jobs. Social dialogue is already proving to be a powerful mechanism for generating that sustainability, as well as the political will for broader progress. It is only on the basis of a sound technical understanding of the issues and within a supportive national and international policy setting that the world of work will have a chance to make its full contribution. Hence the particular importance of the discussion on sustainable development, decent work and green jobs at this session of the Conference. This can be a pivotal moment for our Organization.

The onward march of technology

28. The controversy over the impact of technology on jobs, growth and living standards is older than the ILO itself. It is still very much with us. Indeed, one of the factors fuelling the perception that change in the world of work is outstripping the capacities of policy-makers to manage it is the continued effects of technological innovation.

29. The digital revolution continues to impact the world of work, with little sign of any slowdown in the rate of proliferation of its applications. The Internet revolution is growing apace, with four out of ten people connected and access increasing four times more quickly in the developing world than in the developed countries; there are now as many mobile phone subscriptions as there are inhabitants of the planet. Computer power is also expanding, with data crunching on an unprecedented scale, hyperconnectivity and cloud computing. New technology has further facilitated the fragmentation of the production process, enabling redefinition of the geographical location and boundaries of the enterprise.

30. The application of information and communication technologies (ICTs) may take unexpected turns, challenging the reliability of existing assumptions and predictions about their long-term effects. Robotics, for example, is making a major breakthrough in

⁹ See N. Stern: *The economics of climate change: Stern review final report* (Cambridge, Cambridge University Press, 2007).

manufacturing, with 200,000 industrial robots coming into use each year¹⁰ and a total of 1.5 million expected by 2015. The implication is that manufacturing can be a major contributor to gross domestic product (GDP) and productivity, but with a more modest share in job creation. Robotics and automation will most probably accelerate the ongoing decline of manufacturing employment worldwide, and seem likely to penetrate other sectors too, including transport, hospitals and the caring professions.

31. The application of ICTs has been one of the drivers of the rapid growth of the financial economy and has transformed the way it operates. For example, high-frequency algorithmic trading executed in milliseconds through powerful computers run by a small number of financial institutions has contributed to the global average daily foreign exchange market turnover, which reached US\$4 trillion in April 2010.¹¹ This was almost 100 times the average daily value of merchandise trade. In a single month, foreign exchange turnover is estimated to be 1.6 times larger than annual world GDP.

32. The long-term impact of such developments on the quantity and location of jobs remains highly uncertain. New business opportunities will arise, in particular in developing countries. However, new technology may also reduce the employment content of economic growth, with obvious implications given the record levels of unemployment prevailing worldwide.

33. What is clear is that technological innovation will feed directly into the demand for skills in labour markets. It is one of the more worrying paradoxes of the current crisis in labour markets that even in conditions of very high unemployment employers are unable to find the right skills sets to fill existing vacancies. Globally, one third of employers surveyed complain of such difficulties.

34. If future economic growth gains are likely to be derived from increased productivity rather than the more extensive use of factors of production, then the premium will be on possession of higher and appropriate skills to win competitive advantages. In general terms, levels of education are improving. In 2010, the adult population averaged 7.8 years of schooling, and that figure will continue to rise as countries increasingly converge around the levels of the highest performers.

35. Even so, the enduring mismatch between skill supply and demand indicates that higher levels of educational achievement are only part of the solution; there is great need to bring the often non-intersecting orbits of work and education or training into closer contact and alignment. Experience shows that when the links are established – for example in dual learning systems – the positive results can be considerable.

36. Linked to these considerations is the widely observed “hollowing out” of labour markets, with the polarization of jobs between a few high-skilled and well-paid categories, on the one hand, and many low-skilled and poorly paid categories, on the other. There is a growing emphasis too on the personal “soft skills” required for success in interactive work activity. The conclusion would appear to be that it is not just the level but the type of skills that matters, and that educational and training systems need to adapt to that reality.

¹⁰ See IMS research: *The growth of China's industrial robot production*, press release, 9 Jan. 2013, at: http://www.imsresearch.com/press-release/The_Growth_of_Chinas_Industrial_Robot_Production.

¹¹ Bank for International Settlements: *Triennial Central Bank survey of foreign exchange and OTC derivatives market activity in April 2010, Preliminary results*, Sep. 2010 (Basel), at: <http://www.bis.org/press/p100901.htm>.

37. The pace of change, technologically driven or not, in the world of work has made a single-job career an increasing rarity. To the same degree, it has made lifelong learning a necessity. Change makes certain skills a valuable but perishable commodity, and there is a need for them to be constantly renewed. Human capital is also eroded by the effects of long-term unemployment, of the young in particular. The twin dangers of deterioration and obsolescence of skills need to become the focus of labour market policies.

38. This is not only a matter for public policy. Employers and trade unions are taking and must increasingly take more responsibility for investing in skills and in aligning their efforts with those of public policy and training providers. In an era of accelerated technological and organizational change, strengthening of education and training systems and the provision of basic skills to all have to be not just a top priority, but a shared one, with the ILO acting in full support of its tripartite constituents.

Changing contours of poverty and prosperity

39. The Declaration of Philadelphia states that poverty anywhere constitutes a danger to prosperity everywhere; it requires that the war against want be carried on with unrelenting vigour. The evidence of recent years is that real progress has been made in the war against poverty, and that prosperity has spread to create a new middle class of unprecedented dimensions in many countries.

40. The achievement five years ahead of schedule of the target of halving world poverty by 2015 under the first UN Millennium Development Goal can be attributed to many efforts, notably China's historic performance. Moreover, it has paved the way for the World Bank's proposed objective of eliminating extreme poverty in the world by 2030 as a realistic and attainable goal.¹² The closer it gets, the more its final realization will depend on the capacity of anti-poverty strategies – decent work among them – to reach the most disadvantaged and vulnerable groups.

41. About 28 per cent of the world's poor live in fragile and conflict-affected States. The threat that their condition poses to the prosperity of others is one compelling reason why the ILO should give priority to them. The Organization's constitutional commitment to combating injustice, hardship and privation is another, still more compelling reason. What is more easily overlooked is the fact that three-quarters of the poor are now to be found in middle-income countries. That says a great deal about the difficulties of many countries in preventing inequality and poverty even as they grow and develop. It has implications too for the targeting of anti-poverty strategies.

42. But the world is not on a linear path to ending poverty, and very different trends emerge depending on whether poverty is measured in absolute terms (for example, the US\$1.25 a day threshold for extreme poverty) or in relative terms (for example, as a proportion of national median or average income levels). Moreover, as shown in the ILO *World of Work Report 2013*,¹³ many of those who succeed in getting out of poverty remain in near-poverty circumstances or in danger of falling back into their previous condition. Achieving sustainable poverty reduction has much to do with the ability of middle-income countries to reduce inequalities as they grow.

