



World of Work Summit (Geneva, 9 June 2014)

Summary of proceedings of the morning sitting

1. The President of the 103rd Session of the Conference, Mr Daniel Funes de Rioja, welcomed participants to the World of Work Summit and provided an overview of the programme for the Summit. The morning sitting was to include an introduction by the Director-General, a keynote speech by Professor Deepak Nayyar and an interactive panel discussion on the topic “Developing with Jobs – The World of Work in 2014”.
2. The Director-General introduced the theme of “Developing with jobs”, the topic taken up in the ILO’s 2014 *World of Work Report*. He drew attention to the argument in the ILO report that a conventional approach to development, focused narrowly on export-led growth, trade and foreign investment, was not enough to produce sustainable development with quality job creation; rather, it was important to focus on increasing both the number and quality of jobs as a driver of development. He pointed to evidence that countries which invested in quality jobs had performed better than others from an economic and social perspective.
3. The Director-General noted that large economic and social gaps remained, with more than half of the developing world’s workers engaged in vulnerable employment and some 839 million workers living below the poverty line. In order to boost decent jobs, achieve development and mitigate destabilizing inequalities, he stated that social protection systems needed to be expanded, an enabling environment for enterprises needed to be fostered, labour market institutions needed to be strengthened and income growth needed to be balanced. He concluded by noting the strong linkages between decent work and development, suggesting that jobs and social protection must be a key goal of the post-2015 development agenda.
4. Professor Deepak Nayyar began by highlighting two serious problems currently faced by the world economy: the sluggish and uneven recovery, particularly with regard to employment, and the rapid increase in income inequality that had occurred throughout much of the world. He noted that a sustainable global recovery would require a reduction in macroeconomic imbalances. In countries with persistent current-account surpluses, higher levels of consumption were needed, which in turn required an increase in the share of wages in gross domestic product (GDP) through higher wages and an increase in employment levels, and for wage growth to keep pace with growth in productivity. In some current-account deficit countries, more focus on export-led growth was needed; however, these countries would also see higher rates of economic growth if the share of wages in GDP was increased. Thus, in both industrialized and emerging economies, he

argued that it was time to place the goal of full employment as the primary objective of macroeconomic policy.

5. In discussing the jobless growth phenomenon that had been observed since around the year 1980, Professor Nayyar stated that growth had been driven more by labour productivity than employment, which occurred because of accelerated technical progress and orthodox macroeconomic policies that emphasized financial market and trade liberalization, alongside labour market flexibility and wage restraint. He argued that the enthusiasm for supply-side economics had resulted in a neglect of aggregate demand, which had brought about the economic imbalances of today and the problem of jobless growth. He stated that policy objectives needed to be redefined. In the short run or in crisis situations, the prime concern was not price stability alone, but also stability in employment and output growth. In the medium term, it was necessary to implement macroeconomic policy that fostered employment creation and supported economic growth alongside expansionary fiscal policy that could potentially serve as a powerful tool to promote employment.
6. Professor Nayyar concluded by stating that it was necessary to view employment not as a problem but as the solution to current global economic challenges. Increased employment alone was not enough; improvements in employment quality were also needed. He urged governments to reorient their macroeconomic and fiscal policies to the goal of employment creation. He indicated that employers should recognize that wage growth was necessary to boost aggregate demand, thereby raising demand for their goods and services. He advised trade unions to not only represent their members, but also the unemployed and underemployed, as progress towards the goal of full employment would result in gains in the collective interests of workers. Finally, he suggested that ministers of labour should stress the critical importance of employment in their national political processes and in the post-2015 development agenda and noted that the time was ripe for a tripartite social contract aimed at putting employment front and centre.
7. Mr Funes de Rioja introduced the distinguished panel, which was moderated by Mr Andrew Walker, BBC Economics Correspondent, and was composed of: Ms Rosalinda Dimapilis-Baldoz, Secretary of the Department of Labor and Employment (DOLE), Philippines; Mr Alfonso Navarrete Prida, Secretary of Employment and Social Protection (STPS), Mexico; Mr Ahmed Ammar Younbai, Minister of Social Affairs, Tunisia; Mr Nicolas Schmit, Minister for Labour, Employment and the Socially Inclusive Economy, Luxembourg; Mr Erol Kiresepi, CEO of Santa Farma Pharmaceuticals, Turkey; and Ms Sharan Burrow, General Secretary, International Trade Union Confederation (ITUC).
8. Mr Walker opened the panel by highlighting some of the key challenges in the world of work. He posed a question on whether an explicit post-2015 target on employment and decent work could help countries identify and implement policies to address labour market challenges.
9. Ms Dimapilis-Baldoz stated that the overarching goal of policy-makers in the Philippines was inclusive growth and that the generation of productive job creation and poverty reduction were the means to achieve this goal. She noted that while more needed to be done, wage employment growth had accelerated and the Government of the Philippines was focusing on strategic investments in education and health, including conditional cash transfers to improve human resources. She noted that social expenditures in the country exceeded military expenditures and underscored the aim of the Government to ensure that workers were equipped with the skills, education and human capital that would be needed to take up future employment opportunities.

