



## Governing Body

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High-Level Section

HL

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DRAFT MINUTES

## High-Level Section

### Strategic Policy Segment

1. The Strategic Policy Segment of the High-Level Section was held on Monday, 28 October 2013. It was chaired by the Chairperson of the Governing Body. Mr Funes de Rioja and Mr Cortebeek were the Employer and Worker spokespersons.

### First item on the agenda

#### The global economic and employment situation and policy options (GB.319/HL/1)

2. *The Director-General* introduced the paper. He noted that recent downward revisions in the global growth projections issued by the International Monetary Fund (IMF) reflected the difficulties facing all major components of the global economy. Those difficulties were characterized by weak household consumption, low private investment and increased pressure on the public sector to reduce fiscal deficits. Many countries were trying to boost exports as a way to compensate for weak demand, but with weak global demand that had been a zero-sum game.
3. Moreover, preliminary estimates by the ILO's new Research Department showed that slower growth would lead to nearly 1 million more unemployed in 2014. That, together with other indicators such as high youth unemployment and an increased incidence of non-standard forms of employment, had contributed to a widening of income inequalities in many countries.
4. There were, however, some positive developments in emerging and developing countries that showed more resilience to external developments than had been the case in earlier crises. That had been due to careful macroeconomic management, the extension of social

protection floors and fast-growing business environments. In Europe, some of the hard-hit economies may have started growing again, though from a low basis.

5. More fundamentally, there was growing awareness of the importance of employment-centred strategies and mounting evidence that policy coherence could support and sustain global growth, boost investment and create more and better jobs. That included the communiqués issued by the G20 under the Russian Presidency. In that regard, he observed that the ILO's active participation in the work of the G20 had contributed to the new emerging consensus.
6. Finally, he provided an overview of the Office's work in connection with the post-2015 sustainable development agenda and its efforts to: address crisis-related challenges in the worst-hit Eurozone economies, where social dialogue offered multiple opportunities; intensify research and policy engagements with other international organizations, such as the World Bank; and carry out evidence-based analysis of policy packages and labour market policies, which would be boosted thanks to the creation of the Research Department.
7. *The Employer Vice-Chairperson* said that, while there were some signs of a global economic recovery, differences between countries were an indicator of the importance of local factors in determining economic performance. He disagreed with the paper on two points. First, he did not agree that the root cause of the crisis had been a cycle of weak aggregate demand that had led to low investment and decreased government spending and revenues. A more thorough analysis of the factors behind recent economic and labour market trends was needed. Second, he expressed concern with the analysis of trade issues as presented in the document. It was indeed important not to see trade as one directional and to acknowledge differences in comparative advantages and trade complementarities.
8. He welcomed the reference to the G20 declarations and emphasized the importance of improving frameworks to reinforce competitive markets to enable sustainable enterprises. He was pleased with the acknowledgement that the middle class had increased in some countries and that improvements had been made in narrowing inequality. He outlined the different potential factors underlying income inequality and indicated that the solution should not come at the expense of growth.
9. He welcomed the forthcoming Conference discussion with a view to preparing a Recommendation on facilitating the transition from the informal to the formal economy, as a larger formal sector would relieve some of the fiscal constraints on governments, allowing them to build a sustainable protection system.
10. Finally, he emphasized the need for more flexible forms of employment to adapt to economic fluctuations and relieve long-term unemployment. He expressed the Employers' desire to see action on the resolution adopted by the International Labour Conference at its 96th Session (2007) concerning the promotion of sustainable enterprises and for the ILO to promote enabling environments for start-ups based on fact-based analysis and referring to the World Bank's *Doing Business* report.
11. *The Worker Vice-Chairperson* said that his group could not agree with the Office's analysis of the recovery of the global economy. Among other indicators, economic growth was below pre-crisis levels and unemployment, in particular among young people, remained dismal. The Office's document failed to mention the role of the Global Jobs Pact, the social partners and the public sector in exiting the crisis. The deficit in global aggregate demand could not be counteracted through austerity measures, which had led to stagnant wages and undermined consumer confidence. Such measures had weakened collective bargaining and introduced deregulatory labour market reforms.

