



FOURTEENTH ITEM ON THE AGENDA

**Report of the Working Party on the
Social Dimension of Globalization****Oral report by the Chairperson of the Working Party,
Mr. C. Tomada, Government delegate of Argentina****Introduction**

1. This report summarizes the main points of the Working Party's discussion on 14 November 2005. The debates took place in a cordial and constructive atmosphere, helped by the quality of the papers produced by the Office in response to the conclusions of the March meeting of the Working Party. That meeting resulted in a clear consensus on the promotion of decent work as a global goal as the ILO's distinctive contribution to a fair globalization. The previous Chairperson's report of the March 2005 session¹ suggested four issues which the Office could develop for our consideration: a paper presenting initial results on the linkages between growth, investment and decent employment; a report on the status, at the political and substantive levels, of the Policy Coherence Initiative (PCI); possible themes and other modalities with regard to a state of globalization report; and a concrete proposal for a Globalization Policy Forum.
2. The paper *Growth, investment and jobs: The international financial dimension*² was produced in response to the first point, while the paper *Making decent work a global goal: Recent developments and a proposal for a Globalization Policy Forum*³ addressed the other issues.
3. In his opening remarks, the Director-General of the International Labour Office highlighted the fact that the ILO's central message of making decent work a global goal had been widely accepted and was finding broad and explicit endorsement at the highest political level, notably in the Outcome Document signed by more than 150 Heads of State and Government at the United Nations World Summit in September 2005, but also in a number of other high-level meetings. The corollary of that greater attention for the ILO was raised expectations. He emphasized that the Outcome Document, including the

¹ GB.292/15(Rev.).

² GB.294/WP/SDG/2(& Corr.).

³ GB.294/WP/SDG/1.

reference to the goal of decent work, was being used as a strategic framework for cooperation among international organizations to implement the goals of the Summit. In that regard, the theme for the High-Level segment of the Economic and Social Council (ECOSOC) of the United Nations in 2006 was to be national and international policies for promoting decent work. The ILO should be ready to deliver, as indicated in the Programme and Budget proposals for 2006-07, promoting international buy-in to the ILO's tripartite agenda and delivering at the national level through decent work country programmes (DWCPs). The reasons for greater attention to the ILO's promotion of the Decent Work Agenda and a fair globalization were, first, that those concepts were sadly absent in today's world and, second, that the ILO was seen as an Organization that had been advancing on that issue with balanced and workable solutions.

4. The Director-General acknowledged that the linkages between growth and investment and the ways in which they could create more opportunities for decent work was a huge topic, and that the Office paper on the international financial dimension dealt only with one part of it. There would be a need in future to address other issues such as trade, investment, labour markets and technology. The ILO had a range of policies and actions on making labour markets work better, but there were also policy spheres which did not fall directly within the ILO's core activities and which nevertheless had direct consequences on the ILO's ability to fulfil its mandate. Those policy spheres included macroeconomic policy and trade policy, as well as many other policy domains. He underscored that it was not the ILO's business to tell the IMF or the WTO what to do, but that it was indeed the ILO's business to evaluate the impact of those policies on the world of work, as the Declaration of Philadelphia implied. An active tripartite involvement on the theme of growth and investment and their link to decent work was needed, and that was a key contribution of the Working Party. As a follow-up, the ILO was going to hold a tripartite meeting on growth and employment for the southern Africa subregion in December 2005 in Johannesburg. Growth and employment were also the subject of the next meeting of the PCI.
5. Those activities were contributing to the effort to work together with others in order to advance the objective of making decent work for all a global and a national reality. The proposed Globalization Policy Forum fitted into that context. It offered an opportunity to involve a broad spectrum of significant actors in support of the Decent Work Agenda, as had already been done at the government level. The idea of a forum had been met with scepticism by some members of the Working Party, but it was to be hoped that in the end it would be possible to move forward in ways which everybody felt comfortable with. Making decent work a global goal and a national reality needed the commitment of others beyond the ILO's tripartite constituents. The ILO was well placed, probably uniquely so, to act as a convenor for those ready and willing to serve the cause of decent work. The close involvement of the Working Party and the Governing Body Officers in the preparation and realization of the forum itself would guarantee that the innovation was thought through carefully.

