

International Labour Conference, 99th Session, 2010

Report VI

Employment policies for social justice and a fair globalization

Recurrent item report on employment, 2010

Sixth item on the agenda

International Labour Office Geneva

ISBN 978-92-2-121899-9 (Print)
ISBN 978-92-2-121900-2 (Web pdf)
ISSN 0074-6681

First edition 2010

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Abbreviations and acronyms

ADB	Asian Development Bank
ALMPs	active labour market policies
ASEAN	Association of Southeast Asian Nations
CCA	Common Country Assessment (UN)
CIS	Commonwealth of Independent States
CREP	Country Review of Employment Policy
CSR	corporate social responsibility
DCED	Donor Committee for Enterprise Development
DWCP	Decent Work Country Programme
EIIP	Employment-Intensive Investment Programme (ILO)
EPA	Economic Partnerships Agreement
EPZ	export processing zone
ESP Committee	Governing Body Committee on Employment and Social Policy (ILO)
EU	European Union
FAO	Food and Agriculture Organization
FDI	foreign direct investment
GATT	General Agreement on Tariffs and Trade
GB	Governing Body (ILO)
GDP	gross domestic product
GEA	Global Employment Agenda
GET	Global Employment Trends (ILO)
GNP	gross national product
GUF	Global Union federations
IFA	international framework agreements
IFC	International Finance Cooperation (World Bank Group)
IFI	international finance institutions
IILS	International Institute for Labour Studies (ILO)
IIMS	“Inseparable, interrelated and mutually supportive”

ILC	International Labour Conference
ILO	International Labour Organization
ILO–Cinterfor	Inter-American Centre for Knowledge Development on Vocational Training
ILS	international labour standards
IT	information technology
IMD	Institute for Management Development (Lausanne)
IMF	International Monetary Fund
IOE	International Organisation of Employers
IOM	International Organization for Migration
ISO	International Organization for Standardization
ITC–TURIN	ILO International Training Centre, Turin
ITUC	International Trade Union Confederation
KAB	Know About Business (ILO)
KBB	knowledge building blocks (background papers for this ILC report)
LED	local economic development
LMI	labour market information
LMIA	labour market information and analysis
LMIS	Labour Market Information System
M&E	monitoring and evaluation
MDG	Millennium Development Goal
MENN	Middle East and North Africa
MOL	Ministry of Labour
MNE	multinational enterprises
NDF	National Development Framework
NEP	national employment policies
NGOs	non-governmental organizations
ODA	official development assistance
OECD	Organisation for Economic Co-operation and Development
OSH	occupational safety and health
PES	Public Employment Services
PRS	poverty reduction strategy
PwD	people with disabilities
RBM	results-based management
SAP	Structural Adjustment Program
SCORE	Sustaining Competitive and Responsible Enterprises Programme

SFP	Social Finance Programme (ILO)
SIYB	Start and Improve Your Business (ILO)
SMEs	small and medium-sized enterprises
SPF	Strategic Policy Framework (ILO)
STEP	Strategies and Tools against Social Exclusion and Poverty (ILO)
TC	technical cooperation
TREE	training for rural economic empowerment (ILO)
TUAC	Trade Union Advisory Committee of the OECD
TVET	Technical and Vocational Training and Education
UNCEB	United Nations Chief Executives Board
UNCCA	United Nations Common Country Assessment
UNCT	United Nations Country Team
UNCTAD	United Nations Conference on Trade and Development
UNDAF	United Nations Development Assistance Framework (country level)
UNDP	United Nations Development Programme
UNDESA	United Nations Department of Economic and Social Affairs
UNEP	United Nations Environmental Programme
UNICEF	United Nations International Children's Fund
UN-HABITAT	United Nations Human Settlements Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
WAPES	World Association of Employment Services
WB	World Bank
WEDGE	Women Entrepreneurship Development and Gender Equality (ILO)
WIEGO	Women in Informal Employment Globalizing and Organizing
WTO	World Trade Organization

Introduction

Background

1. At its 97th Session (2008), the International Labour Conference (ILC) adopted a landmark Declaration designed to strengthen the ILO's capacity to promote its Decent Work Agenda and forge an effective response to the growing challenges of globalization. The ILO Declaration on Social Justice for a Fair Globalization (the Social Justice Declaration) confirmed the equal importance of each of the ILO's four strategic objectives in that effort: employment, social protection, labour standards and social dialogue. At the same time, it stressed an integrated approach by recognizing that these objectives were "inseparable, interrelated and mutually supportive". It was the third major statement of principles¹ adopted by the ILC since the ILO Constitution of 1919 and expressed the contemporary vision of the ILO's mandate in the era of globalization.
2. The follow-up to the Social Justice Declaration stipulated that the Organization would introduce a scheme of recurrent discussions at the ILC, so as to "understand better the diverse realities and needs of its Members with respect to each of the strategic objectives, respond more effectively to them, using all the means of action at its disposal, including standards-related action, technical cooperation, and the technical and research capacity of the Office, and adjust its priorities and programmes of action accordingly".²
3. At its November 2008 session, the Governing Body decided that the first recurrent item discussion at the 99th Session of the ILC in June 2010 would be on employment. This report provides background information for that discussion.

Structure of the report

4. This first recurrent item report addresses the contribution that employment policies, as part of an integrated decent work approach, can make to social justice for a fair globalization. Chapter 2 contains a succinct appraisal of employment trends and challenges for achieving full and productive employment, both long term and as affected by the economic recession stemming from the financial crisis in 2008. Each of the following thematic chapters broadly responds to those challenges and addresses the questions set out for the report overall: what realities and challenges do member States face in the area of employment; what the Office is asked to do; the way in which the Office delivers that support (action-oriented research, policy guidance, technical cooperation, advocacy and networking); how results of this work are monitored and

¹ The first two being the Declaration of Philadelphia of 1944 and the Declaration on Fundamental Principles and Rights at Work of 1998.

² ILO: *ILO Declaration on Social Justice for a Fair Globalization*, ILC, 97th Session, Geneva, 2008, Annex, II(B)(i).

documented; and what steps are being taken to meet the expectations set out in the Social Justice Declaration for more responsive, integrated and effective efforts.

5. The thematic chapters cover the three employment outcomes in the Strategic Policy Framework for 2010–15: policies to promote full and productive employment (Chapter 3); sustainable enterprise and job creation (Chapter 4); and skills for employability and productivity (Chapter 5). In addition the report singles out two specific employment themes: the relatively new focus on trade, foreign investment and employment (Chapter 6) – the Social Justice Declaration is, after all, about “fair globalization” – and the long-standing commitment to deal with the informal economy, where a significant percentage of the world’s workforce still works, and promote transition to formality (Chapter 7). It is expected that other themes will be highlighted in subsequent recurrent item reports on employment.

6. The report closes by reflecting on the implications of this extensive analysis for future priorities for member States, social partners and the Office, and suggests some of the issues that the Committee may wish to discuss in order to make recommendations on the way forward.

Preparation of the recurrent item report

7. The preparation for this report included the elaboration of a paper³ for the Governing Body Committee on Employment and Social Policy (ESP Committee) at its March 2009 session, which summarized the main strategic orientations of the Declaration (see table 1.1); but it was also much broader.

8. In-depth reviews were launched in the following areas: (1) constituents’ needs and priorities; (2) field–headquarters coordination and joint delivery; (3) the “inseparable, interrelated and mutually supportive” agenda; (4) lessons learned from impact evaluations; and (5) employment diagnostics, policies and trends. These areas were called “knowledge building blocks” for the preparation of the recurrent item report. The figure below contains the main questions that were posed for each of these knowledge building blocks. Their findings inform the content of this report.

9. Another component of the knowledge building blocks was a series of reviews of the Office’s work on each of the main themes and programmes integrating its activities on employment – the so-called “Think Pieces” (see the figure below, column 4). Fourteen reports on specific technical fields were produced.⁴ Two retreats were held in April and July 2009 to discuss these documents.

10. The regional offices also prepared “Think Pieces” on employment work, which summarized the needs expressed by constituents at the country and regional levels and the ways the Office delivers support (see Appendix III of this report for a summary of constituents’ priorities for Office support in the area of employment).

³ ILO: *Impact of the Social Justice Declaration on the implementation of the Global Employment Agenda*, Governing Body, 304th Session, Geneva, March 2009, GB.304/ESP/1.

⁴ The knowledge building blocks and “Think Pieces” are available upon request to the Employment Sector.

Knowledge building blocks to prepare the recurrent item report

1. Constituents' needs and priorities	2. Impact Evaluation	3. Inseparable, interrelated and mutually supportive work (IIMS)	4. Effective response to needs in priority employment policy themes	5. Delivery in the field and HQs–field coordination	6. Employment diagnostics, policies and trends
<p>What has the Office been asked to do in employment?</p> <p>What are the sources of needs?</p> <p>What methods does the Office have to identify needs? Are they effective?</p> <p>How are needs articulated?</p> <p>Are needs coherent, realistic, precise?</p> <p>How can need articulation and coherence be improved?</p> <p>Sources/mandates Constitution DECLARATION ILC decisions</p> <p>GB-GEA Regional Meetings DWCPs C122 reporting A19 General Survey</p>	<p>Desk review of employment programme evaluations last five years:</p> <ul style="list-style-type: none"> – country policies – thematic areas – projects – DWCPs <p>What methods of evaluation does the Office use?</p> <p>What is our knowledge of the impact of Office interventions?</p> <p>What recommendations for the future can be drawn from these lessons?</p>	<p>Conceptual integration Identify research (publications & projects) integrating elements of the DWA with employment</p> <p>Analyse results and contribution to knowledge (from illustrative sample)</p> <p>How do other institutions carry out inter-disciplinary work?</p> <p>Policy integration</p> <p>Assess cases where the Office has integrated other strategic objectives with employment in field work</p> <ul style="list-style-type: none"> – How do other institutions achieve this? – Evaluate and draw lessons 	<p>“Think Pieces”: analysis of Office work along the full cycle of all means of action:</p> <ul style="list-style-type: none"> – Needs identification and diagnostic tools – Research – Capacity building – Policy advice – Tools – Resource mobilization – Impact – IIMS <p>Themes within employment policy and promotion:</p> <ol style="list-style-type: none"> 1. Informal economy 2. Employment-intensive investment 3. Social finance 4. Crisis response 5. Enterprise development 6. Skills development 7. Youth employment 8. Rural employment 9. Trade, FDI and employment 10. Labour market policy and institutions 11. Green Jobs 12. Employment services 13. Disability 14. Gender 	<p>What conclusions from the field structure review are relevant for employment work?</p> <p>What are the human resource bottlenecks?</p> <p>How does HQs and field work? What is the business model? How has it been assessed? What conclusions have been drawn?</p> <p>What is the combined capacity of the Office to influence national employment?</p>	<p>How does the Office diagnose employment problems and measure the impact of employment policies? How does this compare to the way others do it?</p> <p>How well do we understand countries' different realities?</p> <p>What tools does the Office have to measure and analyse inclusive, job-rich growth?</p> <p>How does the Office measure and tell the world about trends in employment and labour markets?</p>

Chapter 1

Social justice for a fair globalization

11. The Social Justice Declaration acknowledged that the ILO had a key role to play in helping to promote and achieve progress with social justice in a constantly changing and increasingly interdependent world environment.

12. Globalization has meant new opportunities but also new constraints and challenges. In particular, securing a new balance, globally and nationally, between economic goals and social and labour objectives, has become ever more urgent. The global financial and economic crisis of 2008 has further exacerbated the fault lines of globalization and heightened the need for a broad application of the Decent Work Agenda.

13. This first recurrent item report addresses the contribution that employment policies, as part of an integrated decent work approach, can make to social justice for a fair globalization. It examines the universal aspiration of women and men for work in conditions of freedom, equity, security and human dignity and assesses how the Organization might better respond to this aspiration through the various means at its disposal.

14. The method of implementation envisaged by the Social Justice Declaration involves an interaction between Members (governments, employers' and workers' organizations), the International Labour Conference, the Governing Body and the Office on making full use of an integrated decent work approach to meeting the challenges of shaping a fair globalization. Employment policies play a central role in achieving that goal. The Declaration foresees that such an approach might lead the Organization to adapt its institutional practices.

15. In examining the role of employment policies in this context, the report identifies three areas for action and governance:

- (i) improved multilateral partnerships and dialogue for more effective global governance in the promotion of social justice, fair globalization and decent work;
- (ii) enhanced policy formulation and implementation at the national level, as well as improved coordination and cooperation between Members through mechanisms such as the use of ILO policy guidance, the standards supervisory system, and the exchange of experience and good practice through enhanced peer reviews of employment policies;
- (iii) the role of the Office in ensuring its effectiveness and efficiency in: servicing governance structures; promoting partnerships with the United Nations and the multilateral system; standards promotion; technical cooperation and advisory services; and research, information collection and sharing.

16. These three areas are discussed in this introductory chapter and throughout the report.

Shaping a fair globalization: The contribution of the ILO's Decent Work Agenda

17. While the current era of globalization is a relatively recent phenomenon, the ILO has always been remarkably prescient in defining the international employment imperatives that the Organization should pursue. In 1919 the ILO Constitution called preventing unemployment a prerequisite for “social justice, and universal and lasting peace”. The 1944 Declaration of Philadelphia called supporting programmes to achieve full employment and raise standards of living “the solemn obligation” of the Organization.

18. The Social Justice Declaration reaffirmed the commitment by all Members of the Organization to “implement the ILO’s constitutional mandate, including through international labour standards (ILS), *and to place full and productive employment and decent work at the centre of economic and social policies*” (emphasis added) – a clear call by Members for a strengthened role of the Office and Organization on employment issues.

19. Globalization was a central concern of the ILO well before the term was widely used. Already in 1977 the ILO’s Governing Body adopted the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, while the Employment Policy (Supplementary Provisions) Recommendation, 1984 (No. 169), addressed the issues raised by increasing interdependence within the world economy. In 1996, employment policy was again discussed at the International Labour Conference.

20. During the 1990s the ILO was a major forum for the discussion of the social dimensions of trade liberalization. The 1995 World Summit for Social Development reasserted the importance of full productive and freely chosen employment to social and economic progress, poverty reduction and social cohesion, giving a major boost to the role of the ILO in the multilateral system. In 1998 the ILC adopted the ILO Declaration on Fundamental Principles and Rights at Work, establishing a social floor of fundamental principles and rights at work for all ILO member States and a commitment to “respect, promote and realize” them.

21. In 2002 the ILO Director-General convened a World Commission on the Social Dimensions of Globalization, which published its influential report: *A fair globalization: Creating opportunities for all*, in 2004. The report and its implications for the ILO were thoroughly debated at the 2004 ILC and many of its recommendations were incorporated into the ILO’s Strategic Policy Framework and successive programme and budgets. Amongst its main recommendations was the proposal that decent work should become a global goal, and that a major drive was needed to improve policy coherence in what was characterized as an underperforming multilateral system. The issue of an appropriate new instrument to strengthen the capacity of Members and the Organization as a whole led to the ILO Declaration on Social Justice for a Fair Globalization.

22. Since 2004 the linked concepts of a fair globalization and decent work for all have been widely endorsed at the highest level, including by the United Nations General Assembly as well as many regional organizations.⁵ The ILO is playing an increasingly prominent role in the international machinery for policy coherence, in particular the

⁵ “We strongly support fair globalization and resolve to make the goals of full and productive employment and decent work for all, including women and young people, a central objective of our relevant national and international policies as well as our national development strategies, including poverty reduction strategies, as part of our efforts to achieve the Millennium Development Goals.” United Nations: *2005 World Summit Outcome* (New York, A/60/L.1), para. 47.

United Nations Economic and Social Council (ECOSOC) and the United Nations Chief Executives Board for Coordination (CEB).

23. The Decent Work Agenda has also received support from non-governmental actors. Some 400 representatives from the tripartite constituency of the ILO, international and regional organizations, civil society organizations, research institutes, the media and parliaments attended the ILO Forum on Decent Work for a Fair Globalization, hosted by the Government of Portugal (Lisbon, 31 October–2 November 2007). The high-level interaction between ILO constituents and other actors interested in and supportive of the Decent Work Agenda confirmed the ILO as the pre-eminent meeting place to discuss and tackle global issues affecting the world of work in an era of unbalanced globalization.

24. The Governing Body, through its Working Party on the Social Dimension of Globalization, regularly discusses key issues of policy coherence, frequently on the basis of presentations by invited guest speakers. Amongst the leaders of the multilateral system who have participated in exchanges with the Governing Body are: UN Secretary-General Ban Ki-moon; WTO Director-General Pascal Lamy; World Bank President Robert Zoellick; IMF Managing Director Dominique Strauss-Kahn; UNCTAD Secretary-General Supachai; and UNEP Executive Director Achim Steiner.

The ILO's global response to globalization's fault lines

25. With the onset of the global financial, economic and employment crisis in 2008 and the adoption of the Global Jobs Pact by the 98th Session of the ILC (2009), the ILO's engagement in the UN and multilateral system has increased still further. The United Nations Conference on the World Financial and Economic Crisis and its Impact on Development, (New York June, 2009),⁶ invited "the International Labour Organization to present the 'Global Jobs Pact' ... to the substantive session of the Economic and Social Council in July 2009, which intends to promote a job-intensive recovery from the crisis, drawing on the Decent Work Agenda, and to shape a pattern for sustainable growth".

26. The Global Jobs Pact is the application of the full Decent Work Agenda in response to the crisis. The Pact contains a range of crisis response and recovery measures that covers all four strategic objectives of the ILO. It is not a "one size fits all solution", but a portfolio of tried and tested policy options that countries, with the support of regional and international institutions, can adopt to strengthen their ongoing efforts to address the crisis and promote recovery while contributing to shape a post-crisis world characterized by a fairer and more sustainable globalization. It is a framework for action to design employment, social protection and labour standards compliance measures and policies, and to promote social dialogue processes.