¹² "Within our grasp: A world free of poverty" – World Bank Group President Jim Yong Kim's speech at Georgetown University, at: <http://www.worldbank.org/en/news/speech/2013/04/02/world-bank-group-president-jim-yong-kims-speech-at-georgetown-university>.

¹³ ILO: *World of Work Report 2013* (Geneva, forthcoming).

43. Access to decent work is the key to ending poverty. The ILO has won widespread support for that proposition, which needs to be a keystone of the post-2015 UN development agenda. Where work fails to generate income above poverty levels – and hence does not qualify as decent – the “working out of poverty” path is broken.¹⁴ There is thus reason to be concerned by increases in the numbers of the working poor, wherever they are found. That concern is long-standing: the preamble to the ILO Constitution refers to the urgent need for “the provision of an adequate living wage”. Nearly a century later, the urgency is no less acute.

44. Closely related to trends in poverty is the emergence of a global middle class. Definitions differ, but if one defines middle-class households as those spending between US\$10 and US\$100 per capita per day in purchasing power parity terms, they account for 28 per cent of the world’s population, with 70 per cent still counted as poor and 2 per cent as rich.

45. These figures look like evidence of progress on the Decent Work Agenda. “Nothing seems more middle class,” says one analysis, “than the fact of having a steady well-paying job”.¹⁵ But they also mask stark regional variations: there is a striking contrast between the burgeoning middle classes of the emerging and developing economies, whose middle-class workforce has grown by some 400 million since 2001,¹⁶ and the hollowing out of middle-class jobs in a number of mature industrialized economies.

46. The overall implications of the rise of a truly global middle class for the world of work are still emerging, and will continue to do so in the next decades. Undoubtedly, they include the graduation of substantial sections of the population to thresholds of affluence, bringing with it an enormous consumer potential. Associated lifestyle changes may vary from major modifications in dietary habits to increased demands for democratic participation and accountability, which in turn have very significant and varied consequences, for example for food and commodity prices, global markets, the environment (with the middle-class signature feature of car ownership having reached as much as 600 million in the G20 emerging markets alone), and the social and political context of many societies. These developments also entail the likelihood of a shift away from work defined by the ILO as vulnerable.

47. Yet all of these developments are overshadowed by the deepening crisis of youth employment. It is a global drama, with many millions of young people in danger of becoming a lost generation. Last year’s Conference call to action¹⁷ to prevent such a tragedy needs to be heard and implemented.

Growing inequality: A major challenge to social justice

48. What do these trends tell us about inequality at work and in society? Alongside the good news of reduced poverty and of a growing middle class – in parts of the world at

¹⁴ ILO: *Working out of poverty*, Report of the Director-General, International Labour Conference, 91st Session, Geneva, 2003.

¹⁵ A.V. Banerjee and E. Duflo: “What is middle class about the middle classes around the world?”, in *Journal of Economic Perspectives* (2008, Vol. 22, No. 2), pp. 3–28.

¹⁶ ILO: *Global Employment Trends 2013: Recovering from a second jobs dip* (Geneva, 2013), p. 41.

¹⁷ Resolution concerning the youth employment crisis: A call for action, adopted at the International Labour Conference, 101st Session, 2012.

least – there is deep concern about widening inequality within and between countries. The annual survey on global risks conducted by the World Economic Forum this year ranked “severe income disparity” highest in terms of likelihood – ahead of chronic fiscal imbalances, rising greenhouse gas emissions, water supply crises and mismanagement of population ageing.¹⁸

49. There are different reasons for seeing growing inequality as a matter of concern. Some have to do with values and the unfairness inherent in excessive inequality. Opinions will vary on the point at which inequality becomes a problem, but for an organization like the ILO, whose mandate is social justice, these considerations are certainly pertinent. And few would deny that, viewed globally, that point has been passed. But the identification of inequality as a global risk is different. It indicates that current levels and recent trends of inequality embody a threat to the proper functioning of economies and societies.

50. The principle that unacceptable levels of inequality, like absolute deprivation and hardship, can pose a threat to social stability and cohesion is inherent to the ILO’s founding concept, which is that lasting peace must be based on social justice. Moreover, it is borne out by experience. Those governments which today are faced with the task of constructing strategies to restore sustainable public finances in the wake of financial crisis are having to confront the reality that those which are not seen to embody a fair sharing of costs and effort will not meet with public acceptance and will not work. They cross the red lines of implicit social contracts. Social dialogue is critical to rebuilding trust and avoiding that type of outcome. Where it has been discarded or has broken under the stress test of the crisis, the consequences can be severe and difficult to repair.

51. A different element of risk results from economic dysfunction arising from excessive inequality. Concentration of very high incomes for very few people at one end of the scale, and low incomes for large numbers at the other, has weakened global demand and the poverty-reducing effect of growth. Importantly, wider inequalities have gone hand-in-hand with a growing disconnect between incomes and productivity, which has distorted economic incentives.

52. The increasingly unequal distribution of income arising from the diverse forces operating in the world of work is one dimension of inequality. Another dimension originates from straightforward discrimination – direct or indirect – on the basis of sex, race, religion, social origin or other grounds. Inequality is also the result of violation of the right of equal treatment, and the ILO’s 2008 Declaration states that “gender equality and non-discrimination must be considered to be cross-cutting issues” in the strategic objectives of the ILO. The ILO has played an important role in the considerable progress that has been made in the legal protection of individuals against discrimination at work. Yet it persists: the global gender pay gap remains stubbornly high, with no real signs of closing. New grounds of discrimination are arising as matters of concern. It is particularly important to counter the broad discriminatory impacts of seemingly neutral processes, institutions or policies in education, for example, as well as in labour markets and workplaces.

53. The lesson would seem to be that, beyond a certain point, inequality will simply not be tolerated socially or economically. The same could be said of the denial of fundamental democratic rights and rights at work. The difference lies in the fact that, today, while universal respect of fundamental rights is well established as a global goal – including of the ILO – mounting concerns about inequality have yet to find expression in

¹⁸ World Economic Forum: *Global Risks 2013, Eighth edition* (2013), at: <http://reports.weforum.org>.

a distinct policy agenda. The time for this has come, and given that the causes and consequences of growing inequality are central to the world of work, this is an agenda in which the ILO can play a major role in coming years.

Rebalancing, convergence and recovery

54. It is not always easy to distinguish conjunctural factors in the world of work from longer-term structural trends. That is particularly true today: what can be attributed to the immediate effects of the crisis – and might therefore be expected to recede if and when “normal” conditions resume – and what must be seen as components of permanent structural change in the global economy?