Discussion of the paper *Growth, investment and jobs: The international financial dimension*

6. In a short introduction to the paper *Growth, investment and jobs: The international financial dimension*,⁴ Mr. Campbell of the ILO's Policy Integration Department pointed to ILO research showing a declining employment content of growth over the past five or six

⁴ GB.294/WP/SDG/2(& Corr.).

years. He recalled many possible reasons for this, such as technology and a skill bias that reduced available labour even in developing countries. There was, at the same time, a lower level of output growth on average in the world today, relative to the 1980s, the 1970s and before. That phenomenon coexisted with rapid globalization. The paper was extremely careful not to suggest causal links where none were proven. Discussions on globalization often moved immediately to a discussion on trade and employment. The paper represented another facet of globalization which posed the biggest risk for labour, namely, short-term speculative capital flows. He recalled that, with regard to international financial liberalization, theory and fact had not quite joined company in every instance. It was a fact that greater capital mobility increased macroeconomic volatility, with effects on growth, employment and decent work.

7. In reviewing the paper, the Employer Vice-Chairperson recognized that the issue was extremely complex. He questioned the extent to which the ILO should be engaged in financial issues, as the ILO's domain was the world of work. The Declaration of Philadelphia was relevant, but did not mandate ILO involvement in debates on the reform of the international financial system. He therefore urged the ILO to allocate its resources to activities which were part of its mandate, such as rights and principles at work, social dialogue, enterprise creation, employment creation, social protection and promotion of enterprises, particularly small and medium-sized enterprises, integration of the informal economy into the formal economy, as well as migration issues. On the other hand, he recognized that the ILO needed to work in close collaboration with the international financial institutions (IFIs), including the regional development banks, as well as the United Nations and its specialized agencies, on issues of growth and investment, with due regard for each organization's competencies. He suggested that the debate on the international financial dimension be continued in March and that high-level representatives of the World Bank and the regional development banks be invited. He emphasized that those institutions should be involved in further work, especially to take into account the regional and national concerns of international economic and financial policies. He recalled that work was under way on that front as part of the PCI. He urged the ILO to work together with the WTO.
8. The Worker Vice-Chairperson also acknowledged the fact that the linkages between growth, investment and decent employment were very complex. He supported the Office for considering the impact of open capital accounts and increasing financial integration on growth, investment and employment as a relevant issue for a partial treatment of the wider issue of growth, employment, investment and decent work. As to the possibility of the ILO overstressing its mandate, he observed that nowadays there was nothing in the world's activities that did not impact on the existence and the livelihood of some human being or another. The Declaration of Philadelphia, as part of the ILO's Constitution, provided a clear mandate to examine and assess all national and international economic and financial policies which impinged on social justice, and in that respect the paper was to be welcomed. He drew attention to the massive number of enterprises that had been destroyed by financial crises in Asia and Latin America, and noted that the adverse effects of such crises were not rapidly reversed when economic growth resumed. He agreed that the ILO should do more to promote policy coherence with different institutions concerned with growth, investment and employment, and underscored the need for action at both the headquarters and field levels. He also emphasized the need for additional qualified staff to engage in the upstream policy debate with the IFIs, and for more highly qualified economists in the field to assist countries in assessing the implications of policy reforms.
9. From the statements made by the Government delegates, it was clear that they regarded the topic addressed by the paper as relevant in the context of the world of work. The Government delegates of Finland, France, Germany and the Netherlands said that the Office had presented a sound analysis of the issue, based on empirical evidence. The

