

Employment Pillar of the Decent Work Agenda: A Brief Note

by

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I. Decent work and the Global Employment Agenda

The ILO vision of the employment challenges facing countries and the global economy, as well as the ILO and its constituents, is contained in the concept of decent work. The goal of the ILO is to achieve full and productive employment and decent work for all, including women and young people. This vision and related challenges are contained in a number of key documents: in those explaining and elaborating the concept of decent work,¹ in the Employment Policy Convention, 1964 (No. 122),² and several other documents, such as the report of the World Commission on the Social Dimension of Globalization,³ and successive *World Employment Reports* are also relevant to this vision.

It is not a mere coincidence that with the rapid increase in globalization, with all the new opportunities but also concerns associated with it, there has been an increasing recognition and acceptance of the ILO's Decent Work Agenda (DWA) among policy makers, international agencies and the academia, as a way of integrating what matters most to people: their jobs and livelihoods, their security and that of their families, the quality of their life and work, and their voice, representation and participation in society. The DWA with its four strategic objectives (viz. fundamental principles and rights at work; promotion of full, productive employment; social protection; and social dialogue and participation) is a forceful articulation of policies and programmes for economies not only to seize the opportunities of globalization, but also to cushion against adverse consequences of globalization, in particular, the striking growth in inequality.

The Decent Work Agenda is not a one-size-fits-all programme, and its appeal rests significantly on its universal applicability, viz. in both developed and developing countries. The principal focus is on an integrated approach for individual countries to reduce *decent work deficits* to move towards full and productive employment with full respect for rights at work.

Among these deficits, the employment deficit remains a daunting challenge at the beginning of the millennium. One-third of the world's labour force is either unemployed,

¹ See the successive Reports of the Director-General to the International Labour Conference: *Decent work* (1999); *Reducing the decent work deficit: A global challenge* (2001); *Working out of poverty* (2003).

² In 1964, ILO Members adopted Convention No. 122 on employment policy which states that "With a view to stimulating economic growth and development, raising levels of living, meeting manpower requirements and overcoming unemployment and underemployment, each Member shall declare and pursue, as a major goal, an active policy designed to promote full, productive and freely chosen employment". To date, 97 member States have ratified this Convention.

³ Report of the World Commission on the Social Dimension of Globalization, *A fair globalization: Creating opportunities for all* (2004).

underemployed or belongs to the working poor.⁴ The number of jobs created as much as their quality are priority concerns in most regions and countries, including in many industrialized countries. The employment and labour market challenges have intensified in the recent past, and are increasingly predicated on several developments, including: the accelerating pace of change brought about by globalization with its simultaneous tendencies towards greater interdependence, integration and competition, but also increased risks of exclusion and marginalization; the need to balance flexibility (both for individuals and for the economy as a whole in order to reinforce competitiveness) with security (flexicurity); the growth of the informal economy, part-time work and new forms of employment in many countries; the accelerated pace of economic restructuring, including the movement away from agriculture into manufacturing and services in the developing world and industrial restructuring in developed countries; the growing acceptance of the idea that employment and labour market issues are a decisive, but neglected, link between economic growth and poverty reduction

These and other forces are driving economic and institutional change in the world of work and, along with the explicit efforts of the ILO, have turned decent work into a global goal. The employment pillar of the Decent Work Agenda is a key strategic objective to address the above challenges, and is founded on ten core elements of the Global Employment Agenda (GEA).⁵

II. The building blocks of the ILO's Global Employment Agenda

The ILO's approach to employment policies, as developed by constituents in the Global Employment Agenda based on the extensive experience of the ILO in this area, distinguishes demand-side and supply-side measures, macro- and micro-level interventions, as well as quantitative and qualitative aspects. The general approach is summarized in Graph 1 "The Policy Framework in One Page" and in the "Checklist of Key Policy Areas" (*Annexes 1 and 2*).

As the left hand side of the Graph shows, the basic concepts of the ILO's distinctive approach to employment can be described under four headings: (i) *values and principles*: the objective of employment policy is not just to create more jobs but to ensure that working

⁴ Over 530 million women and men of working age live in families with a per capita income of less than US\$1 a day. About 1.4 billion workers survive on less than US\$2 a day, half the world's workforce.