27. Subsequently, ECOSOC adopted a resolution, *Recovering from the crisis: A Global Jobs Pact*, welcoming the ILO's adoption of the Pact. It encouraged member States to promote and make full use of the Pact as a general framework within which each country could formulate a policy package specific to its situation and priorities. The resolution further requested the UN funds, programmes and specialized agencies to take into account, through their appropriate decision-making processes, the Global Jobs Pact in

⁶ UN: *Outcome of the Conference on the World Financial and Economic Crisis and its Impact on Development*, General Assembly Resolution A/RES/63/303, adopted on 13 July 2009 (New York, 2009).

their policies and programmes, as well as to consider the integration of the policy contents of the Pact into the activities of the UN Resident Coordinator system and the United Nations Country Teams (UNCTs). It also invited international financial institutions (IFIs) and other relevant international organizations to integrate, in accordance with their mandates, the policy contents of the Pact in their activities. It recognized that giving effect to the recommendations and policy options of the Global Jobs Pact required consideration of financing and capacity building, and that least developed and developing countries and countries with economies in transition that lacked the fiscal space to adopt response and recovery policies required particular support. The resolution concluded by requesting the Secretary-General to report on progress to ECOSOC at its substantive session of 2010.⁷

28. At its meeting in January 2010, the Executive Board of the United Nations Development Programme (UNDP) took the decision to continue to give priority to the recommendations contained in the Global Jobs Pact, in collaboration with the International Labour Organization, including integrating it in its operational activities under the UNDP Strategic Plan, 2008–13, and incorporating it in operational activities at the country level through strengthened inter-agency cooperation.⁸

29. In a further parallel development, the CEB adopted nine Joint Crisis Initiatives in April 2009,⁹ as a means of coordinating the UN efforts to deliver as one in assisting countries' and the global community's attempts to confront the crisis, accelerate recovery and build a fair and inclusive globalization. The Initiatives were developed by the High-level Committee on Planning, chaired by the ILO Director-General. They include initiatives on promoting investment in long-term environmental sustainability; the Global Jobs Pact – boosting employment, production, investment and aggregate demand, and promoting decent work for all; and a social protection floor, ensuring access to basic social services, shelter, and empowerment and protection of the poor and vulnerable. Amongst a number of follow-up measures, UNCTs have been requested to provide rapid and relevant means of operational support to governments indicating interest in the Joint Crisis Initiatives.

30. Other fields for joint action within the UN system include work on realizing the Millennium Development Goals (MDGs). Under Goal 1 of the MDGs on the eradication of extreme poverty and hunger, Target 1 is to achieve full and productive employment and decent work for all, including women and young people. The ILO contributed to the United Nations MDG 2009 report, which showed that the crisis was putting achievement of many of the MDGs in jeopardy.¹⁰ In addition, the Second United Nations Decade for the Eradication of Poverty (2008–17) will have “Full employment and decent work for all” as a theme, to be reviewed at the 65th Session of the General Assembly with a report by the Secretary-General.¹¹ Twenty-one agencies of the UN system have collaborated in developing a system-wide plan of action that aims to achieve greater coherence and

⁷ ECOSOC: *Recovering from the crisis: A Global Jobs Pact*, resolution E/2009/L.24, adopted on 21 July 2009 (New York).

⁸ UNDP–UNFPA: Executive Board: *Employment programming in response to the global financial and economic crisis*, DP/2010/12 (New York, 2010).

⁹ CEB: *Joint Crisis Initiative*, see <http://hlcp.unsystemceb.org/JCI>.

¹⁰ UN: *The Millennium Development Goals Report 2009* (New York, UN), see www.un.org/millenniumgoals/pdf/MDG_Report_2009_ENG.pdf.

¹¹ UN: Second United Nations Decade for the Eradication of Poverty (2008–17), General Assembly Resolution A/63/230, adopted on 19 Dec. 2009, see <http://daccessdds.un.org/doc/UNDOC/GEN/N08/484/59/PDF/N0848459.pdf?OpenElement>.

synergies within their respective capacities and expertise, in support of national efforts to promote employment and decent work for poverty eradication.

31. The London G20 Summit in April 2009 invited the ILO, working with other relevant organizations, to assess the employment and social protection policy actions taken to address the economic downturn, and those required for the future. In response to this request, the ILO Director-General was invited to the G20 Pittsburgh Summit and submitted two papers under the title “Protecting people, promoting jobs”. The Summit adopted a Leaders’ Statement¹² in which Heads of State and Government committed “to launch a framework that lays out the policies and the way we act together to generate strong, sustainable and balanced global growth. We need a durable recovery that creates the good jobs our people need”.

32. The Statement covered a wide range of crisis-related issues envisaged as forming part of the Framework for Strong, Sustainable and Balanced Growth. These included detailed commitments under the heading “Putting quality jobs at the heart of the recovery”:

We commit to implementing recovery plans that support decent work, help preserve employment, and prioritize job growth. ... To assure that global growth is broadly beneficial, we should implement policies consistent with ILO fundamental principles and rights at work. ... We agree that the current challenges do not provide an excuse to disregard or weaken internationally recognized labor standards ... Our new Framework for Strong, Sustainable, and Balanced Growth requires structural reforms to create more inclusive labor markets, active labor market policies, and quality education and training programs ... We pledge to support robust training efforts in our growth strategies and investments. ... We agree on the importance of building an employment-oriented framework for future economic growth. ... We also welcome the recently adopted ILO Resolution on Recovering from the Crisis: A Global Jobs Pact, and we commit our nations to adopt key elements of its general framework to advance the social dimension of globalization. The international institutions should consider ILO standards and the goals of the Jobs Pact in their crisis and post-crisis analysis and policy-making activities ...

33. Several other international meetings in 2009 also backed the role of the ILO in addressing the global jobs crisis. These included: the G8 Summit in L’Aquila; the informal meeting of EU Heads of State and Government in Brussels to prepare for the Pittsburgh Summit; the African Union’s tripartite Labour and Social Affairs Commission in Addis Ababa;¹³ the XVI Inter-American Conference of Ministers of Labor of the Organization of American States (OAS) in Buenos Aires; and the Arab Employment Forum in Beirut, jointly convened by the ILO and the Arab Labour Organization.

34. This short overview suggests that the ILO’s contribution to more effective global governance in the promotion of social justice, fair globalization and decent work has not only been significant but has been growing in recent years.

Employment policies at the national level: Coordination and cooperation mechanisms

35. As regards the second and third dimensions of action and governance around employment, the ILO has four main components: (a) international labour standards; (b) a policy framework provided by the Governing Body’s Global Employment Agenda;

¹² The Pittsburgh Summit, 24–25 September 2009, see www.pittsburghsummit.gov/mediacenter/129639.htm.

¹³ Declaration on the Implementation of the Global Jobs Pact in Africa, 29 September, Addis Ababa (available on request). The Commission was followed by an African Decent Work Symposium, hosted by President Compaoré of Burkina Faso, which further developed a roadmap for the implementation of the Global Jobs Pact in Africa.

- (c) governance and review processes at the Conference and at the Governing Body; and
- (d) knowledge development and sharing, policy advice and technical cooperation.

International labour standards

36. The Employment Policy Convention, 1964 (No. 122), articulates the resolve of member States to achieve full, productive and freely chosen employment. Ratified by 101 member States (as of January 2010), it remains the primary mechanism for guiding the Organization's approach to policy coordination and cooperation at the national level. The Employment Policy Recommendation, 1964 (No. 122), and the Employment Policy (Supplementary Provisions) Recommendation, 1984 (No. 169), outline in more detail policy approaches to support Members' efforts to design and implement effective employment policies and programmes. Some 20 other instruments adopted by the ILO in the area of skills and enterprise development, employment services, disability, employment relations and multinational enterprises (MNE) guide advocacy and technical work in those fields.

37. ILS constitute a strength of the ILO in all areas and a unique one in the area of employment policies. They are forged through tripartite discussions, thus reflecting a consensus achieved over the sometimes different concerns, views and priorities held by governments, workers and employers. Their design is informed by the body of research and experience of the Office and their implementation at the country level is reviewed through the ILO's supervisory system and supported through the Office's ongoing advisory services and technical assistance.

38. As part of the ILO's supervisory system, the Committee of Experts on the Application of Conventions and Recommendations regularly monitors member States' implementation of ratified and non-ratified standards (article 19 of the Constitution). The report of the Committee of Experts summarizes ratification records and provides an assessment of the policies and programmes countries have put in place to give them effect.¹⁴ This is an important element of the Organization's self-governance. Supervision of article 22 reporting by ratifying States is also a mode of action unique to the ILO, in that it leverages States' legal obligations to implement Conventions. This is a crucial component in the rights-based approach to employment and development, which can lead in addition to the identification of problem areas for practical technical assistance.

39. The General Surveys identify problems in applying standards and hence priorities for the Office's assistance. The 2010 General Survey, in line with the first recurrent item report on employment, covers six key employment-related standards: the Employment Policy Convention, 1964 (No. 122), the Human Resources Development Convention, 1975 (No. 142), the Employment Service Convention, 1948 (No. 88), the Private Employment Agencies Convention, 1997 (No. 181), the Job Creation in Small and Medium-Sized Enterprises Recommendation, 1998 (No. 189), and Promotion of Cooperatives Recommendation, 2002 (No. 193). Countries' experiences in implementing these standards are summarized in the thematic chapters of this report.

40. The Committee of Experts notes that, despite the changed policy paradigm of the 1980s and 1990s, "... almost all countries are committed to the goal of increasing

¹⁴ The Committee of Experts comprises 20 jurists appointed by the Governing Body for three-year terms. Their composition reflects the Organization's diversity across geographic regions, legal systems and cultures. The Committee meets annually in November and their report contains comments about member States' respect for their constitutional obligations and findings from the General Survey. The six standards included in the 2010 General Survey were selected by the Governing Body in November 2008.

productive employment”.¹⁵ This is reflected in references to employment creation in their Constitutions and in their social and labour legislations; through the enactment of special laws; and in key policy documents. Countries increasingly develop and adopt comprehensive national employment policies bringing together various policies, programmes and institutions that influence the demand and supply of labour and the functioning of labour markets. Chapter 3 will review this.

The Global Employment Agenda

41. The Global Employment Agenda (GEA), adopted by the Governing Body in 2003, contains the basic ILO employment policy framework. It calls for an integrated approach with interventions on the demand side and the supply side, and at macro and micro levels, which aims to improve the quantity and quality of employment. It also specifically advocates targeting men and women at risk of marginalization and exclusion from working life and calls for policies that can promote greater equity by ensuring that labour markets are free from discrimination.

42. The GEA sets out to make employment central to national economic and social policies and to international development strategies. It aims to promote decent employment in which ILS and workers’ fundamental rights go hand in hand with job creation, thus simultaneously promoting employment growth and quality of work. The implementation strategy for the GEA was adopted in 2006 in an attempt to make it more directly applicable to the design and implementation of national employment policies. There will be a fuller discussion on the GEA in Chapter 3.

Governance and review

43. The ILO has two important mechanisms to review employment policy: the General Surveys on employment – as part of the ILO’s supervisory system; and the regular review by the Governing Body Employment and Social Policy Committee (ESP Committee). This Committee has the main governance responsibility for the Office’s policy work on employment. Its role includes policy development and a review of member States’ employment policies and programmes. Chapter 3 will argue that there is ample room to improve the governance and peer review processes around employment in the ILO.

44. At its November 2007 session, the ESP Committee took stock of the results to date of the new GEA implementation strategy, examining progress and achievements, implementation gaps, and proposed actions to fill them.¹⁶ As summarized in the annex to Chapter 3, the “GEA scorecard” identified key challenges at the national level in adapting the GEA to diverse national situations; weak policy coordination between labour, finance and economic ministries on employment; and the need to strengthen monitoring and evaluation methods.

45. As gender is central to the Office’s employment-related work, a Gender Mainstreaming Strategy to implement the ILO Action Plan for Gender Equality 2008–09

¹⁵ ILO: *Report of the Committee of Experts on the Application of Conventions and Recommendations*, Report III (Part 1A), ILC, 99th Session, Geneva, 2010.

¹⁶ ILO: *Overview of the Global Employment Agenda implementation*, Governing Body, 300th Session, Geneva, Nov. 2007, GB.300/ESP/2.

was adopted to ensure that gender analysis and planning were fully integrated into all the technical work related to employment policies and programmes.¹⁷

46. Together with the adoption of the GEA implementation strategy (March 2006), the ESP Committee took the decision to organize its work according to three baskets of issues: policy development; programmatic evaluation; and review of country experience. In March 2009, the ESP Committee reviewed the main strategic orientations of the Social Justice Declaration,¹⁸ as summarized in table 1.1, and their possible implications for the work of the Office as guidance and preparation of the 2010 recurrent item report.

Table 1.1. Social Justice Declaration, 2008: Main strategic orientations for employment work by the Office

Theme	Social Justice Declaration reference
1. Better understanding constituents' needs and realities, and better responding to them using all the means of action at its disposal	II(A)(i); Annex, II(B)(i)
2. Promoting shared knowledge and understanding of the synergies between strategic objectives – which are “inseparable, interrelated and mutually supportive”(IIMS)	I(B); II(A)(iii); Annex, II(A)(iv)
3. Improving evaluation of impacts of the Office's interventions	II(A); II(B)(ii); Annex, II(B); (C)(iii)
4. Strengthening and streamlining technical cooperation and advisory services	II(A)(ii)
5. Providing assistance to Members who wish to promote strategic objectives jointly in the framework of bilateral or multilateral agreements	II(A)(iv)
6. Developing partnerships with non-state entities and economic actors, such as MNEs and trade unions operating at the global sectoral level	II(A)(v)
7. Reviewing the situation as regards ratification or implementation of ILO instruments	II(B)(iii); Annex, II(A)(iv)
8. Improved internal governance around the employment strategic objective	II(A); Annex, II(A)

Knowledge development and sharing, policy advice, technical cooperation, country programmes

47. The Social Justice Declaration places considerable weight on the Organization's capacity to understand better constituents' needs and realities and respond to them more effectively. How, then, are these needs articulated?

48. Constituents' needs are expressed at the global, regional and country levels. At the global level, as described above, these needs are articulated in ILC discussions, and in requests made in the various Governing Body committees.

49. At regional level, ILO Regional Meetings discuss hemispheric agendas that reflect the principal needs of countries across each region. The background reports for these

¹⁷ ILO: *Strategy for Gender Mainstreaming in the Employment Sector for the implementation of the ILO Action Plan for Gender Equality 2008–09*, Geneva, 2009, see www.ilo.org/wcmsp5/groups/public/---ed_emp/documents/publication/wcms_103610.pdf.

¹⁸ ILO: *Impact of the Social Justice Declaration on the implementation strategy of the Global Employment Agenda*, Governing Body, 304th Session, Geneva, Mar. 2009, GB.304/ESP/1.

tripartite meetings describe the progress, results and outcomes of actions taken by constituents and the Office. But they also inform constituents of topical labour and employment issues relevant to the countries of the region; they provide data, highlight good examples, and make policy suggestions. The conclusions of Regional Meetings are a specific example of constituents voicing their demands.

50. A review of the main employment issues raised and the tripartite agreed conclusions from the most recent round of Regional Meetings,¹⁹ placed youth employment at the top of the list of priorities, followed by ways to cope with the employment consequences of globalization. Sectoral policy also emerged as a priority – identifying those sectors with high employment growth potential and strategies that will overcome barriers to realizing that potential for more and better jobs. Other themes across regions are set forth in table 1.2.

Table 1.2. Summary of constituents' priorities for Office support, by region

Africa	Americas	Arab States	Asia and the Pacific	Europe
National employment policies and strategies	Youth employment	National employment policies based on the GEA	National employment policies based on the GEA	National employment strategies
Small enterprise and cooperatives development	Micro- and small enterprise development	Small and medium-sized enterprise development	Productivity and competitiveness	ALMPs and employment services
Labour-based investment programmes	Upgrading the informal economy	Labour market information systems	Labour market information systems	Youth employment
Microfinance	Rural and local employment development	Worker training	Employment and social security in the informal economy	Reduction of the informal economy
Skills development	Vocational training	Productivity	Labour-based and local development approaches to infrastructure development	Retraining programmes
Labour market information systems	Employment services		Skills and employability	Labour market information systems
Youth employment	Wages and remuneration		Green jobs	Entrepreneurship training
Women's entrepreneurship				Employment for women

¹⁹ Lisbon 2009; Addis Ababa 2007; Brasilia 2006; Busan 2006; and Budapest 2005.

51. Decent Work Country Programmes are the main vehicle for articulating constituents' needs at the national level and responding to them. As a general rule, they align employment programmes with national development plans, MDGs, poverty reduction strategies (PRSS), and country employment strategies.²⁰

The Global Jobs Pact and its implementation

52. The Global Jobs Pact, adopted by the International Labour Conference in June 2009, contains a portfolio of policies to promote jobs, protect people and rebalance policies in line with a more sustainable and inclusive growth process and a fairer globalization.

53. Since the crisis started, the Office has been supporting member States, at their request, in their crisis response and recovery measures. This support has been organized around specific crisis-related policy measures requested by member States and prioritized in Decent Country Work Programmes. This has involved all the areas of the Decent Work Agenda: employment, social protection, labour standards and social dialogue.²¹

54. As the impact of the crisis in labour markets deepened in the second half of 2009, a number of member States approached the Office to ask for assistance in developing a more integrated set of crisis response and recovery measures based on the Global Jobs Pact policy portfolio. This has opened the possibility of so-called "National Jobs Pacts" – if the government and social partners so desire.

55. Responding to increasing demand for assistance, the ILO Director-General introduced special Office arrangements in November 2009, to enhance Office-wide coherent and coordinated work across all four strategic objectives and the cross-cutting issues of gender equality and non-discrimination, to give effective follow-up to the Global Jobs Pact. The aim of these arrangements is to strengthen the Office's capacity to deliver integrated assistance to constituents, in particular at the country level.²²

56. The Global Jobs Pact and the special Office arrangements constitute a concrete application of the principle, contained in the Social Justice Declaration, that the four strategic objectives of the Decent Work Agenda are "inseparable, interrelated and mutually supportive".

²⁰ The Office's procedures for quality assurance in Decent Work Country Programmes is addressing some of the challenges for this method of determining demand for the Office's work, such as setting realistic expectations for both the constituents and the Office and incorporating ILO mandates on social dialogue and gender equality into all aspects of work. Difficulties have also arisen in setting quantitative and time-bound targets in line with results-based management. It may be tempting to take the number of jobs created or the decline in unemployment as a target but changes in these numbers depend on many factors beyond the control of the actors involved. Instead, programme indicators are typically defined in terms of increasing constituents' knowledge of policy options and good practices (and under what conditions), and of building their capabilities in policy design, implementation, monitoring and evaluation.

²¹ ILO: *Follow-up to the Conference debate and decisions on the economic and employment crisis: Strategy to give effect to the Global Jobs Pact*, Governing Body, 306th Session, Geneva, Nov. 2009, GB.306/3/1.

²² An oral presentation and discussion with the six assignment coordinators was held by the ESP Committee at the March (2010) session of the Governing Body.