Government delegate of Argentina was among those that encouraged further papers along the same lines, as suggested in paragraph 5 of the paper. The Government delegates of Finland and Nigeria stressed that the ILO had a clear mandate to tackle issues relating to the international financial system in so far as they had an impact on the world of work, and the Government delegate of India and the observer from the European Commission expressed support for debating the issue in the Working Party. The Government delegate of Japan stressed that the financial system should be studied from the perspective of labour and employment, as that was within the ILO's mandate, while the Government delegate of China favoured placing research within the context of the promotion of decent work. The Government delegate of the United States said that the issue was an important one, and welcomed the fact that the Office took seriously the Declaration of Philadelphia and the obligation to consider how financial markets could affect employment. That did not, however, imply that the ILO should have a leading role among international organizations in addressing issues relating to financial markets. The Government delegate of Australia said that the proposals developed by the Office expanded the mandate of the ILO.

- 10.** Many delegations agreed with the analysis given in the paper. For example, the observer from the European Commission shared the view that financial globalization could be linked to negative employment and social outcomes, and several delegations stressed that financial volatility and crises often had an adverse impact on the livelihoods of working people. The Government delegate of India highlighted the fundamental importance of orderly functioning of the global financial system for developing countries. The Government delegates from Kenya, Malawi and Nigeria reported that, in their own countries, the liberalization measures advocated by the Bretton Woods institutions had not delivered the expected benefits. The Government delegation of Australia did not share the rather negative view of globalization expressed in the paper's opening remarks.
- 11.** Some delegations explicitly endorsed the policy considerations laid out in the final part of the paper. For example, the Government delegate of Finland concurred with the recommendations with respect to policies in industrialized countries (paragraph 39), the proposals regarding the rules of the international system (paragraph 40), and the inclusion of further policy instruments (paragraph 47). The Government delegate of India endorsed the recommendations contained in paragraphs 37 to 47, and highlighted the fact that it already implemented many of those elements. The Government delegate of Kenya supported better integration of developing countries into the financial system, as proposed in the last bullet point of paragraph 40, and highlighted the need for greater policy autonomy. By contrast, the observer from the European Commission rejected the consideration of European monetary and fiscal policies as proposed in paragraph 39.
- 12.** There was unanimous support for the proposal to collaborate closely with other agencies of the multilateral system on questions of financial liberalization. The need to collaborate with the Bretton Woods institutions was specifically highlighted by the Government delegates of Australia and the United States. The Government delegate of Kenya and the observer from the European Commission, among others, proposed to place the dialogue on the employment impact of financial openness and liberalization within the PCI. In the same spirit, the Government delegate of Argentina called for a specific mandate for the Director-General to pursue the issue in international forums.
- 13.** Other points were raised regarding further analysis of those issues: explaining the declining wage share in GDP, issues related to new technologies and training, the effect of aggregate demand on labour markets and decent work, as well as the examination of fiscal and monetary policies in a more country-specific approach.
- 14.** In closing the discussion and thanking delegates for an interesting debate, the Chairperson said that he had found some important lines of convergence in the views expressed. First,

there was a shared feeling that further studies were needed on growth, investment and decent work links in other areas, for instance technology and training. Second, all speakers agreed that the issue was highly relevant to the world of work in a period of globalization. Third, everybody found it legitimate that the ILO should seek a permanent dialogue with the Bretton Woods institutions. Fourth, the ILO's Philadelphia Declaration mandate was clear, even if some felt that the ILO did not necessarily have to lead the process. The point was to find ways to cooperate with other multilateral organizations. Fifth, policy coherence did not mean that States were subordinate to an international system. Countries needed space to develop national policies founded on the strength of the ILO's tripartite approach and formulated in the light of specific circumstances.

