



Governing Body

319th Session, Geneva, 16–31 October 2013

GB.319/INS/11

Institutional Section

INS

Date: 24 October 2013

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ELEVENTH ITEM ON THE AGENDA

Report of the Board of the International Institute for Labour Studies

Report of the 56th Session of the Board

1. The Board of the International Institute for Labour Studies held its 56th Session on 24 October 2013 in Geneva. The Director of the Director-General's Office chaired the discussion on the first agenda item, and the Director-General chaired the remainder of the session.

Report of the Director (INS.B.LVI/1)

2. In presenting his report to the Board, the Director highlighted the recent completion of the *World of Work Report* for the sixth consecutive year. The analysis focused on the contribution of labour market and social policies to economic recovery. Special emphasis had been laid on the role in sustainable job-rich recovery of carefully designed minimum wages and productive investment. That work, together with the work undertaken in earlier years, had helped to enhance the ILO presence in the global debate on jobs. It had been used in ILO contributions to the G20 and numerous other international forums. He pointed out that the number of downloads of the publication had increased by 50 per cent compared to the previous year.
3. Innovative analysis of labour provisions in trade agreements had been carried out by the Institute with the support of the French Government. That work had provided insights into the potential for improved interaction between labour provisions and trade arrangements. The final publication was scheduled for November 2013. In the meantime, analyses of policy packages in regions and countries were being pursued. Two reports, one on Bangladesh and the other on Kenya, would soon be in the public domain. Both reports examined the links between working conditions and development, which could be very pertinent to the Office-wide project on transitions to formal employment. In addition, an issue of the *International Labour Review* devoted to the topic of undeclared work would be published by the end of the year.

4. Turning to the Institute's recent work on the Eurozone crisis, the Director informed the Board that the 2012 study had successfully paved the way for reform proposals by the European Commission. That was particularly true of the youth employment guarantee – an idea first put forward in the Institute's report. Under the leadership of the Director-General and in cooperation with other ILO departments, the Institute had also closely examined the conditions for job recovery in the countries that had been worst affected by the crisis. A report would be presented in Portugal at a high-level event in November 2013.
5. The Employer Vice-Chairperson welcomed the Director's report, which he described as a highly effective and clear account of the Institute's work. With regard to the Institute's work on labour provisions in trade agreements, he cautioned against any prejudgement before the research was actually completed. The titles of some of the projects appeared to suggest that the research would be pursued with a view to building a case for a particular point of view. As a body dedicated to research, it was important for the Institute to remain neutral, rigorous, evidence-based and independent with a view to providing a balanced view on different topics of interest. It was therefore crucial for research to be conducted on the basis of hypotheses that did not prejudge outcomes.
6. The Worker Vice-Chairperson commended the work of the Institute and its dedicated staff. He observed that the *World of Work Report 2013* had rightly focused on the role of both quantity and quality in the job creation process and noted that even in countries where a growth in jobs had been recorded, the quality of jobs had declined. The discussion of minimum wages was also nuanced and useful. He noted with satisfaction the progress made in the *Studies on Growth with Equity* series, particularly the new studies on Argentina, Bangladesh and Kenya as well as on the social dimension of free trade agreements. The analysis of developing countries was important for the ILO as their economies faced a unique set of labour-market and social challenges. He also welcomed the new issues of the *International Labour Review*. In discussing recent global trends, the Worker Vice-Chairperson highlighted the fact that, while profits had increased, investment and job creation had not yet attained pre-crisis levels. The push for competitiveness through structural reforms – wage reductions and weakening of labour legislation – had been a problematic development.
7. A representative of the Government of the Islamic Republic of Iran thanked the Director and his staff for the Institute's high-quality and timely research, especially given the scant resources at its disposal. Commenting on the research conducted by the Institute in the past year, he expressed particular interest in the analysis of links between employment and economic growth, and the manner in which such links varied across income groups. The work on social unrest due to the economic and labour-market downturn had proved to be very useful. He also praised the quality of the *Studies on Growth with Equity* and welcomed the new issues of the *International Labour Review*. Lastly, he called for more vigorous action to give countries access to the accumulated knowledge, possibly through an expansion of the Institute's annual internship course.
8. A representative of the Government of Panama praised the quality of the Institute's work. Welcoming the new issues of the *International Labour Review*, he said that his Ministry could help to disseminate the *Review's* findings.
9. A representative of the Government of Argentina thanked the Director for his report to the Board. The research done by the Institute was important for the ILO and its constituents. The Institute should work more closely in the future with the Director-General and other parts of the ILO. Further studies on youth unemployment and issues related to equity were also required.

