



ELEVENTH ITEM ON THE AGENDA

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

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1. The Committee on Employment and Social Policy (ESP) met on 20 to 22 March 2007. The Chairperson was Ambassador Fernando, Permanent Representative of the Government of Sri Lanka. The Employer and Worker Vice-Chairpersons were Ms Goldberg and Mr Patel, respectively.
2. The Chairperson pointed out that the order of agenda items would remain unchanged from that indicated in the agenda and programme of meetings contained in GB.298, fulfilling the request of many Government delegations.
3. A representative of the Director-General, Mr Salazar-Xirinachs (Executive Director, Employment Sector), reminded the Committee that the agenda items under discussion were in line with the three baskets of issues highlighted in the “vision” document<sup>1</sup> in March 2006. These included the implementation of the Global Employment Agenda (GEA) as the employment component of Decent Work Country Programmes (DWCPs), which was captured in the country presentations on Pakistan and Burkina Faso; policy reviews on wage policy and portability of skills; and programmatic areas, focusing on the informal economy and recent developments in the Decent Work Agenda in Poverty Reduction Strategy Papers (PRSPs). He also reminded the Committee that the country presentations had been prepared according to the new guidelines for country presentations appended to document GB.298/ESP/1.

## **A. Implementation of the Global Employment Agenda: An update (country presentations)** (First item on the agenda)

4. The Committee had before it a paper on the implementation of the Global Employment Agenda: An update (country presentations).<sup>2</sup>

### **(i) Pakistan**

5. The Chairperson welcomed the Honourable Salman Shah, Adviser to the Prime Minister on Finance, Economic Affairs, Revenue and Statistics, Government of Pakistan, and Mr Sabur Ghayur, Chairman, Policy Planning Cell, Ministry of Labour, Manpower and Overseas Pakistanis. Dr Shah’s presentation on “Pakistan’s Economic Strategy: Policies, Priorities and the Way Forward” highlighted the importance his Government was giving to employment and decent work in its policy framework. He thanked the Office for the support it had provided in the formulation of PRSP I and PRSP II. He stated that the concept of decent work was now also making its way into the Ministry of Finance. Outlining the socio-economic situation in the 1990s, he highlighted the major reforms to address the country’s challenges that had resulted in increased tax collection and declining revenue deficit, interest payments, and external debt; as well as gross domestic product (GDP) and per capita income growth. Pakistan’s Ten Year Growth and Prosperity Strategy was outlined, focusing on growth drivers in various sectors: manufacturing and mining; agriculture and livestock; and services, as well as second-generation reforms. Referring to youth as the demographic dividend in the country, with 54 per cent of the population under 19 years of age, he highlighted strategies adopted to raise labour market participation rates, reduce unemployment and underemployment, ensure better conditions for self-employment and family work, enhance wage rates and working conditions and improve the

<sup>1</sup> GB.295/ESP/1/1.

<sup>2</sup> GB.298/ESP/1.

functioning of markets. The presentation concluded with an overview of ten-year targets and forecasts expected as a result of the macroeconomic framework put in place.

6. Mr Ghayur delivered a presentation on “Sustainable economic growth, employment and human resource development” in Pakistan, focusing on the labour market. The declining unemployment rate overall, and especially for women (particularly in rural areas), was highlighted. Better labour market monitoring was seen as crucial, and the support of the ILO for the Labour Market Information and Analysis Project was acknowledged. Noting the dual challenge of creating work opportunities to match annual flows and tackling the low absorptive capacity of the economy, the speaker presented Pakistan’s employment strategy. The strategy focused on institutional reform, deregulation and privatization; motivating the private sector and foreign direct investment (FDI); building and strengthening infrastructure; gender mainstreaming; strengthening small and medium-sized enterprises (SMEs) and developing entrepreneurship; targeted programmes, particularly for women and youth; and labour market policies. The Medium-Term Development Framework 2005–10 had been developed, drawing on numerous in-country good practices, many of them with ILO assistance. Further assistance from the ILO was sought in moving forward with the next steps, notably in the areas of education and training, reabsorption of displaced workers, public employment services, women’s entrepreneurship and the establishment of an efficient, equitable rights-based labour market regulatory framework.
7. The Employer Vice-Chairperson gave the floor to the representative of the Employers’ Federation of Pakistan (EFP), Mr Sohail P. Ahmed, and Mr Ashraf W. Tabani, a member of the Governing Body. Mr Ahmed provided a sketch of the employment situation in the country and outlined the employers’ role in generating employment, working hand in hand with the Government, workers’ organizations and the ILO. The presentation highlighted a medium-term development framework; poverty reduction special programmes; skills development councils; a policy framework for SMEs; an occupational safety and health policy (to include HIV/AIDS); a labour protection policy; a labour inspection policy; a youth employment policy; and amendments to the Industrial Relations Ordinance in 2000–02. Several programmes to promote decent employment, with ILO assistance, were described, as well as employer support to the national economic framework and decent employment, including the Workers–Employers Bilateral Council of Pakistan (WEB COP); the formation of the Global Compact Pakistan; and active involvement in national vocational and technical education and training.
8. Mr Tabani acknowledged the key role of the private sector in education and training, which went beyond commitment to include investment and involvement at all levels. He expressed concern about the ILO’s unique tripartite structure being lost, particularly at the country level, under the “One United Nations” initiative. Given that Pakistan was one of the eight pilot countries under this initiative, he requested ILO assistance in ensuring that the employers’ and workers’ organizations continued to be active partners.
9. The Worker Vice-Chairperson introduced Mr Khurshid Ahmed, representative of the Pakistan Workers’ Federation and a member of the Governing Body, who spoke on behalf of the Workers’ group. He reiterated the concerns regarding the “One United Nations” expressed by the Employers’ group and joined in the appeal for ILO support to ensure tripartism. In commenting on the declining unemployment rate, he indicated that the kinds of jobs being generated were in the category of unpaid female family helpers in the agriculture sector. He cautioned that the real wages of most categories of workers had not risen and some had actually declined. Mr Ahmed highlighted several areas of concern for workers in Pakistan: channelling of remittances of overseas Pakistani workers into productive investment; high trade deficit; moving to higher value-added production; and female participation in the labour market. To build an efficient, equitable and rights-based labour market required a strong bargaining position of workers, formal sector employment,

labour inspection policy and machinery, and effective regulatory frameworks – all issues that needed to be addressed in Pakistan. ILO technical support was acknowledged and further assistance was requested in the areas of employment, skills development, industrial relations, social protection, and deregulation. Mr Ahmed highlighted some important initiatives of the Federation in striving towards the “decent work goal”, notably merging three major national trade unions into one national union, the Pakistan Workers’ Federation.

10. The representative of the Government of China, speaking on behalf of the Asia-Pacific group (ASPAG), noted with interest the experience of the Government of Pakistan in making decent employment, poverty reduction and human resource development a central component of macroeconomic policies. She drew attention to the positive impact of well-designed and implemented reforms and stabilization programmes, the multifaceted employment strategy, and progress in tackling youth and women unemployment. She urged the Committee to look into strengthening the vocational and technical competence of the workforce and active labour market policies.
11. Mr Anand (Employer member) emphasized that Pakistan set an example of collaboration between the social partners, focusing on the private sector. A strong Pakistan would be a strong contributor to tackling poverty in the subregion.
12. The Worker Vice-Chairperson commended the rich presentations and sought to deepen the interesting experiences of Pakistan by raising a number of questions:
  - (a) In which economic sectors had the employment growth taken place?
  - (b) What was the labour regulatory framework in the export processing zones (EPZs)?
  - (c) What was the number of labour inspectors, and did Pakistan take part in benchmarking programmes in this area?
  - (d) What policies were introduced to address income distribution issues?
  - (e) What was the role of domestic demand in driving economic and sectoral growth?
  - (f) How had the balance of payment, particularly the current account, been affected by economic growth?
  - (g) What else could be done, or done differently, by the ILO?
  - (h) What was the involvement of the social partners in setting the medium-term development framework?
  - (i) What was meant by “unfair globalization” mentioned in the Employer member’s presentation?
13. In response, Dr Shah affirmed the good consultative processes and their importance to the country. He would also welcome more support from the ILO in areas such as labour market information databases, skills development, policy formulation, etc. He pointed out the importance of macroeconomic stability and commented on some of the questions raised, noting that the effect of the policies on employment generation would be more evident in the next two years, owing to the lag between growth and employment creation. Lastly, he emphasized that Pakistan had to craft its competitive advantage around its population by investing in the education and skills development of its youth.

14. Mr Ghayur elaborated on the sectors in which employment growth had occurred, concluding that, though dispersed, livestock and services were the two main growth sectors. Poverty had decreased by 10 percentage points and income distribution had improved, with the largest income gains among the middle class. He identified ILO support in the area of capacity building of labour inspectors, labour market information systems and the employment impact of government interventions.

**(ii) Burkina Faso**

15. The Chairperson welcomed the Minister of Youth and Employment of Burkina Faso, the Honourable Justin Koutaba, and Ms Léontine Zombre, Secretary-General of the Ministry of Labour and Social Security. The Minister presented his country's employment strategy and its links to the GEA. He underlined that Burkina Faso was a landlocked country of about 13 million inhabitants, with a narrow natural resource base and significant vulnerability to external shocks. Agriculture was the dominant sector, providing employment to 85 per cent of the working-age population. The share of formal employment was less than 5 per cent, and urban employment was mostly informal.

16. Employment was a national priority in Burkina Faso: the President placed it as a central element of his programme, its promotion was an explicit objective of the PRSP and of the United Nations Development Assistance Framework (UNDAF), and a national action plan for the follow-up to the Ouagadougou Declaration had been formulated.