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10. In answering a question on how best to deal with the legacy of the large pool of unemployed youth in the region, Mr Younbai noted that many young people were highly educated but could not find suitable employment opportunities. He indicated that social dialogue between employers, workers and governments was essential to tackle the challenge of reducing youth unemployment and noted that the Tunisian Government had established a committee focused on training and employment aimed at youth, along with a senior body for social dialogue.
 11. Following a question on whether social dialogue was beneficial or a burden to companies, Mr Kiresepi stated that social dialogue was beneficial alongside an enabling and friendly environment for businesses, the engines of job creation. He argued that the main responsibility of governments was to put in place a framework of fundamental rules and regulations and that tripartite agreements could be an effective means of conflict resolution and consensus building in policy formulation. In underscoring the need to foster sustainable enterprises, he noted that factors that harmed businesses also harmed workers.
 12. In response to a question on whether regulation of employers' actions was required to ensure decent outcomes for workers, Ms Burrow underscored the importance of ensuring fundamental principles and rights at work for workers, and that collective bargaining at the workplace and sectoral levels was an essential tool for achieving positive outcomes. She strongly agreed with Professor Nayyar's comments that employment drove growth and reduced inequalities. She argued that full employment was an ambition that the world should continue to strive for, alongside the goal of decent work for all. At the same time, with the informal economy accounting for 40 per cent of the world's workers, there was a need to foster productivity improvements in the informal economy. She stated that with investments in areas such as infrastructure and green jobs, and with incentives to boost women's participation, the world could meet the tremendous jobs challenge.
 13. In reply to a question on whether formalization of the informal economy was an automatic outcome of the development process, Mr Schmit noted that it should be but instead, owing partly to the global economic crisis, many advanced economies were experiencing informalization of the formal economy. Social security systems had been cut and precarious, vulnerable work was on the rise. He provided an example of labour contracts with zero or uncertain hours and argued that workers could not plan, save, consume or invest while working on such contracts. This, in turn, had been weighing on aggregate demand. He stated that the goal of flexibility needed to be rethought and that collective bargaining and social dialogue were very important to help restore aggregate demand.
 14. In response to a question on the limits of export-led growth in Mexico and on steps the country had enacted to buffer the economy and labour market from external shocks, Mr Navarette Prida noted that two-thirds of Mexico's GDP was impacted by trade with the United States, but that the country had implemented structural reforms to boost domestic demand and had sought out new export markets. He stated that formal employment had been growing at a faster rate than overall economic growth and that the Government had enacted policies to boost loans to small and medium-sized enterprises (SMEs) with the aim of improving employment outcomes. Other reforms included measures to boost green jobs, make taxes more progressive and increase income redistribution. He noted that the Government's aim was to provide a stronger foundation for growth and to reduce reliance on neighbouring countries.
 15. Replying to a question on whether migration was beneficial for Mexico, Mr Navarette Prida stated that Mexico was part of a large migration corridor with the final destination being the United States, and that 11.2 million Mexicans were currently living in the United States. He stated that since 2008, there was a net deficit in migration to the United States (with more returnees than migrants to the United States) and that remittances had declined.

As former migrants returned with new skills, a challenge was reintegrating them into the Mexican labour market without displacing workers. He noted collaboration between Mexico and the United States to reform mechanisms for temporary migration.