⁵ The 24th Special Session of the United Nations General Assembly in 2000 recognized "the need to elaborate a coherent and coordinated international strategy on employment to increase opportunities for people to achieve sustainable livelihoods and gain access to employment, and in this connection support(ed) the convening of a world employment forum by the International Labour Organization in 2001". In response to this, in 2003, the Governing Body adopted the Global Employment Agenda (GEA) whose principal purpose is to place employment at the heart of economic and social policies, and contribute to the efforts to promote decent work.

conditions in both existing and new jobs fully respect fundamental principles and rights at work; (ii) *good quality economic growth*: the modern economics of growth recognizes five main sources of growth: investment, human capital, productivity, trade/integration and institutions/governance.⁶ Traditionally, economists only considered the first three of these elements. Recent research shows that other factors are as important as determinants of growth: trade or integration to large markets on the one hand, and institutions, governance and politics, on the other. A good quality growth strategy requires policies in these five drivers of economic growth; (iii) *distribution, equity and social inclusion*: require explicit policies for ending discrimination in the labour market and promoting social inclusion. Equity principles for employment policy mean *addressing all sources of discrimination* in labour markets and in society at large, and putting emphasis on *investing in people*, especially the most vulnerable – in their education, skills training, lifelong learning, access to quality jobs, finance, health and safety – and encouraging their entrepreneurial initiative; (iv) *governance and institutions*: a unique strength of the ILO and of its policy development and implementation approach is tripartism. It is via social dialogue and by promoting participation, representation and empowerment of individuals and representative organizations that the ILO promotes the processes and institutions to mobilize social actors, develop and implement policies, manage conflict and facilitate social inclusion. In these tasks the role of the state is fundamental. The State with its institutions, regulations and services, is a crucial partner for business and communities to grow. Countries need strong, efficient state institutions, as well as strong and dynamic markets – not one to the detriment of the other – to achieve good economic and social results.

III. Key policy areas

Key policy areas that are central to the employment pillar are synoptically presented as follows⁷ (see also Annex 1).

Economic policies to influence the demand side of employment policy

Macroeconomic and financial policies, investment policies/business climate, trade policies and regional integration and migration/labour mobility are the key factors that influence market size, effective demand and, therefore, the demand for labour. No matter how much is done on the supply side, if there is not enough demand via the expansion of markets

⁶ For recent reviews of and contributions to this literature see D. Rodrik. (2003): *In search of prosperity. Analytic narratives on economic growth*, Princeton University Press, Princeton, New Jersey; E. Helpman (2004): *The mystery of economic growth*, Belknap Press of Harvard University Press, Cambridge, Mass.; OECD (2004): *Understanding economic growth*, Palgrave MacMillan, New York.

⁷ For an elaboration, see *Implementing the Global Employment Agenda : Employment strategies in support of decent work « Vision » Document*

or the corresponding dynamism in the private sector, it will be difficult to create more and better jobs. Thus, for example, a pro-employment macroeconomic framework would require a policy mix that enhances growth and investment under conditions of stability and fiscal and monetary balance. The investment climate and related policies are at the centre of growth and employment strategies. However, business environment analysis is rarely integrated with labour market analysis, despite the fact that a close two-way relationship exist between them: the investment climate analysis is tantamount to an analysis of the demand side of employment, and the quality of human resources (the education and skill profile of the labour force) are central components of the business climate in a country.

Skills, technology and employability

Skills and employability are a central component of employment strategies. *For individual economies*, a skilled workforce improves the investment climate, is a major determinant of sectoral and economy-wide productivity and, therefore, of economic growth and job creation potential. Competitiveness and growth in open economies requires large investments in human capital.⁸ Thus, promoting employability by improving knowledge and skills is one of the pillars of the ILO's approach to decent work, employment promotion and poverty reduction. The basic framework for ILO work in this area is provided by the new "Recommendation concerning Human Resources Development: Education, Training and Lifelong Learning" (Recommendation 195). This recommendation contains a comprehensive vision, and a policy framework, for facing the challenges of Human Resources Development⁹.