17. With the ILO's financial and technical support, his Ministry was working closely with the social partners to revise the 2001 National Employment Policy (NEP). The Minister stressed that the formulation of this new employment policy was participative, based on formal and informal consultations with technical ministries, employers' associations and trade unions. The revised policy provided a vision and the framework for all national interventions in the field of employment. It had four strategic objectives:

- create a link between the employment policy and other national policies: the point here was to clarify the linkages that the NEP must have with macroeconomic as well as sectoral policies and to show their potential contribution to employment creation and the improvement of job quality (GEA core elements 1 and 4);
- reinforce the dynamics of employment creation: this concerned action to increase the supply of jobs (or alternatively the demand for employment) and was therefore targeted on specific levers that generated employment and that must either be dynamized or promoted. Issues of urban informal employment were dealt with here, mainly through interventions targeted at micro-enterprises and self-employment (core elements 5 and 7);
- improve employability: this concerned action on the demand for jobs (or alternatively the supply of employment) that aimed at improving, through vocational and technical training, access to employment as well as productive capacities of those already employed in order to generate higher incomes and additional jobs (core elements 2 and 6);
- improve the organization and the functioning of the labour market: the rationale was to better master the labour market to make it play a more positive role in accessing employment and taking decent work into consideration (core element 7).

18. The Minister pointed to the efforts made to integrate the employment strategy being finalized into the PRSP Priority Action Plan (PAP). He underlined that the ILO had provided assistance to his Ministry to improve cooperation with the Ministry of Economy

and Development, in charge of formulating the PAP, and with the Finance Ministry, in charge of financing matters relating to the PRSP. Efforts had been made to align the timetable for formulation of the employment policy with the review of the PRSP. Noting that, in the pursuit of efficient public spending, Burkina Faso was seeking to make the Medium-Term Expenditure Framework (MTEF) the prime tool for better channelling resources to the priority sectors, the Minister explained that the ILO was assisting his Ministry in formulating a sectoral MTEF for employment, as well as in ensuring that a number of programmes were financed by the Poverty Reduction Support Credit (PRSC), which was currently under review.

- 19.** The Worker Vice-Chairperson introduced Mr Rémi Coulibaly, representative of workers' organizations to the Government of Burkina Faso. Mr Coulibaly acknowledged the trade unions' participation in the NEP formulation process. He stressed that the macroeconomic policies in Burkina Faso inherited from the World Bank's structural adjustment programmes had led to many workers being laid off. Despite the economic growth in Burkina Faso, the structure of employment had not changed significantly; 85 per cent of the working-age population were working in the agricultural sector, 12 per cent in the informal economy, and the share of formal employment was only 3 per cent. That meant that only very few people were covered by existing social security systems. Despite new laws and recent reform to extend social protection, it remained insufficient. He called for more efforts to protect more workers. He then noted that social dialogue was a reality in Burkina Faso. Trade unions had been associated with the preparation and now with the follow-up of the African Union Extraordinary Summit on Employment and Poverty Alleviation in Africa (the Ouagadougou Summit). They had also been involved in the NEP formulation process. He welcomed government initiatives supporting these consultation processes and asked that dialogue be extended to the implementation phase. He concluded by describing the current process of revising the Labour Code, and hoped that it would take international labour standards into account. The World Bank was exerting pressure to make labour regulations more flexible. The revision process should not be used as an opportunity to change the Labour Code in that direction.
- 20.** The Employer Vice-Chairperson introduced Ms Philomène Yaméogo, General Secretary of the National Employers' Council of Burkina Faso (CNPB). She pointed out that the CNPB had been involved in the formulation of the NEP. She thanked the Government of Burkina Faso for its engagement in solving the country's employment challenge as one lever of the poverty reduction strategy, noting that, despite the strong growth rates of the last five years, over 45 per cent of the population still lived under US\$1 a day. She acknowledged the central role given to the private sector in the employment policy, but stressed that despite recent reforms, the investment climate in Burkina Faso was still unfavourable owing to the tax burden, factor costs, poor infrastructure, the low skill level of the workforce and rigid labour market legislation. Dialogue between the Government and the employers was good as a result of the annual meeting between the private sector and the State and participation in numerous consultations. She called upon the Government to continue the ongoing reforms to improve the investment climate and informed the Committee that the CNPB would put in place a structure to facilitate contact between national entrepreneurs and potential foreign investors. She thanked the ILO for its assistance, in particular for the CNPB audit, capacity strengthening workshops and the preparation of a study on women's entrepreneurship.
- 21.** The representative of the Government of Morocco, speaking on behalf of the Africa group, welcomed the clear and comprehensive presentation. She noted the work involved in the tripartite formulation of the NEP of Burkina Faso as an enriching experience from which useful lessons could be drawn. She also acknowledged the ILO's contribution to this work and encouraged the ILO to continue that kind of assistance in Africa.

22. The representative of the Government of Côte d'Ivoire thanked the ILO for having chosen Burkina Faso to be one of the countries presenting its experience to the Committee, as it honoured Africa as a whole and highlighted the subregion's shared challenges. He welcomed the efforts referred to in the presentation in promoting social dialogue and strengthening the capacity of the social partners, as well as the promotion of youth employment. The youth employment situation in any one country of the subregion was dependent on the situation in the neighbouring countries, and in that regard he welcomed the important role played by Burkina Faso as President of the Economic Community of West African States (ECOWAS) to return to peace in the subregion. He called for the harmonization of youth employment policies in the framework of ECOWAS.
23. The representative of the Government of France underlined the relevance of the presentation, noting that the Committee on Employment and Social Policy had benefited from a clear and comprehensive picture of Burkina Faso's situation and of action implemented in response to its challenges. He stressed that the presentation was particularly useful from the point of view of the Committee's functioning, especially regarding the reporting modalities on GEA implementation.
24. The Employer Vice-Chairperson endorsed the position of the representative of the Government of France. She noted that the presentation showed an array of policies and programmes which were still quite new; it was therefore too early to assess their impact. She wondered how the impact would be assessed and what the experience had been so far with the implementation of the laws extending social protection.
25. Ms Byers (Worker member) sought clarification on how the social partners had been involved in modernizing the regulatory framework for enterprises, why interventions targeting youth and women were confined to micro-enterprises, as this could lead to a low development path, how progress on the challenges raised by the informal economy could be monitored, and what statistical information was available on income in the informal economy to justify emphasis on increasing savings of informal workers. She also wondered how the Office would involve the social partners in redesigning the projects that needed changing and how it would strengthen the capacity of the social partners in the assessment of economic and social policies.
26. The Minister of Youth and Employment thanked the Government of France for its technical and financial assistance in the formulation of the NEP and the implementation of specific programmes to improve employability. He emphasized all the efforts undertaken to promote youth employment through specific programmes, stressing that social peace and stability crucially depended on these. On the informal economy, he elaborated on the various structures in place to better organize it and train its workers in business management, as well as social protection and health at work.
27. The Secretary-General of the Ministry of Labour and Social Security gave details on the laws adopted and implemented to enlarge social protection in Burkina Faso. She emphasized ongoing efforts to structure and organize the informal economy so that its workers could benefit from these new provisions. She also noted that the ILO Strategies and Tools against Social Exclusion and Poverty (STEP) Programme contributed to extending social protection by developing mutual assistance. She mentioned the existence and effective work of the Consultative Labour Commission, a permanent body contributing to social dialogue.
28. Ms Yaméogo stressed that her organization had been fully involved in all the reforms and decisions taken and that the Tripartite Consultation (International Labour Standards) Convention, 1976 (No. 144), which had been ratified by Burkina Faso, was fully implemented.

29. Mr Coulibaly concluded by requesting assistance to strengthen the trade unions' capacity to monitor the implementation of the NEP.

**(iii) Global Employment Agenda implementation update**

30. The Worker Vice-Chairperson thanked the Office for the GEA update and took note of the figures in the Global Employment Trends brief and the Youth Employment Trends, which underlined the urgency of coordinated global responses to the employment – in particular youth employment – and poverty crisis. It showed that an all-time high of 195 million people were unemployed, and 1.37 billion people survived on less than \$2 a day. He quoted paragraph 9 in the document, which stated that there was no reason to think that robust growth would translate into sufficient jobs unless innovative steps were taken. He underlined the urgency for the Committee to scale up GEA implementation to meet the challenges identified in the paper. He took note of the Office's role in the implementation of the GEA. Regarding the Employment Promotion Law of China, he inquired whether it included the promotion of fundamental principles and rights at work and asked that copies of the law, if available in ILO working languages, be distributed to constituents. He wondered what success the Office had had in taking the GEA message on information and communication technologies (ICTs) forward in joint UNCTAD and OECD processes, and inquired about the status of progress regarding work on technological change, in particular technology transfers to developing countries through multinational enterprises (MNEs). The section in the Office paper on an enabling environment for enterprise development did not correspond to the GEA definition of core element 5, "promoting decent work through entrepreneurship", which was the preferred formulation. The ILO should advocate a business environment that ensured decent working conditions and respect for workers' rights. He expressed his disappointment at the weak report on follow-up to the African Union Summit. On the guidelines prepared by the Office on country presentations, he suggested a number of improvements:

- The guidelines should include observance of international labour standards, especially the core standards.
  - The labour market policies section should also address the issue of the quality of employment, including references to wage outcomes, collective bargaining, freedom of association and labour administration.
  - The macroeconomic policies section should refer to employment outcomes of fiscal, monetary, exchange rate and trade policies and include the questions posed in the GEA under core element 4, namely (1) in the interest of employment, how best to increase demand, (2) how the employment intensity of growth could be increased, (3) how best to ensure, through macroeconomic and other policies, that growth was inclusive, and (4) how employment could be placed at the heart of economic and social policies through improved coordination. The extent of social partner involvement in dialogue on the employment aspects of macroeconomic policies should be reflected.
  - The skills and employability section should include skills enhancement policies and seek country experiences in utilizing various mechanisms to finance training.
  - The social protection section should also cover health and safety issues.
31. The Employer Vice-Chairperson noted the steady progress that was being made in drawing practical lessons from the GEA. While acknowledging the great challenges lying ahead, she pointed out that some satisfaction should be drawn from the positive trend in the share of people in work and the declining percentage of those living in the worst forms of

poverty. Problems varied from country to country, requiring an array of policy options. The section on national experiences in the report identified areas the Committee might want to explore in greater depth in the future, such as the key elements of the Madagascar Employment Promotion Plan, a review of past interventions and their impact in Ghana, the relationship between the 2004 China Employment Forum and the new Employment Promotion Law, the ILO's role in the reform of the Indian labour law, the progress of the ILO's engagement with the World Bank on its *Doing Business* report, and follow-up to work on the Philippines on youth employment reported by the Government to the Committee in November 2005. A better connection should be established between what the Office had said it was going to do and what had actually happened in order to be able to draw more practical lessons. With regard to the term "discouraged youth" and the youth employment problem, she commended the positive view expressed by Dr Shah of youth as a demographic dividend. She concluded by pointing out that the responsibility for employment did not fall only on governments and business but also on aspiring jobseekers themselves, and that assistance should also be provided to what she would call "motivated youth".

32. The representative of the Government of the United States felt that the country presentation guidelines in the report failed to convey the Committee's interest in obtaining feedback on how well the GEA had been used. Only one out of 17 points in the guidelines included a direct reference to the GEA. While acknowledging the general interest in the ILO's role in assisting countries, he was interested in hearing specifically about the value added of the GEA.
33. The representative of the Government of Cuba welcomed the country presentation guidelines in the report, although he would have preferred such guidelines to have a more direct relation to the Global Employment Agenda, but wished to understand the basis for selection of countries and suggested that it should not always be limited to just two countries. Economic growth was not sufficient for employment growth, which had provided an unemployment rate below 2 per cent, with the application of country employment programmes, accompanied by specific study programmes for segments of the population in which the effect would be greater. Skills development and other policies were also necessary. In this context, he outlined Cuba's experience in employment generation. In the report paragraphs on youth unemployment, the speaker would have liked to see information on the implementation of measures at national or regional level to face up to the particular situation as regards youth unemployment. Cuba accorded great importance to youth employment in order to ensure continued economic development and the natural replacement of the workforce. The attention given to prioritizing youth employment had been a decisive factor in reducing unemployment in his country.
34. The representative of the Government of China thanked the ILO for its technical support in developing the Employment Promotion Law. She outlined a few features of the law and noted that it had been submitted to the National People's Congress in February 2007 for adoption.
35. The representative of the Government of Morocco, on behalf of the Africa group, congratulated the Office on an interesting document. She welcomed the work done in the area of creating an enabling business environment, measures for ending all forms of labour market discrimination and tackling youth unemployment. The Africa group encouraged the ILO to continue its work in these areas.
36. The representative of the Government of Finland referred to the Worker Vice-Chairperson's statement and urged the Office to focus its work on employment-rich growth policies.

- 37.** In his response, Mr Salazar-Xirinachs noted the changing context for the upscaling of the GEA, such as United Nations (UN) reform, the GEA's central role in the DWCP, increasing success in integrating employment issues in PRSPs, the new ILO–UNDP partnership, and finally the decent work tool kit to help other UN agencies and the Bretton Woods institutions to integrate decent work in their general work. The speaker described some successes in promoting workers' rights in specific subsectors and the work on corporate social responsibility (CSR) in value chains. Referring to the GEA, he noted that the purpose of the implementation update was to inform the Committee on Employment and Social Policy of the work on the ground. The report should therefore rather be seen in the context of other types of reports on progress made.
- 38.** Referring to the extremely useful presentations on Pakistan and Burkina Faso, the Employer Vice-Chairperson reminded the Committee that the reason for the country reports was to draw policy lessons from the GEA and to identify successful and less successful ILO interventions, as well as replicable models and approaches. She supported the suggestions made by the Worker Vice-Chairperson and indicated a number of areas in which more detailed guidelines could be developed relating to enterprise development, in particular productivity, regulatory reform, sustainability and transformation of public to private enterprises. However, while those suggestions were important, a balance had to be struck between elaborating an evermore comprehensive report and having manageable material from which to draw policy lessons. Therefore, she proposed that the terms of reference for the country presentations be expanded with the relevant suggestions made by the Workers and the Employers. These detailed guidelines, which would constitute a menu of options for presentations, should be appended to a statement covering five questions:
- Drawing on the GEA and using it as an overarching guiding structure, please give an overview of the current economic and social situation in your country.
  - What were the key factors in arriving at this point?
  - What role, at all levels, did the social partners play?
  - What role did the ILO play and what was the impact?
  - What next?
- 39.** The International Organisation of Employers (IOE) and the Bureau for Employers' Activities (ACT/EMP) could be asked to work together on guidelines on the Employer part in the presentation. Finally, she requested more information on the country selection criteria.
- 40.** The representative of the Government of India complimented the Office for the report and expressed her Government's concern about the phenomenon of jobless growth. The challenge to India and the world lay in measures to ensure that young people were absorbed in productive employment. She gave examples of how India addressed these challenges through its Five-Year Plan and confirmed that her Government would continue to work with the ILO to resolve the youth unemployment challenge in line with the GEA.
- 41.** Mr Salazar-Xirinachs stressed that an effort had been made to better link the GEA with the policies analysed in the report and recognized the need to measure the impact of policy decisions. The country selection was based on a number of criteria, such as regional balance, level of economic development, and the involvement of the Office. He emphasized that, while the Office suggested countries, it was the Committee itself, through its Officers, that took the decision to invite a specific country. He thanked the delegations

for the substantive presentations and fruitful exchange of views and stressed the importance of the involvement of the social partners in this process.

42. The Worker Vice-Chairperson agreed with the suggestion by the Employer Vice-Chairperson to streamline the instructions for the country presentations, with a facility for some modifications to the five suggestions by the Workers' group. The streamlined instructions, which he referred to as "higher level guidelines", should be complemented with more detailed guidelines that incorporated the suggestions made by the Workers' group earlier in the discussion. He considered the issue of discouraged youth to be a time bomb, unless innovative policy responses were developed to tackle it. The Office's work in that area should therefore be scaled up. He supported the request by the Government of Finland for a review of the Committee's work to prioritize job-rich growth, and asked that the Committee's future agenda reflect those priorities. In respect of the UN reform, he urged the Office to ensure that the tripartite character of the Organization was respected and that the social partners were involved. In conclusion, he asked that the Committee reflect over how to improve the usefulness of the country presentations.
43. The Employer Vice-Chairperson welcomed and endorsed the summary of the Worker Vice-Chairperson and took note of his acceptance of the suggestions for a streamlined country request with possible modifications by the Workers.
44. The Committee took note of the Office paper and of the views expressed thereon.

## **B. Wages around the world: Developments and challenges** (Second item on the agenda)

45. A representative of the Director-General (Mr Diop, Executive Director, Social Protection Sector) introduced the Office paper.<sup>3</sup> Before commencing, he noted two corrections to the paper. First, in paragraph 6, the number of African countries should have been 53 rather than 55. The second correction concerned the last line of paragraph 54 in the French version, which should read "lutte contre l'informalité". He explained that the origins of this paper began with the Committee's interest in further exploring wage issues as a way to respond to the lack of knowledge regarding wages as well as the challenges wage policy posed in a more competitive global environment. He emphasized the importance of wages as an essential element of decent work. Recognizing the complexity of this exercise and considering the diversity of national realities, he proposed that the Office develop concrete actions based on the priorities that would be expressed during the discussions.
46. A representative of the Director-General (Mr Vaughan-Whitehead, Senior Adviser on Wages, Social Protection Sector) noted that the paper was based on discussions with employer and worker representatives, who had indicated that a knowledge-based paper was needed in order to identify the major wage developments around the world and the challenges to be faced by the social partners. He acknowledged that, within the limits of the length specified for the paper, it was not possible to present a detailed analysis of all the wage issues. The presentation highlighted a few key points. The lack of statistics and wage studies remained problematic, particularly in Africa. Consequently, there was a need for further research, surveys and statistics as a basic starting point for policy-making and collective bargaining. The research done by the Office to date, based on the limited and incomplete data, showed an increase in real wages, changes in wage shares, growing wage disparity, and a diversification of the composition of wages in countries around the world.

<sup>3</sup> GB.298/ESP/2.

Institutional wage setting could be a critical factor in wage development. He pointed out an error in paragraph 49 of the Office paper: “downward rigidity” of the minimum wage should refer instead to “rigidity”. The work programme presented by the Office aimed to fill the knowledge gaps identified in the paper and called for a strategic work programme that would place the ILO at the centre of wage policy, in cooperation with other organizations. In order to do so the programme would need to strengthen the statistical work on wages, investigate the social and economic dimensions of wage policies, propose more and better wage policy tools, and investigate the role of social dialogue on wages. As part of the work programme, a forum for constituents to analyse and discuss income distribution would be needed. Finally, reinforcing the wage component of the Office’s DWCPs was highlighted as a priority, with wages recognized as an important part of decent work.