Chapter 2

Trends and challenges in employment

57. The global economy went through a mild recession in 2001 and then enjoyed a period of relatively robust growth between 2002 and 2007, which saw a continuation of significant increases in standards of living, job creation and poverty reduction in a number of countries. However, even such good GDP growth at the global level did not translate into adequate employment growth and a reduction in decent work deficits. Before the 2008–09 financial and economic crisis, the ILO had been pointing out the persistence of decent work deficits in terms of unemployment, working poverty, informal sector employment, and other indicators.¹ Figures were significant enough to characterize this period as experiencing “a crisis before the crisis”.

58. This chapter summarizes the main trends in this “crisis before the crisis”, drawing on the earlier and recurrent work of the Office – which has identified global employment trends and periodically updated them. But, before surveying the longer term growth and employment trends and the challenges they pose – thus paving the way for the thematic chapters that follow – it gives a brief overview of what has become the most severe downturn in several decades and looks at the policy response to this immediate challenge.

The global economic downturn of 2008 and the policy response

59. The crisis has had a severe toll on labour markets, despite unprecedented levels of public intervention. The most recent figures from the ILO Trends Econometric Models show a fragile recovery, with the lingering impact of damage inflicted on labour markets worldwide.

60. A major component of crisis response policies has been to boost effective demand and inject liquidity into the global economy. The Organisation for Economic Co-operation and Development (OECD) has estimated that for 19 OECD countries examined, the average employment effect in 2010 will be in the range of 0.8 to 1.4 per cent, a total of 3.2 to 5.5 million jobs either preserved or created. In the case of the G20 countries, the ILO has predicted a slightly larger employment impact: from 7 to 11 million jobs created or saved in 2009. This is equivalent to between 29 and 43 per cent of total unemployment in G20 countries. In other words, the fiscal stimulus

¹ See, in particular, *Decent Work: Some strategic challenges ahead*, Report of the Director-General, ILC, 97th Session, Geneva, 2008.

measures and efforts to maintain the global flow of capital have made a difference; without them unemployment would have been much higher in these countries.²

61. Fiscal policy responses, while helpful and essential, cannot fully mitigate the fall in output, let alone employment and labour market outcomes. This is partly because the reduction in private investment and consumer demand is much larger than fiscal stimulus. Sustainable recovery can therefore only be obtained when consumer demand and private investment recover in a sustainable way. There are also obvious limits to public indebtedness.

62. Governments have also responded with a wide range of employment and social protection policies supported by social dialogue initiatives. At the request of the G20, the ILO carried out a survey on new measures taken to counter the crisis between mid-2008 and mid-2009.³ The survey included 54 countries, including all G20 and OECD countries, across 32 policy measures. Table 2.1 presents the frequency of measures declared by the countries in the sample.

Table 2.1. Frequency of measures taken to counter the crisis among the sample countries between mid-2008 and 30 July 2009

1. Stimulating labour demand	(in %)	2. Supporting jobseekers, jobs and unemployed	(in %)
Additional fiscal spending on infrastructure	87.0	Additional training measures	63.0
– with employment criteria	33.3	Increased capacity of public employment services	46.3
– with green criteria	29.6	New measures for migrant workers	27.8
Public employment	24.1	Working time reductions	27.8
New or expanded targeted employment programmes	51.9	Partial unemployment with training and part-time work	27.8
Access to credit for SMEs	74.1	Wage reductions	14.8
Access to public tenders for SMEs	9.3	Extension of unemployment benefits	31.5
Subsidies and tax reductions for SMEs	77.8	Additional social assistance and protection measures	33.3
3. Expanding social security and food security		4. Social dialogue and rights at work	
Social security tax reductions	29.6	Consultations on crisis responses	59.3
Additional cash transfers	53.7	Agreements at national level	35.2
Increased access to health benefits	37.0	Agreements at sectoral levels	11.1
Changes in old-age pensions	44.4	Additional measures to fight labour trafficking	3.7
Changes to minimum wages	33.3	Additional measures to fight child labour	3.7
New protection measures for migrant workers	14.8	Changes in labour legislation	22.2
Introduction of food subsidies	16.7	Increased capacity of labour administration/inspection	13.0
New support for agriculture	22.2		

Source: ILO survey, 2009.

² ILO: *Protecting people, promoting jobs: A survey of country employment and social protection policy responses to the global economic crisis*, ILO report to the G20 Leaders' Summit, Pittsburgh, 24–25 September 2009 (Geneva, 2009).

³ *ibid.*

63. Investment in infrastructure is the most widely used response measure. Almost 90 per cent of the 54 countries surveyed by the ILO reported using infrastructure investment as a policy response, one third of them with explicit employment creation criteria. This measure has potentially the largest multiplier effect of all others and it lays the foundation for future growth. Of course, quick implementation is crucial for it to make a difference when it matters most.

64. Financial support to enterprises, through access to credit, subsidies and tax reductions, is the second most important category of measures, used by three out of every four countries in the survey. Measures range from debt restructuring, bank recapitalization and public guarantee schemes, to aggressive credit expansion by public banks – all of these usually targeting small and medium-sized enterprises (SMEs).

65. These two sets of measures are very much focused on expanding aggregate demand and, consequently, the demand for labour. This is not the standard supply-side tool kit, defined as passive and active labour market policies (ALMPs) through training and activation, but a much broader package with a strong emphasis on the demand-side. This is appropriate and reflects the recognition by governments that the main issue in the current recession is the lack of demand.

66. The next three most frequent measures were training programmes, consultations with employers' and workers' organizations, and social protection through cash transfers.

67. There are important differences in the pattern of responses among countries. (table 2.2):

- lower and middle-income countries have, on average, taken more measures to expand social protection than to support labour market policies;
- conversely, the policy mix used by high-income countries is more concentrated on stimulating labour demand by means of fiscal stimulus and labour market policies;
- low-income countries have taken fewer policy initiatives than middle- and higher income countries, which points to resource and capacity constraints, among other factors.

Table 2.2. Average number of measures by category and country income group

Country sample by income group	Stimulating labour demand	Supporting jobs, jobseekers and unemployed	Expanding social protection and food security	Social dialogue and rights at work	Total
Low-income (10)	2.9	1.2	2.3	0.8	7.2
Lower-middle- income (10)	3.8	2.3	3.2	1.4	10.7
Upper-middle- income (17)	3.9	2.9	2.5	1.6	10.9
High- income (17)	4.4	3.7	2.3	1.8	12.2
Average	3.8	2.5	2.6	1.4	10.3

Source: ILO survey, 2009.

68. Many countries, especially in Asia and Latin America, have learned from previous financial crises and been relatively better prepared to react to the shock. Those countries that achieved sounder fiscal stances, lower inflation, lower external indebtedness, higher reserves and wider social protection coverage, have proven more resilient and better prepared to take rapid action.

69. Another important point is that many countries have reoriented and expanded existing programmes, relying on established institutional and technical capacity. This also means that those countries with more developed institutions have been better able to respond and expand programmes.

The ILO policy response to the crisis at the national level

70. As the previous section suggests, measures taken by the constituents in response to the crisis have been quite vigorous. The Office provided considerable support to the constituents at various levels: at the country level in response to specific requests;⁴ in regional policy advisory and capacity-building activities; and globally, engaging with the United Nations and other multilateral institutions, as well as the G20.⁵ There was also a series of dialogues in the ILO Governing Body supported by Office research documents and inputs.⁶ Building on all these different activities and discussions, the document *Recovering from the crisis: A Global Jobs Pact* was adopted by the ILC in June 2009.

71. Governments, workers' and employers' organizations have undertaken to work together to contribute to the success of the Global Jobs Pact, and the Office has committed to assist constituents requesting support to put it into effect. In addition to public policy responses by governments, as summarized in table 2.1, employers' and workers' organizations have started to engage in social dialogue with governments in response to the crisis. Soon after its adoption in June 2009, the International Organisation of Employers (IOE) published an *Employers' guide to the Global Jobs Pact*. Similarly, in August 2009 the International Trade Union Confederation (ITUC) issued a circular to all affiliated organizations and Global Union Federations (GUFs), as well as the Trade Union Advisory Committee of the OECD (TUAC), providing guidance on how to use and advocate the various aspects of the Pact.

72. As for the Office, a report on the Office strategy to give effect to the Global Jobs Pact was presented to the Governing Body in November, 2009.⁷ On 6 November 2009 the Director-General announced "Special Office arrangements to support ILO constituents to give effect to the Global Jobs Pact." These arrangements put in place a clear set of temporary coordination and managerial mechanisms to increase the Office's capacity to help constituents implement the Pact. These assignments range from research to resource mobilization, to improved mobilization of policy advice and technical cooperation to member States that want to use the Pact in an integrated way, to overall coordination, including on the deliverables for the G20 process.

⁴ For example, rapid assessments were conducted in Bangladesh, Cambodia, China, India, Indonesia, Pakistan, Philippines and Viet Nam. Also available at: www.ilo.org/asia/whatwedo/events/lang--en/WCMS_101739/index.htm.

⁵ See description in Chapter 1.

⁶ For instance, ILO: *The financial and economic crisis: A Decent Work response*, Governing Body, 304th Session, Geneva, Mar. 2009, GB.304/ESP/2. This paper was later published as ILS/ILO: *The financial and economic crisis: A decent work response* (Geneva, 2009); ILO: *Global employment trends, January 2009* (Geneva, 2009), with scenarios for the rise in unemployment and impact of the crisis on the working poor and vulnerable employment; ILO: *Global employment trends for women, March 2009* (Geneva, 2009); and ILO: *Global employment trends update, May 2009* (Geneva, 2009), updating the January edition to take account of downward-revised economic growth projections and newly released national labour market data.

⁷ ILO: *Follow-up to the Conference debate and decisions on the economic and employment crisis: Strategy to give effect to the Global Jobs Pact*, Governing Body, 306th Session, Nov. 2009, GB.306/3/1.

The economic outlook by early 2010

73. Despite signs in the course of 2009 that the world economy had stabilized and begun to recover, the ILO has been consistently stressing that:

- the outlook remains fragile;
- a return to previous levels of unemployment will take a long time – a central message in the Global Jobs Pact, and one that it hopes to address;
- fiscal stimulus measures should not be withdrawn prematurely; and
- during the recovery phase, efforts should be stepped up to ensure a better design of fiscal stimulus measures so that enough of the expenditure effort goes to effective employment and social protection policies.

74. A major reason to believe that the recovery will not be quick but slow and protracted is that the business and household sectors in the United States and other major developed economies are highly indebted and have lost wealth on a massive scale. It will take time to rebuild the balance sheets of banks and to repair those of households in countries where consumers have been most overstretched and the housing bubble the most dramatic.⁸ Indeed, the experience of Japan in the 1990s shows that this can take a long time.⁹ By late 2009 there was still no sign of self-sustaining economic recovery. Whatever growth was observed was almost exclusively driven by government stimulus measures, and this is a major reason why governments should stay the course in their efforts to boost aggregate demand.

75. While many countries have put in place vigorous crisis response measures, an increased awareness and use of the Global Jobs Pact would help to promote recovery and shape post-crisis policies, which are more integrated and better balanced than those preceding the crisis.

76. If one objective of the Pact stands out among all others, it is the goal to reduce the time lag in labour market recovery. The ILO offers its assistance to member States and social partners who want to implement the Pact. Member States in turn need to give consideration to the relevance of the Global Jobs Pact in their own national settings.¹⁰

Longer term growth and employment trends

77. Between 2000 and 2007, world GDP grew at a rate of 4.4 per cent per annum, considerably surpassing a global growth rate of 3.1 per cent per annum between 1990 and 2000. The high growth preceding the crisis of 2008 was driven largely by an unsustainable consumption-led boom in the United States, and by a historically unprecedented growth in emerging and developing economies – nearly 7 per cent average annual rate between 2002 and 2007. Global growth patterns were discussed in terms such as “decoupling”, a more multipolar source of global growth not necessarily reliant on the developed countries.

⁸ The IMF's *World Economic Outlook* has been reporting on this since 2008.

⁹ R. Koo: *The Holy Grail of macroeconomics: Lessons from Japan's great recession* (Chichester, John Wiley and Sons, 2009).

¹⁰ ILO: *The Global Jobs Pact: Policy coherence and international coordination*, Governing Body, 306th Session, Geneva, Nov. 2009, GB.306/WP/SDG/1.

78. This period of economic expansion was accompanied by employment growth across most regions. Between the early 1990s and 2007, world employment grew by around 30 per cent.

79. As recent events have so starkly demonstrated, however, persistent global imbalances accumulating over time underlay the rapid growth of the world economy, which was based on maintaining a high level of debt-financed consumption in the United States, supporting the double-digit growth in the low-consumption, high-export countries typified by China; an unsustainable combination that unravelled in spectacular fashion in 2008.

80. In some developing countries, the rapid GDP growth during the pre-crisis period was based on extractives, with low domestic value added, and an exogenously determined surge in their global prices. This was a welcome windfall for some, but proved detrimental to the development of manufactured exports and to the much-needed structural transformation that is at the core of productive and sustainable employment creation – and, indeed, of development.¹¹

81. The regions and countries with savings surpluses invest in countries with savings deficits through net capital flows. The savings-deficit regions of the transition economies and sub-Saharan Africa met their financing needs through international capital market inflows of 8 per cent of GDP and 6 per cent of GDP, respectively, and through foreign direct investment (FDI) of 5 per cent of GDP and 3.4 per cent of GDP, respectively. Private capital flows to developing countries peaked at FDI of US\$1.2 trillion in 2007, (some 8 per cent of developing countries' GDP), and portfolio equity flows of US\$139 billion. The savings-deficit regions and countries will have to boost their domestic savings for more sustainable growth in the future, a principal recommendation of the Global Jobs Pact, and an issue recognized by the G20 Leaders' Meeting in Pittsburgh when they approved the Framework of Strong, Balanced and Sustainable Growth.

82. To sum up, high growth in the 2002–07 period was based on fragile foundations and, globally, was not conducive to productive and sustainable employment creation. Behind the global trends, experience is diverse: some kinds of growth create jobs and reduce poverty more effectively than others. Understanding this is a major focus of current Office research.

Policy challenges

- What explains the apparent weaker link between employment and output growth?
- How can growth be sustained and the employment content of growth increased?
- How can increased employment content of growth not come at the expense of the quality of the jobs created?
- How can savings and deficit patterns be rebalanced in favour of consumption-led growth?
- What does it mean to make employment central to macroeconomic policy? Chapter 3 extends the discussion.

¹¹ On the continued relevance of economic diversification through industrial development, see www.wider.unu.edu/home/news/en_GB/Highlights-january.

The underlying trend is globalization

83. The global financial crisis and economic downturn exemplified, among other things, the extent of rising economic interdependence, captured by the single word: globalization. Indeed, with the possible exception of demographic trends,¹² all other trends discussed in this chapter are profoundly influenced by economic interdependence and the greater competition that comes with it. Trade, for example, as discussed in Chapter 6, affects the level and quality of employment in both positive and negative ways.¹³ And as a recent joint study between the ILO and WTO demonstrates, trade also affects the informal economy, undermining the assumption that globalization and informality are two separate worlds.¹⁴ Increased competitive pressure is often cited as a factor in the rise of precarious employment.

84. The phenomenon and process of globalization thus constitute by far the major underlying trend posing the most challenges of any outlined in this chapter. Indeed, this entire report is a consequence of this observation, as its origins lie in the constituents' endorsement of the Declaration on Social Justice for a Fair Globalization in 2008. Policy challenges must first and foremost be addressed at the national level;¹⁵ but with globalization, all these challenges assume an explicit supranational dimension. The World Commission on the Social Dimension of Globalization laid emphasis on the fact that, whatever the benefits of globalization, its path was unsustainable as too many were excluded from the benefits of interdependence – prescient words in view of what occurred in 2008.

Demographic and labour force trends

85. From 1998 to 2008, the world's population grew at an average annual rate of 1.3 per cent, from approximately 6 billion people to 6.8 billion. This global population growth rate is expected to remain relatively unchanged – an average annual rate of 1.2 per cent up to 2015. The highest average annual population growth rates during the same 1998–2008 period were registered in sub-Saharan Africa (2.5 per cent), the Middle East (2.2 per cent), North Africa (1.7 per cent) and South Asia (1.7 per cent). In the developed economies and the European Union (EU), the population grew at an average annual rate of 0.7 per cent in the same ten-year period. Population growth rates are expected to be slightly lower in all regions between 2009 and 2015, except in Central and South-Eastern Europe (non-EU) and the Commonwealth of Independent States (CIS), where population growth is projected to increase (from an average of 0.1 per cent annually between 1998 and 2008, to 0.3 per cent over the next six years). Sub-Saharan Africa will continue to have the fastest population growth, at 2.4 per cent, while population growth will remain lowest in the developed economies and the EU, at 0.5 per cent.

86. The ageing population is a particular concern for developed economies, as well as countries such as China, where the ever-higher costs of health and social services are borne by a shrinking working-age population. Although the dependency ratio (the ratio

¹² An argument can be made to the contrary, however: consider, for example, the cross-border spread of HIV/AIDS, or the sharp increase in mortality that occasioned the collapse of the Soviet Union, itself not unrelated to globalization.

¹³ WTO–ILO: *Trade and employment: Challenges for policy research* (Geneva, 2007).

¹⁴ WTO–ILO: *Globalization and informal jobs in developing countries* (Geneva, 2009).

¹⁵ ILO: *A fair globalization: Creating opportunities for all*, World Commission on the Social Dimension of Globalization (Geneva, 2004).

of children and elderly relative to working-age population) decreased by 6.5 percentage points at global level from 1998 to 2008, it increased in the developed economies, a consequence of the increasing numbers of older people outside the workforce. Table 2.3 shows the increasing preponderance of longevity and low birth rates in developed countries from 1998 to 2008, and forecasts dependency rates up to 2015. The elderly dependency ratio is expected to rise in all regions between 2009 and 2015, but by far the largest increase is expected to occur in the developed economies.