Enterprise development

Enterprise development and creation are be at the heart of any successful strategy to promote employment. This was agreed by the ILO Tripartite Constituents in their 2007 discussion at the International Labour Conference on the Promotion of Sustainable Enterprises: "Sustainable enterprises are a principal source of growth, wealth creation, employment and decent work. The promotion of sustainable enterprises is, therefore, a major tool for achieving decent work, sustainable development and innovation that improves standards of living and social conditions over time". While many jobs are created in the formal sector, a large number, indeed in many developing countries a majority, are created in the informal economy. An employment policy cannot be complete if a country does not have

⁸ GB.295/ESP/2(Rev.)-2006-02-0271-1-En.doc: *Employability by improving knowledge and skills*.

⁹ The ILO has prepared a detailed report, containing global analysis and policy guidelines for discussion at the International Labour Conference 2008. Cf. *Skills for improved productivity, employment growth and development*, ILO, Geneva

in place clear business development policies. The key objective of the ILO's enterprise programme is to support national governments and constituents to enhance the job creating potential of enterprises and to improve the quality of these jobs, via the promotion of competitiveness, entrepreneurship and better workplace practices, in both the formal and informal economies. The ILO's GEA seeks to achieve this objective by an approach that contemplates policy interventions at four levels: (1) national, in a number of key cross cutting policy and regulatory areas that are critical to define an enabling business environment, (2) sectorial, via methodologies for value chain upgrading and clustering, (3) local or regional, to reinforce economic and social interactions and synergies with the local communities, and (4) at the level of workplace practices. As in other policy areas and programmes, enterprise development needs to integrate a governance and empowerment dimension via voice, representation and advocacy, working closely with employers and workers organizations.

Labor market regulations, institutions and policies

A basic tenet of the ILO's approach to labour markets is that by their very nature labour markets function in a context of regulations and institutions that affect labour market outcomes, such as wage setting institutions and employment protection legislation (EPL). The question is not whether to regulate or not, but what kind and what level of regulations are appropriate in particular countries. Job creation and job destruction are two sides of the process of economic transformation, caused by competition, technology, trade, and globalization. It is therefore important to see labour markets both in terms of the relative size of the stocks of, for instance, employed and under- or unemployed, and in terms of the flows of exit and entry. Globalization tends to accelerate change and increase the intensity of labour market flows via the effects of technological change, trade, FDI and migration, and would require intermediary functions to ensure balance of flexibility and security. The intermediary functions need to consist of: (a) "passive" income protection policies, (b) active, work or training based labour market policies, (c) labour exchange and advisory services (public and private employment services) and other intermediaries.

Empowerment, governance, and organizational capital

One of the most important results of the development debate in recent years has been the finding of a strong relationship between good democratic governance and better economic performance.¹⁰ In addition to the recognition of the intrinsic value of democracy to promote freedom and human rights, there is now a recognition that there is an "economic development

¹⁰ Daniel Kaufmann (2003): "Rethinking governance: Empirical lessons challenge orthodoxy", World Bank Institute, March.

dividend” from better governance. Concerted efforts to improve governance and social dialogue are required as an essential part of the growth, competitiveness and employment agendas of countries. In the employment field, dialogue is particularly important among the central actors in the world of work, governments, employers and workers. *Social dialogue is the cornerstone of credible and effective employment policy formulation at every level.*

IV. The GEA and the EU Employment Strategy

Although not designed in the same way as the GEA, the EU’s Employment Strategy has a striking resemblance to the core values, building blocks and key policy issues of the GEA.

There are of course some aspects that differentiate the EU’s “Integrated Guidelines on Growth and Jobs” from the GEA’s broader canvas to incorporate characteristics of low and middle income countries. The European Union employment policy guidelines concentrate on what have emerged as major issues there. One example is population aging and its effects on dependency ratios. Changes in labour market policies and social protection systems are intended to raise the share of the working age population in employment and to raise productivity to counteract welfare losses from a possibly reduced work force. Developing countries or sub-groups of developing countries with young populations are unlikely to give these issues the highest priority. Instead, many are concerned with reducing poverty, promoting the transition from informality to formality, promoting entrepreneurship and achieving minimum levels of education and skills. Furthermore the labour market and social protection nexus, which looms so large in European policy discussion, has relatively less resonance in the poorer economies, which is unfortunate given the need to have coherent and integrated approaches to employment and social policies.