10. A representative of the Government of France commended the excellent work done by the Institute over the past few years. The project on labour provisions in trade agreements presented at a seminar attended by the former World Trade Organization (WTO) Director-General was particularly important. France supported the creation of the new Research Department, a step that the French Government had been looking forward to for many years. The new Department would allow for a critical mass and provide the ILO's work with greater visibility and legitimacy. The Research Department should serve as a global reference and a vector for change. However, proper governance mechanisms for the functioning of the Department should be defined and its importance should be reflected in the ILO's organization chart.
11. A representative of the Government of Pakistan welcomed the work done by the Institute and its staff, which had shed light on the challenges and priorities faced by countries in the world of work, while also identifying key policy options. As his country was perennially affected by natural disasters, he requested the Institute to conduct research on such issues. He also called for further emphasis on labour migration and its role in development as a key priority for the Institute in the future.
12. A representative of the Government of Zambia noted with satisfaction the research on the role of minimum wages as a tool in the development process. She appreciated the analysis presented in the *World of Work Report* regarding the manner in which different wage-setting mechanisms could best be articulated. Another challenge facing countries such as Zambia was how to translate economic growth into job creation, and the Institute's contribution to that debate was greatly appreciated. Its work on trade agreements and labour provisions was also important. Developing countries found it difficult to take part in bilateral or regional trade agreements, let alone to influence labour provisions within such agreements.
13. A representative of the Employers' group added that the 2013 edition of the *World of Work Report* had been very well received in his country, Australia, both by the media and by academic circles. The report dug deeper into the qualitative aspects of the world of work. He challenged the Institute to examine how those aspects could be translated into policy outcomes. He also expressed concern that many of the research proposals were based on a negative perspective. The focus appeared to be on the costs and harmful impacts of the economic phenomenon being researched, while little attention was paid to other effects or implications of the phenomenon.
14. *The Board took note of the document.*

Programme and Budget for 2014–15 (INS.B.LVI/2)

15. Introducing the agenda item, the Director-General said that the ILO Governing Body would discuss proposals to restructure research and analysis functions at the ILO, particularly the creation of the new Research Department, the following week. With that in mind, he invited Board members to discuss the programme and budget proposals, indicating that delegates' views on the substantive proposals would help to build a solid research strategy, irrespective of the decisions that would be taken the following week.
16. The Worker Vice-Chairperson said that his group commended the *World of Work Report* on its high-quality research and excellent choice of topics. It had established itself as a brand that was credible and visible. The Workers' group considered that it should continue to be published in the future, irrespective of the outcome of the restructuring process. Moreover, the group appreciated the autonomy and intellectual independence of the

Institute – an asset that should be maintained, as attested by the impressive work performed over the past few years. He agreed with the research topics proposed for 2014–15, which were highly relevant. He also reiterated the importance of reaching out to the wider research community.