12. The Office's analysis of progress on the reduction of poverty was too optimistic, as progress in that regard was very country-specific. The number of people in extreme poverty in low-income countries had actually risen by 103 million and, despite the rise of the middle class, growth was imbalanced.
13. The ILO should present decent work as a specific goal in post-2015 negotiations and call for inclusive and equitable growth. There was a pressing need for coordinated action and the G20 should support measures to raise aggregate demand and follow up on previous commitments. While he welcomed the conclusions of the recent G20 Labour and Employment Ministers' meeting in Moscow on the promotion of quality job creation and job-rich and sustainable growth, he recalled that the Global Jobs Pact remained very relevant and policies needed to be evaluated in relation to it.
14. The Workers welcomed the ILO's engagement with other organizations and international financial institutions, but considered that collaboration should go beyond research. Moreover, the ILO needed to take a stronger stance on substantive policy issues at the country level. The Workers called for a future discussion in the Governing Body on the ILO's work in countries facing acute crises.
15. *Speaking on behalf of the Africa group*, a Government representative of Egypt expressed support for the Office's paper and his group's concern at the high unemployment rates in Africa, especially among young people. Further challenges included creating decent work, tackling disparate growth rates, formalizing the informal economy and overcoming the lack of data. He stressed that policy-makers should seek to avoid a vicious cycle of low demand and investment. The group appreciated the discussions at various international forums on economic growth and job creation, in particular those held at the G20 St Petersburg Summit where the G20 Leaders' Declaration had been issued. It was essential for decent work, among other issues, to remain at the heart of the post-2015 agenda. He noted, however, that the paper would have been more balanced if it had underlined challenges faced by different regions and analysed the various employment policies. Foremost among policies in Africa were initiatives adopted by the New Partnership for Africa's Development (NEPAD) aimed at strengthening complementarity between countries and a declaration of intent signed between the African Commission, the ILO and the African Development Bank to boost youth employment.
16. *Speaking on behalf of the group of Latin American and Caribbean countries (GRULAC)*, a Government representative of Costa Rica emphasized the importance of technical cooperation and multilateral support to address the negative impacts of the crisis. He referred to GRULAC's desire to see a more equitable approach to global resource allocation and indicated that donor support should not be tied to criteria that could result in the withholding of assistance to vulnerable groups in the region. Stressing the fundamental need for a collaborative and symbiotic approach, he recommended convening a high-level summit on decent work to discuss issues related to employment, quality jobs and growth. He pointed to the benefits that could accrue from cooperation across member States. Furthermore, given the contribution of micro- and small enterprises (MSEs) to growth in the region, novel approaches were needed to foster access to credit. He also recalled the importance of establishing national floors of social protection and the need to address migration from a perspective which recognized it as a critical tool for development.
17. *Speaking on behalf of the Association of Southeast Asian Nations (ASEAN)*, a Government representative of Viet Nam expressed support for the ILO's engagement with international financial institutions to develop a research agenda focused on job creation and productivity. He expressed the hope that the policies agreed by G20 member countries would be adopted by ILO member countries. He noted the Secretary-General's report on the Millennium Development Goals (MDGs) to the 68th session of the United Nations

General Assembly, which suggested that efforts by the ILO and its constituents to include decent work in the new development framework should begin to shift to the country level. He acknowledged the challenges involved in translating policy into action at the country level and supported the Office's plan to increase its analytical work on the evidence base for policies that promoted improvements in employment and the role of social protection. Finally, he asked the Office to give attention to the situation of individual member States and their proposals that resulted from national-level policy debates.