47. The Worker Vice-Chairperson, while welcoming work on the wage issue, had significant reservations regarding the paper presented by the Office. First, he considered that it did not provide extra insights that could be drawn upon by those looking for ideas regarding wage policy. Secondly, he stated that the paper highlighted the loss of momentum on wage issues by the Office, which needed to be reinvigorated. He regretted that the presentation of the paper had not limited itself to the paper, but introduced new information. He noted portions of the paper in which he felt there were inconsistencies, errors of citation, confused use of terms or lack of data provided in support of the sweeping conclusions offered and cited sources of information that he believed would have helped to make the points more cogently and clearly. He referred to recent developments on wage policy in Singapore (the Workfare Income Supplement) MERCOSUR (the debate on a reference minimum wage within the trade bloc), discussion in the European ECOFIN meeting on wages and aggregate demand, as examples of country experiences lacking in the paper. Views expressed in the paper on wage flexibility were surprising and, in the view of the Workers’ group, the Office should be guided by its normative framework, notably found in the Declaration of Philadelphia, on wage policy issues and the ILO’s international labour standards on wages and wage fixing. Of these standards, he highlighted the Labour Clauses (Public Contracts) Convention, 1949 (No. 94). This standard on public procurement had played an important role in securing equal remuneration and collective bargaining and the principles therein was now used by the World Bank to require that enterprises borrowing from its private and public sector arms abide by core labour standards. He considered that the paper gave undue credence to the positive impact of market openness on wages and contained too little acknowledgement of the negative impacts. Other important issues should also have been considered, namely the role of the social wage to improve income security and reduce inequality, reasons for high wages at top end of the wage pyramid, the effects of wages on consumption and macroeconomic performance, the role of wages in driving dynamic efficiency, the impact of global financial liberalization on wages and socially and economically detrimental forms of wage discrimination, in particular unequal pay for men and women. His group was concerned at the apparent bias against centralized bargaining reflected in the paper with no consideration of its considerable social and economic benefits. Data collected by the Office in the October Inquiry should also be included in wage analysis and would have been useful if included in the paper. While the Worker members were critical of the paper, he proposed four outcomes which would lead them to support the Office’s proposed point for decision. They included rebuilding capacity on wage issues, developing information that was useable by constituents, providing practical help on wage issues, and periodic Office reports on trends and developments and their policy implications. The Worker members supported the conclusions in paragraphs 51–58, with some qualifications. Paragraph 51 should be expanded to include a periodic Office publication on global wage trends. Regarding paragraph 52, the Office should become the primary centre of excellence on wage policy, with a sufficient core of officials assigned permanently to this subject. Concerning paragraph 54, the Office should look at all levels of wage bargaining, not only

decentralized forms. Paragraph 57 needed to emphasize more the need for technical assistance that provided useful knowledge to constituents, promoted standards and supported decent work. Finally, research on policy referred to in paragraph 58 should be focused on living wages, based in part on the Declaration of Philadelphia.

48. The Employer Vice-Chairperson welcomed the balanced discussion of many of the topics presented in the paper, including wage levels, productivity, and the opening of markets. She appreciated the overview of international sources of wage statistics and the paper's references to sources of data. She also noted with approval the call in paragraph 52 to build stronger collaborative partnerships with other institutions. She once again called on the Office to submit to external peer review of its work. Referring to the need to improve knowledge of wage issues, which had been identified in the paper, she noted the difficulties in compiling and analysing national statistics, taking account of issues such as self-employment, and recognized that these difficulties were magnified when conducting international comparisons of wage data when there was such variation as to how these data were collected and compiled in different countries. She expressed serious reservations regarding the statement in paragraph 54 that the Office should assist governments in developing more and better wage policy tools. In the Employers' view, the paper's emphasis on wage inequalities was misplaced. Inequality within or between countries could be based on a number of issues. The important thing was that wages and standards of living were rising. Trade, identified in paragraph 9 of the paper, and investment, identified in paragraph 14, were factors that contributed to employment creation, productivity growth, and increased income levels. Concerns regarding poverty and the working poor should not be ignored and, in this regard, the Employers supported social safety nets, family income support, and training and education opportunities in the near and long term. She emphasized the advantages of market-driven wage setting as opposed to command and control systems, and contested the negative view in paragraph 32 on new forms of contracts. In line with this, approaches that did not link wages to productivity and performance could lead to a large informal economy. She could not endorse the point for decision in paragraph 59 as it was written, since the proposed work programme was too ambitious in relation to the resources available, and the Employers could not support the development of policies that interfered with the role of the market in setting wages. On the other hand, she was in favour of work to improve wage data and efforts to build collaboration with the OECD and other institutions. She could support a programme of work that aimed to produce high-quality research on a limited number of topics, and suggested that these include the link between wages and productivity, the impact of non-wage costs on employment, sex discrimination in pay, and work on various forms of wage setting. In this regard, she welcomed Mr Diop's intention to develop such a work programme based on the Committee's discussion.
49. The representative of the Government of France, speaking on behalf of the 35 Government members of IMEC, acknowledged the central role of wages. He stressed that wages were an essential element of economic life, consumption and welfare of the population and a factor in the economic performance of each country. That justified the need for further development of the knowledge base on the issue. He indicated that studies were necessary to develop reliable statistics in order to understand and monitor the evolution of wages and wage-setting methods. They were also vital in identifying key trends, notably in relation to employment, new forms of contracts and wage moderation, social dialogue, opening of markets, tax policies, migration and domestic wage distribution (real wages, wage share), and productivity. While encouraging the Office to develop effective tools to better address wage developments and be more specific about the issues covered, the IMEC Government members regretted the paper's omission of recognition of the fundamental role that market forces played in determining wages. In view of the absence of legal mechanisms for fixing wages in some countries, he emphasized that the Office's work needed to give due consideration to the plurality of systems in its member States. A recent study, *Trade and*

*employment: Challenges for policy research*, jointly conducted with the World Trade Organization (WTO), should be taken into account. He concluded with the wish for a clear, realistic and focused workplan presenting specific activities with their budgetary implications and their relations to the priorities set out in the Programme and Budget proposals for 2008–09.

50. The representative of the Government of Morocco, speaking on behalf of the Africa group, congratulated the Office for the paper, which presented interesting and useful information. She stressed the economic and social importance of wages. Since basic information on wages was usually not available in developing countries, the Office's support on this matter was needed urgently. She pointed out the need to find solutions to wage disparities and to integrate wage issues in DWCPs. Her group supported the point for decision.
51. The representative of the Government of Mexico considered the proposals of the Office reflected in paragraphs 50–58 to be very important. While he recognized the Office's financial constraints, he suggested that it prioritize the work it proposed to do. He identified the importance of wages in DWCPs, which was a priority in Latin America. He urged further work by the Office on the impact of wages on social and economic conditions in Latin America. In this context, he suggested two courses of action. First, research should be done to estimate the impact of minimum wages on inflation, employment, consumption, spending, income and other macroeconomic variables through the development of a macroeconometric model that would permit decision-making on issues of wage policy. Second, the Office should give attention to conceptual issues and methodologies for setting and updating a minimum living wage. With these comments, his delegation could support the point for decision.
52. The representative of the Bolivarian Republic of Venezuela welcomed the paper. He regretted the general lack of attention to wage issues in the Office, despite their importance in the Decent Work Agenda, but he recognized the contribution made by the latest issue of the ILO *Labour Overview*. He identified real wages in developing countries as a particular point of interest in the paper. Although wage levels around the world could vary, it was important that they be examined by the Office, as they were an integral part of collective bargaining and employment contracts. His Government had recognized the importance of wages through its ratification of the Minimum Wage-Fixing Machinery Convention, 1928 (No. 26), the Protection of Wages Convention, 1949 (No. 95), and the Equal Remuneration Convention, 1951 (No. 100), and through its constitutional provision guaranteeing workers a sufficient wage to permit a decent life and meet their basic material, social, and intellectual needs and those of their families. He voiced his support for the paper and welcomed the development of a work programme that compiled wage statistics and maintained an international database on wages. He also supported research on examples of cases in which the opening up of markets had had negative impacts, studies of public sector salary levels, and collective bargaining on wages. The Office should be the centre of wage information gathering and research, and it should continue to provide wage policy advice to constituents, so as to ensure that decent and dignified work was based on a decent wage.
53. The representative of the Government of Canada, supporting the statement made on behalf of the IMEC group, welcomed the proposal of the Office to develop partnerships with academic institutions and other agencies, but also stressed the need to avoid duplicating the work already being done, especially regarding data collection. The Office should concentrate on a range of activities for which the ILO could bring added value and, in the light of its limited resources, needed to identify priority issues. These priorities should be initiatives that would contribute to the improvement of the collection, accessibility and analysis of data, as well as research and analysis on different means of wage fixing and their link with productivity and employment. Research regarding wage disparities affecting

women would also be particularly welcomed. She also wished for support in enhancing the capacities of constituents in addressing wages issues, notably through DWCPs.