87. Demographic trends, labour force participation, and social security are intertwined. As noted in a recent ILO report: “in the absence of transfer incomes, many children have to start working at an early age – and older workers have to continue working late in life – even if that is detrimental to the health of both these categories of the population and their productivity is low. Hence, extending social security to provide at least basic coverage to all is a key policy challenge. Calculations show that even poorer developing countries can afford some social security schemes with broad coverage.”¹⁶

Table 2.3. Changes in dependency ratios, by region

	Period	Change and projected change in dependency ratio (percentage points)		
		Overall	Children (0–14)	Elderly (65+)
World	1998–2008	–6.5	–7.7	1.1
	2009–15	–1.2	–2.6	1.4
Developed economies and EU	1998–2008	1.4	–2.5	3.9
	2009–15	4.7	–0.1	4.9
Central and South-Eastern Europe (non-EU) and CIS	1998–2008	–7.9	–8.8	0.9
	2009–15	0.6	0.0	0.6
East Asia	1998–2008	–8.8	–11.0	2.2
	2009–15	0.5	–2.2	2.7
South-East Asia and the Pacific	1998–2008	–9.0	–10.3	1.3
	2009–15	–3.5	–4.6	1.1
South Asia	1998–2008	–9.6	–10.3	0.7
	2009–15	–5.5	–6.3	0.8
Latin America and the Caribbean	1998–2008	–7.3	–9.0	1.7
	2009–15	–3.8	–5.7	1.9
Middle East	1998–2008	–18.0	–17.7	–0.3
	2009–15	–3.3	–3.4	0.1
North Africa	1998–2008	–14.2	–14.5	0.3
	2009–15	–2.7	–3.6	0.9
Sub-Saharan Africa	1998–2008	–4.7	–4.9	0.2
	2009–15	–3.9	–4.1	0.2

Source: ILO calculations, based on data from the United Nations Population Division: *2008 Revision Population Database*.

¹⁶ ILO: *Employment and social protection in the new demographic context* (Geneva, 2009), p. 119.

Labour force trends and projections to 2015

88. The global workforce grew at an average annual rate of 1.7 per cent between 1998 and 2008. The workforces in different countries have been going through various kinds of major transformations depending on the country. For example, the composition of the labour force has been shifting to include a larger share of women, a smaller share of youth and, in countries where population is ageing, a much larger share of older workers.

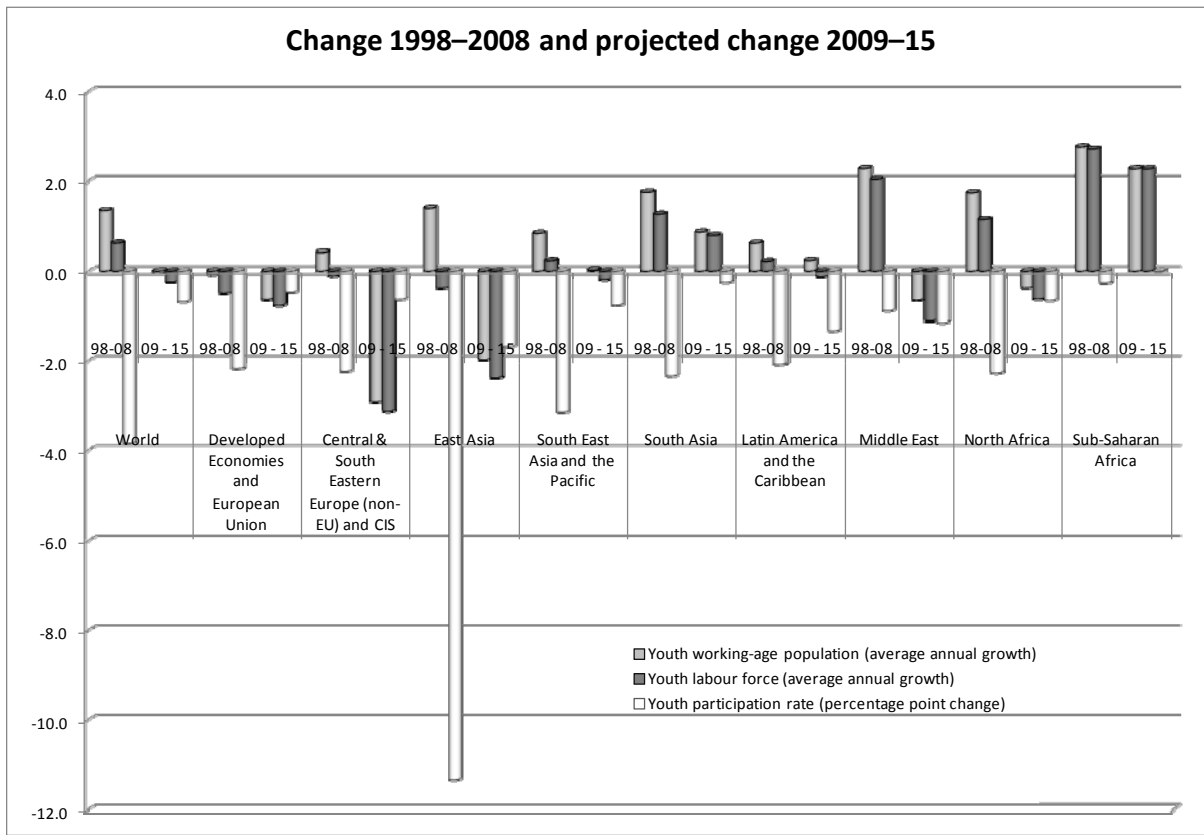
Female labour force

89. The global female labour force increased at an average annual rate of 1.9 per cent from 1998 to 2008, compared to 1.6 per cent for males in the same period. The change was most significant in the Middle East and North Africa, where female labour force participation rates had always been low. The consequence of these trends is a narrowing of the gap between female and male labour force participation rates. The most significant increases in female labour force participation occurred in Latin America and the Caribbean, followed by North Africa and the Middle East. Nonetheless, female labour force participation rates remain the lowest in the regions where they made the greatest gains, e.g. the Middle East and North Africa, but also South Asia. Looking to 2015, the gap between female and male participation rates is expected to narrow in all regions, except in Central and South-Eastern Europe and the CIS and East Asia regions. These are encouraging figures but they give no indication of the quality of jobs gained for women.

Young people in the labour force

90. The variance in youth employment trends is driven by demographics and is substantial across regions, as shown in figure 2.1. The global youth labour force increased by an annual average of 0.7 per cent between 1998 and 2008. In developed countries, there was a drop in numbers, which may be attributed to the declining youth population. In Central and South-Eastern Europe (non-EU), the CIS and East Asia, the decline in youth labour force participation is largely due to a higher participation in education – i.e. a welcome, not an alarming trend. In East Asia, at 58.3 per cent, youth labour force participation remains the highest regional rate.

Figure 2.1. Youth working age population, labour force and participation rates



Source: ILO: *Trends Econometric Models*, 2009.

Older people in the labour force

91. Regarding older age groups, in the more developed regions – despite recent and future projected increases – male participation rates have decreased in the last two decades, particularly in the 55–64 age group. In the case of older women, participation rates have remained more or less the same or have slightly increased, but they remain low. In some countries, this reflects the fact that a number of workers who can afford to do so have chosen to withdraw from the labour force prior to the statutory retirement age as financial incentives have made leisure increasingly attractive compared to work. Developing countries, however, present the highest levels of older population labour force participation. In these countries, large numbers of older people work in the informal economy due to the lack or low level of old-age benefits. The scarcity of data – and, in particular, data disaggregated by age – is one of the major challenges of analysis of the labour market situation of older workers in these countries. Africa is the region with the highest labour force participation of older workers. Despite some decline recently, participation rates are high and are expected to remain so.¹⁷

¹⁷ *ibid.*

Policy challenges

- ❑ How should the problem of labour surplus in many developing countries be addressed? Chapter 7 discusses informality and underemployment.
- ❑ How can concerns about an ageing workforce, and its implications for labour shortages, economic growth, and skill obsolescence, be handled? Chapter 5 addresses some of the issues.
- ❑ What are the implications of differing demographic trends on the sustainability of social security and health-care systems?
- ❑ And in the absence of such systems, how does demographic change affect labour force behaviour and household coping strategies?

Structural transformation

92. An unprecedented, but largely unheralded milestone occurred in 2003. In that year, for the first time in history, the global share of employment in the tertiary sector surpassed that of agriculture and related economic activities in the primary sector. Patterns of sectoral activity, moreover, appear to have diverged from Arthur Lewis's path-breaking theory on structural transformation and development, according to which, as an economy develops, its structure evolves out of agriculture, into industry, and ultimately into services.¹⁸

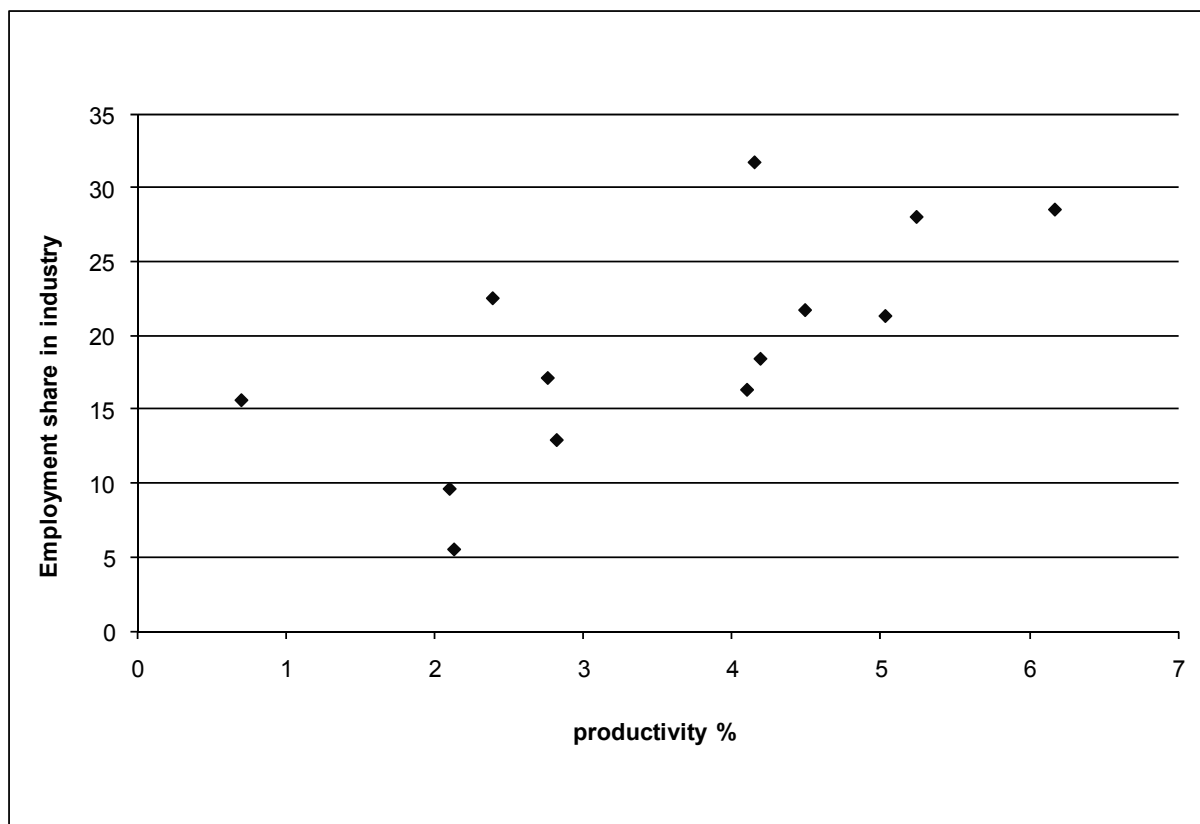
93. Evidence does support the theory to the extent that there is a clear correlation between national income and the share of the service sector in the economy.¹⁹ Equally apparent, however, is that this correlation is highly imperfect. In fact, there is a bifurcation in economic structures with many relatively poorer countries manifesting a growth of services.

94. There are certainly examples in the world of the robust growth of manufacturing, and consequently productivity, with East Asia being the most prominent. Figure 2.2 shows how industrial employment correlates with a higher level of productivity growth, and consequently underscores the fact that structural transformation through industry is a powerful vehicle for raising standards of living. But in many other developing countries, the growth of manufacturing has been rather stagnant, or has even declined.

¹⁸ W.A. Lewis: *Economic development with unlimited supplies of labour* (Manchester School, 1954), pp. 139–191.

¹⁹ ILO: *World Employment Report 2004–05. Employment, productivity and poverty reduction* (Geneva, 2005) Chapter 2.

Figure 2.2. Annual growth of productivity in Asia (1970–98) versus industrial share of employment in 1998



Source: Calculated from ILO: *Key Indicators of the Labour Market*, fifth edition, 2007.

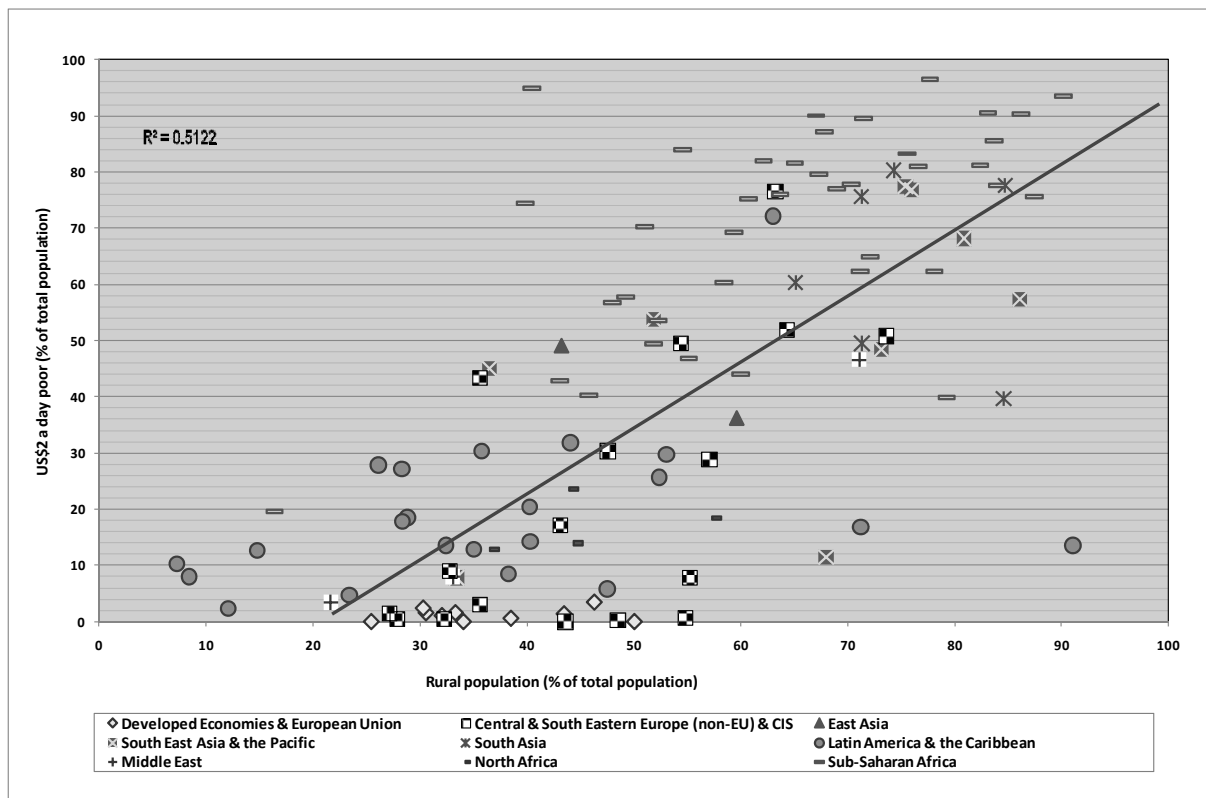
95. The ILO has long studied structural transformation in developing countries.²⁰ For example, a declining share of employment and GDP in agriculture is usually associated with an increase in productivity. Yet, in a sample of 100 countries, the ILO found that 20 of these countries, in which employment *and* productivity had both grown in agriculture, experienced the highest rate of poverty reduction.²¹

96. Structural transformation is strongly related to population movements. In particular, the “de-population” of the agriculture sector involves rural to urban migration. This is, in turn, associated with higher standards of living. Figure 2.3 shows the relationship between geography and the share of the population living on US\$2 per day. Nonetheless, it cannot be assumed that the growth of the service sector in poor countries increases incomes for the poor; this might merely mean a transference of rural to urban poverty, as implied in figure 2.2. This presents a research challenge for the Office.

²⁰ See, for example, A. Ghose, N. Majid and C. Ernst: *The global employment challenge* (Geneva, ILO, 2008); ILO: *World Employment Report 2004–05*, *ibid.*, or various editions of the ILO’s *Key Indicators of the Labour Market* for data on the pace of structural transformation.

²¹ ILO: *World Employment Report 2004–05*, *ibid.*, Chapter 4.

Figure 2.3. The “Geography of poverty”



Source: World Bank, PovcalNet Online Database, 2010; UN, World Population Prospects 2008 Revision Database.

Policy challenges

- ❑ The heterogeneity of the service sector is far greater than in the primary and secondary sectors. How can the policy responses to such heterogeneity be addressed?
- ❑ What are the strategies needed for preventing the transference of rural to urban poverty? Chapter 3 entertains some of the issues involved.
- ❑ What is holding back “structural transformation” in some regions?
- ❑ Why has the growth of industry remained sluggish or stagnant in many developing regions?

International labour migration

97. There has been a very limited liberalization of movement of labour across borders under recent globalization trends. The total number of international migrants has grown steadily to reach 214 million in 2010, but their share in world population has remained about 3 per cent or lower in the last five decades. However, the migrant shares in population vary widely among regions. In 2010, Europe is expected to host 70 million international migrants, representing 9.6 per cent of its population. Asia will host 61 million; North America 50 million; Africa 19 million; Latin America and the Caribbean 7 million; and Oceania 6 million – accounting for 1.5 per cent, 14.2 per cent,

1.8 per cent, 1.2 per cent, and 16.7 per cent of their populations, respectively.²² The ILO estimates that 50 per cent of international migrants are economically active or migrant workers.²³ The shares of migrants in the labour force are even higher than their population shares. There has been a feminization of migrant labour, and women constitute half or more of migrant workers in Asia and Latin America, mostly working in low-end jobs under poor working conditions, which are typically shunned by the nationals of richer receiving countries.²⁴

98. Unemployment, underemployment and poverty push workers to seek employment across borders. They meet the demand for labour in countries with opportunities for employment because of ageing, small population bases and labour shortages in some sectors and occupations. Low-skilled and highly skilled workers contribute to economic activity and growth in countries of destination. But the migration of the latter raises issues of brain drain, although migrant workers may gain skills and social capital that could be useful in their countries of origin upon their return. Remittances are the most tangible benefit of international labour migration. For many countries, they are the most important source of foreign financing, well above FDI and official development assistance (ODA). The contribution of remittances to GDP may, for instance, exceed 20, 30 and even 40 per cent.²⁵

99. The differences in economic performance between countries and regions of destination have resulted in regional differences in the impact of the crisis on migrant workers – which has also varied according to the sector of activity. In some sectors with a high concentration of migrant workers, such as construction and manufacturing, the impact has been severe. Other sectors with a high concentration of migrant workers, such as health and education, have not been so disrupted by the crisis.