Nevertheless, despite several differences, it is amply clear that both the EU Employment Strategy and the ILO’s GEA share some significant objectives and approaches: promote job-rich growth; putting employment at the centre of an integrated macro-micro policy framework of growth and social welfare; promote a competitive business environment and encourage private initiative through better regulations; promote a life cycle approach to work; promote flexibility combined with employment security; expand and improve investment in human capital, and others. This can be further illustrated with respect to two of the key policy areas stated above, viz (i) the “flexicurity” approach espoused by both the ILO’s GEA and the EU; and (ii) the promotion of sustainable enterprises.

The common principles of flexicurity in labour markets recently adopted by the EU¹¹ are quite close to the ILO's approach to labour market institutions and policies. The four components: flexible and reliable contractual arrangements, comprehensive lifelong learning strategies, effective active labour market policies and social protection are also fundamental issues in the GEA. In addition, like the EU, the ILO is equally engaged in seeking the correct balance between rights and responsibilities of the tripartite constituents (i.e. workers, employers and the governments), in order to strike an optimal balance between the need to adjust and be flexible, and the need to provide adequate security to the work force. The ILO strongly advocates tripartite consultations, as also the EU, to come to country specific contours of flexicurity. This is a huge challenge at the national level especially in a period of rapid globalization entailing continuous firm-level restructuring.

Similarly, the ILO's approach to the promotion of sustainable enterprises is fully grounded in the broad principles of the Decent Work Agenda. The conclusions reached by Tripartite consensus during the International Labour Conference, 2007, on the Promotion of Sustainable Enterprises identified 17 conditions for a conducive environment for sustainable enterprises, and six enterprise level principles for sustainable enterprises (see Annex 4). These conclusions clearly underscore the significance of promoting, in an integrated approach, policies, institutions and governance systems that nurture enterprises, enhance skills and productivity, and encourage cooperation among the tripartite partners and ensure equity and full respect for rights at work. This integrated approach, the ILO contends, is likely to lead to higher productivity performance (see Annex 3 comparing EU productivity performance relative to that of the US) and labour standards. These elements, with varying emphasis, also underpin the EU's approaches to employment promotion, business development and responsible enterprises, thereby underscoring the universal applicability of decent work.

V. Implementation challenges

There is an enormous amount of policy guidance for countries in a large number of ILO employment-related conventions and recommendations. And there is also a wealth of specific tools and instruments developed under each one of the key policy areas of the GEA (See illustrative list in Column three of Graph 1 –Annex I). Since 2005 the ILO brings all these instruments to bear in its country level work under a new programming instrument, the Decent Work Country Programmes (DWCPs). It also works closely with governments and

¹¹ See “Towards Common Principles of Flexicurity: More and Better Jobs through Flexibility and Security”, Communication from the Commission to the European Parliament, the Council, the European Economic and Social Policy Committee and the Committee of the Regions, adopted on 27 June, 2007.