- 54.** The representative of the Government of Japan supported the views expressed on behalf of the IMEC group and conveyed appreciation of the work done in preparing the paper. Wages were a key factor in the areas of labour, the economy, and society. On the basis of this document, the ILO would be able to provide reliable statistical data and analysis for constituents around the world. She welcomed the identification by the paper of major areas of research on wages and pointed out that reliable data on wages were indispensable for constituents to promote policies as part of the DWCPs, especially as wages were determined differently in different countries. She supported the Office's efforts to take the lead on this issue and build a single source of comparative information on wages, which would strengthen the policy-making capacity of constituents. She concluded by expressing her support for research, monitoring, and analysis of wage data by the Office.
- 55.** The representative of the Government of Sri Lanka welcomed the paper as timely for his country, which had recently been facing challenges on these issues. He noted the difficulties resulting from data constraints and gave examples of this from Sri Lanka. With regard to wage determination, he identified the need for a suitable balance between efficiency and competitiveness on one side, and fairness and social protection on the other. Existing wage disparity trends between different categories in a country and the identification of the working poor were areas suggested for particular attention by the Office. He concluded by endorsing paragraphs 50–58 and supporting the point for decision in paragraph 59.
- 56.** The representative of the Government of South Africa supported the statement made by the Government representative of Morocco on behalf of the Africa group and emphasized that wages were an important part of decent work and warranted further investigation in light of the limitations identified. Wages were often the source of industrial action and, therefore, work on wages was clearly essential. There was a need to understand the complex relationships between employment, pay systems, wage institutions and labour costs. The South African social partners had tried to address wage issues that were a legacy of apartheid and other discrimination in the labour market. Favouring stronger collective bargaining, he noted that arrangements had been introduced in certain sectors of the economy to cover the vulnerable working poor. The collective bargaining system faced further challenges in the informal economy, where wages might be lower than in the formal economy. The main challenge in confronting wage disparities was the lack of information and reliable wage statistics, which most developing countries did not have and struggled to collect. The Office should take the lead to assist member States in conducting regular surveys and improving data collection. He supported the proposal that the Office develop and implement, in consultation with constituents, a programme that would ensure assistance to developing countries, where collective bargaining systems and social dialogue were generally inadequate. While endorsing the point for decision in paragraph 59, he referred to the need for the Office to prioritize its work and supported the comments made by the Worker members on paragraphs 51, 52, 57 and 58.
- 57.** The representative of the Government of Kenya, supporting the views expressed earlier on behalf of the Africa group, emphasized the central role of wages in the economy and society and further stressed that wage setting was the most important element in collective bargaining. She underlined the need for collecting data in African countries and making comparative information available. She welcomed the Office's efforts to build stronger partnerships with academic institutions and other agencies, based on the aim of providing a broader picture of wage developments worldwide. She encouraged investigation of the economic implications of various forms of wage determination and the social implications of wage trends, especially regarding wage polarization and the disappearance of a middle

class. She suggested that the Office provide assistance to constituents in developing countries in assessing the situation regarding wage bargaining by providing a forum for the constituents to analyse wage trends and their policy implications. She supported the point for decision.

- 58.** The representative of the Government of Cuba noted that wages were an important topic for work by the Office. However, she expressed concern that comparable data were not available to facilitate research on wage differences. As wages were an important part of decent work, work was needed on wages and productivity, and on wages and gender. She also asked that different forms of employment contracts be given further consideration when examining wages and wage policy. She expressed concerns regarding paragraphs 51 and 58 of the paper, but supported the point for decision.
- 59.** The representative of the Government of China welcomed the high quality of the paper. She noted that, as stated in paragraph 57 of the paper, wages were a major component of decent work, and supported the Office's proposed programme of work, especially in relation to the DWCPs.
- 60.** The representative of the Government of France emphasized the importance of research on wage systems, as they contributed to employment levels and economic growth. Wage impacts on productive employment and purchasing power could have positive socio-economic effects by contributing to the reduction in inequalities and enhanced social cohesion. Studies aimed at understanding how wages were determined and how agreements on wages were reached would be useful, in view of the important role of social dialogue and of the social partners in this process. He stressed that the Office should promote ratification of the Minimum Wage Fixing Convention, 1970 (No. 131), and use its accompanying Recommendation, No. 135. Lastly, his delegation could support the point for decision if the Office could submit detailed programmes of work with specific priorities.
- 61.** The representative of the Government of Spain, supporting the views expressed on behalf of the IMEC group and that of the representative of the Government of France, drew attention to the fact that in the European Union (EU), economic and social policies were mutually reinforcing. He regretted the absence of statistics in the text, which he considered would have been necessary in an economic paper. He insisted on the need for a balanced approach by the Office, taking account of both economic and social aspects. In that regard, he emphasized that wages were not merely an economic factor but also a social one: there could be no decent work without decent wages. While the paper's title referred to "challenges", it did not really live up to this. The ILO's role in relation to wages was broader than that described in paragraph 57 of the Office paper. He supported the point for decision in paragraph 59 on the basis of the strategic importance of the Office's work in this area and the intention that the work programme would be developed and implemented in consultation with constituents.
- 62.** The representative of the Government of Italy, agreeing with the IMEC position and that of the representative of the Government of France, also referred to the mutual reinforcement of economic and social policies in the EU. She noted that the programme suggested in the paper was ambitious, but supported the Office's efforts on this subject, especially regarding the development of a single international database on wages that would help constituents develop wage policy tools, and the role of the Office in offering advisory services on wage issues. She supported the point for decision.
- 63.** The representative of the Government of the United States wished to underline two points that had been raised on behalf of the IMEC group. First, the paper did not sufficiently recognize the role that market forces played in determining wages. Second, the work

proposed by the Office was ill-defined, overly broad, and potentially costly. He therefore rejected the point for decision in paragraph 59 of the Office paper and suggested further discussion at a later date. He proposed that the Office develop a menu of options for a work programme that it would submit to the Committee for endorsement. The work programme should clearly state the resource implications, which would need to be reviewed by the PFA Committee. While he could not support the Office paper, he thanked the Office for putting the issues to the Committee and congratulated it for eliciting clear opinions and guidance from the Committee.

- 64.** The representative of the Government of Finland, supporting the views expressed on behalf of the IMEC group and those of the representative of the Government of France, encouraged the Office to improve wage statistics and to develop partnerships, notably with the OECD, with regard to data collection and to research undertaken on economic and social aspects of wages. He supported the strengthening of the ILO research capacity to undertake work on these issues and emphasized the need to give more attention to the links between freedom of association, collective bargaining and wages, since this was an important element in the decline of the wage share in GDP.
- 65.** The representative of the Government of Nigeria supported the position of the Africa group and recognized the importance of wages, not only as a component of economic value to the worker, the enterprise, and the nation, but as vital to the DWCPs. Any attempt to enhance or maintain a living wage for workers would be a welcome development. Improved wages should be linked to better productivity and more employment. He concluded by endorsing the work of the Office along the lines identified in the paper and supported the point for decision.
- 66.** The representative of the Government of Germany, expressing her support for the views of the IMEC group and of the representative of the Government of France, underscored the crucial role that wages played in the Decent Work Agenda. She identified some of the challenges that Germany was facing regarding the issue of minimum wage fixing and the role of social dialogue in this regard. There was a need for more knowledge on wage issues, also in the context of the European Lisbon strategy aiming at the mutual reinforcement of economic, employment and social policy. She could support the point for decision, subject to the concerns that had been expressed by the representative of the Government of France.
- 67.** The representative of the Government of the Republic of Korea appreciated the broad analysis of trends in wages provided in the paper, which was rich and balanced. He supported the importance placed on wages in light of the global efforts to fight against poverty and alleviate income inequality, issues which had attracted extensive attention in the Republic of Korea. He supported the Office's future activities on wage issues outlined in paragraphs 51–58, especially those that were policy-oriented.
- 68.** The Chairperson noted the wide range of views on this issue. While there was broad agreement on the importance of wage issues and the need for the Office to build on its earlier work, some members had called for a more focused programme of work for the Office, while others would accept the point for decision in paragraph 59. She requested that the Office consult the Officers and Regional Coordinators informally with the aim of returning to the Committee with a revised point for decision capable of receiving broad endorsement.
- 69.** Mr Nakajima (Worker member) commented on the trends in wage disparities and on paragraphs 28, 31, 32 and 35 of the Office paper. He viewed the Office paper as overly optimistic and stressed that, regrettably, in Japan labour was viewed as a commodity, contrary to the Philadelphia Declaration. He listed several examples indicating that

atypical workers were increasingly vulnerable to deteriorating wages and social security coverage, which would especially affect women. He pointed out that economic recovery in Japan would not be assured if this trend were maintained, since low wages would not lead to an increase of domestic consumption, which contributed 60 per cent of GDP. He emphasized the need to restrict the use of types of employment as a means of enabling the reduction of labour costs, the need to respect the principle of equal remuneration for work of equal value, the extension of access to social security regardless of type of employment contract and, finally, his wish for the full implementation of ILO Conventions and Recommendations relevant to social protection.

- 70.** Ms Byers (Worker member) referred to paragraphs 31 and 32 of the Office paper, focusing on the persistent problem of the gender pay gap. She noted that the gap posed problems for women of all ages, from the young, to women with children and older women who were most likely to live at or near the poverty line. She noted the need to close the wage gap as a matter of importance and to continue efforts to achieve wage equality between men and women.
- 71.** Mr Diop thanked the Committee for the very serious and rich debate. While there had been some comments that were critical of the Office paper, he was reassured by the emphasis on the importance of the wage issue and the centrality of wages in the Decent Work Agenda. He stressed the importance of rebuilding the Office's capacity on wages so that it could become the centre of excellence on wages issues. He expressed his hope that the debate in the Committee would be the starting point in that rebuilding of capacity and in the development of an ambitious but realistic programme of work in this area.
- 72.** The Chairperson announced that, following consultations between the Office, the Officers and the Regional Coordinators, an amended point for decision had been drafted and distributed to the members of the Committee.
- 73.** Mr Diop provided further details on the issues proposed in the amendment as priorities for research and assistance in the short and medium term: this first list of research items could be progressively extended in the context of a longer term and more comprehensive work programme, according to the needs expressed by the constituents. First, there was a need to collect and disseminate statistics. The ILO should help national governments to carry out regular national surveys to improve their wage collection, with a particular focus on data collection in developing countries. The Office would also build a single international source of comparative information and cooperate with other international organizations to ensure complementarities and avoid duplication. It would also disseminate results of wage trends in a useable and accessible way on a regular basis, possibly through a global wage trends brief. Second, country-level assistance, including in DWCPs, was needed. The Office would promote a wage component in DWCPs, including data collection, assessment of needs, recognition of the importance of decent wages, and recommendations. It would strengthen its assistance to constituents, including technical cooperation and the promotion of relevant ILO standards. The third area of work related to wage-setting mechanisms and wage bargaining. The Office would carry out comparative analysis of different mechanisms of wage setting and prepare a comparative assessment of wage-bargaining practices and outcomes around the world, including tripartite consultation and multi-level experiences. The fourth area of work concerned wages, productivity and economic performance. The Office would analyse the evolution of wages and differences in productivity and economic development, including the wage share in GDP and impact on aggregate demand. It would also prepare a comparative assessment of experiences in linking additional payments to productivity. Finally, there was a need for research on wage differentials and disparities. The Office would identify major sources of wage disparity (by gender, types of contract, skills, etc.) as well as the most vulnerable groups, those with lower wages at the lower end of the labour market.