55. We know that this year the share of emerging and developing economies in world production will exceed that of the advanced economies. By the time of the ILO’s centenary, that share will be about 55 per cent. Looked at more closely, the European Union (EU) accounts for 18.7 per cent of global output, the United States 18.6 per cent, and China 15 per cent, with the BRICS together – Brazil, the Russian Federation, India, China and South Africa – totalling 28 per cent.¹⁹

56. The immediate dynamics in this situation were described by the International Monetary Fund (IMF) in April this year as a “three-speed global recovery”,²⁰ with emerging and developing economies, especially in Africa, continuing to experience robust growth, a second group, notably the United States, “on the mend”, and a third, including the EU and Japan, struggling to escape stagnation or recession.

57. However, even within this scenario, the prospects are for reduced levels of growth for the emerging economies as compared to pre-crisis levels. The uneven pace of recovery is a reflection of persistent imbalances in the global economy which have been intensified and are obstacles to strong and sustained growth.

58. Given their size and influence, financial markets continue to dominate the real economy. They are also falling short on their principal task of servicing the real economy’s need for funding of sustainable investment growth. In these circumstances, the risks of renewed destabilization remain high.

59. Nevertheless, the experience of the crisis is leading other countries to reduce dependence on export markets, and to look instead to stimulating internal demand, including through infrastructure investments, improved wages and better social protection systems.

60. The ongoing discussions on austerity, jobs and growth – addressed in the Oslo Declaration adopted by the ILO’s Ninth European Regional Meeting in April – also encompass the drive to improve competitiveness in international markets. The goal is not just to get public finances back into shape, but also to make labour markets function better through structural reform. In more extreme cases in the Eurozone where the option of currency devaluation is not available, measures have also included outright cuts in pay and conditions.

61. Setting aside the merits of individual national policies, there are two important general considerations arising from this situation.

¹⁹ IMF: World Economic Outlook Database, Apr. 2013 edition.

²⁰ C. Lagarde: “The global policy actions needed to stay ahead of the crisis”, address to the Economic Club of New York, 10 Apr. 2013, at: <http://www.imf.org/external/np/speeches/2013/041013.htm>.

62. Firstly, while improved competitiveness is a legitimate goal of any economy or enterprise, it is logically impossible for all to become more competitive: greater competitiveness for one by definition means lesser competitiveness for another. By the same token, not all countries can export their way out of crisis, because one's export is another's import. Failure to grasp and act on that simple logic risks setting off a competitive downward spiral in pay and conditions against which the ILO has warned, for example in the 2009 Global Jobs Pact, and which can benefit no player in the long term.

63. Secondly, the ILO's red lines around efforts to improve competitiveness are set clearly at the point where such efforts would impinge on fundamental principles and rights at work. The 2008 Declaration states that the violation of these principles and rights cannot be invoked or otherwise used as a legitimate comparative advantage, just as labour standards should not be used for protectionist purposes.

64. In this context, the behaviour of wages in the different regions since the beginning of the century gives some support to the idea of international convergence. From 2000 to 2011, real monthly average wages globally grew by nearly a quarter; in Asia they nearly doubled and in China they roughly tripled; for Latin America and the Caribbean the increase was 15 per cent, and for Africa 18 per cent. While Eastern Europe bounced back from the disruption of transition with a near tripling from a very low base, the Middle East saw a reduction of 5 per cent. Meanwhile, in the developed world as a whole average real wages rose by just 5 per cent over the same period.²¹

65. These developments need to be properly understood in the context of the absolute pay levels involved. In 2010 a manufacturing worker in the Philippines took home about US\$1.40 per hour worked; for Brazil the comparable figure was US\$5.40, for Greece US\$13, for the United States US\$23.30 and for Denmark US\$34.80.²²

66. On this basis, the road to wage convergence is long indeed. The notion that international competitiveness strategies can be based primarily on compression of wage costs is belied by the magnitude of the international wage differences involved. The more pertinent question to address is the relationship between wages and productivity.

67. The evidence in that regard is unequivocally one of wages lagging behind productivity growth in developed and developing countries alike, with resultant reductions in the overall share in national income. The average labour share in 16 developed countries fell from about 75 per cent in the mid-1970s to about 65 per cent just before the global financial crisis hit. Over the shorter period from the early 1990s up until the crisis, the corresponding reduction for 16 developing and emerging nations was from 62 per cent to 58 per cent.²³

68. While much attention is currently being given to the need to restore the link between wages and productivity in those countries where pay has considerably outstripped productivity, the evidence is that in the great majority of countries it is wages that have fallen behind.

69. The international community's objective of relaunching strong, balanced and sustainable growth which is rich in jobs places the ILO at the centre of key policy debate, including in the G20 framework and with the international financial institutions. There is

²¹ ILO: *Global Wage Report 2012/13: Wages and equitable growth* (Geneva, 2013), p. 10.

²² *ibid.*, figure 8, p. 11.

²³ *ibid.*, p. 42.

an important opportunity here for the ILO to inject the Decent Work Agenda into the dynamics of recovery.

The changing character of production and employment

70. “What everyone in the world wants is a good job”, according to Jim Clifton, Chairman and Chief Executive Officer (CEO) of Gallup.²⁴ But what does a decent job look like as the global economy continues to evolve? Certainly, the classic stereotype of a full-time permanent job, with fixed hours, and a defined-benefit pension on the completion of a largely predictable and secure career path with a single employer, however desirable it might appear, is an increasingly infrequent reality. Nor was it ever the reality for most working people, who are more likely to have been occupied in rural and informal settings, often with minimal protection or security.

71. Today, about half of the global workforce is engaged in waged employment, but many do not work full time for a single employer. The supposedly “atypical” has become typical; the “standard” has become the exception. Views are strongly divided about whether and how this matters for the attainment of decent work for all and, if so, what if anything should be done about it.

72. Certainly, it has been difficult to find consensus on these issues in the ILO, although considerable effort has been invested in trying to do so. Against a post-Cold War background of prolonged controversy about the merits and demerits of internal and external labour market flexibility, the ILO adopted a series of Conventions in the 1990s on specific forms of work – part-time, home work, private employment agency-mediated – and, following unsuccessful discussion of an instrument on contract labour, adopted the Employment Relationship Recommendation, 2006 (No. 198). The Conventions have received only modest levels of ratification so far – between ten and 27 – and strong controversy continues over the issues they address, extending to the Termination of Employment Convention, 1982 (No. 158), which goes to the heart of external flexibility issues.