Discussion of the paper *Making decent work a global goal: Recent developments and a proposal for a Globalization Policy Forum*

15. In the discussion on the report on recent developments regarding policy coherence in the paper *Making decent work a global goal: Recent developments and a proposal for a Globalization Policy Forum*,⁵ many delegates underscored the importance of the reference made to decent work and a fair globalization in paragraph 47 of the Outcome Document of the United Nations World Summit held in September 2005. They agreed that it indicated strong commitment by the international community to promoting decent work as a global goal. They expressed appreciation for the echoing of ILO concerns and messages in the Summit's Outcome Document and at other meetings, as well as in the conclusions of the recent Summit of the Americas held in Argentina. The selection of decent work as the next theme of the High-Level segment of ECOSOC to be held in Geneva in June 2006 was likewise welcomed by a number of speakers. The growing international consensus on decent work as a key way out of poverty, as the Government delegate of the United Kingdom put it, was indicative of the increasing importance of the ILO's role in global policy-making.
16. There was also widespread support for the work of the Office with regard to regional and national-level follow-up to the report of the World Commission. There was agreement by both Employers' and Workers' delegates on the importance of developing decent work strategies at the country level. Some Government delegates also referred to the significance of technical cooperation activities in attaining the goal of decent work for all. In that context, decent work country programmes, as well as the national and regional initiatives that arose from the ILO's response to the report of the World Commission, were commended with special reference to the forthcoming regional tripartite meeting in southern Africa. Some Government delegates voiced their request for similar regional initiatives.
17. The Worker Vice-Chairperson pointed out that the ILO should not be merely responding to the policies implemented by other multilateral agencies, but should become an important player in the making of those policies in the interests of the world of work. The Employer Vice-Chairperson urged the Office to cooperate closely with other international organizations with a view to measuring the impacts of globalization on the world of work, without interfering with their mandates. Many Government delegates, as well as the Employer and Worker Vice-Chairpersons, underlined the national dimension of policy coherence. It was emphasized by a number of speakers that the quality of national policies and institutions had a major effect on a country's ability to gain the potential benefits of

⁵ GB.294/WP/SDG/1.

globalization and reduce its risks. Collaborative work with other multilateral agencies was called for in devising national decent work strategies.

18. Turning to the Globalization Policy Forum, the Workers' group, as well as an overwhelming majority of the Government delegates, supported the proposal, while the Employers made it clear that they did not support the proposed forum.
19. The Employer Vice-Chairperson said that he did not see the appropriateness of the forum and questioned its scope and usefulness. The Employers' group felt that what was being discussed was not just an event but a process with consequences beyond that envisioned in the proposal. More information on the process would be useful. Furthermore, developments since the report of the World Commission, with decent work now being discussed in many forums, also called for further reflection. He warned that a parallel policy forum to the Governing Body would affect the tripartite governance of the Organization. He also expressed concern that, within the context of a tight budget, the proposed forum might result in cutting back on other important ILO priorities. The forum would not only draw on financial resources, but also on human and physical resources. The Employers' group therefore questioned the utility of such a forum in relation to the goals of the ILO. The group was not ready to accept engaging in an activity that would lead to the sharing of certain decisions with organizations that were marginal to the ILO's mandate. The group proposed as an alternative inviting the IFIs and regional development banks to informal discussions within the Working Party in terms of the PCI.
20. The Worker Vice-Chairperson underscored the significance of having a common policy approach towards globalization. Workers all over the world were extremely concerned by the impact of globalization, and unions felt it vital that forums for dialogue across the policy spectrum be set up. The Workers' group endorsed the goal for the forum of making decent work a "common cause with key partners in the formal multilateral system, and more widely among the diverse networks of state and non-state actors" (paragraph 19). The Workers had some initial reservations, but the paper, in clearly locating the management of the forum in the Governing Body, had answered them. He felt that the proposed issues and outreach potential outlined in paragraphs 23-26 were well detailed, but might need to be reconsidered in the future. The forum would be an ILO forum, and the Employers should embrace the idea; the Workers were willing to incorporate the Employers' proposals in an effort to move towards agreement. He maintained that it was not possible for the ILO to pursue alone the goal of decent work for all. A Globalization Policy Forum could contribute to that goal by engaging in dialogue with other relevant international actors. One Workers' delegate suggested that ministers of finance, trade and economic affairs should also be invited to the forum. The proposal was endorsed by the Government delegation of the Netherlands.
21. Many Government delegations expressed their support for the Globalization Policy Forum, arguing that it could be an important means of achieving decent work for all and an important step towards bringing about greater policy coherence between international actors. The Government delegate of the United Kingdom, speaking on behalf of Albania, Bosnia and Herzegovina, Bulgaria, Croatia, the European Union, Romania, The former Yugoslav Republic of Macedonia, Turkey and Ukraine, said that the European Union was ready to consider a Globalization Policy Forum as a way to promote decent work for a fair globalization, and to share experiences and identify priorities. He emphasized that it should not be the end of a process, and that it was important to develop practical proposals for action. With respect to the organization of the forum, he suggested holding a shorter and more focused event. He explicitly welcomed the suggestion to have further consultations with the constituents, and called for a decision to be made at the next Governing Body session in March 2006. In addition, several EU delegations (Finland, France, Netherlands and Spain) gave their full support to the organization of the forum, and welcomed it as a