74. The representative of the Government of the United States requested that the words “and implement” be deleted from the amended point for decision. A phrase needed to be added that requested the planned programme of work to be submitted to the Committee for endorsement. In future, his delegation should be involved in informal consultations on this topic.
75. The Worker Vice-Chairperson indicated that the amended point for decision was a compromise, which took into account the concerns expressed in the debate to the best extent possible, with the aim of providing a basis for the future work of the Office on wages. He called on the Committee to adopt the amended point for decision without further change.
76. The Employer Vice-Chairperson recognized the Office’s effort to respond to the different points of view expressed by the Committee members. She pointed out that in the more detailed programme as presented by Mr Diop there were areas missing and others on which they disagreed, but the Employer members supported the compromise that was proposed in the point for decision, noting that it envisaged further consultation with the constituents and that support for the point for decision did not imply endorsement of all the areas of work as described by Mr Diop.
77. The representative of the Government of the United States opposed the point for decision, in light of the fact that the words “and implement” had not been removed.
78. The Chairperson, while noting the reservations of the previous speaker, felt that there was otherwise consensus on the amended point for decision. The point for decision was adopted as amended.
79. *The Committee recommends to the Governing Body that, recognizing wages as a major component of decent work and conscious of the knowledge gaps that exist in relation to wages and income issues, it invite the Office to develop and implement, in consultation with constituents, a programme of work, reflecting the availability of resources, the potential for mobilizing other actors and the need to build stronger partnerships with other institutions, which will initially address as a priority the following wage and income issues:*
- (a) collection and dissemination of statistics;*
  - (b) country-level assistance, including in DWCPs;*
  - (c) wage-setting mechanisms and wage bargaining;*
  - (d) wages, productivity and economic performance; and*
  - (e) wage differentials and disparities.*

**C. Portability of skills**  
(Third item on the agenda)

80. Mr Salazar-Xirinachs introduced the new Director of the Skills and Employability Department (EMP/Skills), Ms Christine Evans-Klock.

- 81.** A representative of the Director-General (Ms Nübler, Skills and Employability Department, Employment Sector), introduced the Office paper.<sup>4</sup> She outlined the conceptual framework of the analysis and the principal policy areas related to developing transferable skills and recognizing skills at the national and international levels. She summarized the principal means of assessing both core and vocational skills, and requested the Committee's guidance concerning the most appropriate ways in which the Office could support the constituents in developing, implementing and reviewing policies on the portability of skills.
- 82.** The Employer Vice-Chairperson introduced Mr C. Renique, Employer member, emphasizing his leading role on behalf of the group in guiding the formulation of the Human Resources Development Recommendation, 2004 (No. 195).
- 83.** Mr Renique commented on the good analytical work presented, stressing the benefits of skills development that accrued to workers, employers and labour markets by enhancing flexibility and mobility, in line with the concept of flexicurity. He emphasized the principal responsibility of governments to provide pre-employment education and training. Citing the example of ICT skills, he remarked that the transferability of skills applied not only to core skills, but also to vocational education. While the poaching of skills was a reality, employers would not necessarily under-invest in transferable skills because such training was essential for enterprise survival. This was also true at the country level. Ireland, for example, had experienced considerable out-migration of the highly educated in the 1980s. Yet it had not reduced investment in higher education, and this skills strategy benefited it greatly in later years when demand for skills increased. Recognizing the adverse impacts of the brain drain related to migration, he stressed that this was a point of consensus for the Committee. The Employers' group supported mitigating policy measures such as legal temporary migration and assistance to returning migrants, which could be a topic in technical cooperation activities and DWCPs.
- 84.** The Office paper presented a description of traditional systems of apprenticeship, but such forms of imparting skills had evolved, with, for example, institutions providing a combination of classroom vocational education and workplace experience opportunities. The presentation of the cost-sharing of skills development provided examples on training funds and levy systems and he asked whether the social partners were involved. Recommendation No. 195 specified commitment of employers to continuous training, and provided a broad definition of cost-sharing without specifying what type of measures should be taken. He noted the essential differences across systems summarized in table 1: that national qualification frameworks (NQFs) were a mechanism to recognize skills, including those acquired through informal means, but did not provide training as did vocational education and training (VET) and apprenticeship approaches. While it was true that implementing an NQF could have considerable financial implications, "light" frameworks could be developed focusing on a few occupations or sectors. The paper could also have addressed in greater detail the role of the private sector in skills development, citing the examples of CISCO and IBM in developing an ICT competency framework. Additionally, reliance on informal social networks to assess skills – a common practice among employers – could have been addressed. The role of the Office concerning the portability of skills should be focused on gathering good practice so that constituents could build on national experiences. Partnerships with the International Training Centre (Turin Centre) could play an important role by developing capabilities through training programmes.

<sup>4</sup> GB.298/ESP/3.

- 85.** The Worker Vice-Chairperson remarked that the paper was a good overview of an aspect of human resources development of great importance to workers. The empowering role of portable and recognized skills was noted, highlighting risks and benefits for workers, employers and development. The Workers' group was pleased that it reflected the discussions on Recommendation No. 195; training and lifelong learning were a joint commitment of governments, employers and workers, based on a foundation of free and universal education. The reference in paragraph 23 to Recommendation No. 195 concerning the financing of training as a shared responsibility was incorrect; the Recommendation recognized the different roles of the partners in skills development, with governments investing and creating the necessary conditions to enhance education and training, enterprises contributing by training their employees, and individuals participating by developing their competencies and careers.
- 86.** An important concern was the loss of investments in training by developing countries through migration. Citing the example of medical personnel migrating to developed countries, he considered this to be a form of reverse development aid, with developing countries losing their investment in training and considerable development potential. With the availability of medical personnel from developing countries, some countries had reduced their own investments in training national personnel. The United States, for example, trained few physicians relative to its needs. The recruitment of 293 physicians from Ghana had saved the United Kingdom 65 million pounds in training costs, while representing an enormous cost to Ghana both in terms of investment in education and the resulting understaffed medical facilities. There was a need to improve the supply of skills in all parts of the world and in addition member States needed to consider a system of compensation by user countries of high-level skill drawn from developing countries.
- 87.** The Workers supported the Office's intention to engage the constituents in policy debates on skills development and portability. Given the limited resources, he suggested that skills in the medical profession, and the risks involved in international migration, could be given special emphasis and suggested collaboration with the World Health Organization (WHO) on this topic.
- 88.** The representative of the Government of France, speaking on behalf of the IMEC group, recognized the importance of this subject in the context of employment, quality of work and globalization. He emphasized that portability of skills was a challenge to member States and essential in skills development and in adapting to new technologies. The IMEC group thanked the Office for a comprehensive document but requested that the concept of "portability of skills" be refined. He emphasized a number of key points: the importance of investment in education and skills development; identifying, assessing and recognizing acquired skills; the value of matching demand and supply of skills; and linking this area with the general discussion on promoting youth employment at the 93rd Session of the International Labour Conference. The IMEC group supported the ILO pursuing further work on this subject matter.
- 89.** The representative of the Government of Mexico noted the need for a standard methodology in identifying competencies and policies to improve transferability of qualifications at the international level. He suggested that the ILO take advantage of existing training centres like the Inter-American Research and Documentation Centre on Vocational Training (CINTERFOR) in Latin America. He proposed a coordinated and integrated system of training at the national level and that the ILO establish working groups that could disseminate good practices and outcomes of pilot projects, for example in countries that had established an NQF. He supported the Office in pursuing its work as stated in paragraph 63.