18. *Speaking on behalf of the European Union (EU) and its Member States*, a Government representative of Lithuania said that the following countries aligned themselves with the statement: Turkey, the former Yugoslav Republic of Macedonia, Montenegro, Iceland, Serbia, Albania and Georgia. She noted that the ILO should continue to demonstrate its value in international forums through strong evidence-based research covering employment quality and income, through comparative policy analysis and by mapping employment challenges in its Member States. The EU concurred with the Office's focus on youth employment. Regarding the interdependence of economies, she asked the Office to elaborate on elements that would be conducive to fast recovery and employment growth. Global as well as regional cooperation was indispensable in achieving real recovery. In that light, the recent G20 declarations were encouraging and the Office should continue its cooperation with the G20 and other international organizations in the interest of policy coherence. The EU would continue to contribute to multilateral work and had taken new internal initiatives for improved economic governance and a strengthened social dimension of the European monetary union.
19. *A Government representative of Cyprus* noted that the restructuring of the banking sector, restriction of capital flows and financial uncertainty had continued to reduce domestic demand and business activity, further deteriorating employment prospects. Fiscal consolidation on its own was not sufficient, and measures were needed to stabilize the economy and increase job creation, with youth employment as a priority. The ILO had provided Cyprus with valuable technical expertise.
20. *A Government representative of Italy* highlighted that welfare systems in many countries were not structured to face the long-term economic crisis that had led to unemployment, poverty and inequality in many countries. He remarked on Italy's labour market reforms to boost employment and tackle the country's social problems and concluded by expressing Italy's commitment to the ILO and to the creation of a more effective social environment.
21. *An Employer member from Algeria* said that two important elements had not been mentioned in the Office's document. The first was the dysfunction of the international financial system as the root cause of the financial crisis; in that regard, he called for a reform of the international financial system. The second was the need to promote good governance through tripartite social dialogue and consensual measures in order to favour sustainable development.
22. *A Worker member from the United States* noted that the recent job growth in the United States masked the trend towards poorer quality jobs and precariousness, which dated back to decades of inadequate wage growth. That trend had gone hand in hand with a decline in collective agreement coverage. Referring to the high income inequality, she noted that despite rising corporate earnings, the share going to workers was at a historic low. Workers' organizations in the United States were calling for: fiscal and monetary policies focused on decent job creation and growth; active labour market programmes; and regulation of the financial sector to protect the economy against speculation. The ILO had an essential role to play in analysing policies and helping governments bring about shared prosperity.

23. A *Government representative of the United Republic of Tanzania* said that investment in the key priority areas outlined in the Five-Year Development Plan had led to improved growth, employment and social protection in the United Republic of Tanzania. She urged the ILO to engage with other international organizations by providing technical, financial and policy support to member States to promote decent employment and social security.
24. A *Government representative of Australia* said that jobs and growth were central to the new Australian Government's policy agenda. Australia would be holding the G20 presidency in 2014 at a critical time of slow global growth. In addition to the Leaders' Summit, Australia would also host a G20 Employment and Labour Ministers' Meeting in the second half of 2014. Her country looked forward to the ILO's active participation in those forums.
25. A *Government representative of Panama* attributed Panama's economic resilience to the Government's active involvement in fostering public and private investment, permanent tripartite dialogue and commitment to collective bargaining and freedom of association. She mentioned the proposal of the Third Global Conference on Child Labour to accelerate eradication of the worst forms of child labour by 2015 and declare the region child labour free by 2020.
26. A *Government representative of France* said that, notwithstanding some social and labour market concerns, there were reasons to be optimistic with regard to poverty reduction and the rising middle class in some countries. Long-term strategies should, however, be implemented and the ILO should have a unique role in that regard. He noted the reforms that had been implemented in France based on social dialogue and collective bargaining to achieve social justice and reverse the trend of youth unemployment. The future activities of the ILO should be informed by joint international action, particularly through the G20 summits, the implementation of Decent Work Country Programmes and the Global Jobs Pact.
27. A *Government representative of Ghana* said that the contribution of employment and social policies to recovery and growth should not be underestimated. Noting that labour markets in Africa continued to suffer from weak demand-side factors, he expressed the opinion that, if households were empowered economically, child labour could be greatly reduced. The creation of decent and sustainable jobs was one of his Government's top priorities.
28. A *Government representative of Thailand* said that Thailand had introduced a number of measures to promote a business-friendly climate, narrow the income gap and boost consumption, and help low-income groups cope with the recession, including efforts to provide social protection coverage. He noted that decent work should form an essential part of the post-2015 development agenda. Thailand welcomed the joint ILO–World Bank research agenda and encouraged the expansion of inter-agency cooperation in the field of research and statistics under the new central Research Department.
29. A *Government representative of Germany* said that the resolution entitled "The youth employment crisis: A call for action", which had been adopted by the International Labour Conference at its 101st Session (June 2012), had paved the way for effective answers to the youth employment crisis. He appreciated the attention that the G20 had devoted to the issue. EU Ministers of Labour had recently met in Berlin and had taken up many recommendations from the Call for Action, which included introducing the Youth Guarantee scheme to ensure that young people would receive further training within four months of leaving school. A number of EU countries were reforming their vocational training systems and the social partners had a key role to play in that regard, as they were