73. It is a challenge, for the ILO and for its constituents, to move forward from firmly held and well-known positions in order to build consensus on key contemporary labour market policy issues on which the Organization needs to speak with authority. The defence of legitimate interests in these matters as in others, and the divergent views resulting from it are a normal part of the life of the ILO. But if they result in a long-term stand-off on matters which must and will be the subject of political decisions and action at the national level, there is a risk that the ILO will inevitably be seen as irrelevant in areas where it absolutely must be present. What is at stake is the practical definition of the labour market architecture of decent work today, to be built on the bedrock of the fundamental rights Conventions.

74. If the gradual breakdown of so-called “standard” employment forms and relations into a myriad of different varieties is one dimension of increased labour market segregation, another is to be found in the fragmentation of production processes along increasingly complex and dispersed production chains which may cover several countries or even regions.

²⁴ Interview at the launch of J. Clifton: *The coming jobs war: What every leader must know about the future of job creation*, press release, 4 Oct. 2011, at: <http://www.gallup.com/press/150389/Coming-Jobs-War.aspx>.

75. This, perhaps the most graphic manifestation of the globalization of business activity, presents some fundamental issues and opportunities for the ILO. Traditional measures of national trade balances, reflecting a view of world commerce as simply being exchanges between States, do not capture the reality that the final product bought by a consumer is often an assembly of value added, or work performed, in several countries.²⁵ For the ILO, whose interest and responsibilities are centred on the labour practices along these chains, the corresponding question is whether it is sufficient to continue to address these matters purely by reference to the States which are its Members and which are legally bound to apply ratified Conventions. The responsibilities of member States are not diminished or supplanted by global supply chains. But the fact that private actors are the drivers of the constantly shifting supply chains or production networks that increasingly characterize international trade and investment would seem to indicate that there are additional opportunities for the ILO to promote decent work in their operations.

76. This is borne out by the extensive initiatives taken by enterprises which source production through such arrangements to try to ensure acceptable conditions of work and respect for fundamental rights. The plethora of codes of conduct and social auditing mechanisms now in place is testimony to the importance attached to these issues. Proposals for a Conference discussion on decent work in global supply chains have yet to meet with the support of the Governing Body, which will, nevertheless, have an early opportunity to return to the matter.

77. The wider question is that of the ILO's overall engagement with private enterprises. That is one of the issues examined in the next chapter, which addresses the question of how the ILO needs to react and adapt to the forces which are transforming the world of work.

²⁵ OECD–WTO Trade in value-added database, at: <http://www.oecd.org/industry/ind/measuringtradeinvalue-addedanoecd-wtojointinitiative.htm>.

Chapter 2

Equipping the ILO: Institutional challenges

78. The processes accelerating change in the world of work define the context in which the ILO approaches its centenary. They also challenge the Organization to examine just how well equipped it really is to continue advancing the cause of social justice in conditions which bear scant resemblance to those of 1919.

79. There is no dispute that the ILO has a mandate which places it at the centre of today's crucial policy issues and which addresses the heart of people's concerns across the globe: most of us want to work in decent conditions for decent rewards. But this mandate in itself is no guarantee of the relevance, success and future of the Organization; that depends on its capacity to deliver on it credibly and effectively.

80. The ILO needs to give serious attention to a number of pending institutional challenges if it is to have the best chance of doing its job well in a rapidly changing environment. They may be more easily ignored, but there is a price to be paid in terms of effectiveness if that course is chosen. Those challenges relate to:

- tripartism and representative legitimacy;
- standards;
- coherence;
- the ILO and enterprises.

All of these have a bearing on the ILO's responsibility to those who face the worst injustice, hardship and deprivation at work and in society.

81. The ILO and its constituents need to take up these challenges, not for reasons of institutional self-interest and self-preservation, but because of their shared and demonstrated attachment to the cause of social justice. Today, there is widespread public disaffection with many of the institutions, practices and actors of public life, and the ILO's constituents have not been immune to this. The fact that the ILO is relatively unknown to the wider general public and hence somewhat insulated from its disillusionment should be no consolation. The way forward can only be to project the ILO convincingly as a value-driven Organization with a remarkable record of achievement over nearly a century, and the will and capacity to continue to achieve in the future.

82. We have made good progress in this direction, but we need to build more on the strong foundations in place.

83. The Decent Work Agenda has given the ILO visibility, direction and purpose, and can continue to do so. In addition, the 2008 Declaration on Social Justice for a Fair Globalization, as stated in the preface by then Director-General Juan Somavia, "institutionalizes the Decent Work concept ... [and] is a renewed statement of faith in

the ILO”, while signalling that “the Organization should review and adapt its institutional practices to enhance governance and capacity building in order to make the best use of its human and financial resources and of the unique advantage of its tripartite structure and standards system”.

84. In the five years since its adoption, the follow-up mechanisms to the Declaration have certainly started showing their value. But the ILO has still to exploit their potential to the full. The Conference will be aware that it is called upon by the terms of the Declaration to undertake a review of its impact and steps taken to promote its implementation at a time and according to modalities to be determined by the Governing Body. It seems appropriate to give early consideration to such a review.

85. In this context, it is useful to recognize that the ILO has responded to a number of specific challenges set out in the Declaration, and is continuing to do so. With regard to governance, the reform proposals approved by the Governing Body took effect from November 2011. Through this initiative, the Governing Body has modified its methods of work considerably, and thus, by common consent, improved efficiency and allowed the tripartite constituency to better discharge its governance responsibilities.

86. Notwithstanding the difficulties involved, the same effort needs to be made in respect of the Conference, while strictly safeguarding its vital functions. The fact is that an annual Conference of some three weeks’ duration, while it is able to attract high-level visitors, including Heads of State and of Government, cannot reasonably hope to engage sufficiently senior decision-makers from its own tripartite constituency. That alone should be cause for concern and reflection.

87. The process of reform and change initiated with the advent of the new ILO leadership in October 2012 has, since the last session of the Conference, sought to address the demands made of the ILO by the 2008 Declaration. That process is ongoing, and much remains to be done to achieve its objectives. However, the Organization is moving forward to meet these demands – by upgrading its analytical capacities to become the centre of technical excellence in the world of work, by breaking down internal compartmentalization and reversing fragmentation of effort, by improving systems for the delivery of quality services to constituents, by strengthening external partnerships, and by redynamizing questions posed by the Declaration. Nevertheless, the reform under way is more a means to an end than an end in itself. There is a need to look beyond its scope to a more detailed consideration of substantive challenges.

Tripartism and representative legitimacy

88. The 2008 Declaration says that in a world of growing interdependence and complexity and the internationalization of production, “social dialogue and the practice of tripartism ... within and across borders are now more relevant to achieving solutions and to building up social cohesion”. This unequivocal endorsement of tripartism – and the pointer towards the need to make it more operative at the international level – confirm its value not only as the essential *modus operandi* of the ILO but as an important instrument for addressing social and economic issues in and among member States.

