

The long struggle for a social foundation of the global economy

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There are important parallels between the issues the ILO faces today and those it addressed in the 1920s and 30s. The interwar period saw the repercussions of the process of international economic integration which had started in the 19th century and the onset of the Great Depression, while the last two decades have ushered in a new phase of globalization of production, finance and trade and its first Great Recession. Central issues then and now are how to embed social progress in the international economy and ensure global full employment. And in each period the ILO was an important actor.

It was founded in 1919 to establish international labour standards, not just to prevent a race to the bottom, but more positively as a way of ensuring that labour conditions improved alongside economic growth in all countries. Its first director, Albert Thomas, strongly believed that “the Organisation has the right, it may even be said the duty, of considering the effects that the realisation of its programme of social reform may have in the economic sphere”.

This idea that economic and social policies need to be considered together is a constant theme in the ILO's history. In the 1930s the ILO continued to work on a broad front, addressing both social and economic issues. The Great Depression reinforced a belief in the need for coherence between international economic and social policy. However, for many reasons the League of Nations, the predecessor of today's United Nations, was unable to coordinate an international response. Many at the time looked to the ILO, including Keynes who recognized the efforts of the Organization in *The General Theory of Employment, Interest and Money*.

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The ultimately unsuccessful drive by the ILO in the 1930s to foster a new form of employment-oriented international economic cooperation did however eventually lead to the 1944 Declaration of Philadelphia which declares that it is a responsibility of the ILO to examine and consider all international economic and financial policies and measures in the light of its fundamental objectives.¹

Nevertheless, immediately after the war, the design of the new multilateral system largely sidelined the ILO's claim for a broad economic mandate. Responsibility for economic and financial issues in the non-Communist world was entrusted to the Bretton Woods institutions, and coordination of global economic and social policy issues to the United Nations Economic and Social Council (ECOSOC).

The tensions of the Cold War made it difficult to maintain a broader, global vision during the early decades after World War II. Trade and capital controls furthermore left individual States, certainly the more developed, largely in control of their economic fortunes. Only towards the end of the 20th century did global economic interdependence once again challenge countries to increase their policy coordination.

A revival of international social policy

Not until the 1980s and early 1990s can we find two developments that show a re-emergence of international social policy. The first was the debate on the introduction of a social clause into international trade in the World Trade Organization (WTO). And the second was a broader effort in the

¹ The Declaration contains the following statement of an integrated goal for the ILO: “All human beings, irrespective of race, creed or sex, have the right to pursue both their material well-being and their spiritual development in conditions of freedom and dignity, of economic security and equal opportunity.”

UN system to refocus international policy on social development. In neither case was the ILO initially the main actor; but, in both cases, ultimately the ILO found ways to react.

In the first case, the issue of a formal link between labour standards and trade was blocked in the WTO and, in the end, the international community reaffirmed that the promotion of labour standards was the responsibility of the ILO. In the second case, the World Social Summit convened by the United Nations in 1995 set the promotion of core labour standards within a broad, coherent approach to social and economic development, embracing a range of key ILO concerns. The Summit was proposed and prepared by Juan Somavia, then Chilean Ambassador to the United Nations.

Even more important, the Social Summit helped to provide a way forward from the impasse over the social clause with its recognition of the importance of core ILO standards to the goals of full employment, poverty eradication and social integration. The process led on to the adoption of the ILO Declaration on Fundamental Principles and Rights at Work in 1998, a first step towards the building of a universal social floor to the global economy. The key feature of this instrument was its universality: It laid down principles and rights that all countries were to respect by virtue of their membership of the ILO, irrespective of whether they had ratified the standards concerned.

Decent work for all

The election of Juan Somavia as Director-General of the ILO in 1998 was a logical consequence of his successful role as initiator and organizer of the Social Summit.

He introduced the Decent Work Agenda as a way to bring the different ILO programmes together, grouping them under four strategic objectives: rights at work, employment, social protection and social dialogue.