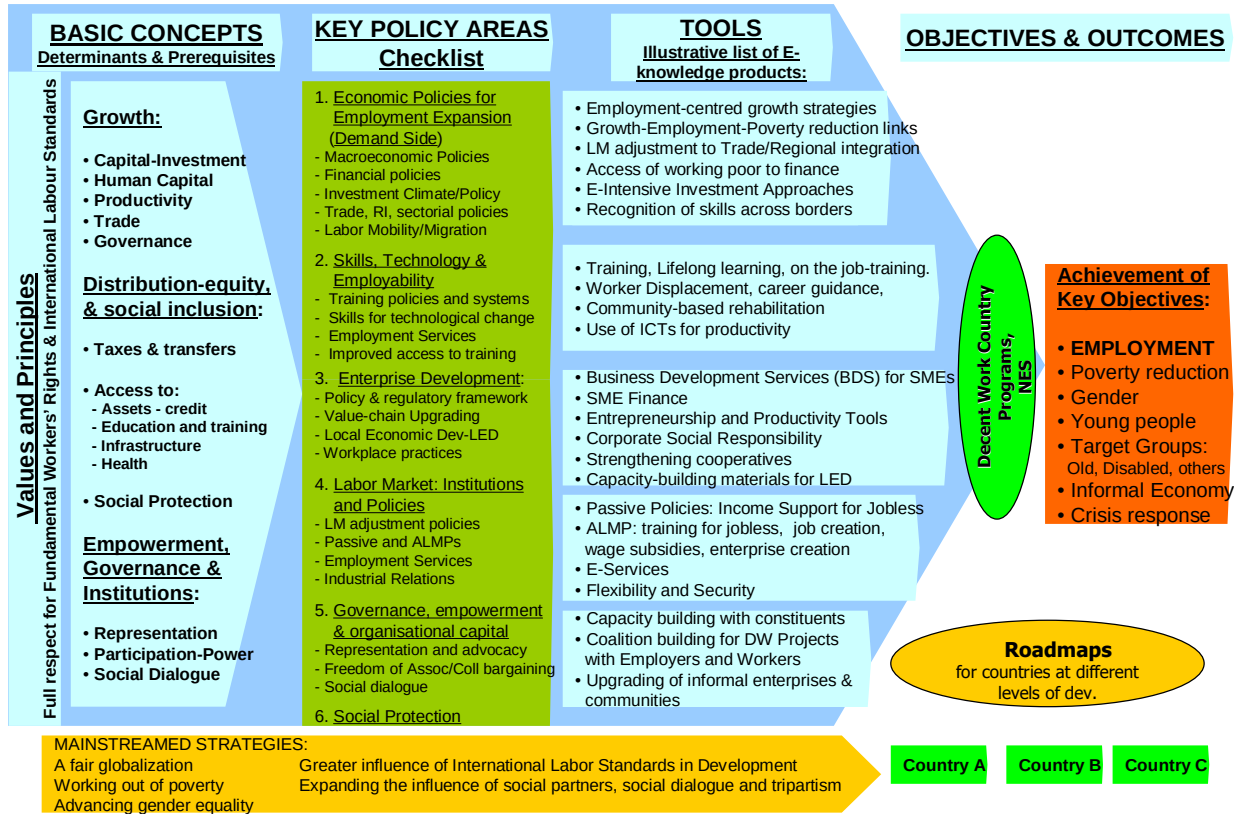
social partners in mainstreaming employment issues in the main frameworks driving policy in each country, such as Poverty Reduction Strategies, Growth Strategies or National Development Strategies. And in doing this the ILO works closely also with other UN agencies and the Bretton Woods institutions at the global, regional and national levels. Recently the ILO developed a “Toolkit for Mainstreaming Employment and Decent Work” in the policies, programmes and activities of the UN system agencies. In April 2007 this Toolkit was adopted by the UN System Chief Executives Board for Coordination (CEB) and has begun to be used by all agencies.

Nonetheless, the challenge of implementation and monitoring of employment policies around the world is daunting. Specifically:

- a) The diversity of national situations must be recognized. Each national context requires a different use of the GEA framework, an identification of the most serious constraints based on a good diagnosis of local circumstances and appropriate prioritization and sequencing of policies.
- b) Policy coordination is a major challenge for effective employment policies. This requires each relevant ministry/institution assuming responsibility for particular components of the integrated programme contemplated in the GEA. This in turn needs dialogue between the ministry of labour, and the ministries of planning, development and finance so that employment policy priorities are adequately included in the national budget. However, important coordination and social dialogue gaps exist in many countries that constitute a barrier for effective employment policies.
- c) Policy monitoring and evaluation is also of the utmost importance. The ILO has a diversity of ways in which member countries report on their employment policies or in the use of particular instruments. For instance, the 97 countries that have ratified the Employment Policy Convention 122 of 1964, regularly report on their employment policies. There is also a mechanism of general surveys on specific conventions and recommendations. The Employment and Social Policy Committee of the ILO also receives regular reports on employment policies, including from tripartite delegations from specific countries invited to the Committee. However, these mechanisms are not as intense or comprehensive in terms of reporting and monitoring employment policies as the open system of coordination of the EU on its Integrated Guidelines for Growth and Jobs. The ILO is presently discussing ways to strengthen its effectiveness in this respect.