89. ILO constituents are also aware, however, that the ILO’s tripartite structure and methods have been the subject of criticism. Among the most familiar are the following: that at best they reflect past, but not contemporary, world of work realities; that the declining membership of some employers’ and workers’ organizations deprives them of the necessary representative legitimacy; and that such organizations are often unable to

reach or speak for large segments of the working population, including those in the informal economy.

90. Because these criticisms are considered misplaced – or even malicious – the reflex has frequently been to dismiss them out of hand. Nevertheless, they have not gone away, and they continue to raise issues which merit more detailed consideration on three grounds.

91. The first has to do with a perceived trend in late twentieth and early twenty-first century society away from the collective to the individual. It has numerous aspects, many of which go well beyond the world of work, but impact strongly on it. If there is a growing preference for advancing personal interests on an individual rather than collective basis, and an increased tendency to interact through technology-mediated networks rather than by joining formally constituted associative bodies, and if lifestyles are indeed eroding community and promoting the atomization of societies, then it is not surprising that the ILO should feel the effects.

92. In such circumstances, it is for the ILO and its constituents to make the case for their own relevance and value. They enjoy no privileges in that regard, and face significant challenges. Whatever the factors behind the decline in membership of ILO constituents in some countries – and the process is by no means universal – there is no point in denying that issues of legitimacy can and do come into play.

93. Secondly, while the standing and representativeness of each ILO constituent may fairly be considered primarily its own responsibility, it is also clear that the constituents' attitudes to one another can be of major and possibly decisive importance.

94. Most obviously, where laws or practice prevent the free exercise of the right to organize, tripartism and dialogue become a dead letter. Yet people join organizations for a purpose, and in the world of work that purpose is, above all, the collective representation of interests through collective bargaining – which the ILO has a constitutional obligation to promote – and social dialogue. It follows that the strength and legitimacy of tripartism and its actors depend on mutual recognition and respect of rights and roles. Refusal by any party to engage in social dialogue at national level can only be detrimental to that legitimacy. Equally, non-recognition of representative organizations for purposes of collective bargaining erodes the representational function of organizations, regardless of the voluntarist character of the exercise. In that light, the idea that individual contract arrangements could be an equal and equivalent alternative to collective bargaining between representative organizations cannot easily be squared with the ILO's "unique advantage" of tripartism and social dialogue, as highlighted in the 2008 Declaration.

95. Thirdly, constituents' concern to maintain and strengthen tripartism as a defining feature and structural template of the ILO in the face of the arguments outlined above may make them unduly defensive in regard to the involvement of actors from outside the tripartite community in the work of the Organization.

96. This issue has been episodically raised in recent years in the ILO, even at times when the tripartite constituents have been increasingly engaging with such actors outside the Organization. This need not, and should not, be the case in the future. The ILO has much to gain from the contribution of other relevant actors to its work, and much to lose from adopting – and being seen to adopt – overly defensive or exclusive attitudes to them. The way forward is to agree and adhere to some basic guidelines that will allow the ILO to maximize the benefits of wider involvement while protecting and reinforcing the principles and practice of tripartism.

97. Clearly, and importantly, the representative function in the world of work belongs – and can only belong – to governments, with their democratic mandate, and to representative and independent organizations of employers and workers. The same principle has always applied to all decision-making structures in the ILO, and will continue to do so. There can be no dilution of that tripartite mandate; it cannot be shared with other organizations, however visible or expert they may be, and however aligned with the objectives of the ILO. That implies no adverse appreciation of their value and standing, but rather a recognition of their distinctive character.

98. Accordingly, and with the guarantees provided by improved tripartite governance processes in the ILO, it should be possible to involve non-tripartite constituents appropriately in the Organization's work, on the basis of clearly demonstrated advantage and well-defined roles. They can and do provide added value in terms of expertise and knowledge, and it serves no purpose to deny it or to forgo their contribution.

99. That said, the capacity-building responsibilities of the ILO are towards its tripartite constituents, and to them alone. That includes support to labour ministries, which have a key role in the promotion and operation of tripartism as well as in labour administration and inspection functions. Engagement with other actors can be a component of activities to discharge those responsibilities, but not an alternative to them.

100. A distinct dimension of the legitimacy of ILO structures concerns arrangements for their geographical composition – notably that of the Governing Body. At the time of the Cold War there was a prolonged and acrimonious discussion of the Governing Body structure. The conditions and ideological divergences that produced it no longer prevail.

101. Nevertheless, transformation and rebalancing of the global economy, discussed above, have also raised new – and not so new – questions about the appropriateness of established arrangements for representation to emerging realities. The advent of the BRICS and the attention increasingly given to a “second wave” of countries behind them reflect the dynamic nature of the situation. In the ILO, however, debate has centred on the 1986 Amendment to the Constitution, which has not entered into force for want of sufficient ratification.

102. Renewed efforts have been made to promote further ratification, and it is for constituents to assess their success and the real prospects for further progress. Persisting in initiatives to bring the amendment into force is certainly one legitimate option to ensure that the ILO's internal representational arrangements are up to date and fit for purpose. Constituents may think there are others.

Standards

103. The 2008 Declaration recognizes standards – together with tripartism – as a “unique advantage” of the ILO and goes on to set out in detail how standards need to be implemented as key instruments for the achievement of the Organization's objectives.

104. In so doing, the Declaration reflects an impressive level of tripartite commitment to the ILO's normative function, as well as historic continuity in respect of the primacy attributed to that function. From the adoption of the Hours of Work (Industry) Convention (No. 1) in 1919 to that of the Domestic Workers Convention (No. 189) in 2011, standard setting has been the central task of the ILO. Over the same period, a supervisory system has been created and has evolved, showing that it is not just the adoption and ratification of standards that matter to the ILO, but also how they are applied.

105. Standards policy, however, while universally recognized as the core function of the ILO, has frequently been the subject of controversy. It is such controversy that has enabled the standards system to adapt to changing needs and realities in the world of work. In that perspective, it should not be cause for particular concern that the ILO approaches its centenary in the midst of a major debate – described by some as a crisis – centred on standards policy.

106. The 2008 Declaration, with its powerful endorsement of standards, acknowledges such a situation and calls on the Organization to respond to it, saying that it must “promote the ILO’s standard-setting policy as a cornerstone of ILO activities by enhancing its relevance to the world of work, and ensure the role of standards as a useful means of achieving the constitutional objectives of the Organization”.

107. The Declaration was adopted at a time when tripartite recognition of the need to renew and upgrade the body of ILO standards was taking shape, and indeed expresses that embryonic consensus. That subsequently led to agreement in principle to put in place a standards review mechanism for that purpose. Unfortunately, it has so far been impossible to advance this agenda, despite its evident importance for the credibility of ILO standards policy. Two things have stood in the way of needed progress.