- 17.** The Employer Vice-Chairperson acknowledged the complexity of the pending decisions concerning the future of research and the Institute’s role at the ILO. While respectful of the management rights of the Director-General, he expressed concern regarding the proposed governance structure of the new Research Department, including the provisions for oversight and funding. He drew attention to three dimensions of research: (i) research conducted by the policy departments at the ILO, often with an advocacy role; (ii) research to provide support to the Director-General; and (iii) neutral and authoritative research by an independent body that would enhance credibility regarding issues related to the world of work. He stressed that intellectual independence and autonomy were essential for the third type of research, and warned against any prejudgements when developing research proposals such as those listed in the programme and budget document prepared by the Institute. The Employers’ group was concerned that the descriptions of the work to be undertaken suggested that it was being approached from a particular point of view in order to support a policy agenda. That was not consistent with the desire to build a reputation for independent, neutral research and analysis.
- 18.** A representative of the Workers’ group added that, for his group, the Programme and Budget proposals for 2014–15 reflected current concerns in the world of work. The issue of job quality should, in his view, figure in the research agenda. The Workers’ group considered the proposals to be balanced and very much in line with the need to “speak truth to power”.
- 19.** A representative of the Government of Argentina announced that his Government supported the proposal by the Director-General to create a new Research Department. However, there were concerns regarding governance and oversight of the new Department. In particular, the academic independence that had characterized the Institute should be preserved. He mentioned the possibility of assigning responsibility for overseeing the research agenda to the ILO Governing Body.
- 20.** A representative of the Government of Pakistan expressed similar views concerning the importance of autonomy for the conduct of research. Such an approach had clearly served the Institute well. He also inquired about the future of the Board under the new research structure.
- 21.** The Director thanked the delegates for their comments and guidance concerning future research topics. The proposed topics covered relatively new salient challenges facing the world of work. He agreed that technical and methodological soundness and independence were essential prerequisites for the credibility of the research.
- 22.** The Director-General thanked the Board for their insights regarding the programme and budget and the pending decisions on the restructuring of research at the ILO. He reiterated that the discussion to be held in the Governing Body the following week would provide more details on the new structure and its institutional consequences, notably concerning the Institute. With regard to the issues of substance for the ILO’s research, he fully concurred that research ought to be independent and without prejudgements. The purpose of a research department was to examine the facts carefully, so that the ILO could then draw the proper policy conclusions.

23. *The Board, in accordance with article II, paragraph 6, of the Regulations of the Institute, decided to transmit the Programme and Budget for 2014–15 to the Governing Body of the ILO.*

Acceptance of contributions and gifts (INS.B.LVI/3)

24. In response to a question from the Employer Vice-Chairperson, the Director indicated that the increase in the Endowment Fund reflected two small contributions made over the past year, one from Mr Frank Hoffer, an Office staff member, and another from the former Director-General.
25. *The Board took note of the document.*
26. In conclusion, the Director-General thanked the Institute for the high quality and relevance of its work and the dedication of its staff. He intended to focus on what was working well in order to improve the ILO's research and analytical capacity, which was the ultimate goal of the reorganization process.

Draft decision

27. *The Governing Body:*
- (a) requests the Director-General and the Director of the new Research Department, when preparing research priorities for 2014–15, to take into account the programme of work proposals described in Appendix I as well as the comments made by the Board on those proposals; and*
 - (b) accepts the contributions and gifts described in Appendix II.*

Appendix I

INTERNATIONAL INSTITUTE FOR LABOUR STUDIES

INS.B.LVI/2

BOARD

56th Session
Geneva, October 2013

SECOND ITEM ON THE AGENDA

Programme and Budget for 2014–15

Purpose of the document

The report provides programme and budget proposals for the next biennium for consideration by the Board in due cognizance of the discussion on the new Research Department that will also take place during the current session of the ILO Governing Body.

I. Introduction

1. A discussion on the possible dissolving of the International Institute for Labour Studies into the new Research Department will take place during the current session of the ILO Governing Body.¹ Therefore, the programme and budget proposals which are contained in the present document provide only broad indications of the nature of activities which would be carried out by the Institute over the next biennium, subject to the decisions adopted by the ILO Governing Body. If appropriate, a more detailed discussion of the programme and budget proposals could take place at a special session of the Institute's Governing Board in March 2014. Otherwise, the proposed programme of work could be transferred to the items for the consideration of the new Research Department, should the decision to dissolve the Institute into the latter Department be accepted.
2. With this in mind, the programme and budget proposals build on the various achievements of recent years, notably through the *World of Work Report*. Indeed, the coverage of this annual flagship has further improved and its brand has become firmly established.² The main purpose of the proposed Programme and Budget for 2014–15 is to add a more forward-looking dimension to this work, with a view to assessing the key challenges posed by a range of underlying trends, notably the deepening of the globalization process and the changing nature of the economic and social fabric. This work could pave the way for enhanced cooperation with member country research centres, United Nations (UN) agencies, the International Monetary Fund (IMF) and the World Bank.