- 16.** Mr Schmit stated that 40 per cent of workers in Luxembourg were foreign workers and that Luxembourg's economy had benefited from those migrant workers. He noted that ongoing demographic transitions were continuing to necessitate increased numbers of migrant workers in many advanced economies.
- 17.** Mr Younbai stated that migration also affected developing countries and that the needs of migrants who left their home countries to work elsewhere needed to be considered more intensively. He stated that 10 per cent of Tunisians currently worked abroad and that there was a need to pursue comprehensive policies and develop robust institutions that addressed issues related to migration and to increase the amount of data and related information collected about migrant workers to help formulate policies.
- 18.** Mr Kiresepi noted that from the side of employers, labour migration was viewed as increasingly important for economic growth and competitiveness in order to attract, retain and deploy top talent globally. He stated that migration was no longer a South–North phenomenon, but increasingly as a South–South and North–South phenomenon as well. He argued that there was a need for clearer, simpler rules for moving workers between countries. Priority areas included having predictable, stable rules of the game, having flexible policies to reduce barriers to mobility, recognition of skills across countries, making it easier and reducing costs for migrants to send money home, and raising public awareness of the benefits of migration, with businesses playing an important role in making this case.
- 19.** Ms Burrow stated that there was a clear need to do more to protect “labour market outsiders”, including, among others, migrant workers and those in forced labour. She stated that there was a need to boost job creation in the formal economy to improve the lives of labour market outsiders. She noted that the observed rise of xenophobia was a major concern among the labour union movement and stated that organized labour considered that a worker's rights were to be protected irrespective of where the worker originated from. She further argued that migration must be a choice and that migrants' rights must be respected. She concluded that migrant flows could help to address skills mismatches.
- 20.** Ms Dimapilis-Baldoz stated that migration was very important for the Philippines given the large numbers of Philippine citizens living abroad, and further because research had shown that a large share of remittances were invested in education for family members. She noted that remittances increased domestic demand and had boosted economic growth. In terms of policy priorities, she stated that there was a need to create more jobs in domestic economies, to enhance social protection, and to ensure that migration was a choice. She further noted that international qualifications systems for skills recognition were essential, as were fundamental worker protections, including for migrants.
- 21.** Mr Walker then opened the floor for questions. A representative from Swaziland, on behalf of the Africa group, asked the panel what could be done to absorb the high inflows of youth into the labour force in African countries, and to create more jobs in the context of reduced economic growth. Ms Burrow responded that Africa was facing some of the same challenges of jobless growth that much of the rest of the world had struggled through over the past two decades. She stated that a focus on economic growth alone had failed and that a focus on employment growth was needed. In Africa, she noted the potential benefits of infrastructure investment, both to boost jobs and economic growth.

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22. An employer representative from Denmark, on behalf of the Employers' group, noted that employment growth would be essential to address the challenges facing the world today and inquired as to how structural reforms could be undertaken to boost job creation, recognizing employers as job creators. Mr Navarrete Prida responded that the market would not solve all employment problems and that there was a need to review state intervention in the market. He noted the importance of building strong, productive relations between workers and employers. He further stated that as many large companies were reducing their workforces, employment growth was mainly originating from SMEs and start-ups and that effective public policy and social dialogue would need to include support to these smaller enterprises. Mr Schmit stated that there was a link between good macro policies and good structural reforms and that effective governance and reductions in bureaucracy were necessary. He argued that growth must be employment-led, not profit-led, while acknowledging that structural reforms were needed. At the same time, boosting employment growth would require improving labour market opportunities for women in many countries. Mr Kiresepi considered that trust was a key ingredient in enacting reforms, and in promoting a pro-employment, pro-development agenda. He emphasized the need for a predictable regulatory framework and suggested that flexible, temporary employment was needed, and could be an important path to regular employment.
23. A representative from Senegal, on behalf of the Workers' group, noted the increasing concentration of wealth in the world and inquired what panellists believed could be done to promote a fairer distribution, while broadening investments in health, education and employment. Ms Burrow noted the need for minimum wages, an adequate social protection floor and collective bargaining. She stated that reducing inequality was a top priority for the ITUC. Mr Schmit indicated that sustainable development would require investors taking a longer view on their investments, for instance by not rushing to move production to another country if production costs became lower there. He noted that a better distribution of income was at the heart of the jobs challenge.
24. A representative from Trinidad and Tobago, on behalf of the group of the Americas, asked how the ILO could best continue to serve as a centre of excellence in promoting decent work and social dialogue in member countries. Ms Dimapilis-Baldoz noted that through technical cooperation initiatives related to freedom of association in the Philippines, the ILO provided vital support to help the Government design and implement labour policy. She stated that the ILO had been, and could continue to be, a centre of excellence, having a real impact on economies. Mr Kiresepi noted the ILO's useful tool on an Enabling Environment for Sustainable Enterprises (ESEE) and encouraged the Office to expand its use.
25. A representative from China, on behalf of the Asia and Pacific group, asked panellists what were the key challenges for developing countries with rapidly growing services sectors. Mr Navarrete Prida replied that increasing youth employment in services was a challenge, and that this challenge was also linked to educational systems. Stronger collaboration between the educational system and the private sector was needed to ensure that young people would be equipped with the skills required by employers. Mr Schmit noted that the services sector was a main engine of economic dynamism and job growth. He saw the sector as having a high potential for job creation going forward, including for well-educated youth. Mr Youmbai added that in the area of youth unemployment, Tunisia had been working to reduce precarious work faced by young people through collective bargaining and forging multilateral agreements. Ms Burrow noted that the types and quality of services sector employment varied greatly within countries.
26. A representative from Canada, on behalf of the Employers' group, noted a tension between full-time, indeterminate jobs and less permanent forms of employment and inquired whether governments should focus on measures to promote full-time, indeterminate jobs or