the most in tune with the skills needed. The ILO represented the best platform for devising solutions to youth unemployment based on shared country experiences.

- 30.** *A Worker member from Romania* said that the European social model had been a positive example in comparison to other economic models. However, European political, economic and financial institutions, as well as the Governments of the Member States, had implemented structural reforms and austerity measures which had gone against that model. The facts had shown the failure of those policies and there was a need for extraordinary investments, growth based on principles of solidarity, fiscal and budgetary harmonization, bank unification, and the implementation of labour laws and social rights. Political will in favour of social dialogue should be the basis of the negotiations.
- 31.** *An Employer member from New Zealand*, noting that trade was a key driver of economic growth, disagreed with the statement in the paper that net exports could not be increased by all economies in the global economic system. Trade should be viewed as mutually beneficial because it led to increased competitiveness and productivity. The Director-General had supported the G20 St Petersburg Declaration, paragraphs 41–49 of which endorsed the contribution of free trade and investment to global growth. The Office’s collaboration with other international economic and trade organizations demonstrated the crucial nature of trade in job creation. The ILO should commit to an agenda that supported trade and continue to examine how trade had affected jobs and income.
- 32.** *A Government representative of India* said that the unique platform of the ILO should be leveraged to allow employers to promote relevant skills; ensure the formalization of the informal sector; oversee compliance with labour standards; provide data analysis support; and foster experience-sharing. The increasingly globalized economy required more global governance from all nations. In that regard, the inclusion of regional groups in G20 discussions and the acknowledgement of the effect of labour and social policies on aggregate demand were good starting points. Furthermore, the growth of the middle class could also serve as a catalyst for global recovery. Finally, she pointed out that, in India, public employment generation programmes and cashless health insurance for unorganized workers helped reduce the employment deficit and address informality.
- 33.** *A Government representative of Brazil*, noting that respect for the fundamental principles and rights at work was essential to a sustainable recovery process, said that Brazil supported the participation of the ILO in the discussions on that subject at the G20 level. She highlighted the role of the private sector in job creation, as well as the importance of trade for global economic growth. The decline in poverty and income inequalities in Brazil, among other developing countries, increased purchasing power and benefited the world economy. Social dialogue and the exchange of experiences should be considered to identify long-term solutions to common challenges.
- 34.** *A Government representative of Togo* stressed the importance of multilateral cooperation in devising sustainable development strategies. In Togo, measures to promote youth employment had been implemented successfully, along with an increase in the salary scale, mainly targeting teachers, with a new revision scheduled for the first semester of 2014. Furthermore, a document fostering social protection had been signed with the support of the ILO. Women’s empowerment and rural development would be the main target for future action on social policies.
- 35.** *A Government representative of the Russian Federation* said that a declaration had been signed at the recent G20 St Petersburg Summit identifying economic growth and job creation as priorities. In addition, her country had hosted the first joint Meeting of Finance and Labour Ministers, which had drafted specific obligations for job creation and the employment of vulnerable categories of workers. The integrated approach to job creation

and economic development was unprecedented and should help balance labour market demand and supply, stimulate business and investment, and improve social protection. Although there was no single recipe for the link between employment and economic growth in all countries, cooperation between the G20 leaders and the ILO, the Organisation for Economic Co-operation and Development (OECD) and the World Bank was crucial to strengthening that link.