100. Labour migration contributes towards meeting the demand for labour – and, thereby, to growth – in countries of destination. The EU has underscored this by including migration in the 2000 Lisbon Strategy for employment, growth and competitiveness. In countries of origin, migration reduces labour market pressures, generates remittances and helps skills acquisition.

Policy challenges

- ❑ How can policy ensure the protection of migrant workers and their conditions of work?
- ❑ How can the benefits of migration – the benefits to receiving countries, the benefits to sending countries through remittances, the “re-import” of skills, and the possibility of commercial contracts – be maximized?
- ❑ How can the costs of migration, for instance the “brain drain”, be best managed?

²² The numbers of international migrants and their population shares are based on: United Nations Population Division: *Trends in international migrant stock: The 2008 revision* (UN database, POP/DB/MIG/Stock/Rev.2008).

²³ ILO: *A fair deal for migrant workers in a global economy* (Geneva, 2004).

²⁴ UNIFEM web site: www.unifem.org/gender_issues/women_poverty_economics/women_migrant_workers.php.

²⁵ See World Bank staff estimates cited in: A. Ibrahim: *The global economic crisis and migrant workers: Impact and response* (Geneva, ILO, 2009) (second edition), p. 7.

Unemployment

101. In developing countries, unemployment has long been considered a rather poor indicator of labour market distress. It has been assumed that unemployment in developing countries would usually be low in the absence of social protection, simply because people could not afford not to work, even at low levels of productivity and remuneration. This view is partially borne out by the observation that unemployment in developing countries is often among educated young people, whose families have a higher income and can afford to support them while they look for a job. However, unemployment rates in developing countries are higher than might be expected; over 75 per cent of developing countries (for which data exist) showed unemployment rates of 5–10 per cent and above over the period 1998–2007.²⁶

102. Societies should care about unemployment for many reasons, not economic ones alone. A review of the ample literature on the non-economic costs of unemployment show that the major reasons are as follows:²⁷

- During a long period of unemployment, workers can lose their skills, causing a loss of human capital.
- Unemployment increases susceptibility to malnutrition, illness, mental stress, and loss of self-esteem, leading to depression. Moreover, there is evidence that the psychological imprint of joblessness persists and increases the probability of poor physical health in later life.
- The long-term unemployed are at a particular disadvantage trying to find work. The effects of unemployment appear to depend a great deal on how long the person has been unemployed. People's morale sinks as the duration of unemployment rises. Long-term unemployment is especially harmful.
- Unemployment when a person is young, especially of long duration, causes permanent scars rather than temporary blemishes. For the young a spell of unemployment does not end with that spell; it raises the probability of being unemployed in later years and has a wage penalty. These effects are much greater than for older people.
- As unemployment rates increase, social problems and crime rates tend to rise.

103. These economic and non-economic arguments are amplified in developing countries where underemployment and associated poverty have their own economic, social and mental and physical health costs. Inadequate nutrition and unsanitary living conditions make the poor susceptible to a wide range of diseases and increased mortality. The lack of access to health care and limited education opportunities further contribute to the health risks of poverty. In 2007, the *Journal of the American Medical Association* devoted an entire issue to a comprehensive literature review on poverty and health worldwide.²⁸ The World Health Organization's (WHO) Commission on the Social Determinants of Health provided an equally extensive review of the issue after two years

²⁶ ILO: *Key Indicators of the Labour Market (KILM)*, Vol. 5 (Geneva, 2009).

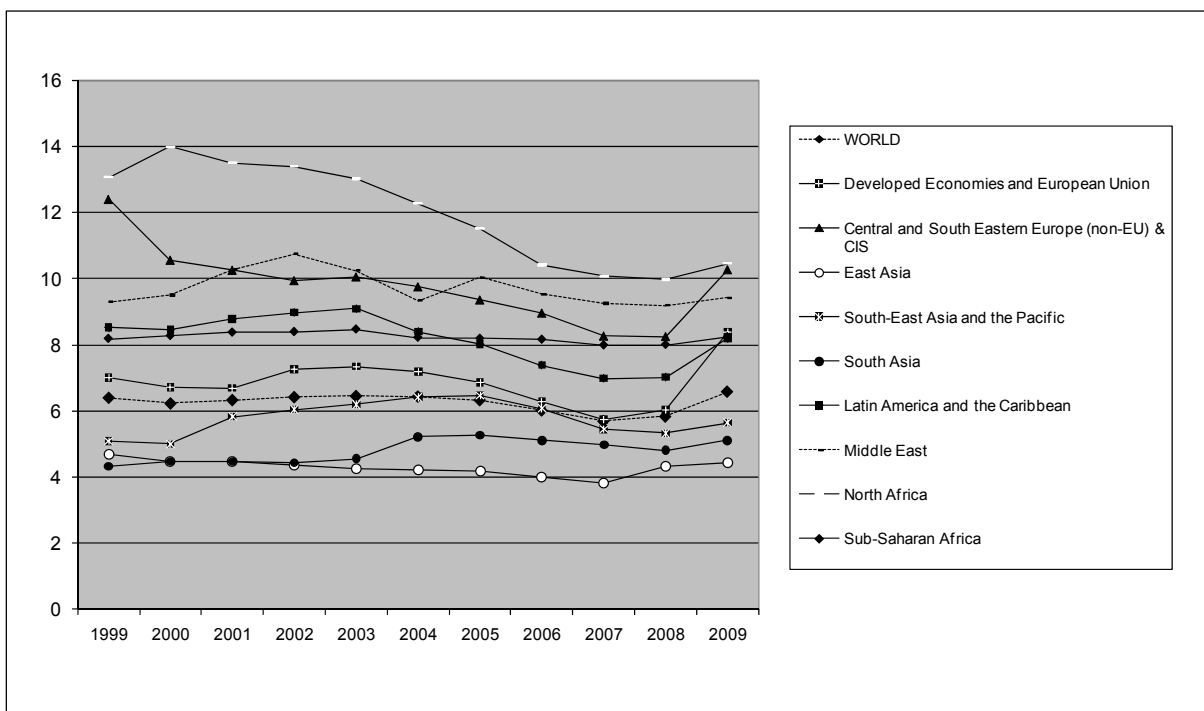
²⁷ D. Bell and D. Blanchflower: *What should be done about rising unemployment in the UK?*, Scotecon Working Paper available at www.dartmouth.edu/~blnchflr/papers/speech379paper.pdf.

²⁸ "Poverty and Health", in *Journal of the American Medical Association*, Vol. 298, No. 16, Oct. 24/31, 2007, available at <http://jama.ama-assn.org/cgi/content/full/298/16/1968>.

of work on the matter.²⁹ The health concerns of the poor have also been poignantly captured by the poor themselves.³⁰

104. Figure 2.4 shows the trend in regional unemployment rates. The trend was downward in the early years of the 2000s, but interrupted by the economic downturn of 2008. Female unemployment (not shown) tends to exceed male unemployment – both globally and regionally. Indeed, in the majority of countries with available data, unemployment rates were higher for females than males (113 countries out of 152).³¹ It is also worth noting that youth unemployment is two to three times higher than that of adult unemployment and increases more rapidly than adult unemployment in economic downturns.

Figure 2.4. The trend in unemployment by region



Source: ILO: *Global Employment Trends*, 2010.

²⁹ WHO Commission on the Social Determinants of Health – Final Report, at www.who.int/entity/social_determinants/final_report/en/.

³⁰ D. Narayan: *Voices of the poor: Can anyone hear us?* (Washington, Oxford University Press for the World Bank, 2000).

³¹ ILO: *Women in labour markets: Measuring progress and identifying challenges* (Geneva, 2010).

Policy challenges

- ❑ Just what constitutes a strategy for demand-led growth for inclusive and job-rich growth in an interdependent world economy? Related issues are highlighted in Chapter 3.
- ❑ What are the ways in which a focus on the growing role of consumption in aggregate demand could be addressed?
- ❑ What more could constituents be doing to advance the objective of full, productive, and freely chosen employment?
- ❑ In addition to exploring growth and demand criteria, how do we account for deficiencies on the supply side of the market, e.g. skills or even geographical mismatch? Chapter 5 addresses some of the issues.

The vulnerable and the working poor in developing countries

105. A broad indicator of job quality is status in employment. The ILO has introduced four indicators of this into the UN's monitoring process of progress towards achieving the target of productive and decent work in the MDGs. Two of these are vulnerability and the working poor; they are indicators of labour market slack in developing countries and are reported on in *Global Employment Trends*. Those in vulnerable employment are the sum of own-account workers and contributing family members.³² Such workers are less likely to be in a formal work arrangement, and therefore unlikely to enjoy working conditions associated with decent work (adequate social security, recourse to effective social dialogue). Vulnerable employment is often characterized by inadequate earnings, low productivity, and difficult conditions of work that undermine fundamental labour rights – and it has most probably increased as a result of the crisis (see figure 2.5). The scale of vulnerable employment is far larger than that of unemployment. There are, for example, 14 times more vulnerable workers in South Asia and East Asia than unemployed workers.

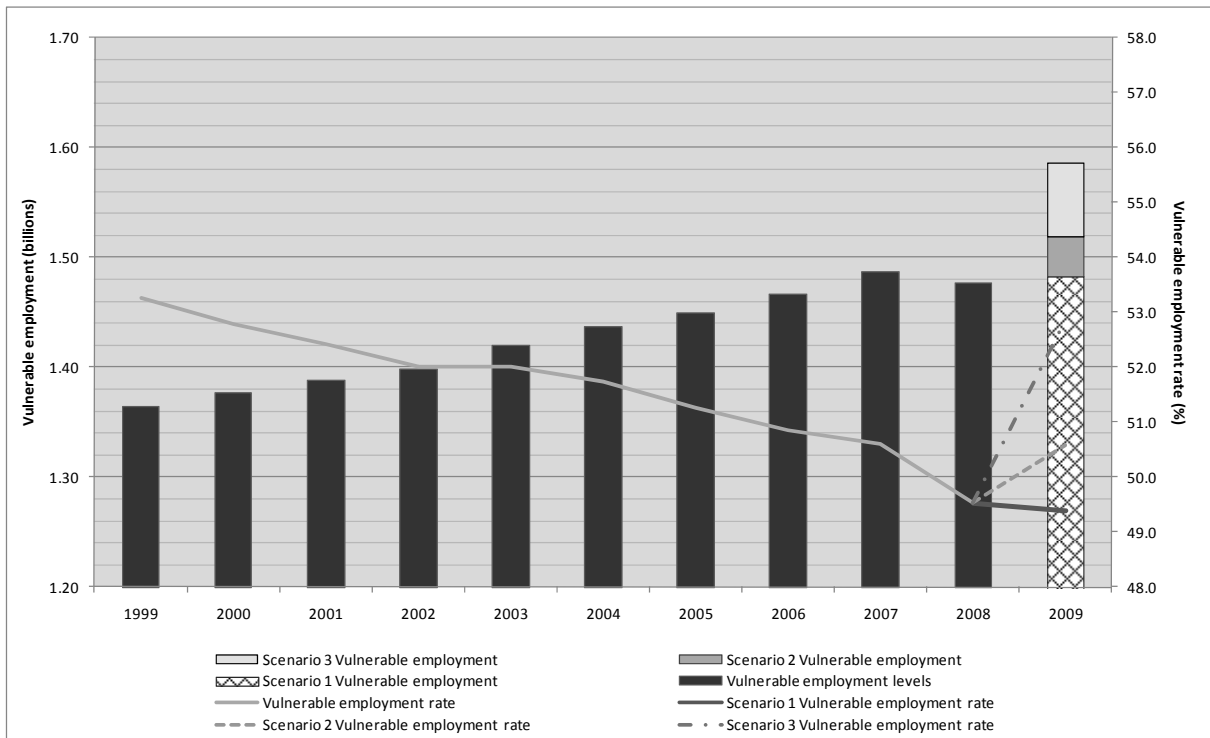
106. It is worth noting that the share of vulnerable workers in total employment had been following a long-term downward trend, despite an increase in the absolute number of vulnerable workers. In 2007, before the current crisis, 50.4 per cent of the world's workers, or 1.5 billion working women and men, were in vulnerable employment.

107. It is estimated that there were still 650 million workers worldwide living with their families in extreme poverty on less than US\$1.25 per person per day in 2009 (figure 2.6). It is therefore alarming that the share of these workers, 22 per cent of all workers in 2007, could be on the rise. The most recent ILO estimates suggest that between 2007 and 2008 up to 3.5 per cent more workers risked slipping below the poverty line, and up to 6.8 per cent of workers were at risk of falling into poverty between 2007 and 2009. In 2007, an estimated 1.2 billion workers – more than 40 per cent of the global workforce – lived with their families on less than US\$2 per person per day.

³² Own-account workers are self-employed workers who do not employ even one other person (*KILM*, 2007).

108. Although the ILO does not collect sex-disaggregated data on the working poor, it does so on vulnerable workers. They show that women represent a higher share of vulnerable workers in every region.

Figure 2.5. Scenarios on the growth in vulnerable employment *

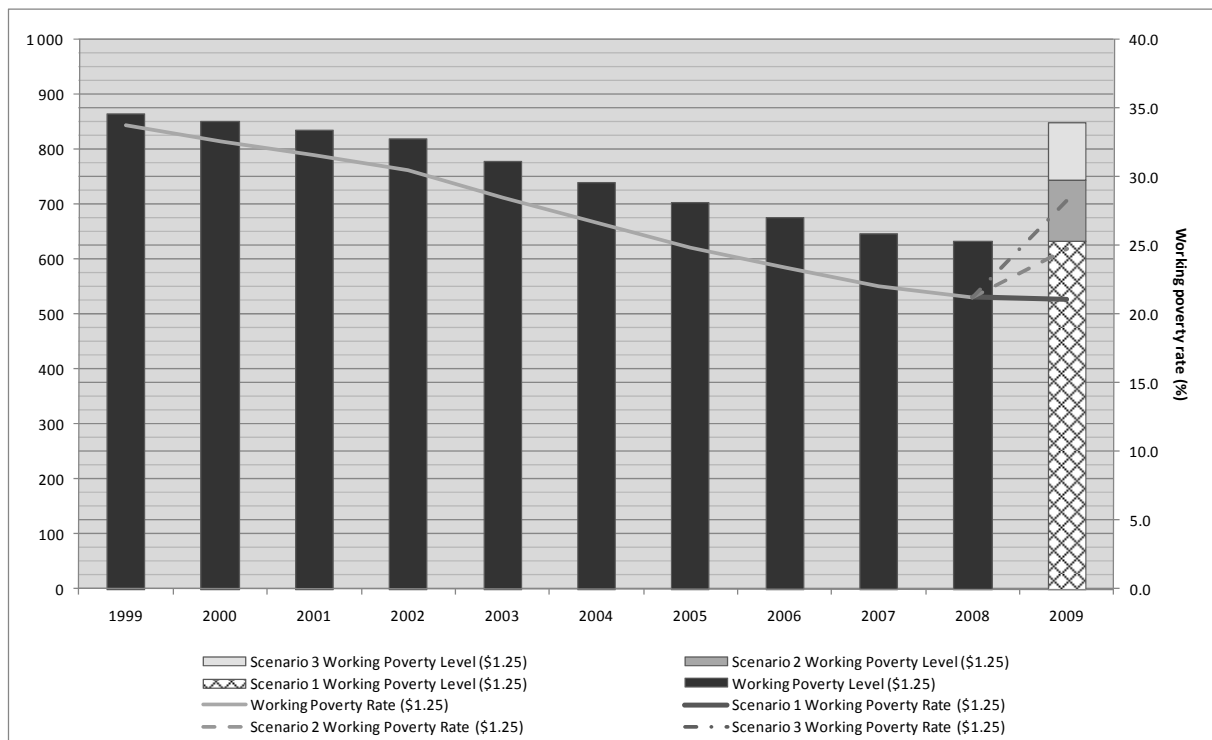


Source: ILO: *Trends Econometric Models*, 2009.

* Scenario 1: Generated using the historical relationship between economic growth and vulnerable employment at the country level between 1991 and 2008, together with the IMF GDP growth projections for 2009.

Scenario 2: Generated on the basis of the relationship between economic growth and vulnerable employment during the worst observed economic downturn in each country, by applying this relationship to the 2009 IMF GDP growth projections.

Scenario 3: Generated by taking the worst observed year-on-year increase in each country's vulnerable employment rate and assumes that this same increase would happen simultaneously in all economies in 2009.

Figure 2.6. Scenarios of trends in working poverty (US\$1.25) *

Source: ILO: *Trends Econometric Models*, 2009.

* Scenario 1: Based on the relationship between poverty rates and per capita GDP figures (using regression analysis at the regional level to identify the average relationship between these variables over the 1980–2006 period) and projects this forward on the basis of new GDP growth projections.

Scenario 2: Projects working poverty on the assumption that individuals living on the fringe of poverty (living only 5 per cent above the poverty line for 2008 and 10 per cent above the poverty line for 2009) will fall into poverty.

Scenario 3: Projects working poverty on the assumption that individuals living only 10 per cent above the poverty line for 2008 and 20 per cent above the poverty line for 2009 will fall into poverty.

