Towards a fair, inclusive globalization in the Caribbean

Promoting full and productive employment and decent work for all

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1Note This was the theme of the recently-concluded Substantive Session of UN ECOSOC, June 2006
Topics for discussion

- Making globalization work through Decent Work
- The ILO’s integrated approach to national employment strategies
- Roadmaps for Decent Work: a focus on the Caribbean
- What can be done? A Decent Work Agenda for the Caribbean
I. Decent work as a response to globalization.
Globalization has been intensifying, creating challenges and opportunities... 

- Globalization is the integration of national economies to the world economy through:
  1. Trade (free flow of goods and services)
  2. Flows of Foreign Direct Investment
  3. Short-term capital flows
  4. Movement of workers and humanity in general (migration)
  5. Flows of Technology
  6. ... Under new rules and standards for trade and investment

- Particularly worrisome: social impacts/risks of globalization
  - rising inequality (between and within nations);
  - persistently high unemployment and poverty;
  - disproportionately high youth unemployment;
  - deteriorating conditions at workplace.
Although rate of economic growth in the world economy has been “decent”, the quality and quantity of jobs created is not...

- One-third of the world’s labour force is unemployed, under-employed or working poor
- 1400 million workers – 50% of the world’s workforce – earn less than US $2 dollars per day
- Informal economy, part-time and non-standard forms of employment continue to grow
- Stiffer global competition requires balance between labour market flexibility for companies and countries to be competitive and security for workers
- Certain groups in society continue to be discriminated in employment and occupation: especially women and youth labour force.
Declining employment intensity of growth is a global trend...

Global employment elasticities 1991-2003

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<tr>
<td>E-Elasticity</td>
<td>0.34</td>
<td>0.38</td>
<td>0.30</td>
</tr>
<tr>
<td>GDP Growth %</td>
<td>2.9</td>
<td>3.6</td>
<td>3.5</td>
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- Globally, for every 1% of GDP growth, total global employment grew between 0.30 and 0.38 during the three periods between 1991 and 2003.
- In the most recent period there was a slight decline in GDP growth and a marked reduction in the employment intensity of growth.
Declining employment intensity of growth is a global trend...

Global employment elasticities and valued added growth rates by sector 1991-2003

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<th>Agriculture</th>
<th>Industry</th>
<th>Services</th>
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<tbody>
<tr>
<td>Sector value added Elasticity</td>
<td>0.41</td>
<td>0.28</td>
<td>0.57</td>
</tr>
<tr>
<td>Average annual value added Growth rate %</td>
<td>2.0</td>
<td>2.1</td>
<td>3.0</td>
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Source: ILO, Key Indicators of the Labour Market - KILM- Fourth Edition, 2006 (based on 139 countries)

- **Services sector**: world’s fastest-growing sector and with the most job-intensive growth
- **Industrial sector**: value added growth was driven 72% by gains in productivity and 28% by gains in employment.
- **Agriculture**: in between, with 60% of growth driven by productivity growth and 40% by growth of employment.
Globally, Decent work has increasingly seen as way of responding to globalization

- ILO- World Commission on the Social Dimensions of Globalization, 2002

- Report “A Fair globalization: Creating Opportunities for All” (2004) recommended that: “decent work” (DW) for all should be made a global goal and be pursued through complementary national and international policies.
Full and productive employment and Decent work for all is today a global goal...

• **Africa (2003):**

• **UN General Assembly, World Summit 2005:**
  “We strongly support fair globalization and resolve to make the goals of full and productive employment and decent work for all, including for women and young people, a central objective of our relevant national and international policies as well as our national development strategies, including poverty reduction strategies, as part of our efforts to achieve the Millennium Development Goals.” (para 47)

• **ECOSOC (2006)**
  - Creating and enabling environment for employment and decent work was the main theme of **UN ECOSOC**, July Session, Geneva, 2006. See Ministerial Declaration of the **High-level Segment** meeting.
Decent work as a global goal (cont’d)

- **Americas:**
  - Summit of the Americas – Argentina, November, 2005

- **Asia:**
  - ILO’s Asian Regional Meeting (Busan, Korea, 1 September, 2006) launched a Decent Work Decade in Asia

- **Development community:**
  - Renewed interest of and partnerships with, donors in promoting Decent Work as a global goal [EU, Sida, DFID, DANIDA, etc.]
In summary, decent work has become a global goal, due to the ILOs explicit efforts, but also due to a number of forces:

- Accelerating pace of change and of economic restructuring
- Need to balance flexibility for adjustment and competitiveness for enterprises and countries, on the one hand, and security for workers, on the other
- Growth of the informal economy, part-time work and new forms of employment
- Growing acceptance that employment and labour markets are the main channel that connects economic growth with poverty reduction and equity, that has not been given the importance it merits
- Fact that decent work is not an abstract idea but a real need and a very concrete demand from people around the world
II. The ILO integrated approach to employment strategies
ILO’s Global Employment Agenda (GEA)

- GEA: a critical pillar of Decent Work

- 2000: the UN General Assembly recognised the “need to elaborate a coherent and coordinated international strategy on employment and ... support(ed) the convening of a world employment forum by ILO in 2001.”