- 90.** The representative of the Government of Japan supported the statement of the IMEC group and thanked the Office for a comprehensive document. Portability of skills was an important element of skills development and for the creation of decent jobs. She made reference to a Mutual Recognition Agreement (MRA) for health-care workers and suggested that the following elements should be required: technical skills and special knowledge of local populations; fluency in the local language; and comprehension of culture and customs. She expressed concern about the complex issue of the entry of health-care workers in Japan.
- 91.** The representative of the Government of the United Kingdom agreed with the IMEC group's statement and welcomed the paper and its recommendations. He stated the increasing need for skills and qualifications to be transferable between countries and sectors while emphasizing the individual's adaptability to new jobs due to migration or economic restructuring. He strongly endorsed the 2007 ILO publication: "An introductory guide to national qualifications frameworks: Conceptual and practical issues for policy-makers" and welcomed further work in this area. NQFs provide valuable comparisons on qualifications for workers, employers and educational institutions in countries around the world. He stressed the significant input of employers in developing NQFs.
- 92.** The representative of the Government of South Africa appreciated the report and the Office's efforts in taking forward Recommendation No. 195. He agreed that skills development was important in addressing the challenges of poverty, inequality and employment. His country adopted a National Skills Development Strategy (NSDS) that included initiatives to improve the quantity and quality of training, identification of critical and scarce skills and develop indicators for skills development. He valued recognition of prior learning and the process for achieving it. The Office could improve constituents' capacities through knowledge sharing so that countries could use that knowledge in bilateral negotiations on the recognition of migrant workers' skills.
- 93.** The representative of the Government of Kenya considered the document important in the context of the GEA. She noted that visibility and recognition of skills as well as proper matching and communication were important prerequisites to portability, which benefited workers, enterprises, the economy and society. International portability of skills had limitations and challenges due to imbalances in regional, socio-economic, technological and political factors. She encouraged the Office to strengthen constituents' capacities and develop tools on core skills, support research on apprenticeship or NQFs, while keeping in mind the Turin Centre and the African Regional Labour Administration Centre (ARLAC). In concluding, she stressed the importance of portability of skills in the area of international labour migration.
- 94.** The representative of the Government of Sri Lanka was pleased with the inclusion of this topic in the agenda. He indicated that the issue of portability of skills needed to address development of competencies, as well as policies and approaches to assess and recognize skills. He affirmed the challenges faced by countries in developing transferable competencies and integrating core skills in training. The Office should provide technical assistance to developing countries to carry out studies and develop tools on core skills and on forward-looking skills development, i.e. linking skills development to meeting labour shortages, which were growing despite high youth unemployment. The Sri Lankan example of public-private partnership could assist in determining long-term skills strategies and coordinating vocational training. He requested that the Office extend technical assistance to Sri Lanka's vocational training institutions and apprenticeship system. Mentioning Sri Lanka's contribution to international migration, he also requested that the ILO develop tools and standards for the international recognition of skills and trades by labour-receiving countries.

- 95.** The representative of the Government of China highlighted the importance of vocational technical skills in different economies and countries. She noted that core skills were an important component in the portability of skills. She indicated the need to develop the concept of continuing education and lifelong learning in the context of social development. The Office should further explore this field, conduct research and provide more technical support and advice.
- 96.** The representative of the Government of Nigeria thanked the Office and supported the development of policies that enhanced the portability of skills and employability. He listed the areas in which ILO assistance was required: conducting baseline studies to identify core skills; organizing workshops for the social partners on core skills, and building capacities to undertake a skills review. He shared information regarding Nigeria's vocational training system, noting that the Ministry of Labour was the certifying authority for skills. He requested that the ILO examine that system and share experiences with others, including assisting in strengthening of skills centres as centres of excellence.
- 97.** The representative of the Government of Germany found the report interesting and inspiring. She inquired about qualifications and competencies acquired in the informal economy and findings on portability of skills from the informal to the formal economy.
- 98.** The representative of the Government of Finland endorsed the IMEC group's statement and confirmed the importance of core skills that were relevant across occupations, were portable and longer-lasting than vocational skills. He pointed out the importance of developing these skills in education and training at work. He concluded that the Office could direct its efforts to determining how best skills could be transferred and recognized.
- 99.** The representative of the Director-General (Ms Evans-Klock, Director of the Skills and Employability Department, Employment Sector) thanked the members of the Committee for their interest in the report, and their thoughtful reflections and guidance. She thanked Mr Renique and the Worker Vice-Chairperson for clarifying the commitments to skills development articulated and agreed in Recommendation No. 195: the employers' commitment to continued learning and the workers' commitment to competencies and career development. She appreciated the different government approaches to financing training and creating a conducive environment for employers and workers to meet those commitments. She thanked the representative of the Government of the United Kingdom for recognizing the value of the document "An introductory guide to national qualifications frameworks: Conceptual and practical issues for policy-makers", and noted the Committee's interest in receiving similar information on policy options and international experience or other topics, such as core skills and linking skills development to national and sectoral development strategies. She agreed to and welcomed the calls for closer cooperation with the Turin Centre and CINTERFOR and for working with the social partners in technical cooperation activities. She cited as current examples of this commitment the work with the social partners in technical assistance for training funds in West Africa and the upcoming tripartite meeting on skills recognition of migrant workers in East Asia. She thanked the donors for their support.
- 100.** The representative of the Director-General (Ms Nübler) recognized the Committee's interest in further work on core skills and the methodologies involved, as well as forward-looking skills development strategies. She confirmed that technical skills, as well as core skills, were portable and gave the example of ICT skills. She noted that the Office would work on the sharing of information in the area of skills recognition at the national and local level. She agreed on the relevance of portability of skills in the informal economy and that training in higher technical and core skills, and recognition of skills, could serve as a bridge between the formal and informal economy. In the area of migration, she reconfirmed EMP/SKILLS collaboration with the work of the Office on health sector

workers and the existing cooperation with the WHO and the International Organization for Migration (IOM).

101. In his concluding statement, Mr Renique appreciated the positive response of the Office on cooperation with the Turin Centre and CINTERFOR, as well as institutions such as the European Centre for the Development of Vocational Training (CEDEFOP). He stressed the opportunity for the Office to work on qualifications, and the need to make them comparable and recognizable. He highlighted the importance of the recognition of prior learning and creating a win-win situation through cooperation.
102. The Worker Vice-Chairperson expressed appreciation for the discussion and response of the Office, and looked forward to continuing the work on this topic.
103. *The Committee took note of the Office paper and the views expressed thereon.*

## D. The informal economy (Fourth item on the agenda)

104. The representatives of the Director-General (Ms Berar-Awad, Director, Employment Policy Department, Employment Sector, and Mr Reynaud-Fourton, Senior Adviser on the Informal Economy, Social Protection Sector) presented the paper.<sup>5</sup> The joint presentation highlighted the broadened characterization of the informal economy by the ILC 2002 discussion, which acknowledged the diversity and complexity. The 2002 resolution and conclusions underscored the need for cross-cutting integrated policy responses that preserved the employment and income-generation potential of the informal economy and extended protection to workers and economic units. The presentation pointed to the state of knowledge, policy debate and lessons learnt in policy areas cutting across all strategic objectives of decent work. It reviewed the progress made by the ILO since the 2002 ILC discussion with the framework to the knowledge-sharing initiative and the InFocus Initiative on the informal economy implemented in the current biennium. It pointed out the joint outcome proposed for the Programme and Budget for 2008–09 to ensure the continuity of the ILO's work in this area. Some examples of innovative initiatives taken by governments and social partners to promote decent work in the informal economy were provided in order to highlight key policy issues, emerging practical approaches, good practices and new tools. Finally, the work in progress related to the InFocus Initiative was presented, including the forthcoming Interregional Symposium on the Informal Economy in November 2007. The presentation concluded by identifying first, the parameters for the comprehensive approach based on employment and social protection and second, the challenges ahead in terms of building advocacy for policy development, establishing partnerships and mobilizing resources.
105. The Worker Vice-Chairperson thanked the Office for the paper, which he considered to be a useful summary of developments in the area of the informal economy. The informal economy was a survival economy, characterized by precarious work and poverty. Therefore, it was a myth that countries could develop modern productive economies through expanding their informal economies. He agreed with the Office's analysis that the growth of the formal economy was not fast enough to absorb the millions of people who need decent jobs, hence the need for pursuing macroeconomic measures to generate decent work. Agreeing with the need for "breaking out of informality" as stated during the presentation, he argued that the implementation of the full package of policies of the GEA, with the aim of improving macroeconomic conditions, needed to be the key driver for

<sup>5</sup> GB.298/ESP/4.

employment growth. The technical capacity of the social partners needed to be enhanced, with ILO support. Referring to the debate on regulatory reform, he cautioned against attempts to lower standards as a means of reducing the size of the informal economy, and used the example of bicycle theft to show that a change in the definition of theft might reduce the apparent size of the problem without solving the problem. He called on ILO work to prioritize organizing of worker and employer voices in the informal economy into existing worker and employer organizations. Good policy advice emanating from innovative practices around the world would be helpful for member States in advancing decent work in the informal economy. He called for increased labour inspections in the informal economy and drew attention to subcontracting practices by larger corporations, including MNEs, that led to a growth of unprotected work.

- 106.** Welcoming the discussion on the subject, the Employer Vice-Chairperson emphasized the multifaceted nature of the informal economy, which covered broad aspects related to both economic and social activity. She stressed the need to focus on specific issues within the informal economy. One area for this could be the impact of regulation on informality. A balanced regulatory environment for business would allow more businesses to formalize, whereas an excessive regulatory environment would pave the way for more bureaucracy and corruption, which in turn would lead to greater informality. A second area for future discussion was the link between productivity and the informal economy. Generally, the informal economy had limited access to essential services such as training, education, technology, among others, which lowered its potential productivity. A third area was the relationship between the informal economy and access to credit. The lack of access to credit for informal economy operators was one of the main obstacles for expansion and improved productivity. She reminded the Committee about the extent to which the informal economy provided livelihoods for millions of people and that, in some respects, it acted as an incubator for those with business acumen, creativity, innovation and dynamism. That potential should not be underestimated.
- 107.** The representative of the Government of China, representing the Asia-Pacific group (ASPAG), was pleased to note that the informal economy debate was gaining new momentum in policy discussions in both developing and developed countries. He agreed with concerns expressed in the paper that the perceptions of the way to define and the means to achieve formalization had not been sufficiently articulated, and that the debate had been unduly centred on the regulatory framework. He hoped that the ILO could take the lead in shaping the policy debate and highlighted the importance of efficient functioning of the labour market, taking into account the empirical evidence. The ASPAG was encouraged by the ILO's success stories in, for example, entrepreneurship development, microfinance, training, social security and tripartism, and hoped that they would be upscaled and mainstreamed into the DWCPs. He noted that, while the paper provided a good overview of progress made, more specific proposals for follow-up action would have been welcome.
- 108.** The representative of the Government of Mexico thanked the Office for the useful and comprehensive information provided by the paper. He briefly outlined how the Decent Work Agenda was being advanced in Mexico through the promotion of productive investment strategies, specifically focusing on the disadvantaged groups within the informal economy. He also referred to the formal employment promotion programme in order to assist jobseekers in entering the formal labour market. The Government had also developed a labour observatory that made labour market information available to everyone.
- 109.** The representative of the Government of Argentina welcomed the paper. He stated that it was well-structured, provided a precise debate, described the diverse features within the informal economy, and showed the precariousness of the workers. Informality could occur

anywhere: within homes and in the wider society, in poor countries and richer countries. He emphasized the need for a shared view in order to draw up common strategies. In Latin America, there was longstanding cooperation with the ILO in this area. Recent examples included the Fourth Summit of the Americas, held at Mar Del Plata in 2005, and the 16th American Regional Meeting in Brasilia in 2006. The Southern Common Market (MERCOSUR) countries were currently working to reduce decent work deficits through the development of a strategy to curtail the number of workers in the informal economy and to develop policies to register informal workers. The paper emphasized that policies needed to be coordinated. Such an integrated approach should be put into practice in order to avoid isolated programmes which did not promote social cohesion.