Policy challenges

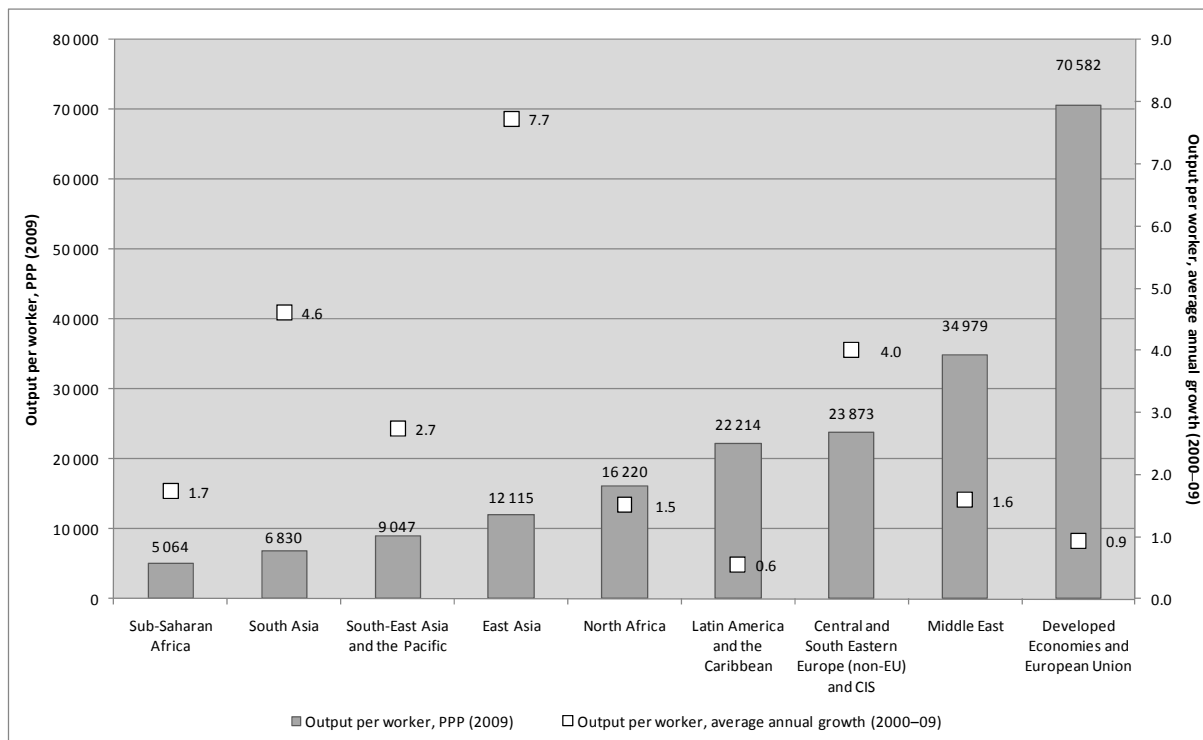
- ❑ Underemployment is persistent. There is a clear overlap with informality, although the two are not synonymous. What strategies are the most effective for tackling underemployment? Chapter 7 addresses some of these issues.
- ❑ What are the relevant demand- and supply-side matters to consider? Chapters 3, 4 and 7 examine issues of significance in this respect.
- ❑ How can growth, at any level, be made more inclusive? What is modern-day thinking and policy on traditional concerns of “distribution”?

Are world standards of living diverging or converging?

109. There is still a large gap between the average level of labour productivity in the developed and developing regions. The level of productivity in the developed economies and the EU is more than 14 times the average in sub-Saharan Africa (figure 2.7). Nevertheless, there is clear evidence of convergence, as productivity growth rates are considerably higher in nearly all of the developing regions than in the developed economies region. The exceptions are Latin America and the Caribbean, and, to a lesser extent, North Africa. East Asia, Central and South-Eastern Europe and South Asia registered the fastest overall growth in productivity over the period, and hence have

witnessed the fastest rate of convergence. It is important to note that the evidence remains mixed. Some authors feel that convergence to developed country standards is evident in most developed regions – the OECD but also East Asia and India – but that these are examples of convergence between countries rather than within countries. They note that “these episodes of successful economic growth and convergence have been counterbalanced by many economies’ loss of their membership in the world’s convergence club”.³³

Figure 2.7. Productivity by region



Source: ILO: *Trends Econometric Models*, 2009.

Policy challenges

- ❑ The trend toward convergence is promising. How can this trend be furthered relative to the aforementioned challenge of rebalancing savings versus deficit countries?
- ❑ But a “trend towards convergence” misses developments at a more disaggregated level. At the subregional level, there are laggards and leaders; how best can the former converge toward the latter?
- ❑ How can it be assured that the growth in productivity translates into the growth of wages and incomes? Over the long run, this has occurred. In the short term, it is not always the case.

³³ S. Dowrick and B. De Long: “Globalization and convergence”, in M. Bordo, A. Taylor and J. Williamson, (eds): *Globalization in historical perspective* (Chicago, University of Chicago Press, 2003), p. 193.

Precarious employment in developed countries ³⁴

110. The concept of “vulnerability” captures conditions in many developing countries. In economically advanced countries, the debate around precarious or atypical forms of employment evolved over the last decade around the development of non-standard forms of employment such as fixed-term and temporary contracts, part-time, on-call work, homeworkers, telecommuting, and even some categories of self-employed workers. Evidence shows an increase of such forms of employment in OECD countries. In Japan, for example, non-regular employment grew from about 20 per cent of the employment force in 1990 to about 33 per cent in 2006. ³⁵ Part-time employment has increased substantially in the EU-15 countries since 1995, reaching 18.6 per cent of total employment in 2008. ³⁶

111. There may be a variety of reasons for the rise in part-time employment. There is a correlation between the income level of the country and the incidence of part-time employment, pointing to a preference for leisure time in richer countries. Figures show that part-time employment is prevalent among women (76 per cent of persons in part-time employment in Europe are women). This may indicate a family choice to combine work with family and care responsibilities, but it may also be involuntary and the result of continuing constraints on women’s labour force participation, such as lack of full-time childcare services. There has been substantial growth of involuntary part-time employment, rising from 1.9 per cent of total employment in 2000 to 4.8 per cent in 2008 in Japan; from 1.8 per cent in 2000 to 2.7 per cent in 2008 in Europe.

112. Temporary employment has also increased in most EU countries as well as in the CIS countries (figure 2.8). The fastest growth was in Poland: more than fivefold during 2000–06. In the Russian Federation, temporary employment as a share of the labour market increased from 2.8 to 7.5 per cent. These data reveal the extent to which temporary employment is sensitive to the economic cycle: figures for 2008 and the first quarter of 2009 show a marked reduction in the share of temporary employment – not indicating that workers in temporary jobs found more permanent ones but that they were among the first to lose their jobs in the downturn.

113. The incidence of temporary employment is particularly high among young people, aged 15–24 years. The rate is 1.5 to three times higher in this age group than that for adults.

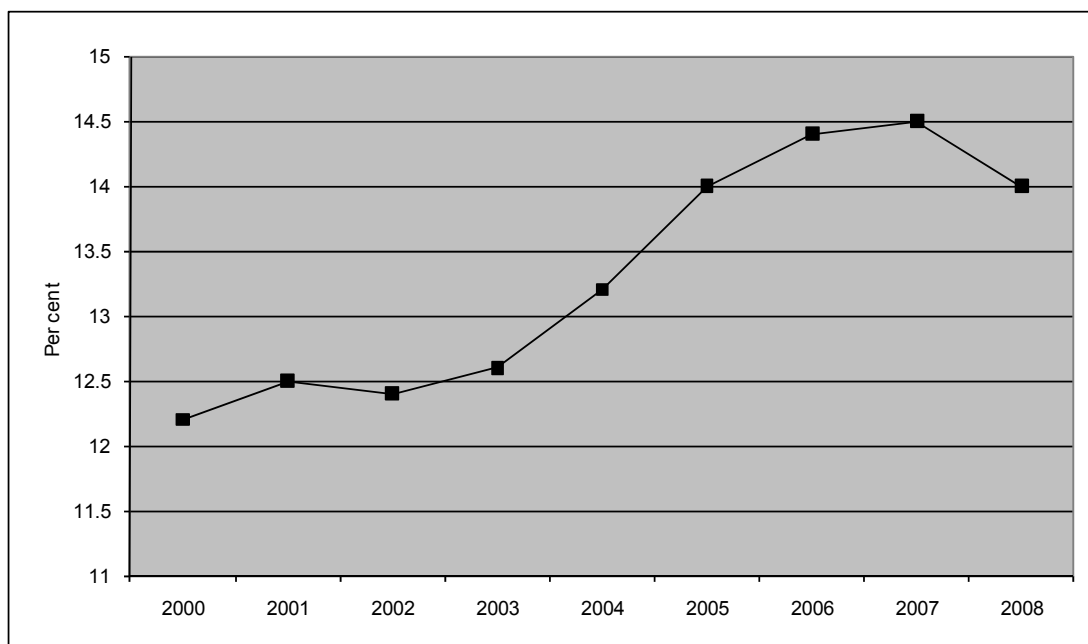
114. In parallel to this flexibilization of the employment relationship, labour market segmentation has deepened. In some European countries, for example, the ratio of workers with long tenure (over ten years) to those with short job tenure (less than one year) has increased significantly, pointing to a dualization of the labour market.

³⁴ The definitions of “precarious” and “atypical” overlap, but are not synonymous. “Precarious” work refers to “atypical” work that is involuntary – the temporary worker without any employment security, the part-time worker without any pro-rated benefits of a full-time job, etc. This report acknowledges that atypical work also meets supply-side demands for accommodating balances between work and life. The focus here is on “involuntary atypicality”.

³⁵ Japan Ministry of Internal Affairs and Communications: *Annual report on the labour force survey*, 2006, Statistics Bureau (Tokyo, 2006).

³⁶ OECD statistics, available at: www.oecd.org/statsportal/0,0052,en_2825_293564_1_1_1_1_1,00.html.

Figure 2.8. Temporary employment as a percentage of total employment, EU-27 countries, 2000–08



Source: Eurostat database.

115. The incidence of temporary and part-time employment declines with higher levels of employment. Eurostat data show that over 40 per cent of temporary workers settle for employment of this nature because they are unable to obtain full-time jobs.

116. There are well-known motives for greater contract flexibility on both the supply and demand sides of labour markets. However, much of the debate has focused on the role of employment protection legislation, more specifically on the gap in regulation of permanent versus temporary contracts.

Policy challenges

- ❑ What is the relationship between labour market regulation and institutions and varieties of labour market segmentation? The discussion of ALMPs in Chapter 3 introduces the issues at stake.
- ❑ Forms of “atypical” work are growing; what is the quantum of voluntary and involuntary labour force participation in these forms of employment, and how can policy address this?
- ❑ How can the disparity in benefits and social protection between different contractual statuses be best addressed?

Trends in global wages

117. Globally, wage employment accounts for about half of total employment and its share is growing almost everywhere for both women and men. Over the pre-crisis period, 2001–07, real average wages in a sample of 83 countries for which data were available grew at a rate of 3.2 per cent per year in real terms.³⁷ The sample of countries in this estimate covers about 70 per cent of the world’s population. Over the same period, per capita GDP grew by 4.6 per cent per year.

³⁷ ILO: *Presentation of the first issue of the global wage trends report*, Governing Body, 303rd Session, Geneva, Nov. 2008, GB.303/ESP/1.

118. These averages in monthly wages reflect the strong performance of a number of developing and transition countries, including a rate above 10 per cent per year in China and in some CIS countries, where strong wage growth was part of the recovery from the severe reductions in wages that took place in the early stage of economic transition at the beginning of the 1990s. But most countries experienced lower wage growth. Average wages grew by less than 2 per cent in half of the countries, including a large number of developed economies.

119. Over the longer period from 1995 to 2007, economic growth has been associated with positive changes in wages. On average, when per capita GDP grew by an extra one percentage point, average wages increased by an extra 0.75 percentage points. This so-called *wage elasticity* of 0.75 confirms that sustained wage growth over several years is possible only when the economy is expanding and when labour productivity is growing.

120. At the same time, while economic growth was positively correlated with changes in real wages, it can be observed that real wages have increased at a slower rate than economic growth. This supports the view that wage growth has lagged behind productivity growth. Consistent with these trends, there has also been a downward trend in the share of GDP distributed to wages. A comparison of two different periods (1995–2000 and 2001–07) shows that the wage share fell in three quarters of the countries for which data are available. This downward trend is noticeable in both developed and developing economies. Overall, when taking into consideration all types of countries, a 1 per cent annual growth in GDP has been associated with a 0.05 per cent decrease in the share of GDP accounted for by wages.

121. More recently, wage growth has declined in most countries, and even turned negative in a number of countries. In a sample of 53 countries for which data are available, a majority of countries could maintain positive (albeit mostly declining) wage growth in 2008. However, more than a quarter of countries experienced flat or falling monthly real wages. During 2009, the year of the global economic recession, a number of G20 countries also announced lower real monthly wages. This may result from a combination of factors, including cuts in hourly pay, fewer hours worked, and changes in the composition of employment.

122. At the time of writing, wages have so far proved more resilient during the crisis than profits in most countries. This has resulted in a rise in the wage share in GDP among most of the 27 countries included in the sample – a rise, moreover, that bucks a more secular opposite trend. The wage share typically increased between 0 and 5 per cent in the 2008–09 period, irrespective of the size of GDP growth or decline. This implies that, in the short term, both workers and employers have strong reasons to avoid downward adjustment in wages. Wages, so it is said, are “sticky” downwards, with the obvious trade-off being firm viability in the face of slack demand, and the preservation of aggregate demand through the consumption (i.e. wages) channel. Institutions mediate how wages adjust in this context. It is nonetheless important to note that the current increase in the wage share relative to the capital share is not all good news: it is the result of profits having declined more than wages in the current global downturn.

123. Overall, 22 countries published average wages differentiated by sex in 2008, and, at the time of writing, 11 countries also had data for the first quarter of 2009. They suggest that women’s wages were hurt as much as were men’s – sometimes interrupting the slow but consistent trend toward gender-based wage equality. For most of the 22 countries, the gender pay gap remained unchanged, with women earning about 80 per

cent that of men. The impact of the crisis on wage disparities still needs to be documented in detail.

Policy challenges

- ❑ Consumption, obviously driven by wage income, is an increasingly significant component of aggregate demand – and thus recovery.
- ❑ The macroeconomic argument in favour of maintaining wages to the extent possible is well founded – and critical if the recovery is not to be delayed or derailed.
- ❑ How then can wage levels best be preserved, in view of the macroeconomic significance of doing so?
- ❑ How can collective bargaining and “income policies” be used to ensure that productivity growth is reflected in wage growth?

Trends in inequality

124. The employment gains between the early 1990s and 2007 did not result in equal earnings outcomes. Between 1990 and 2006, income inequality – as measured by the Gini index – rose in approximately two-thirds of countries.³⁸ The few reductions were principally concentrated in sub-Saharan Africa and the Middle East. However, within these regions, the level of inequality remains high.

125. The wage gap between the highest 10 per cent and the lowest 10 per cent of earners tended to increase from the early 1990s onwards in 18 of the 27 countries examined. Among the countries in this sample, income inequality increased most in Brazil, China, India and the United States. One reason for this trend is the decline in demand for low-skilled labour in wealthy countries, and the increase in demand for skilled workers in wealthy as well as in developing countries. This pattern of demand for skills has been attributed mainly to “skill-biased technical change” and to globalization. In some countries tax policies and other factors have also influenced income distribution.

126. Since the onset of the crisis, the period of strong employment growth has come to an abrupt halt, with total employment in G20 countries declining by 0.8 per cent on average between March 2008 and March 2009. Global employment growth of approximately 1 per cent in 2009 is the lowest ever recorded by the ILO.³⁹

127. Income inequality may have declined during the first stages of the crisis, as high wage-earners were hit first and foremost, notably as the financial sector (which pays more on average) shed a disproportionate number of jobs. Moreover, as equity markets fell, the incomes of the wealthiest declined as indexed pension and retirement funds collapsed. Over the medium term, however, inequality may widen as equity markets begin to recover and the wage profile of low-skilled workers is adversely affected. Low-skilled workers often encounter greater difficulty in re-entering the labour market and, when they do start working again, it is often for a lower wage.

³⁸ The substance of this discussion is entirely from ILO–IILS: *World of Work Report 2009. The global jobs crisis and beyond* (Geneva, 2009)

³⁹ ILO: *Global employment trends, January 2010* (Geneva, 2010).

Policy challenges

- ❑ What are the appropriate policy measures to balance growth and distribution?
- ❑ How do countries address through their policies the nexus between income distribution and growth and employment?
- ❑ Just what are the policies for “redistribution”, e.g. tax policy, industrial or local development policies? How might they contribute to reducing income inequality and enhancing productive employment?
- ❑ Chapters 5 and 7 provide some insights on inequality, skills and informality.

Environmental sustainability: The greening of the labour market

128. Green jobs consist of employment that contributes substantially to preserving or restoring environmental quality. They are found in activities with a reduced environmental “footprint.” This is a broad definition, commensurate with the challenge of reorienting consumption and production patterns towards those that contribute to the preservation or restoration of the quality of the environment.

129. Some green jobs are concentrated in the core activities of green industries, whether new ones (e.g. solar energy), or environmentally-restructured ones (e.g. construction). Yet, it is the huge need and potential for “greening” existing jobs that has the largest labour market implications.⁴⁰

130. “Green jobs” are not a labour market trend in the same sense as the other trends presented in this chapter. Environmental sustainability is a more policy- and consumer-engineered trend that appears nonetheless irreversible. Like all episodes of economic restructuring, it will have widespread implications for the quantity, quality and location of labour.

131. There is growing awareness that employment and labour policies can contribute to a smooth transition to more sustainable growth by: identifying opportunities for green jobs; “greening” existing jobs; and helping phase out unsustainable jobs. Strategies for green jobs will become increasingly important among the responsibilities of employment and labour ministers, and of employers’ and workers’ organizations.

132. Just as there is growing concern that the current path of globalization is yielding too few decent jobs, so there is concern that we cannot maintain growth at the expense of environmental quality. This is a period of economic, production and consumption transition that will require commensurate changes in employment structures, investment patterns, skills acquisition and workplace practices.⁴¹

⁴⁰ UNEP–ILO–IOE–ITUC: *Green jobs: Towards decent work in a sustainable low-carbon world* (Worldwatch Institute, Washington, DC, 2008) available at www.ilo.org/integration/themes/greenjobs. The “Think Piece” on green jobs is available upon request to the Employment Sector.

⁴¹ ILO: *Employment and labour market implications of climate change*, Governing Body, 303rd Session, Geneva, Nov. 2008, GB.303/ESP/4.

Policy challenges

- ❑ How do constituents frame policy on employment and labour market changes that encourage environmental sustainability?
- ❑ As there will be job losses as well as job gains in the transition to greater sustainability, which labour market – or, indeed, investment – policies will prove most effective?
- ❑ On the supply side, what do we know about future skills demands relative to a sustainable path?

Possible ways forward

For member States

133. The paucity of labour market information in the majority of member States is a serious constraint on designing the policies needed to address the challenges set forth in this chapter. Reliable data on even one of the most basic indicators, unemployment, exist for only about one third of the countries in the world. Policy bereft of information will be most often missing its mark.

134. Many of the foregoing challenges are “big”, in the sense that they are multidimensional – for instance, demographic trends have implications not only for the current labour force, but also for the sustainability of social security systems and the ability of training systems to adjust. The matters raised in this chapter are inherently “cross-cutting” – cross-cutting in terms of the policy spheres they intersect.

135. The scope of these issues extends beyond the ILO’s tripartite constituents, thus requiring coordination with ministries of economic affairs. They can only be addressed through greater policy coherence, the latter being a challenge to ILO constituents at the national level.