ANNEX I

Employment Strategies for DWCPs based on the GEA: Basic Concepts, Approach and Tools



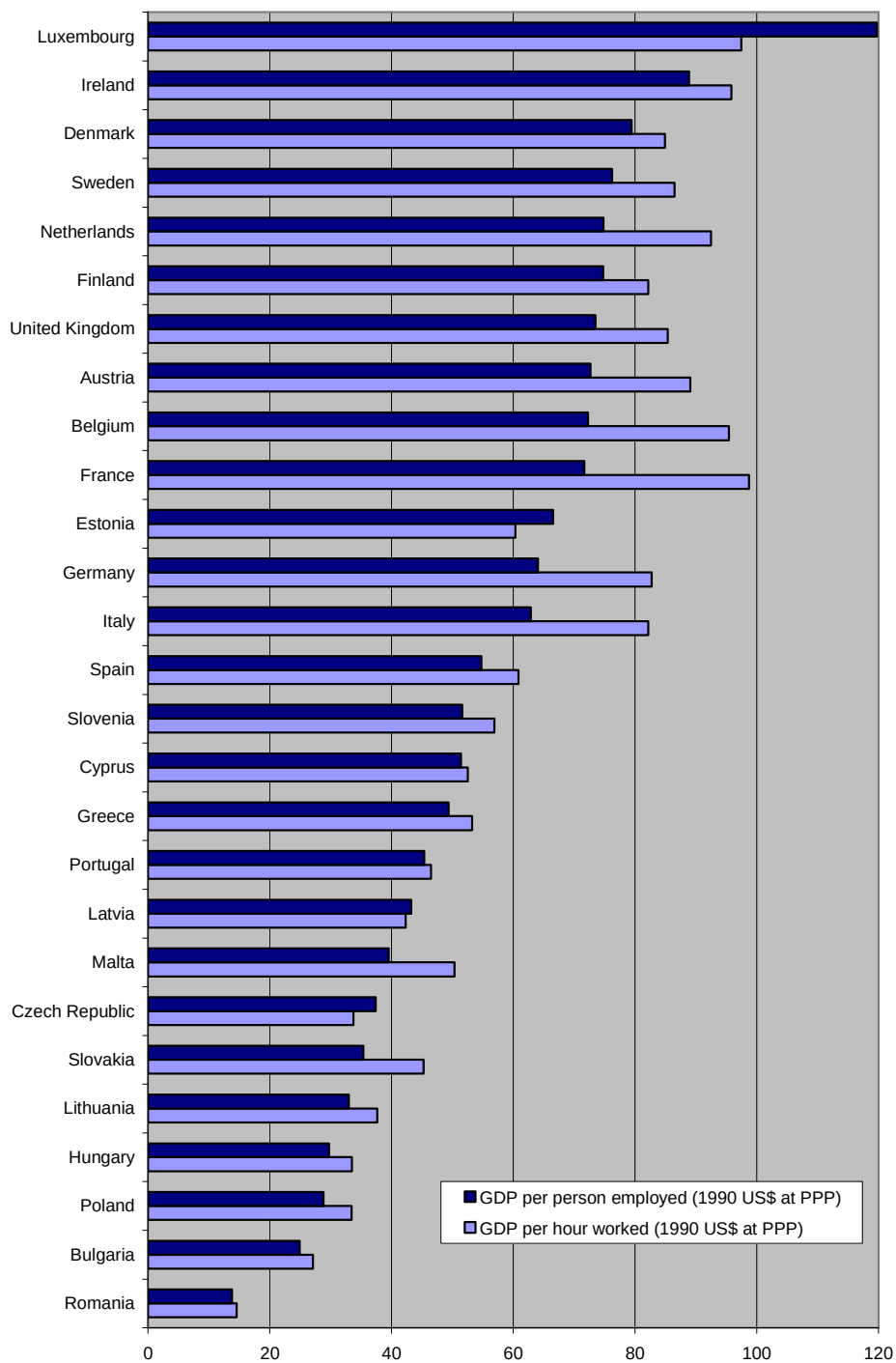
ILO, Executive Director, Employment Sector, January, 2006