- 110.** The representative of the Government of the Bolivarian Republic of Venezuela noted that the reduction in the percentage of informal workers in the country (from 52.7 per cent in 2003 to 44.5 per cent in 2006) had occurred as a result of government measures to support social protection, including a minimum legal framework and new safety and health laws which applied to all workers. His Government was conscious of the fact that the transition to formality was multidimensional and required effective social dialogue between the Government, social partners and organizations representing the informal economy.
- 111.** The representative of the Government of Kenya referred to the 2002 ILC discussion on the informal economy and noted the progress made by the Office since then. He outlined some measures in Kenya, such as the establishment of the Department of Micro and Small Enterprise Development within the Ministry of Labour, which collaborated extensively with the social partners. He pointed out the need for continued follow-up and broader based strategies, and called for the integration of the informal economy within the DWCPs.
- 112.** The representative of the Government of South Africa welcomed the debate on the informal economy. He expressed his appreciation of the ILO's work in assisting countries to improve the working and living conditions of workers and economic units within the informal economy. In South Africa, the informal economy was referred to as the second economy, and the Government was developing a strategy to transform it into the first economy. This required sustained efforts, including resource transfers in the areas of education and training, capital for business development, marketing, information and appropriate technology, among others. The Government was embarking on a comprehensive review of the constraints facing small enterprises. The focus of ILO work should now shift towards implementation, monitoring and evaluation, and the sharing of good practices among member States. Policies and practices should be reviewed prior to adoption, in order to ensure their suitability to different contexts.
- 113.** The representative of the Government of France highlighted the importance of microcredit in combating poverty and tackling unemployment. He further stated that microcredit could be an important tool in active labour market policies.
- 114.** Welcoming the paper and commending its nuanced view on policies to address the informal economy, the representative of the Government of the United States stated that the extension of decent work to all workers required that the matching of protection was paralleled with a willingness and ability to comply with and pay for that protection. This usually required good governance and various functioning mechanisms. In his view, problems in the informal economy usually occurred when mechanisms of good governance failed to function properly.
- 115.** Thanking the Office for the paper on the informal economy, the representative of the Government of India reiterated her country's commitment to gradually formalizing the informal economy. Nevertheless, the importance of the informal economy, especially in terms of employment creation, also needed to be recognized. She emphasized the

importance of North–South collaboration to fulfil the potential and the benefits that could be derived for both workers and the economy. Developing countries needed financial assistance from industrialized countries to enable them to facilitate the transition of workers from the informal to the formal economy. The Office should focus on country-specific programmes for improving the working conditions of those in the informal economy.

- 116.** The representative of the Government of Spain congratulated the authors of the paper and welcomed the approach of using different units within the ILO to produce a coherent and balanced outlook on transforming the informal economy. The representative highlighted the major issue of the paucity of data as one obstacle towards identifying the magnitude and trends within the informal economy.
- 117.** Thanking the Office for the paper, the representative of the Government of Canada stated that there would be a value added to an enhanced gender perspective on the issue. She described the obstacles faced by many women in entering the formal economy, especially as data showed that seven out ten informal economy enterprises were run by women. She invited the ILO to give special attention to this area in its policy and programme development and implementation.
- 118.** The representative of the Government of Morocco thanked the Office for the paper. The informal economy was a complex issue, as the majority of workers were not covered by legislation. She gave the example of domestic work, which in some countries was not regulated, and even where there was a legal framework, this was not always easy to apply – labour inspectors were not able to carry out controls in private households. The speaker indicated that in order to remedy this situation, Morocco had drawn up a special bill regulating domestic work. This had been done on the basis of social partner consensus. The bill was currently going through the adoption process. It fixed a minimum age and minimum working conditions for domestic workers, as well as the creation of a special body to monitor the enforcement of the law.
- 119.** Mr Gomez (Worker member) found it difficult to discuss decent work in the informal economy, as workers in the informal economy had no protection. The informal economy was growing, and more and more formal businesses were being driven towards informality. That was the trend especially in agriculture, construction and transport. Solutions were often complex and required concerted efforts. He cautioned against the creation of bogus cooperatives and similar methods that were sometimes used to circumvent proper employment relationships.
- 120.** Ms Pandeni (Worker member) noted that in Africa most workers were in the informal economy. The informal economy had grown due to structural adjustment and liberalization policies and the ensuing outsourcing practices of multinational companies. The majority of informal economy enterprises were unregistered, due to high registration costs and procedures. This had also had an impact on trade union membership. She urged the Office to assist the social partners in tackling the root causes of the problem.
- 121.** The representative of the Government of Finland thanked the Office for the comprehensive paper. He agreed that, while the formalization of economies was an important goal, one should be realistic and accept the presence of the informal economy, especially in a globalizing world with its increased needs for flexible labour markets. He added that careful balancing of economic factors, taking into account the right to freedom of association and collective bargaining, should be the basis for formalization. The way forward was through policy formulation and positive regulation.

- 122.** Mr Anand (Employer member) pointed out that many establishments within the informal economy in South Asia were successful, as he had witnessed himself on many occasions. He noted the importance of organizing study tours to better understand what was happening to workers in the informal economy in South Asia. It was encouraging to see the renewed efforts of the Office in this area.
- 123.** The representative of the Government of Greece said that international trade was known to concern formal sector enterprises, which had a legal and financial structure and an effective accounting system. It was also known that informal sector enterprises constituted a factor of weakness. She believed that the provision of microfinance, as well as market information, could possibly provide an impetus for formalization.
- 124.** Ms Berar-Awad, in her response, expressed her appreciation for the rich debate and the extensive and useful comments from the members of the Committee. These comments endorsed and qualified the approach proposed in the paper as “nuanced” and “balanced” and provided valuable guidance to the Office to continue its work leading the policy debate on the informal economy from the twin objectives of preserving its employment generation potential as well as extending protection. She was also grateful for the information provided regarding national level policies and strategies during the discussion. This had provided the Office with a wealth of cases and good practices for the discussion at the planned Symposium on transition to formality in November this year. The comments also encouraged the Office to continue its technical cooperation for the development, implementation and evaluation of the range of comprehensive policies that were required to promote decent work across the diverse spectrum of informal economy situations. She emphasized that the comments supported further work on measurement and monitoring changing patterns in the informal economy. The Office would follow up on the guidance to have further discussions both on specific dimensions of decent work and the informal economy as well as on the macro picture and overall trends.
- 125.** Mr Reynaud-Fourton added that the discussion was a clear recognition of the complexity of the problem and the challenges ahead. He summarized the ILO approach to the informal economy through two broad areas of work: the legislative framework and strengthening the capacity of workers and economic units in the informal economy to support their integration into the formal economy.
- 126.** The Employer Vice-Chairperson acknowledged the broad agreement existing regarding the issues and the members’ willingness to work together on the subject.
- 127.** The Worker Vice-Chairperson endorsed the previous speaker on the need to work together on the informal economy. He added that the importance of labour rights was an unconditional principle and drew the analogy of violations of worker rights being equivalent to the theft of the right of a worker to fair labour practices. He was concerned at comments that seemed to condone entrepreneurs hiding their true status in order to avoid paying tax. He noted that his group drew their comments from bitter experiences in the informal economy, where violations of basic human rights were a frequent occurrence, and noted that ILO study tours should include that reality. He supported further research on subcontracting patterns, and looked forward to future discussions on the informal economy, both addressing in-depth discussions of specific themes and reviewing the comprehensive picture.
- 128.** *The Committee took note of the Office paper and the views expressed thereon.*
- 129.** The Chairperson announced that, in view of time constraints, the last item on the agenda, on the Decent Work Agenda in Poverty Reduction Strategy Papers, would be postponed to the November 2007 session. She thanked the Committee members for the fruitful and interesting debate. As she was leaving Geneva soon, this was the last time she would be

chairing the ESP Committee. She expressed her appreciation of the high standard of the discussions in the Committee as well as the constructive atmosphere and extended felicitations and best wishes to all members, and in particular to the two Vice-Chairpersons, as well as the secretariat.

- 130.** Mr Salazar-Xirinachs expressed his appreciation and gratitude for the leadership and guidance Ambassador Fernando had provided since she took over as Chairperson at a critical juncture in the work of the Committee. He wished her every success in her future endeavours.

Geneva, 23 March 2007.

*(Signed)* Ambassador Fernando,  
Chairperson.

*Point for decision:* Paragraph 79.