For the Office

136. The Office has conducted research on several of the foregoing trends. But the research effort needs to be stepped up in a context of scarce human resources and time. Since the demand for research by the Office has outpaced supply, it has taken two measures. First, it has created a Research and Publications Committee, which acts as a clearing house for research Office-wide and identifies research needs. An overall research strategy for the Office was approved by the Governing Body in November 2009.⁴²

137. Second, an Office-wide system, originating in the Employment Sector, identifies 13 employment research “themes and teams”. These bring together researchers from different departments and sectors in the Office around a major research theme, such as “trade and employment” to give effect – through research – to the “integrated, inseparable, and mutually supportive” nature of the ILO strategic objectives.

⁴² ILO: *Results-based strategies 2010–15: Knowledge strategy – Strengthening capacity to deliver decent work and the Global Jobs Pact*, Governing Body, 306th Session, Geneva, Nov. 2009, GB.306/PFA/12/3.

138. The dissemination of results also remains a problem. With the exception of a few flagship publications, such as *Global Employment Trends* and *Key Indicators of the Labour Market*, which are published on a fixed and therefore anticipated date, the ILO has not been particularly competent in making its research results known to the outside world, relative, say, to the OECD and the World Bank.⁴³ Capacity constraints have also prevented the Office from producing more flagship publications on employment, such as the *World Employment Report*.

139. Chapters 3–7 will take up most of the themes that relate to the trends and challenges presented in this chapter. They will demonstrate the “integrated” and “inseparable” nature of the foundations of decent work in relation to the global challenges that influence the promotion of full, freely chosen and productive employment. Given the agreed outline and length of this report, it will not be possible, however, to address all the major trends introduced here in the following chapters.

⁴³ *ibid.*

Chapter 3

Policies to promote full and productive employment and decent work for all

140. The objective of full employment is embedded in the 1944 Declaration of Philadelphia, contained in the Employment Policy Convention, 1964 (No. 122), and reiterated in the Declaration on Social Justice for a Fair Globalization. The current economic downturn has exacerbated the pre-existing global employment challenge, as documented in the previous chapter. The challenge in 2010 is a world in which nearly 40 per cent of the world's labour force live on US\$2 a day or less per family member. In many regions, the majority of the labour force works in the informal sector; vulnerability is a major aspect of life at work. Despite progress in some countries and regions, the bold vision of 1944, laudable then and laudable now, remains unrealized.

141. Despite diverse realities across countries and regions discussed in this report, the essence of the global employment challenge is that there are too few “decent” jobs for those looking for them in most places in the world. There is always “work”; but productive work that entails decent wages and working conditions is another matter.

142. ILO research shows that in many countries, steady economic growth, while necessary, is by no means sufficient to engender sustainable and productive employment.¹ Hence, there is a need to put in place a policy framework at the national level, which will foster both the quantity and quality of employment – a national framework supported by policy coherence at the international level. How the ILO can best contribute to this is the central challenge that guides the discussion in this chapter.

Diverse realities and trends in employment policies

High-income countries

143. Employment policies adopted by industrialized countries have been influenced by the evolution of thinking on full employment as a core goal. The Great Depression of the 1930s and the devastation of the Second World War served as a backdrop to the emergence in the mid-1940s of a major movement to embrace full employment as a central economic and social goal in developed countries. The full employment compact held sway until the turbulent era of the mid-1970s. The two oil price shocks of the 1970s witnessed the emergence of worldwide “stagflation” and a paradigm shift in which the control of inflation was seen as the primary goal of economic policy. It was argued that market forces would lead to a “natural rate of unemployment” that could not be

¹ A. Ghose, N. Majid, C. Ernst: *The global employment challenge* (Geneva, ILO, 2008); and R. Islam (ed.): *Fighting poverty, The development–employment link* (Geneva, ILO, 2006).

influenced in a sustainable fashion by aggregate demand management policies.² Thus, employment outcomes became “derivative” of growth policies and market forces and not a central goal that should be pursued directly and in its own right. This view dominated the economic agenda for more than two decades in developed market economies and was also propelled by growing concerns about the fiscal costs of maintaining a large welfare state.

144. This changed paradigm on employment policy has been reflected in changes in policy trends. As the Committee of Experts notes in its General Survey concerning employment instruments³ “... as macroeconomic policy becomes more passive, labour market policies become more active ... they occupy centre stage in employment policies in the developed countries”.

145. The global recession of 2008 and 2009 disrupted the dominant consensus on employment policy. As Chapter 2 has argued, virtually all advanced economies have focused on aggressive reductions in interest rates and fiscal stimulus packages to stem the decline in aggregate demand. Evaluations of such unprecedented macroeconomic policy responses suggest that they have staved off a depression and, combined with measures to encourage firms to engage in labour retention practices, have limited job losses. Whether such interventions will lead to sustainable employment recovery remains to be seen. What is needed is a renewed commitment to full employment as a core macroeconomic policy goal.

146. The respective employment strategies of the OECD and EU are highlighted in box 3.1.

Box 3.1
The OECD and EU's employment strategies

The OECD Jobs Strategy (1994) and the subsequent *Policy lessons from reassessing the OECD Jobs Strategy* (2006) include four pillars, namely: (i) setting appropriate macroeconomic policy; (ii) removing impediments to labour market participation as well as job search; (iii) tackling labour and product market obstacles to labour demand; (iv) facilitating the development of labour force skills and competencies. The Strategy notes that all countries need to ensure that each of the four pillars is solid. Nonetheless, within each pillar there may be scope for individual countries to use different policy combinations to achieve successful outcomes, taking into account national circumstances. It emphasizes the need for a coherent package of policy interventions. In recent years, OECD countries have enacted important labour market reforms based on these guidelines.

² These issues are explored in ILO: *Macroeconomic policy for growth and employment*, Governing Body, 291st Session, Geneva, Nov. 2004, GB.291/ESP/1.

³ ILO: *General Survey concerning employment instruments in light of the 2008 Declaration on Social Justice for Fair Globalization*, Report of the Committee of Experts on the Application of Conventions and Recommendations, Report III (Part 1B), ILC, 99th Session, Geneva, 2010. The reporting period covers 1998–2007.

The 2009 edition of the *OECD Employment Outlook* (“Tackling the jobs crisis”) acknowledges, however, that while the guidelines for employment policy contained in its 2006 publication reassessing its Jobs Strategy emphasize the structural preconditions for employment performance in the long run, they do not provide guidance for how employment and social policies should be modulated in a deep economic recession. It highlights the importance of finding effective ways to provide adequate income and re-employment support to job losers and other workers adversely affected by an economic downturn. According to the report “the process of rethinking the implications of severe economic downturns for the optimal design of labour market policy is only just beginning”. Furthermore, a recent *OECD Policy Statement* (“Making economic growth more pro poor”) acknowledges that the current economic crisis highlights the need for more effective public actions to address the real constraints and opportunities faced by poor women and men and stresses that “productive employment and decent work are the main routes out of poverty”.

Since it was set up in 1997, the European Employment Strategy (EES) has played a central role in coordinating the EU’s policies to create improved employment opportunities. The EES is designed to give direction to and ensure coordination of the employment policy priorities to which Member States have subscribed at EU level. This coordination of national employment policies is built around an annual process which has been integrated into a renewable three-year cycle since the re-launch of the Lisbon Strategy in 2005.

Components of the EES include: employment guidelines; national action plans; joint employment reports; and country-specific recommendations.

The European Economic Recovery Plan (November 2008) highlights the need to counter the effects of the economic crisis on jobs. The Commission communication “Driving European recovery” (March, 2009), outline a number of elements to help Member States design and implement appropriate and effective employment policies. On this basis, three key priorities are defined: maintaining employment, creating jobs and promoting mobility; upgrading skills and matching labour market needs; increasing access to employment. The 2009 Commission communication “A shared commitment for employment” aims to strengthen cooperation between the EU and its Member States, as well as between the social partners, on the three priorities, focusing on concrete actions and supported by the Community instruments, particularly the European Social Fund (ESF) and the European Globalisation Adjustment Fund (EGF). There is a particularly strong focus on young people to provide them with the training and work opportunities they need to ensure they do not miss their entry into the labour market because of the crisis.

Low- and middle-income countries

147. In the developing countries, the 1970s also witnessed a shift in policy paradigms. The new consensus emphasized private sector-driven, export-oriented and FDI-dependent industrialization strategies rather than the *dirigiste* modernization and import substitution industrialization policies that had been the norm in the 1960s and mid-1970s. Such policies were blamed by some for the lack of growth and employment in developing countries in stark contrast with the rapid and export-oriented growth in East Asia.⁴ These ideas, along with the changed macroeconomic paradigm in developed

⁴ A small group of East Asian economies had been engaged in export-oriented industrialization since the 1960s. Initially, the professional consensus was that these economies had grown rapidly and attained sustainable reductions in poverty through rapid job creation because of policies that defied the conventional wisdom of the time. Later studies were much more circumspect and acknowledged that the State had had a major role to play in guiding the process of East Asian industrialization in the 1960s and 1970s. See, for example: World Bank: *The East Asian miracle: Economic growth and public policy* (Oxford, Oxford University Press, 1993); and Asian Development Bank: *Emerging Asia: Changes and challenges* (Manila, 1997). The literature is also reviewed in I. Islam and A. Chowdhury: *The political economy of East Asia: Post-crisis debates* (Melbourne, Oxford University Press, 2000, Chapter 1).

countries, led to the “structural adjustment programmes” (SAPs) that were implemented in developing countries between 1980 and 1998 under the auspices of the Bretton Woods institutions and the guiding principles of the “Washington Consensus”.⁵ As the 1990s progressed, the dominant policy paradigm that emerged in the mid-1970s emphasized trade liberalization, restrained macroeconomic policies targeting stabilization and inflation control, labour market flexibility and financial deregulation and liberalization as core elements in the national policy portfolio.

148. The benefits of the dominant policy paradigm of the 1980s and 1990s remain a contested issue. It is readily acknowledged that many countries in Latin America succeeded in taming inflation and hyperinflation that had been common in the 1950s, 1960s and 1970s with major poverty-inducing effects. And there are also instances where these policies triggered growth (India). However, in retrospect, the 1980s and 1990s might be characterized as the “lost decades”, with a slowdown in global and regional growth. It appears that the implementation of policy reform under the SAPs brought about macroeconomic stability – but at the expense of long-term growth and decent employment.⁶ Furthermore, critics allege that SAPs induced a decline in public investment in infrastructure and in agriculture, while many low-income countries were unable to mobilize sufficient domestic revenue. This situation was influenced by both international tax competition and inadequate compensation for the “fiscal shock” that typically accompanies trade liberalization programmes.⁷ The net outcome was reduced fiscal and policy space for developing countries to attain core development goals, such as the MDGs and the funding of comprehensive social protection packages.⁸

149. The SAPs were followed by PRSs, which in many cases triggered debt relief for aid-receiving low-income countries in the 2000s. By the end of the decade, a total of 70 countries had either interim PRSs or full PRSs in place (66 countries). As the subsequent evaluations in this chapter will show, while the PRSs and MDGs represent a renewed commitment to poverty reduction, they were initially not focused on employment creation as a core goal. The second-generation PRSs have sought to redress this imbalance – but in operational terms, employment linkages with the overall policy framework still remain insufficiently developed.

150. Although the high-growth era of 1998–2007 resulted in some reduction of unemployment and poverty in all regions, with different outcomes across countries of the developing world, it is important to make a distinction between trends and levels. The economic policies pursued did not resolve the jobs crisis in developing economies, where high levels of open unemployment, pervasive underemployment, informality and low quality of employment remain. In the case of many low-income countries (especially in sub-Saharan Africa), even the period of high growth in the 2000s was unable to ensure that these countries would meet the MDG goals by 2015.⁹ This is

⁵ J.A. Ocampo: “Beyond the Washington Consensus: An ECLAC perspective”, in *Cepal Review*, No. 66, 1998. See www.eclac.org; P.-P. Kuczynski and J. Williamson (eds): *After the Washington Consensus: Restarting growth and reform in Latin America* (Washington, DC, Institute for International Economics, 2003); W. Easterly: *The lost decades: Developing countries stagnation in spite of policy reform 1980–1998* (Washington, DC, World Bank, 2001).

⁶ W. Easterly, *ibid.*

⁷ See UNCTAD: *The Least Developed Countries Report, 2009: The State and Development Governance* (New York and Geneva, 2009).

⁸ These issues are explored in I. Islam: *The global economic crisis and developing countries: Transmission channels, fiscal and policy space and the design of national responses*, Employment Working Paper No. 36 (Geneva, ILO, 2009).

⁹ IMF and World Bank: *Global Monitoring Report 2009* (Washington, DC, 2009).

largely because of the pattern and nature of growth driven by a boom in primary exports and a surge in external sources of finance. As argued in Chapter 2, high growth, while necessary, is not a sufficient condition to create good-quality jobs. In these countries, there is little evidence of structural change and economic diversification, which are critical in sustaining broad-based and productive employment creation.¹⁰

151. In light of the global financial and economic crisis and the aggravated job crisis affecting developing and developed countries, some have called for rethinking previous policy paradigms and rebalancing growth strategies with income-led and employment-focused policies.¹¹ This would involve: mobilizing domestic resources; renewing and strengthening the role of public policy and effective public institutions in open market economies; and promoting international policy coherence and coordination. The policies to tackle the challenge of full and productive employment and decent work for all are at the centre of this debate.

Constituents' needs

152. The General Survey concerning employment instruments notes that despite the changed policy paradigm of the 1980s and 1990s, “most countries are committed to the goal of increasing productive employment”. This is reflected in: references to employment creation in their constitutions and/or in parts of their social and labour legislations; the enactment of special laws; and their commitment in key policy documents. Almost all the countries surveyed had initiatives in place to support SMEs and promote self-employment for young people, and recognized the need to engage in targeted interventions for vulnerable groups and build institutions to deliver public employment services.

153. Employment promotion, especially for youth, is a primary need identified in all 67 Decent Work Country Programmes, as well as in all regional strategies adopted by the ILO constituents.

154. To pursue this goal, countries increasingly request Office support for the development of comprehensive national employment policies, which are often adopted as official policy statements, through a political process specific to each country.¹² This demand emanates from all regions; developing countries at all levels of development – including LDCs; middle-income and emerging economies; and countries in transition. In most cases, this demand is aligned to the calendar of policy-making and reform at the country level, e.g. in the context of changing governments and their policies, or in preparation for or following on from the national development planning processes, as well as during the formulation and revision of PRSs.

155. Countries' needs also include support for the design, implementation and evaluation of employment policies and programmes addressing specific target groups

¹⁰ See UNCTAD, 2009, op. cit.; and UN Economic Commission for Africa and the African Union: *Economic Report on Africa 2010. Promoting high-level and sustainable growth to reduce unemployment in Africa* (Addis Ababa, 2010).

¹¹ The Asian Development Bank (ADB), for example, has called for “rebalancing” the export-oriented growth model in developing Asia. The purpose of rebalancing is not to revert to old-fashioned protectionism, but to develop a post-crisis growth strategy that relies more on domestic and regional markets. It is also necessary to invest more in social protection systems to reduce the incentives for excessive precautionary savings both at the national and household level in order to boost purchasing power and domestic consumption. See ADB: *Asian Development Outlook 2009: Rebalancing Asia's growth* (Manila, 2009).

¹² In January 2010, 58 such country requests were recorded for the 2010–11 period.

such as youth and women, or for increasing the employment content of investments in specific sectors such as infrastructure or tourism. For many countries affected by natural disasters and/or conflicts, employment-focused recovery is the key priority in attempts to ensure greater sustained development.

156. As mentioned earlier, the global economic crisis and the implementation of the Global Jobs Pact are reinforcing demand to reorient employment policies, revisit structural challenges and scale up targeted employment programmes. One feature of Members' requests to the Office has been for information on actions in other countries. Constituents have requested the Office to support their efforts through: policy and technical support at the country level; regional policy advisory and capacity-building activities; and engaging with other multilateral institutions.¹³

Office response

Strategic components

157. Within the broader Decent Work Agenda, the Office's strategy to support the promotion of full and productive employment by the constituents is based on a number of components: (1) a policy framework provided by the GEA; (2) a body of employment-related normative instruments, among which the Employment Policy Convention, 1964 (No. 122), is central;¹⁴ (3) policy advice on the formulation, implementation and review of national employment policies; (4) core programmes that target specific policy areas and groups – for instance, public investment in infrastructure, ALMPs and labour market information systems, social finance and youth employment; and (5) governance and review. These issues are further developed in this section, along with other potential areas that need strengthening.

1. Policy framework

158. As pointed out in Chapter 1, the GEA, adopted by the Governing Body in 2003, is the basic policy framework guiding the ILO's work on employment. Its main aim of making employment central to national economic and social policies, as well as to international development strategies, is restated in the Social Justice Declaration. The GEA promotes decent employment based on ILS, thus simultaneously promoting employment growth and quality of work – which includes the elimination of discrimination in employment.