36. *An Employer member from the United States* stressed the importance of flexibility in employment in view of the changing world of work. Excessive restrictions led to lost opportunities for employment and the postponement of investment decisions, while changes in lifestyle led workers to look for greater flexibility. Employers were not anti-regulation but regulation should create a balance between employers' and workers' needs. Policies needed to provide protection while creating a business-friendly environment, which was key to creating decent and productive jobs.
37. *A Worker member from Angola* said that although there were signs of global economic recovery, the employment crisis was unprecedented, particularly in relation to vulnerable groups such as young females. The recent crisis exacerbated existing political and social crises in Africa. Although progress had been made in Angola in certain areas, further efforts were needed to reduce economic dependency on oil, build institutional capacity, fight against corruption, and reduce informal employment among others. Austerity measures had driven down wages without achieving growth. She requested the ILO's support to guarantee wages that provided a proper quality of life, foster decent employment, enforce international labour standards and promote collective bargaining.
38. *A Government representative of China* stressed the importance of reaching a consensus on common solutions to face the negative effects of the crisis worldwide. The promotion of employment should play an important role in social and economic development. The quest for development would require in-depth and interlinked actions including labour, fiscal and industrial policies aimed at the creation of sustainable jobs and the upgrading of workers' skills. The ILO should promote greater tripartite collaboration and coordination in the future through the new Research Department.
39. *A Government representative of Kenya* said that, in the aftermath of the crisis, several initiatives had been launched in the Kenyan labour market to support vulnerable segments of society, such as women and young people. Education and vocational training programmes had been implemented with the aim of reducing child labour and lowering unemployment rates. The post-2015 development agenda should include a more coordinated and inclusive policy debate at the international level and technical assistance to countries willing to translate policies into actions.
40. *A Government representative of Trinidad and Tobago* said that the ILO should focus on workers' well-being. New ILO standards should take into account the widespread use of new information and communication technologies and the related risks for a work-life balance. Furthermore, ILO programmes should support national development programmes on HIV and AIDS and non-communicable lifestyle diseases. He requested the Office to convene a high-level summit on decent work.
41. *A Government representative of Colombia* said that formalization was the key to decent work and social security and could be achieved through skills development and social protection. He suggested that paragraph 33 of the document should be further developed to identify concrete actions to facilitate economic growth. He further suggested that the Office should generate more cooperative mechanisms between countries to develop intervention strategies that would contribute to the further formalization of sectors.

42. A *Government representative of the Sudan* noted that her Government was working to mitigate unemployment through cooperation with the ILO and the United Nations Environment Programme (UNEP). There was a need for greater efforts in the field of education and more studies concerning job creation for women and immigrants. She called on the Director-General to hold a world summit to discuss social justice, corporate responsibility and the strengthening of links between the Office and other international organizations.
43. A *Government representative of Zimbabwe*, noting that employment had been introduced into the MDGs as an afterthought, said that employment creation should be a central focus of the post-2015 development agenda and of the ILO's Strategic Policy Framework. The Office should continue its collaboration with the multilateral system to promote employment, particularly youth employment through skills acquisition, and should take action through region-specific assistance.
44. An *Employer member from China* said that emphasis should be placed on building an environment conducive to the creation of sustainable enterprises, which could promote economic growth and job creation. Despite economic fluctuations, 10.66 million new jobs were created annually in China, mainly in the private sector. Furthermore, the Government had introduced measures to encourage enterprise creation and inclusive labour market policies, including measures for disadvantaged groups. In view of the large number of graduate jobseekers in China, provisions had also been made to encourage entrepreneurship and the Government was working with businesses to facilitate the entry of graduates into the labour market.
45. A *Government representative of Romania* noted that the challenge in her country was to balance decent job creation and fiscal discipline. To that end, the Government had introduced a number of measures to improve working conditions and purchasing power. It was also reviewing the effect of current legislation on the labour market and was working to expedite the absorption of EU financing. In particular, the Government was focusing on creating jobs for young people and promoting entrepreneurship.
46. A *Government representative of the Netherlands* said that, although fiscal consolidation did not yield short-term results, it was important for long-term growth and sustainable government finances were needed to strengthen consumer confidence.
47. A *Government representative of the Republic of Korea* indicated that the new Government had been reviewing national policies with a view to increasing employment and restoring the middle class. The Government supported self-reliance through work by offering tailored support packages to vulnerable groups such as women, young people and the working poor. However, in the globalized context, policies needed to be coordinated at the international level. He remarked that the ILO's technical assistance was important in terms of implementing national job-creation policies and, consequently, the Office should enhance its research capabilities in the area of macroeconomic policies and disseminate best practices. In that regard, he welcomed the ILO's establishment of a central Research Department and its joint research agreement on job creation and productivity with the World Bank.
48. A *Government representative of the Bolivarian Republic of Venezuela* said that he did not share the Office's views on the global economic recovery and noted that measures adopted to redress the financial sector were creating further social and economic problems. Paragraph 21 of the document undermined the progress made in developing and emerging economies. The countries of Latin America and the Caribbean had successfully implemented public policies to promote growth and employment. In his country in