108. The first is the absence of the levels of trust required. Differences of position in defence of the specific interests of constituents are not only compatible with the goal of strengthening standards policy; they are a necessary ingredient. But to advance the standards function, that dynamic should be positive, and it gives way to something quite different when the perception of the actors is that their partners actually aim to extract partisan advantage at the expense of the common endeavour. Nobody admits to such motives, and even if they are not consciously held, the ILO has witnessed situations in which positions advanced as “points of principle” have often looked more like a pretext for intransigence and a refusal of constructive dialogue.

109. For example, and at the risk of oversimplification, confrontation between positions maintaining, on the one hand, that the ILO should abstain from adopting any new standards and, on the other, that it should turn out a new one every year, both offered without regard to the merits of specific proposals or needs, is unhelpful and corrosive of confidence.

110. Such attitudes have fed suspicion in related areas, manifested, for example, in the calling into question of the legitimacy of standards for which one has not voted, or in persistence in the belief that the supervisory system has particularly targeted certain countries or regions.

111. Complicating background factors have added to the difficulties. The undoubted technical complexities of the standards system have sometimes made informed consideration of the issues at stake a challenge, and some member States’ difficulties in simply keeping pace with the constitutional requirements of submitting new standards to parliaments and of reporting must have made the exercise seem academic in their view.

112. Secondly, in this unpromising conjuncture, last year’s Conference saw the appearance – or reappearance – of a controversy of fundamental importance whose immediate and unprecedented consequence was to prevent the Committee on the Application of Standards from completing its work. That in itself is a matter of grave concern, and should unite all constituents in the determination to allow the Committee to carry out its work successfully this year. Otherwise, there is a real danger of irreparable damage to the supervisory system.

113. What is at stake is not only the question of the “right to strike”, which was the immediate trigger of controversy, but, in the broader perspective, the mandate and authority of the Committee of Experts on the Application of Conventions and Recommendations, and what might reasonably be done in the event of disagreement over what the experts say about the meaning and application of Conventions.

114. This Report is not the place to enter into the substantive merits of the issues in discussion, or the views that have been advanced on them. They are being addressed elsewhere, and it is the responsibility of the Director-General to facilitate those discussions, not to make them more difficult. But some general observations are called for.

115. It is important to acknowledge that this controversy poses questions of fundamental significance for standards policy and hence for the ILO itself. It follows that the ILO cannot afford to allow it to remain unresolved for very long. A standards system which does not command full tripartite support and commitment will inevitably suffer in terms of authority and credibility. Paradoxically, one of the reasons cited for the emergence of controversy at this point in the ILO’s history is precisely that the outputs of the supervisory system are increasingly influential as a reference point in numerous settings outside the ILO itself. The shared weight of responsibility to find solutions could hardly be clearer.

116. Extensive efforts since last year’s Conference to move towards solutions have not yet produced definitive results. But with all of the difficulties, they have served important purposes. They have helped to define the key points of disagreement and to identify available options to deal with them. Moreover, they have revealed, clearly and encouragingly, that all constituents are actively committed to a strong, relevant, impartial and coherent standards system for the ILO. The constituents have also given clear indications of readiness to take their share of the responsibility for ensuring that outcome.

117. There are thus reasons to believe that the ILO’s normative work can emerge not only intact but strengthened from the current debates and divergences. Trust will need to be rebuilt, and a sense of common purpose restored. In addition, progress will need to be made within the framework of an integrated single-endeavour approach to standards policy. The aim should be to bring together the specific issues now under examination into a new architecture which may involve further innovation, for example with regard to the fundamental rights Conventions once the target deadline of universal ratification by 2015 has expired, or to the functioning of the different supervisory mechanisms, which are faced with the challenge of increasingly heavy workloads.

The challenge of coherence

118. The ILO works within a multilateral system whose capacity to respond effectively to global challenges is under growing scrutiny. Public opinion has become increasingly preoccupied with those challenges, and impatient with failure to address them adequately, whether nationally or internationally.

119. The recent record of formal multilateral processes has not been positive. Global trade negotiations have not produced results; talks on climate change have not met general expectations. Significantly, the international community’s response to the breaking financial crisis in late 2008 was to convene a Summit of the G20 rather than to act through existing multilateral structures. Similarly, regional, interregional or subregional initiatives are increasingly coming into play as an alternative to multilateral processes. The implications for the governance of globalization are considerable.

120. As an Organization with global membership, defending and promoting universal values and objectives, and a committed actor in the multilateral system, within which it has become more prominent, the ILO has every interest in its success. The ILO gains from system-wide support for its own agenda, such as that expressed at the highest levels for the Decent Work Agenda. At the same time, it must contribute, within its mandate, to setting and achieving system-wide objectives. The current preparations for the post-2015 UN development agenda provide a critical responsibility and opportunity in that regard.

121. The need for greater coherence among international organizations in pursuit of shared goals, and in the behaviour of governments in their membership of different organizations, is a long-standing concern.

122. The founding Constitution of the ILO predates the existence of nearly all the other organizations in the multilateral system. But the Declaration of Philadelphia, adopted when the current constellation of international organizations was in the process of formation, makes extensive reference to working with them, pledging full ILO cooperation with “such international bodies as may be entrusted with a share of the responsibility for this great task [the achievement of the objectives set out in the Declaration] ... and for the promotion of the health, education and well-being of all peoples”. In addition, the Declaration places particular emphasis on the “responsibility of the ILO to examine and consider all international economic and financial policies and measures in the light of this fundamental objective” (the pursuit of material well-being and spiritual development in conditions of freedom and dignity, economic security and equal opportunity).

123. The resounding call to cooperation in the embryonic multilateral system contained in the Declaration of Philadelphia did not provide much indication as to how it was to be achieved; and in fact, to a large degree, it has not been achieved. The ILO’s real influence on international financial and economic policies has generally not measured up to the expectations that might be inferred from the wording of the Declaration in 1944. No truly effective mechanisms to promote system-wide policy coherence were put in place in the following decades. The Cold War was not conducive to progress in that regard, and the type of policy consensus that emerged from its ending did not advance matters. On the contrary, the orthodoxies of the so-called “Washington Consensus” served rather to impose a hierarchy of policy objectives, subordinating some to the achievement of others, rather than seeking coherence between them.

124. The last decades of the twentieth century saw some high-profile attempts to at least avoid outright contradiction in the policies pursued by different parts of the multilateral system. That was notably the case in the context of the structural adjustment policies promoted by the Bretton Woods institutions, and in respect of the liberalization of trade, symbolized by the creation of the World Trade Organization (WTO), and the attendant debate on trade and labour standards.