- 2003–2005: ESP Committee discusses the ten core elements of the GEA and reviews its implementation

- 2006–07 biennium: DWCPs are the main delivery vehicle for the Programme and Budget and the main instrument for ILO cooperation with member States.

- March 2006: The Office presented to the ESP Committee a "vision" to make the GEA more operational in the work of the Office at the national level. This vision has conceptual and managerial aspects.
The integrated GEA approach to employment policy in one page: Basic concepts, approaches and tools

**BASIC CONCEPTS**

Determinants & Prerequisites

- **Growth:**
  - Capital-Investment
  - Human Capital
  - Productivity
  - Trade
  - Governance

- **Distribution-equity, & social inclusion:**
  - Taxes & transfers
  - Access to:
    - Assets - credit
    - Education and training
    - Infrastructure
    - Health
  - Social Protection

- **Empowerment, Governance & Institutions:**
  - Representation
  - Participation-Power
  - Social Dialogue

- **Values and Principles**
  - Full respect for Fundamental Workers’ Rights & International Labour Standards

**KEY POLICY AREAS**

**Checklist**

1. **Economic Policies for Employment Expansion (Demand Side)**
   - Macroeconomic Policies
   - Financial policies
   - Investment Climate/Policies
   - Trade, RI, sectorial policies
   - Labor Mobility/Migration

2. **Skills, Technology & Employability**
   - Training policies and systems
   - Skills for technological change
   - Employment Services
   - Improved access to training

3. **Enterprise Development**
   - Policy & regulatory framework
   - Value-chain Upgrading
   - Local Economic Dev-LED
   - Workplace practices

4. **Labor Market: Institutions and Policies**
   - LM adjustment policies
   - Passive and ALMPs
   - Employment Services
   - Industrial Relations

5. **Governance, empowerment & organisational capital**
   - Representation and advocacy
   - Freedom of Assoc/Coll bargaining
   - Social dialogue

6. **Social Protection (Sector III)**

**TOOLS**

Illustrative list of E-knowledge products:

- Employment-centred growth strategies
- Growth-Employment-Poverty reduction linkages
- LM adjustment to Trade/Regional integration
- Access of working poor to finance
- E-Intensive Investment Approaches
- Recognition of skills across borders

- Training, Lifelong learning, on the job-training.
- Worker Displacement, career guidance,
- Community-based rehabilitation
- Use of ICTs for productivity

- Business Development Services (BDS) for SMEs
- SME Finance
- Entrepreneurship and Productivity Tools
- Corporate Social Responsibility
- Strengthening cooperatives
- Capacity-building materials for LED

- Passive Policies: Income Support for Jobless
- ALMP: training for jobless, job creation, wage subsidies, enterprise creation
- E-Services
- Flexibility and Security

- Capacity building with constituents
- Coalition building for DW Projects with Employers and Workers
- Upgrading of informal enterprises & communities

**OBJECTIVES & OUTCOMES**

- Employment-centred growth strategies
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**VALUES AND PRINCIPLES**

Full respect for Fundamental Workers’ Rights & International Labour Standards

**MAINSTREAMED STRATEGIES:**

- A fair globalization
- Working out of poverty
- Expanding the influence of social partners, social dialogue and tripartism

**Achievement of Key Objectives:**

- **EMPLOYMENT**
- Poverty reduction
- Gender
- Young people
- Target Groups: Old, Disabled, others
- Informal Economy
- Crisis response

**Roadmaps for countries at different levels of dev.**

Country A
Country B
Country C
III. Roadmaps for Employment and Decent Work: A Focus on the Caribbean
Variations in roadmaps to Decent Work: Caribbean model of development has its own characteristics shaped by:

- Small size (land, population)
- Vulnerability to natural disasters and volatility
- Lack of economic diversification
- Large-scale out migration
- High degree of openness
Caribbean people’s predicament in the world of work and labour markets characterized by...

- High and persistent unemployment rates (Average = 10%, over 15 per cent in five countries)
- Who are the unemployed? Women more than men (14% vs 8%), the young (22%, 50% of all unemployed), and the poorly educated. Unemployment is low among those with tertiary education.
- Poverty incidence generally low, but in some countries it is more than 20 per cent
- Labour Force Participation Rates (LFPR) increased slightly from 60.7 in 1995 to 61.5 percent in 2006, but still low compared with world and Latin America (66 percent).
- Informal sector is often the largest employer
- Rising non-standard forms of employment
- Highest migration rates in the world.
Employment and labour market outcomes are defined by several factors...