ANNEX II.: National Employment Strategy: Checklist of Key Policy Areas

Key Policy Area/Sub-area	GEA Core Element #
A. Economic Policies to influence the demand side 1. Macroeconomic Policies 2. Financial Policies 3. Investment policies and investment climate, including infrastructure 4. Trade and Regional Integration 5. Sectoral Policies: Industrial, Services, Agriculture, environmental industries and services 6. Labour Mobility and Migration 7. Employment Intensity of Growth	1, 2, 3, 4, 5 10
B. Skills and Employability 1. Training policies and Systems • Vocational Training Policy Review and Development • Management of Training Institutions and Systems • Investment in Training • Core Work Skills • Workplace Learning, On the job-training and apprenticeship 2. Technology • Improving training delivery through ICT • Improving the capacity to innovate and invest • Improving access to ICT to reduce the skills gap 3. Employment Services Development and Reform • Reform of public employment services • Role of private employment agencies • Career guidance 4. Improved access to training and employment opportunities • Youth • Women • Informal Economy workers • Persons with Disabilities and other vulnerable groups	2, 3, 5, 6, 9
C. Enterprise Development 1. An enabling business environment: the national or cross-cutting themes • Governance and political conditions • Infrastructure • Regulations and the cost of doing business • Entrepreneurship • Access to finance 2. Value chain upgrading and clustering 3. Local Economic Development 4. Promoting good workplace practices 5. Targeting groups of enterprises and entrepreneurs: • SMEs • MNEs • Cooperatives • Entrepreneurs in the Informal Economy.	2, 3, 5, 6, 9, 10
D. Labour Market Institutions and Policies 1. Institutions and policies, including wages 2. Labour market adjustment policies and programmes 3. Passive and Active Labour Market Policies 4. Employment Services 5. Industrial Relations	5, 6, 7, 8, 9, 10
E. Governance, Empowerment and Organizational Capital 1. Representation, participation and advocacy 2. Freedom of Association/Collective Bargaining 3. Institution building 4. Social Dialogue	1 - 10
F. Social Protection (Sector III)	7, 8, 9

ANNEX III

Labour productivity as a percentage of the United States level, total economy,
2006



ANNEX IV
Committee on The Promotion of Sustainable Enterprises
International Labour Conference 2007

The Conclusions at a glance

Conditions for a Conducive Environment for Sustainable Enterprises 1. Peace and political stability 2. Good governance 3. Social dialogue 4. Respect for universal human rights 5. Entrepreneurial culture 6. Sound and stable macroeconomic policy 7. Trade and sustainable economic integration 8. Enabling legal and regulatory environment 9. Rule of law and secure property rights 10. Fair competition 11. Access to financial services 12. Physical infrastructure 13. Information and communications technology 14. Education, training and life-long learning 15. Social justice and social inclusion 16. Adequate social protection 17. Responsible stewardship of the environment	Role of Government 1. Facilitating and participating in social dialogue 2. Labour law enforcement through efficient labour administration, including labour inspection 3. Encouragement of voluntary concept of CSR 4. Promotion of socially and environmentally responsible public procurement, lending and investment 5. Promoting sectors and value chains 6. Flexibility and protection to manage change 7. Targeted programmes 8. Research and innovation 9. Access to information and business and financial services 10. Policy coordination and coherence 11. International policies 12. Production and consumption patterns 13. Supporting skills development
Enterprise-level Principles for Sustainable Enterprises 1. Social dialogue and good industrial relations 2. Human resource development 3. Conditions of work 4. Productivity, wages and shared benefits 5. Corporate social responsibility (CSR) 6. Corporate governance	Roles of the social partners 1. Advocacy 2. Representation 3. Services 4. Implementation of policies and standards