II. Budget

Total proposed budget level

3. The Programme and Budget proposals for 2014–15 – valued at the 2012–13 budget exchange rate of 0.84 Swiss francs to the US dollar – amount to US\$8,261,624. The adjustment in prices and the budget exchange rate between 2012–13 and 2014–15 are summarized in table 1.

Table 1. Adjustment in prices and the budget exchange rate, 2012–13/2014–15

	US\$
2012–13 approved programme and budget, excluding activities financed from extra-budgetary funds, at an exchange rate of 0.84 Swiss francs to the US dollar	8 398 980
Proposed programme decrease in 2014–15	(137 356)
2014–15 programme and budget proposals at 2012–13 prices and at an exchange rate of 0.84 to the US dollar	8 261 624
2014–15 decrease and adjustment to an exchange rate of 0.95 Swiss francs to the US dollar	(702 785)
2014–15 programme and budget proposals	7 558 839

4. The exchange rates of 0.84 and 0.95 Swiss francs to the US dollar are those used by the ILO for the Programme and Budget for 2012–13 and 2014–15 respectively.

¹ See GB.319/INS/14/2.

² See Report of the Director, INS.B.LVI/1.

5. The main budget proposals are presented in table 2, subject to the decisions adopted by the ILO Governing Body concerning the future of the Institute. The standard cost factors for all Professional and General Service staff at headquarters included in the 2014–15 programme and budget proposals are the same as those of the ILO. These amount to US\$239,220 per work-year for the Professional category (US\$263,388 in 2012–13) and US\$148,524 per work-year for the General Service category (US\$171,324 in 2012–13).

Table 2. Summary of 2014–15 proposed income and expenditure budget and comparison with 2012–13 (in US\$)

	2012–13		2014–15
	Approved budget	Forecast income and expenditure	Programme and budget proposals
A. Funds brought forward from previous period	2 617 952	2 417 193	2 061 453
B. Income			
Endowment Fund			
– Interest income	–	–	–
– Investment income realized	–	–	–
Contribution from ILO regular budget	7 128 495	7 128 495	6 425 710
Interest	10 000	13 612	12 000
Sales of publications and miscellaneous receipts	10 000	8 000	8 000
Other income/exchange gain/loss	–	-5 847	–
Total income	7 148 495	7 144 260	6 445 710
C. Total funds available	9 766 447	9 561 453	8 507 163
D. Expenditure*	8 398 980	7 500 000	7 558 839
E. Funds to be carried forward to next biennium	1 367 467	2 061 453	948 324
F. Other source: Phelan Legacy (estimated resources)	–	–	–

* In addition, special allocations totalling US\$1,502,772 were provided by the Director-General to perform tasks on behalf of the Office in the areas of knowledge sharing and crisis-hit European countries.

6. The Institute's proposed expenditure budget for 2014–15 is presented in two main sections: the substantive programmes, consisting of research, education, dialogue and outreach; and management and programme support. Table 3 summarizes the 2014–15 proposals and details the expenditure by programme.

Table 3. Summary of proposed 2014–15 expenditure budget by programme

Programme	Work-years/months		Cost (in US\$)		
	Professional	General Service	Staff costs	Other costs	Total resources
A. Substantive programmes					
Research	12/0	4/0	3 453 288	125 673	3 578 961
Education, dialogue and outreach	5/8	4/0	1 949 676	650 601	2 600 277
B. Management and programme support	4/0	2/0	1 253 928	125 673	1 379 601
C. Total 2014–15 proposals	21/8	10/0	6 656 892	901 947	7 558 839

III. Substantive programmes

7. The Global Jobs Pact that was agreed by ILO constituents in 2009 recommended a series of structural changes in order to put the world economy on a sustainable track, thus reducing the risk of future systemic crisis. In particular it was advocated to: (i) achieve a fairer globalization process and (ii) improve the decent work outcomes of financial, taxation and other macroeconomic policies.
8. It is proposed to address these issues in the next two editions of the *World of Work Report* and as part of the *Studies on Growth with Equity*. Importantly, this work would be carried out in close connection with ILO projects, notably initiatives such as the Future of Work Initiative launched by the Director-General in his Report to the International Labour Conference. It would also provide an opportunity to enhance cooperation with the Institute's network of research centres and with other international organizations. Finally, the findings of this work would be integrated into the education programme so as to promote evidence-based policy dialogue among constituents.