However, it was not enough to progressively embed decent work in the ILO's structures. The point was to convince a variety of policy actors within and outside the Organization that an integrated approach built around decent work was needed and that it could connect economic and social policy at both national and international levels.

The first step was to establish decent work on the international agenda. Somavia attended the WTO Ministerial meeting in Seattle in 1999, took this message to the UNCTAD-X meeting in Bangkok in 2000, and to the annual meetings of the World Economic Forum and the World Social Forum in the following years. In parallel, ILO staff introduced decent work objectives into World Bank-led poverty reduction strategies in several countries.

The decent work goal was also widely adopted at the regional level, in statements by the European Union, the African Union, the Organization of American States, and the Asian Development Bank. In 2005, world leaders at the United Nations General Assembly session to review progress on the Millennium Development Goals firmly endorsed this approach.

At the same time, it was becoming clear to world leaders that social progress at the national level increasingly depended on the pace and pattern of globalization. Protest movements such as those at Seattle proliferated against the Bretton Woods institutions and the WTO, blamed for promoting a socially destructive process of globalization. Job losses at a time of rising imports from developing economies and increased off-shoring of jobs, fuelled resentment and insecurity among workers in richer countries. In the developing world, there was growing concern about deep-seated poverty and the marginalization of many low-income countries from the global economy.

The ILO was well placed to respond to these growing social ills, strengthen the social pillar of globalization and propose new approaches to the governance of an unstable and under-regulated global economy. In 2001, the ILO successfully proposed the establishment of a World Commission to promote an integrated approach to economic and social policy at the global level. The 2004 report of

the World Commission made a wide-ranging set of recommendations for bringing about a fairer and more inclusive pattern of globalization.

Towards more policy coherence in the international system

One conclusion of the report was the need for a greater “policy coherence” among the organizations of the multilateral system. The ILO launched a “Policy Coherence Initiative” to try and build a common international policy framework for growth, investment and employment, involving the international financial institutions and the relevant agencies of the United Nations.

At first, progress was slow. The difficulty was exemplified at one the meetings where the International Monetary Fund (IMF) representative asked whether coherence meant that “you are coherent with us, or we are coherent with you?” A number of joint activities have nevertheless developed, notably joint studies by the ILO and WTO on trade and employment.

But things are changing. At a historic conference in Oslo last September – hosted by Prime Minister Jens Stoltenberg of Norway and co-sponsored by the IMF and ILO – leaders from government, labour, business and academia met to tackle the sharp increase in unemployment and underemployment since the 2008 global financial crisis. The IMF and ILO agreed at the conference to work together on policy development in two specific areas, focusing on policies to promote employment-creating growth and the concept of a social protection floor for people living in poverty and in vulnerable situations.

Part of this and future international approaches to shortening the potential lag between economic recovery and job creation could be the ILO Global Jobs Pact adopted by the International Labour Conference in June 2009. In the aftermath of the global economic and social crisis, the Pact proposes a portfolio of practical, tried and tested social and economic policies that have worked well in many countries, and can be tailored to each national situation. The Pittsburgh G20 Summit in September 2009 welcomed the ILO Global Jobs Pact and agreed on the importance of building an employment-oriented framework for future economic growth.

Many economists are now looking back for lessons from the 1920s and 1930s that can help the world to never again repeat the catastrophic decline into mass unemployment, protectionism and nationalism. One of the lessons is that if the warnings and proposals of the ILO had been heeded, the Great Depression might have simply been followed by a Great Recovery. Current efforts to build greater policy coherence show considerably more promise and the ILO is playing an important role in the process. But recovery is by no means secure and the risk of a prolonged period of jobs distress clouds the outlook.

For further insights on the relevance of the ILO’s history to contemporary issues see Gerry Rodgers, Lee Swepston, Eddy Lee and Jasmien van Daele: *The International Labour Organization and the quest for social justice 1919-2009* (Geneva, ILO, 2010).