step forward for the ILO. Moreover, the Netherlands proposed that the ILO should develop an instrument on decent work and fair globalization. The observer from the European Commission also endorsed the statement made by the United Kingdom delegation, as did the Government delegate of Canada. He underlined the need to have a short and focused meeting with targeted objectives and outcomes. The Government delegate of Australia supported the proposals contained in paragraphs 33 and 34, while suggesting some narrowing in scope so as to have a clear outcome and take due account of available resources.

22. The Government delegate of Brazil, speaking on behalf of the Group of Latin American and Caribbean States, supported the Globalization Policy Forum as a potentially useful tool for the further integration of policies to develop decent work. The delegation felt that the three thematic domains proposed by the Office were very pertinent, and that the forum required good planning. Also, the forum would link well with the Policy Coherence Initiative (on which they would welcome further information). That position was supported by the Government delegate of Mexico, who also referred to the ILO's contribution to the recent meeting of labour ministers of the region, and was further endorsed by the Government delegate of the Bolivarian Republic of Venezuela. The Government delegate of the Islamic Republic of Iran also argued that a Globalization Policy Forum could lead to convergence between constituents and United Nations specialized agencies with regard to putting decent work at the heart of the globalization agenda, and strongly supported the proposed forum. The role of the forum in achieving decent work for all was also highlighted by the Government delegate of Japan, who emphasized the key importance of the employment objective. The Government delegate of the Republic of Korea supported the idea of operating the forum in collaboration with other multilateral agencies. The Government delegate of India also supported the forum, underlining its commitment to the Decent Work Agenda and to respect for core labour standards, while recalling its view that labour standards should not be the basis for discussion on investment and trade measures. The Government delegate of Nigeria supported the rationale for the forum, which it saw as a means of systematically integrating social and economic goals at local, national and world levels. The Government delegate of Kenya also supported the proposal as an outreach and mobilization initiative within the 2006-07 programme cycle and the theme of promoting decent work as a global goal. The Government delegate of Malawi also welcomed the forum and expressed the wish that it address the concerns of all small, landlocked and poor countries facing problems with regard to globalization.
23. The Government delegate of the United States did not share the support for the forum that had been expressed by other Government delegations. While sympathetic to some of the objectives of the forum, the delegate argued that those objectives were part of the ILO's long-term agenda and could not be achieved in a short conference. Many of the issues could be discussed less formally, less expensively, more extensively and more productively in the Working Party, which could be joined by representatives from other international organizations. Other organizations had moved away from centralized, global-level policy-making, and the forum might send out a mixed policy signal.
24. At the end of the afternoon session, the Director-General observed that there was a substantial level of support for the idea of the Globalization Policy Forum, but there were also some concerns and questions. He acknowledged that the idea of a forum had been received sceptically by some members of the Working Party, but wished to move forward in ways that everybody felt comfortable with. The key aim of the forum was to make decent work a common cause with key partners in the formal multilateral system and more widely among the diverse networks of state and non-state actors, which characterized the emerging global community. In reply to concerns that the forum might create distraction from the normal work of the Office, he reminded the Working Party of the Programme and Budget proposals for 2006-07, which stated in paragraph 290: "The nature of the ILO's