1. Research programme

Globalization, jobs and income distribution

9. Globalization presents opportunities and challenges for policy-makers, workers and families all over the world. This opens the door for a broader debate on how to maximize the benefits derived from globalization, while addressing social costs, adjustment difficulties and growing inequalities through a proper mix of domestic and international action. It would pave the way for both economic and normative analysis.
10. From the economic point of view, the project would discuss the different forms that the search for greater external competitiveness could take. Competitiveness can be enhanced through investment in the tangible and intangible assets that are needed to achieve the structural transformation. This includes improved skills, innovation and business practices. However, there are cases where the search for external competitiveness affects wages and working conditions, thus contributing to greater economic and social inequalities, in turn impinging on global demand. The project would explore the various dimensions of external competitiveness, income inequalities and global demand patterns with a view to identifying good practices. The links between globalization and the scope for implementing international labour standards in the context of stiffer international competition would also be investigated.

Quality jobs as drivers of development

11. Many emerging and developing countries have witnessed a resurgence of employment growth since the crisis, as well as a decline in poverty and some expansion of the middle class. However, as the *World of Work Report 2013* illustrates, a closer look reveals that many families have reached income levels just above national or international poverty lines, with continued vulnerability to lapse back into poverty. These achievements would be boosted through a greater focus on quality jobs as drivers of development.
12. The purpose of this project would indeed be to illustrate how various dimensions of the Decent Work Agenda could concretely contribute to sustainable development. It would include both country-specific analysis – such as that performed under the series entitled *Studies on Growth with Equity* – and cross-country research. A special focus would be devoted to the issue of how to boost quality jobs and incomes in economies where the comparative advantage lies in the production and export of natural resources.

Inclusive finance and macroeconomic policies

13. There is growing awareness of the need to combine macroeconomic and employment goals. For instance, recent G20 statements call for more integrated strategies that promote economic growth while addressing the employment and distributional gaps that currently exist. The purpose of this project would be to deepen earlier Institute analysis on the interactions between macroeconomic policies, labour markets and income developments. It would be essential to ensure adequate complementarities with the IMF and the UN Department of Economic and Social Affairs (DESA) in order to both enhance synergies and promote the visibility of the work.
14. As part of this project, the interactions between the financial system, enterprise creation and growth, and jobs would be examined. This is all the more timely because new financial bubbles have appeared in several emerging economies, while in advanced economies there are concerns that the financial system has not been sufficiently reformed. The result is increased vulnerabilities, which blur the horizon for investing in the real economy and creating quality jobs.
15. This work would also engage in a more fundamental consideration of how to address mounting government debt in a manner which meets decent work goals.

International Labour Review

16. Since its relaunch in 2007, the *International Labour Review* has been managed by the Institute on the Organization's behalf. These arrangements – together with the journal's new format and the publishing contract concluded with Wiley-Blackwell with effect from January 2008 – have contributed to significant improvements in the research standards, policy relevance and dissemination of the ILO's constitutionally mandated flagship journal. This is illustrated by the steep trend increase in the number of downloads of articles published in the journal in recent years. For 2014–15, the *Review* will contribute to the ILO's research agenda, including through a special issue on the informal economy and another one on quality employment in emerging economies. It is planned to produce short policy briefs that draw analytical lessons from these dedicated volumes of the *Review*.