particular, a number of social inclusion policies predated the crisis and had provided a strong buffer to its effects.

49. *A Government representative of Egypt* summarized four achievements of the trade unions in Egypt since the revolution in January 2013: the minimum wage had been raised in all public institutions and would shortly be fixed for the private sector; efforts were being made to reopen the 4,600 factories that had been closed because of the events during the previous regime and restore them to full capacity; small enterprises had been offered tax breaks; and new laws to strengthen the rights of persons unfairly dismissed were to be approved.
50. *A Government representative of Argentina* expressed concern that global growth and employment remained below pre-crisis levels and that in many countries social security was being cut back. Along with labour market policies, employment and wage initiatives would be required to boost growth and consumption, and collective bargaining was needed to ensure that growth was fair and inclusive. Given the uncertainty of international markets, the main challenge for his region was the preparation of a strategy for job creation and for extending labour rights to all citizens.
51. *A Government representative of Zambia* pointed out that the labour market had been struggling with the effects of globalization even before the crisis and although it was creating jobs, they were not all decent jobs. The adoption of the Declaration on Social Justice for a Fair Globalization had been a significant milestone in reaffirming ILO values, and particularly decent work. Another key instrument was the Global Jobs Pact, which Zambia had implemented because it strongly believed that the private sector was an engine of growth.
52. *A representative of the Council of Europe* brought the Governing Body's attention to recent decisions by the European Committee of Social Rights regarding a collective complaint against Greece lodged by five Greek pension trade unions alleging non-compliance with the 1961 European Social Charter, owing to changes in the legislation introduced by austerity measures. The Committee had urged the Government of Greece to maintain the social security system at a satisfactory level and conduct research into the impact of austerity measures on vulnerable groups; otherwise, the effects of those measures threatened to plunge a significant segment of the population into poverty.
53. *A representative of the Director-General* (Deputy Director-General for Policy) said that global data clearly supported the broad patterns identified in the document with regard to the deficit of demand. There seemed to be a misunderstanding regarding the point on trade, and she indicated that the Office recognized the significant positive impact of trade on growth. Nevertheless, at the global level, exports should be balanced by imports, which at an aggregate level had been declining. In those circumstances, increasing exports was not the way out of the crisis for all countries unless and until global demand increased. In that regard, some organizations, notably the United Nations Conference on Trade and Development (UNCTAD), emphasized the need for emerging and developing economies to place more emphasis on increasing domestic demand. With regard to the public sector and fiscal consolidation, the Office observed a new emerging consensus that, where fiscal deficits were high, fiscal consolidation was a necessary target for the medium term, but growth should be emphasized in the short term. She expressed strong support for: work on the informal economy as an area of critical importance; advocacy for decent work as an explicit goal in the post-2015 agenda; more support for technical assistance and employment policies for different regions; and continued engagement with the G20 and other international organizations.

**Outcome**

- 54. *The Governing Body took note of document GB.319/HL/1 and requested the Office to take into account the comments made during the discussion concerning the role of the ILO in supporting sustainable recovery.***

(GB.319/HL/1, paragraph 34.)

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