more flexible working arrangements. Mr Schmit indicated that a framework was needed to allow for some flexibility, but not to the detriment of workers or aggregate demand. Citing the example of Danish flexicurity, he argued that it was essential to ensure a balance between good benefits and adequate training on the one hand and flexibility on the other. Ms Dimapilis-Baldoz stated that fundamental rights such as of freedom of association must be ensured and that labour regulations must be respected, underpinned by a robust system of checks and penalties.

- 27.** A representative from Greece, on behalf of the European group, inquired whether monetary policy alone was sufficient to stimulate employment in the context of low investment or whether other policies would be needed as well. Mr Schmit replied that monetary policy was unlikely to prove sufficient in tackling deflation and promoting employment. He indicated that more focus was needed to address the risk of deflation, noting that this was much more difficult to address through policy than inflation. Mr Kiresepi commended the European Central Bank (ECB) for taking measures to enable commercial banks to expand low-cost loans to SMEs. He noted that skills and employability would be essential for boosting productivity and improving matching between workers' skills and available vacancies. He stated that vocational training must be improved as technical vocational education and training (TVET) systems often fell short in meeting the needs of enterprises. Ms Burrow stated that jobs and wages were the key drivers of growth. She added that there was a fundamental question to answer, namely whether policy should aim for decent work or rather for growth but with growing inequality. She argued that orthodox policies had failed and there was a need for more proactive, pro-employment policies, including increasing women's participation through investments in health care and childcare. Greater focus on increasing domestic demand was needed.
- 28.** A representative from Argentina, on behalf of the Workers' group, asked whether countries should base their economic strategies on economic growth, on jobs or on a combination of these two goals. Mr Younbai stated that governments' vision and the ensuing policies needed to be holistic in nature, placing priority on transitioning the unemployed into employment, while also ensuring a social protection floor for the poorest. Ms Burrow noted the importance of upholding fundamental principles and rights at work and that without secure work there would be weak aggregate demand, which would adversely affect growth and employment as well as profits.
- 29.** In offering closing remarks, Mr Younbai stated that the idea that governments were responsible for determining labour market outcomes was outdated. Further, he argued that strong, tripartite labour relations and productive dialogue across the labour market spectrum were needed. He noted that in Tunisia, there had been a strong focus on social dialogue to promote sustainable economic development which, in turn, had facilitated a smoother political and economic transition in recent years. Ms Dimapilis-Baldoz highlighted the challenge of youth employment in the Philippines, with 50 per cent of unemployed being youth. To this end, a key policy challenge was ensuring that young people had the requisite skills. Mr Schmit reiterated that jobs were key to equitable growth and development, indicating that the ILO had a strong role to play, including through enhancing social dialogue and working to reduce inequality. Mr Kiresepi called on countries to increase and utilize their stock of knowledge to tackle the current unemployment problem. Ms Burrow emphasized the need to promote socially cohesive policies, built on strong dialogue. Mr Navarrete Prida and the rest of the panellists thanked the Director-General and the other participants.
- 30.** Mr Funes de Rioja closed the meeting with thanks to the panel for a fruitful, interactive discussion that had shared concerns, noted tensions and offered solutions.

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