2. Education programme

17. The aim of the Institute's education programme is to provide constituents with updated knowledge on key dimensions of the Decent Work Agenda. Its research focus complements the ILO's training activities, notably those provided by the Turin Centre.
18. To this end, the Institute would continue to organize educational activities, including the annual International Internship Course, fellowships and studentships. The outcomes of the education programme's activities are disseminated on the Institute's web page. With regard to the point made above regarding the discussion on the future of the Institute under GB.319/INS/14/2, it should be noted that such activities could also be transferred to the new Research Department should the Governing Body so decide.
19. The 2014 edition of the annual International Internship Course on Labour and Social Policies for Decent Work will be conducted in Spanish and will offer 22 fellowships: six for governments, six for national employers' organizations, six for national workers' organizations, two for the International Organisation of Employers (IOE) and two for international workers' federations. The structure of the course will take into account the results of the evaluation conducted after the 2013 edition, which pointed to the need to strengthen the pedagogical approach.
20. The Institute's Visiting Scholar Programme offers academics in the labour field on sabbatical from their universities, office space, facilities and access to ILO documentation services. The programme will continue over the period 2014–15 with the intention of fostering interaction between ILO staff and the academic community and encouraging academic work on the priorities and concerns of the ILO, notably in connection with the Director-General's Future of Work Initiative.
21. The Institute would continue to accept fellowships and interns on a regular basis so that students, across a range of disciplines, can acquire research experience while also contributing to the Institute's work programme. In addition, the Institute is expected to organize over the 2014–15 biennium some study visits, including presentations by Institute staff and specialists from technical units of the ILO.

IV. Management and programme support

22. The programme of work is also the framework for the management of the Institute. The Institute's Director has management responsibility for the implementation, review and coordination of the programme of work. The Director is also directly involved in the research, education, communication and outreach activities, including as chair of the editorial board of the *International Labour Review*, and is responsible for relationships with the Board and for managing the external relationships of the Institute.
23. Programme support includes programming, personnel, finance, administration and information services. This includes support in the preparation of programme and budget proposals and other documents for the Board, general financial supervision and management, equipment and office space, and assistance in publishing the *World of Work Report* and other publications.

24. On the basis of the above, and bearing in mind the proposals that have been put forward by the Director-General of the ILO concerning the future of the Institute, the Board may wish to discuss the Programme and Budget for the International Institute for Labour Studies for 2014–15.

Geneva, 2 October 2013

Point for decision: Paragraph 24

Appendix II

INTERNATIONAL INSTITUTE FOR LABOUR STUDIES

INS.B.LVI/3

BOARD

56th Session
Geneva, October 2013

THIRD ITEM ON THE AGENDA

Acceptance of contributions and gifts

Endowment Fund

1. Since the 54th Session of the Board, there have been two contributions to the Institute's Endowment Fund amounting to a total of US\$4,753.
2. The financial statement of the Institute's Endowment Fund as at 31 December 2012, as prepared by the Treasury and Accounts Branch of the ILO, is appended.

Phelan Legacy

3. The financial position of the Phelan Legacy as at 31 December 2012, as prepared by the Treasury and Accounts Branch of the ILO, is appended.

Geneva, 1 October 2013

Appendix

Endowment Fund of the International Institute for Labour Studies

Income and expenditure account for the year ended 31 December 2012 (in US dollars)

Fund balance as at 1 January 2012		7 587 459
Movement in the value of the Fund:		
Contributions	4 753	
Interest expense	(827)	
Exchange gain/(loss)	416	
Management fee rebates	14 254	18 596
Unrealized gain/(loss) from investment		1 552 323
Fund balance as at 31 December 2012		9 158 378

Statement of assets, liabilities and Fund balance as at 31 December 2012 (in US dollars)

Assets

Investments: Managed portfolio including bonds and shares at market value	9 332 300
Accrued income	11 402

Total assets	9 343 702
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Liabilities and Fund balance

Accumulated Fund balance on 31 December 2012	9 158 378
Accounts payable	185 324

Total liabilities and Fund balance	9 343 702
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Phelan Legacy

Financial position of the Phelan Legacy for the year ended 31 December 2012 (in US dollars)

Fund balance as at 1 January 2012		943 844
Movement in the value of the Fund:		
Interest income	59	
Exchange gain/(loss)	(30)	
Management fee rebates	1 701	1 730
Unrealized gain/(loss) from investment		185 220
Fund balance as at 31 December 2012		1 130 794

The Fund is held as follows:

Investments: Managed portfolio including bonds and shares at market value		1 113 512
Accounts receivable		15 922
Accrued income		1 360
		1 130 794