125. From those turbulent and uncertain times, more favourable conditions have now emerged for the pursuit of international policy coherence. The ILO, through the Decent Work Agenda and more specifically its work on the social dimension of globalization, has been assiduous in promoting that objective. Progress has been made – for example on achieving understanding and support for fundamental principles and rights at work and on employment – but it remains partial and in some respects fragile. Moreover, the crisis that broke in 2008 has shown the limits of international policy coherence and the practical difficulties still faced by regional and international organizations when they seek to present coherent and credible narratives to a frequently sceptical public.

126. The ILO needs to persist in its commitment to work for greater coherence. To be up to the task, the Organization's policy foundation must be solid, and efforts currently under way in the reform process to upgrade its statistical, research and analytical capacity will also stand it in good stead in the international policy arena.

127. There are three complementary avenues for further action on coherence.

128. Firstly, efforts should be pursued to deepen dialogue and cooperation with sister organizations with relevant mandates. This strengthening of bilateral partnerships is a component of the current reform agenda. Already in 2010, the joint ILO–IMF Conference on the Challenges of Growth, Employment and Social Cohesion marked an important step forward. Recent contacts with the new leadership of the World Bank and with the managing directors of the regional development banks also offer promising prospects. Relations with the WTO have previously aroused political sensitivities, but technical studies undertaken jointly warrant further cooperation at that level and consideration of the possibility of the ILO seeking observer status in that organization. Experience, for example in respect of cooperation with the IMF, also suggests that it can be both productive and instructive to take the discussion out of Geneva and Washington to address specific practical issues in member States.

129. Secondly, the ILO should be alert to all opportunities to contribute actively to the initiatives of other organizations, and of the multilateral system as a whole, including through strategic participation in “One UN” modalities, within the scope of its mandate. Examples currently include the work being done in selected countries to accelerate progress towards the MDGs; the Social Protection Floor Initiative; the mandate to incorporate ILO employment and social protection objectives in the post-2015 UN development agenda; ILO inputs to the General Assembly High-level Dialogue on International Migration and Development in October 2013; and, conversely, the involvement of other organizations in the Third Global Conference on Child Labour to be held in Brazil in October this year.

130. Thirdly, there is the possibility of establishing institutional arrangements for improved policy coherence, an issue which has been discussed recently at the International Labour Conference, and was highlighted in the 2008 Declaration, which, significantly, recalls in its very title the fair globalization that could be promoted through such coherence.

131. Specifically, the Declaration calls on member States to consider appropriate steps for adequate coordination between positions taken in relevant international forums and measures they may take under the Declaration itself; calls on the ILO to invite international and regional organizations with mandates “in closely related fields” to promote decent work and to evaluate the employment effects of trade and financial market policy; and instructs the Director-General to promote effective partnerships within the UN and the multilateral system.

132. The potential of the Declaration in respect of policy coherence has yet to be fully explored. There is both need to do so, and merit in it. One example, which the Declaration had the foresight to mention, is the relationship between financial market policy and employment. Concerns about the impact of the financial on the real economy predate the crisis that broke in 2008 and foreshadowed it. Subsequently, attention turned to measures needed to regulate the financial economy in order to avoid a repetition of past excess and breakdown, and then to the ongoing controversy, especially in Europe, on the right way to reconcile the pressing need for jobs and growth with the concern to re-establish sustainable public finances.

The ILO and enterprises

133. The ILO has a mandate, recognized in the 2008 Declaration, to promote sustainable enterprises as an integral part of the Decent Work Agenda. Discharging that responsibility is a major and relatively recent endeavour for the Organization, and requires it to reflect on the adequacy of its means of action to the task.

134. A widely voiced and long-standing criticism of the ILO is that it is insufficiently informed about the realities, needs and practices of modern business and unresponsive to its views. The creation of a new Enterprises Department in the context of the restructuring of the Office in Geneva is one answer to both of these challenges.

135. The implication of this situation is that there is insufficient direct engagement of enterprises in the activities of the ILO. As is proper, employer representation in the ILO is through employers' organizations, and it is they who have the responsibility of facilitating enterprise access to ILO activities and services. The necessary consideration of ILO interaction with enterprises should not be inhibited by any misplaced concern about the integrity of the existing representational mandate.

136. Instead, the question that needs answering is whether the ILO is offering the type of services for which there is, or could be, a demand from enterprises and whether they, in turn, have adequate access to them. The ILO has a solid record in respect of training and services in support of the establishment and development of enterprises. The Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy adopted by the Governing Body in 1977 is also a source of guidance to enterprises, and a helpdesk provides advice on its provisions and on international labour standards to those who seek it.

137. Nevertheless, there are reasons to suppose that there is a substantial area of unfulfilled business demand for services which the ILO could provide and which would serve to advance its objectives. It is striking that the ILO has been largely passive in the face of the exponential growth of corporate social responsibility (CSR) initiatives over the last decade. That is despite the fact that many such initiatives make explicit reference to ILO standards, particularly those relating to fundamental rights.

138. The CSR arena is crowded with mechanisms which vary widely in character and in value. But it is difficult to deny their impact in terms of both volume and influence. The UN Global Compact, a flagship initiative announced by the Secretary-General in 1999, now has some 7,200 participating enterprises and reports rapid growth. It refers to the ILO fundamental principles and rights at work, which form the basis of four of the ten principles which these enterprises undertake to observe. Yet the ILO's involvement in the Compact has been fluctuating and, in some respects, marginal. Following the adoption in 2011 of the UN Guiding Principles on Business and Human Rights, an important new area of work has opened up for their implementation, with clear responsibilities for the ILO in respect of labour standards. On the other hand, the ILO Governing Body has had occasion to express concern when private standard setting, notably that conducted by the International Organization for Standardization, has appeared to encroach on areas which lie within the purview of the ILO and its tripartite constituency.

139. At the very least, the ILO needs to conduct an in-depth discussion of its own stance and responsibilities in respect of CSR. There are a wide range of options open to it, either in support of the initiatives of others or to promote its own. An added incentive to action is the call in the 2008 Declaration for the ILO to develop "new partnerships with non-state entities and economic actors, such as multinational enterprises and trade unions

operating at the global sectoral level”, underlining that this will be done in consultation with representative national and international organizations of workers and employers.

140. One particular area of action worth examining concerns international supply chains, which, as has been seen, are one of the distinctive features of the transforming world of work. Enterprises which source production along such chains generally state their commitment to acceptable terms and conditions of employment, often take action to try to ensure that they are applied in practice, and sometimes acknowledge the difficulties inherent in making those efforts reliable and effective. A number have indicated that they would welcome ILO support or involvement in this field.