strategic mission makes it imperative to develop further the strategic role of external partnerships in promoting decent work.” As to the financial implications of the forum, those were covered by the budget itself in the “ILO Contribution to Fair Globalization” cross-cutting programme. Furthermore, the necessary human resources were already in place in the Policy Integration Department and the International Policy Group in particular, as well as the Bureau for External Relations and Partnerships.

25. He reminded the Working Party that similar concerns about the Office’s capacity had been raised with regard to the Global Employment Forum, which in the end had been very successful (and given great impetus to the Global Employment Agenda) and the World Commission on the Social Dimension of Globalization.
26. He assured the Working Party that the forum was not intended to drive ILO policy, and that the Working Party, the Governing Body and the International Labour Conference would decide what the forum should do and how to make use of its results. As to whom to invite, he noted that there was still a broad pool of potential partners with which the ILO shared goals and values, but that inviting them had nothing to do with adding new constituents.
27. In order to deal with the doubts that had been expressed during the meeting, as well as with possible future concerns, a clear and transparent process was proposed in paragraph 34, which stated that:

The preparatory work for the forum, including detailed design, agenda, participation and outreach activities, would be carried out by the Office in close consultation with the Officers of the Governing Body, and subject to regular reporting to the Working Party for its review and approval. The Director-General and the Officers would oversee and guide the process, in consultation with the constituents. They would ensure full tripartite involvement in the conception and design of this initiative.

Such a process was also the experience of the World Commission, of which the Officers of the Governing Body were ex officio members. Accordingly, in close consultation with the Officers of the Governing Body and subject to regular reporting to the Working Party for its review and approval, the Director-General and the Officers would oversee and guide the process in consultation with the constituents.

28. He reminded the Working Party of his view that the forum would reinforce tripartism. It would look odd, after having paragraph 47 of the Outcome Document approved by the United Nations Summit, if the ILO were not seen to be moving forward with other actors when many of them were interested in decent work for a fair globalization. Many others saw great advantages in the ILO’s tripartite approach to difficult and complex issues. It was important that the Office and the ILO constituents together build on that. The ILO would be doing the inviting, setting the ground rules, and deciding how the forum should be organized. With that in mind, he hoped that the Working Party could decide to organize a forum, so that its characteristics could be discussed in March 2006.
29. The Employer Vice-Chairperson said that the debate had been very interesting and full. The Employers had not supported the forum as originally proposed and had offered a different approach through high-level dialogue. They had listened with great interest to the Director-General’s clarifications. Although they had not changed their point of view, they were ready to carry on listening and, if something were to be organized for April 2007, take the appropriate decision in March 2006. The Director-General had taken account of the importance of finding agreement and sharing information. The Employers were not frightened of innovation; that was part of the enterprise spirit. Nevertheless, they wanted to preserve the mandate, values and goals of the ILO. The group hoped that by March 2006 proposals could be found that would command tripartite consensus.

- 30.** The Worker Vice-Chairperson noted that most Governments had supported the idea of a forum. There had been some reservations, for example regarding cost, but those could be overcome when the time came to examine plans in more detail. He appealed to the Employers' group to come on board. The meaning of the word "partner" in the ILO would not be changed by inviting "associates" to a forum. He believed that a forum of the kind now being discussed would enrich the ILO, and was ready to work with the Employers to find ways of overcoming the difficulties that concerned them.
- 31.** The Chairperson, in concluding the meeting, undertook to present a report to the Governing Body summarizing the debates after consultations with the Vice-Chairpersons.

Geneva, 17 November 2005.