- Inadequacy of economic growth:
  - Despite smallness, vulnerability etc, Economic Growth has been higher than that of Latin America in the last 3 decades, but lower than in East Asia.
  - However, growth has been very volatile...and
  - Declining every decade: 4.3% in 1970s, 2.1% in 1980s, 1.7% in 1990s.
Growth performance inadequate due to...

- Sharp decline in productivity
- Decline of competitiveness
- Export-dependence, insufficient diversification and export growth
- Erosion of trade preferences (especially of agricultural exports to EU)
- Inadequate skill formation and technology absorption
- Severe resource constraints, particularly for public investment, due to Massive public debt.
- Problems with the investment climate, particularly policy and legal environment and infrastructure
Roadmaps to Decent Work: The Caribbean (cont’d)

- Several other dimensions of employment and Decent Work challenges, in:
  - structure and patterns of enterprise development
  - quality of the labour force, and its skills competitiveness
  - quality of employment, especially in informal economy and non-standard focus of work
  - fundamental rights at work (the effectiveness of the regulatory framework to promote Decent Work)
  - the institutional framework for greater social protection
  - social dialogue and its impact on forging partnerships towards shared development.

(These dimensions will be explored in separate presentations)
IV. What can be done? A checklist of possible actions for the employment component of the Decent Work Agenda for the Caribbean
What can be done? Aim at “global strategic repositioning”

- Develop a strategic agenda to promote competitiveness, productivity and diversify
  - Deepen and complete the CSME:
    - Free mobility of goods, services and labour
    - Joint investment promotion
    - Tax harmonization
    - Common regulations
    - Improved customs procedures
  - Improve the investment climate
    - Clear, stable, predictable rules
    - A well governed economy
    - Lower costs for doing business
    - Good quality infrastructure
  - Support value chain upgrading with integrated strategies (skills, business development services, enterprise links).
  - Improve workplace practices for increased productivity
What can be done?

- **Promote job-rich Growth via sectoral approaches**
  - High growth based on high productivity is important for employment creation but the pattern of growth also matters.
  - To be job-rich, growth has to be balanced between labour-saving high productivity sectors, labour-intensive sectors and dynamic high productivity sectors with Employment-Pull potential.
  - Use sectoral strategies to upgrade resources and connect with global value chains (services, agriculture, industry).
    - Targeted investment attraction for investment diversification, eg:
      - Business and professional services
      - Education services
      - Health services
      - New segments in tourism
      - Diversify out of sugar/bananas into fruits, ornamental plants, vegetables, dairy products, etc.
What can be done? (cont’d)

- **Ensure an Employment friendly Macroeconomic policy:**
  - Stability is important but restrictive monetary and fiscal policies should not be too restrictive
  - Be mindful of the level of effective demand: low real wages and incomes as well as reduced employment in the presence of inadequate social protection can be a major factor depressing it
  - Avoid too high interest rates and real appreciation of exchange rates (affects investment and competitiveness)
  - Avoid excessive cutting in social spending. This increases the likelihood of continued growth of informal employment and of emigration
Maximize the contribution of the private sector via increased competitiveness and a good investment climate
In order to be viable, profitable and productive enterprises need...

**Internal conditions**
- Good management & entrepreneurship
- Good technologies & equipment
- Access to resources
  - Healthy and skilled workers
  - Finance (credit, prosperous investors, venture capital)
  - Physical and natural: energy, land, infrastructure

**External conditions**
- Growing markets, effective demand
- A conducive enabling environment:
  - Respect for property rights
  - Clear, stable, predictable rules
  - A well governed economy
  - Low costs for doing business
  - Good quality infrastructure
  - Value chains characterised by good quality related industries and business services

**Endogenous factors** of competitiveness
**Exogenous factors** of competitiveness
**Systemic competitiveness**
What can be done? (cont’d)

- **Trade policy**
  - Deepen and consolidate the CSME
  - Pay attention to the sectoral sequencing of trade liberalization, gradual approach that allows orderly adjustment is better than rapid liberalization
  - Rethink positions about special and differential treatment
  - Negotiate orderly dismantling of preferences in return for enhanced technical and financial assistance, particularly with the EU
  - Facilitate labour market adjustment to mitigate adjustment costs, and enhance supply-side capacities via competitiveness promotion, skills upgrading and ALMPs
  - Upgrade your export portfolio and diversification by investing in education and skills
Policies related to labour markets

- A forward-looking labour market policy – essential for a fair, inclusive globalization. This requires:
  - Fine-balancing of basic rights at work with a degree of flexibility (needed for higher competitiveness)
  - Aligning productivity and competitiveness with wages and remuneration

- Well-designed ALMP to support the unemployed, vulnerable groups and targeted to *youth* employment

- Labour market policy to enhance *quality* of employment

  - Appropriate skills development
  - Extending legislation and support to workers in unorganized sector and non-standard employment

- CARICOM Model Legislation and the need for harmonization of the regulatory framework.