141. The labour issues related to supply chains periodically hit the headlines when a case of serious abuse is brought to public attention or when a tragedy occurs at a workplace, causing appalling loss of life. When that happens, the inadequacy of existing arrangements are laid bare, consumers make clear that they have no wish to purchase goods produced in conditions of abuse of, or danger to, workers, enterprise reputation is damaged, the government concerned is put under pressure to effect change and, incidentally, the ILO is the object of pointed criticism for having failed to take up its own responsibilities.

142. The Governing Body has in fact examined, but not so far acted on, the option of including the question of global supply chains in the agenda of a Conference session. It may wish to give further consideration to this in the future. In any case, the ILO, working together with the International Finance Corporation (IFC) in the Better Work programme, and through its International Programme on the Elimination of Child Labour (IPEC), has a demonstrated track record of acting directly on the ground to address labour issues in the textile and garment sectors of countries which are links in global supply chains. That experience can be built on – provided the political will is there.

Towards a second century for social justice

143. The ILO’s mandate requires it to carry forward its struggle for social justice into the second century of its history. The Constitution of 1919, the Declaration of Philadelphia of 1944, the ILO Declaration on Fundamental Principles and Rights at Work and its Follow-up of 1998 and the ILO Declaration on Social Justice for a Fair Globalization of 2008 are all powerful expressions of the ILO’s commitment to social justice, and serve as reference points in determining in concrete terms how that commitment needs to be translated into action.

144. Some issues have featured constantly in these texts, spanning as they do a total period of 89 years: respect of fundamental rights; an adequate living wage; social protection; prevention of unemployment; protection of children; migration; and education and training.

145. The innovations and variations introduced over the years reflect the ILO’s readiness and capacity to adapt to the conditions and priorities prevailing at different points of its history. The Century Project now under way to mark the centenary of the Organization can serve the ILO and its constituents by drawing the implications and lessons of its history.

146. One lesson is clear in any case: if it is to remain faithful to its objectives of social justice, the ILO must give priority to the situation of those who are most disadvantaged in the world of work. The essence of the Organization’s mandate is the improvement of conditions in the world of work that are such that “the peace and harmony of the world

are imperilled”. That imperative stands outside and above the specific and legitimate interests of each of the ILO’s constituent groups and – by virtue of the principle that poverty anywhere constitutes a danger to prosperity everywhere – is in fact complementary to, and aligned with, these interests.

147. It is therefore incumbent on the ILO to embark on its second century with an explicit commitment to the most vulnerable in the world of work: to those in or close to poverty or in danger of falling into poverty; to those working in conditions of abuse and denial of their fundamental rights; to those excluded from society and decent work opportunities; to those whose work threatens their human dignity and physical and moral integrity; and those who live in fear of the future for lack of access to vital social services and protection. If reaching those people is hard and addressing their needs harder still, that is all the more reason for the ILO to redouble its efforts to meet its responsibilities to them.

148. A start has been made in the selection of the eight areas of critical importance in the Programme and Budget proposals for 2014–15 presented to this Conference. They include: formalization of the informal economy; decent work in the rural economy; protection of workers from unacceptable forms of work; and creating and extending social protection floors. But more needs to be done if the ILO is to remain equal to the tasks set out in its Constitution and to discharge its mandate to the full.

Chapter 3

ILO centenary initiatives

149. A 100th anniversary is justifiably an occasion for celebration, for recalling past achievements and for recognizing the people and the organizations that made them possible. Hopefully, in 2019, the ILO will do all that; but it should do more. The centenary provides an opportunity, not to be missed, to launch a number of key initiatives to equip the Organization to take up successfully the challenges of its mandate in the future.

150. The realities of the world of work today are that the global economy has the capacity to consign poverty to history, to provide decent living standards universally and to extend protection from the risks of working life to all. Yet that potential has not been realized and, too often, the problems of unemployment and underemployment, inequality and injustice are becoming more, not less, acute.

151. These failings are increasingly recognized, and there is a growing sense of urgency about the need to correct them. That finds expression in calls for fairer globalization, for balanced and sustainable development, and for ensuring that economic growth drives social progress.

152. The ILO has a unique opportunity to carry forward with increased vigour its mandate for social justice into its second century. That will require renewal of the ILO's methods of work. It must better combine the principles and values expressed through international labour standards with evidence-based practical policy advice on what actually produces results. It must be ready to innovate, to take up the new opportunities which are open to it.

153. But success will ultimately depend on tripartite commitment to the Organization and its goals. Director-General David Morse was right when he said that "The ILO can only be as effective an instrument for progress as its member States and its other constituents want it to be."¹ How strong do those constituents want the ILO to be today? It is up to the Conference to provide the response at this critical moment of the Organization's history.

154. Moreover, constituents can give content to their commitment by pointing the way to an agreed set of centenary initiatives for the ILO and then engaging actively with it in their implementation.

¹ D. Morse: *The origin and evolution of the ILO and its role in the world community* (Ithaca, Cornell University, 1969), p. 113.

155. Seven ideas for ILO centenary initiatives are proposed:

- (1) **the governance initiative** to complete reform of the ILO's governance structures, to undertake the evaluation of the impact of the 2008 Declaration as set out in its final provisions, and to act on its findings;
- (2) **the standards initiative** to consolidate tripartite consensus on an authoritative supervisory system and to enhance the relevance of international labour standards through a standards review mechanism;
- (3) **the green initiative** to give practical application to the decent work dimension of the transition to a low-carbon, sustainable development path and to facilitate the tripartite contribution to it;
- (4) **the enterprises initiative** to establish a platform for ILO engagement with enterprises which would contribute to their sustainability and to ILO goals;
- (5) **the end to poverty initiative** to meet the urgent requirement for an adequate living wage for all workers, including through the employment and social protection components of the post-2015 development agenda;
- (6) **the women at work initiative** to survey the place and conditions of women in the world of work and engage tripartite constituents in concrete action to realize equality of opportunity and treatment; and
- (7) **the future of work initiative** to establish an advisory panel on the future of work, whose report would be available for discussion at the 2019 centenary session of the International Labour Conference.

156. Such initiatives would need to be integrated into the ILO's programming instruments. The current six-year Strategic Policy Framework expires at the end of 2015. The Governing Body must begin this October its consideration of what type of arrangements should follow it. If a new strategic plan were to be selected, it would take the ILO up to and beyond its centenary.

157. There is a real opportunity to give strategic direction, purpose and content to the ILO and its mandate as it approaches its 100th anniversary, and to create a vehicle for constituent mobilization through the identification of centenary objectives. Delegates to the Conference are urged to take this opportunity.