159. The implementation strategy for the GEA, adopted in 2006,¹⁵ endeavoured to make it more operational and directly applicable to the design and implementation of national employment policies as part of Decent Work Country Programmes through improved diagnosis, research, monitoring and evaluation of employment policy. It sought to structure the content of the GEA around five key employment policy areas, plus social protection: (1) employment expansion; (2) skills, technology and employability; (3) enterprise development; (4) labour market institutions and policies; and (5) governance, representation and advocacy. Figure 3.1 summarizes key policy

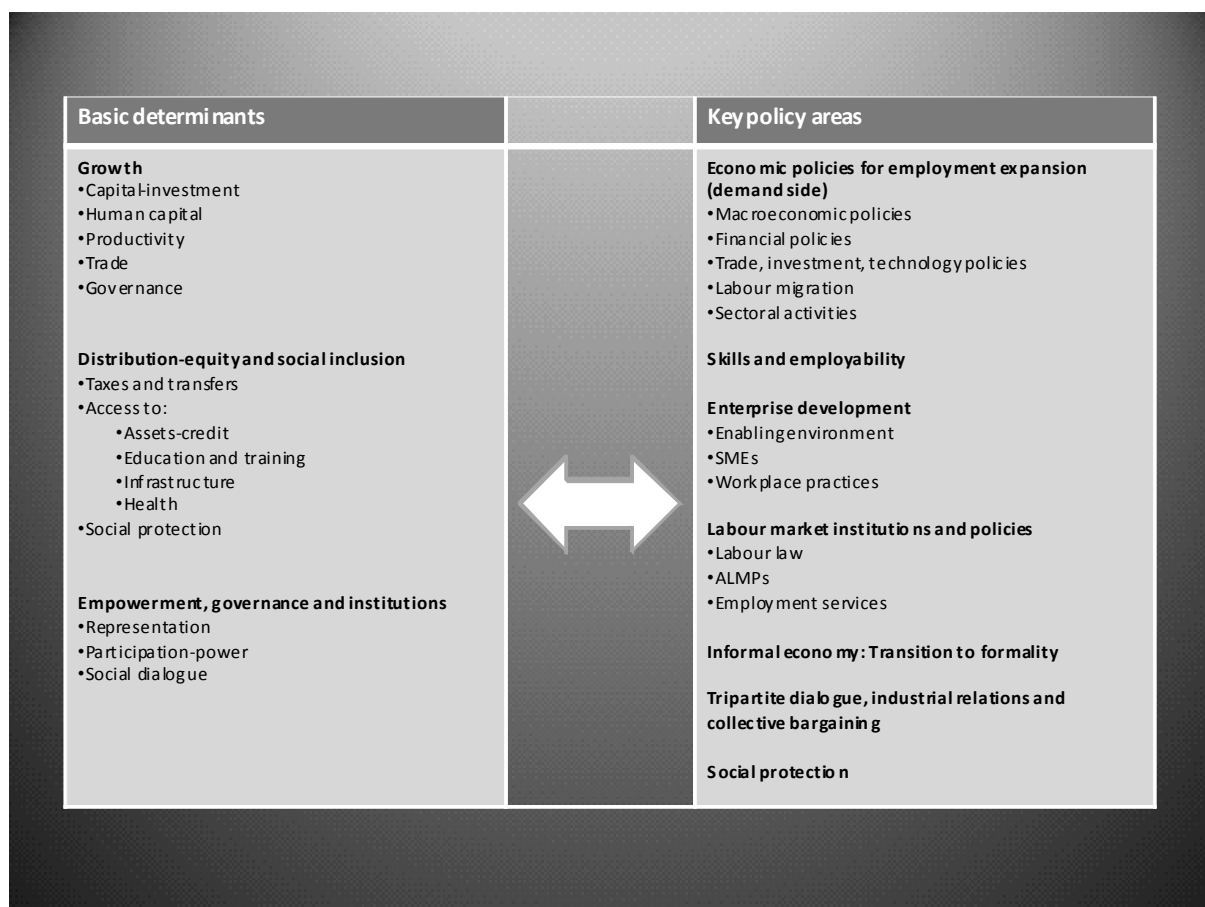
¹³ ILO: *Follow-up to the Conference debate and decisions on the economic and employment crisis: Strategy to give effect to the Global Jobs Pact*, Governing Body, 306th Session, Geneva, Nov. 2009, GB.306/3/1.

¹⁴ See full list of employment-related standards in Appendix I.

¹⁵ ILO: *Employment strategies for Decent Work Country Programmes: Concepts, approaches and tools for implementing the Global Employment Agenda*, "Vision" document on operationalizing the employment component of Decent Work Country Programmes, Governing Body, 295th Session, Geneva, Mar. 2006, GB.295/ESP/1/1.

areas of national employment strategies based on the GEA. A checklist of policy areas to guide the development of national employment policies was also developed.¹⁶ The Office has supported the integration of gender equality concerns in national employment policies, regularly issued its publication *Global Employment Trends for women* and developed a series of tools. A new tool is designed to assist with mainstreaming gender issues in all policy areas of the GEA framework.¹⁷

Figure 3.1. National employment strategies based on the Global Employment Agenda: Key policy areas



Source: Extracted from the "Vision" document, Governing Body, 295th Session, Geneva, Mar. 2006, GB.295/ESP/1/1.

¹⁶ idem.

¹⁷ ILO: *Guidelines on gender in employment policies* (Geneva, 2009).

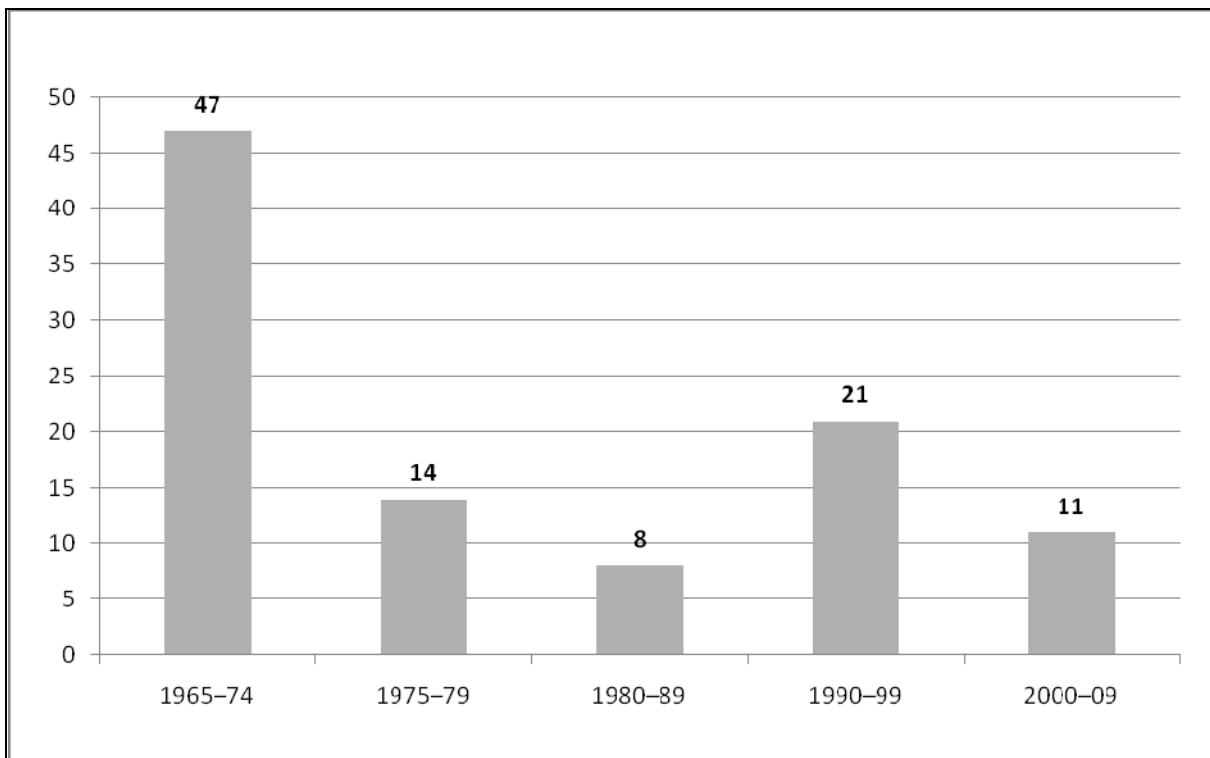
160. At its November 2007 session, the ESP Committee took stock of the results to date of the new GEA implementation strategy, examining progress and achievements, implementation gaps, and proposed actions to fill these gaps. As summarized in the annex to this chapter, the “Global Employment Agenda scorecard” identified: key challenges at the national level in adapting the GEA to diverse national situations; weak policy coordination between labour, finance and economic ministries on employment; and the need to strengthen monitoring and evaluation methods. Some tension between the GEA as an overarching framework and the Decent Work Country Programmes that focus on country-specific priorities was detected. It appears that the elements of the GEA are not consistently applied within the Decent Work Country Programmes, and neither is its checklist systematically used. The comprehensive approach required by the GEA means that the Office should maintain its expertise and capacity in all its areas, including research capacity on the economic environment. Greater attention should be paid to analysing the interplay between employment policy and collective bargaining, wage policies and labour inspection. At the global and regional levels, priority has been placed on increasing recognition of the GEA by promoting it in international partnerships and through training for governments and social partners on ways to apply it and its related tools. The Office’s proposals for the next steps in GEA implementation could include a strengthened process of employment policy reviews based on more precise employment policy guidelines for countries at different levels of development.

2. *Normative instruments*

161. As noted in Chapter 1, the Office support strategy is based on its body of normative instruments that is unique to the ILO (see Appendix I for a full list of its instruments). The overarching instrument is the Employment Policy Convention, 1964 (No. 122).¹⁸ This Convention serves as a basic reference for guiding member States on ways to implement active employment policies aimed at achieving full, productive and freely chosen employment. Convention No. 122 had been ratified by 101 countries as at December 2009. Figure 3.2a summarizes trends in ratification between 1965 and 2009, while figure 3.2b provides a distribution, by region, of the percentage of countries that ratified Convention No. 122 during this period.

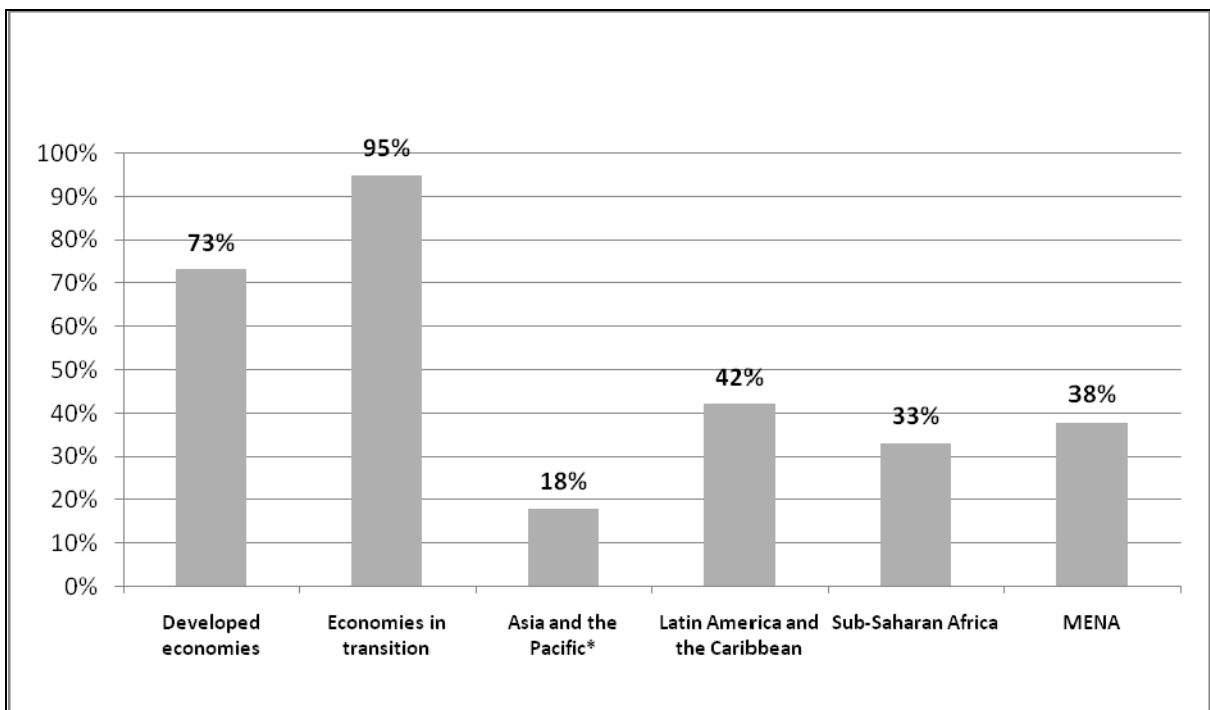
¹⁸ Subsequent instruments have been adopted in specific areas of employment policy, as listed in Appendix I.

Figure 3.2a. Ratification of Convention No. 122, 1965–2009



Source: ILOLEX.

Figure 3.2b. Ratification of Convention No. 122, by region (percentage of countries)



* Includes countries with a large population, such as China and India.

Source: ILOLEX.

162. Convention No. 122 provides that “each Member shall declare and pursue, as a major goal an active policy designed to promote full, productive and freely chosen employment”. The General Survey concerning employment instruments advocates that member States should “make the best possible effort, in relation to their level of development and economic capacity, to achieve and maintain full employment”. The Convention also provides for the need for a broad consultative process, especially with employers’ and workers’ organizations.

163. The employment policy Recommendations Nos 122 and 169 (adopted in 1964 and 1984, respectively), provide additional guidelines for the development of employment policy. The evolving nature of the debate on policies to promote full and productive employment point to the need for the continuous updating and consolidation of employment guidelines, which could also facilitate the policy review processes and strengthen governance.

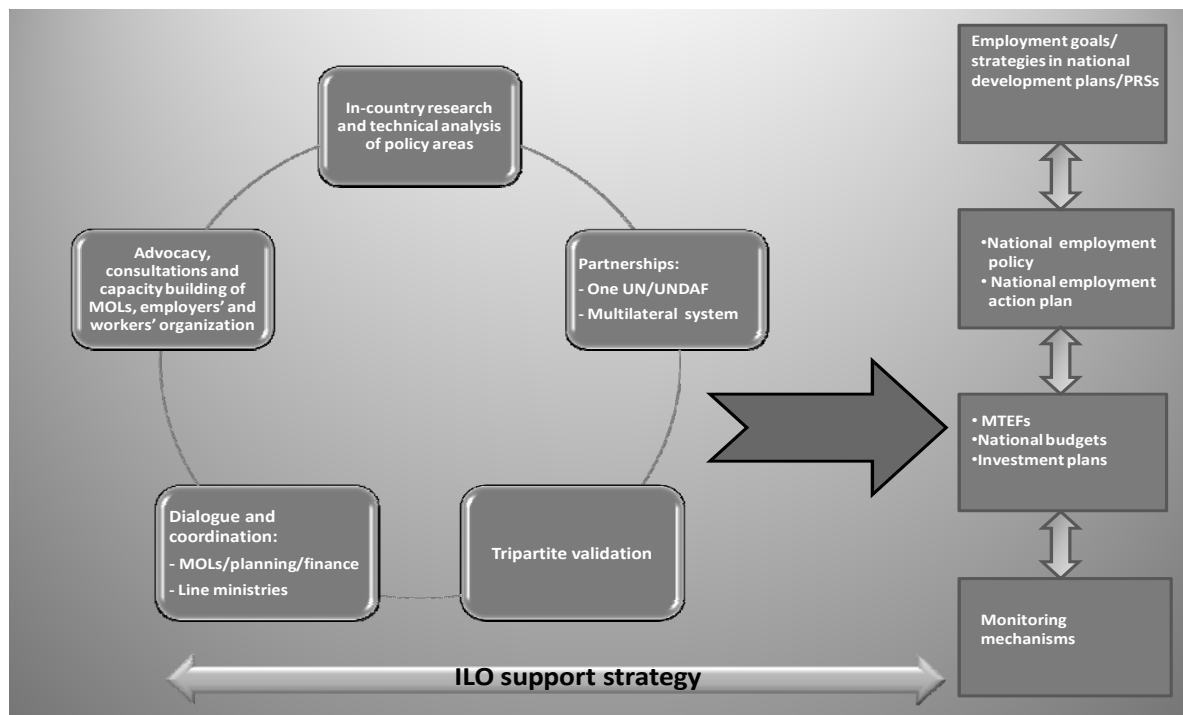
164. The General Survey concerning employment instruments is a valuable source for detecting normative gaps and paving the way for future standard setting. It is already informing the Office’s consolidated action for technical cooperation and capacity building to expand ratification, support implementation and strengthen capacities to monitor impact and report on the implementation of Convention No. 122 and other employment standards.

3. *Comprehensive national employment policies*

165. As noted above, countries increasingly turn to the Office to help them formulate and review national employment policies, which they adopt for two reasons: to express their political will to promote full, productive and freely chosen employment, as established in Convention No. 122;¹⁹ and to articulate a coherent and comprehensive vision and framework that brings together several policy and programme areas impacting on the demand and the supply of labour and on the functioning of labour market institutions, as framed in the GEA. Such requests usually provide the opportunity to promote an informed and broad-based (multi-stakeholder) review of countries’ employment performance and its relationship to growth, development, and PRSs. They can also prompt an inter-ministerial and tripartite dialogue on ways in which the cross-cutting objective of employment promotion can best be realized in specific country circumstances and reflected in their national development frameworks, growth strategies and economic policies.

166. Figure 3.3 gives an overview of how the Office facilitates the employment policy development and review process at the country level. A major focus of the Office support strategy is policy advice on incorporating employment goals in overarching policy frameworks; generating analysis and research on how to increase the employment content of growth; strengthening the capacity of the government and social partners; and facilitating tripartite dialogue.

¹⁹ Countries that have not yet ratified Convention No. 122 also adopt national employment strategies and request ILO support.

Figure 3.3. Employment policy development and review process at country level

167. Office support does not end there. Another step, especially in low-income countries with limited fiscal space, is to promote partnerships and identify internal and external resource mobilization strategies and resource allocation mechanisms such as national budgets, mid-term expenditure frameworks (MTEFs), and poverty reduction strategy credits (PRSCs) – linked to the PRS process – to promote employment goals. Partnerships with the Multilateral System Review processes and the UN agencies in the context of United Nations Development Assistance Frameworks (UNDAFs) are key components of this broad advocacy and resource mobilization strategy.

168. Despite the essential similarities across countries that have adopted national employment policies, there are also interesting regional variations. For example, the General Survey concerning employment instruments notes that a legislative approach to employment promotion is evident in current or former centrally planned economies in Asia (such as China and Viet Nam), while this is less obvious in Asian countries that have always been market-oriented. Furthermore, policies geared towards global integration as a core element of growth and employment promotion are very much present in the national employment policies of open economies in East and South-East Asia, but do not receive such attention in other regions. In Latin America, there is a tendency to focus on labour market policies and conditional cash transfers. Some countries in the region (such as Argentina and Brazil) also have well-developed approaches to the informal economy, but this issue is not dealt with as fully in other regions.

169. The review of a regionally representative sample of ten national employment policy documents showed that in seven out of ten cases, there were extensive discussions on the need for employment-focused macroeconomic policy frameworks. Issues related to quality of employment received less attention. In 30 per cent of cases, explicit reference was made to social dialogue and tripartism. Only one case included a discussion on wages and working conditions. Explicit quantitative employment targets

may also be found in 75 per cent of 41 national employment policy documents ranging across various regions of the developing world.²⁰

170. Priorities – the weight given to specific policy areas and policy instruments and their combination or sequencing – remain the outcome of sovereign national decision-making and intra-governmental processes. The challenge of making employment a central and accountable target of economic policies requires commitment and action that goes well beyond the mandate of ministries of labour. Coherence and coordination across several ministries and labour market institutions can be much stronger. Effective national monitoring mechanisms that integrate employment outcomes as indicators of achievement – a strong priority – are yet to be realized. Policy coherence across the international community can go a long way towards supporting national initiatives.

171. During the last two biennia, the Office supported some 36 country employment policy development initiatives – of which table 3.1 gives the regional distribution. A significant share of the support was provided to sub-Saharan Africa (14 out of 36 countries or 38 per cent of the total). The Office is currently building a new database to track and monitor the development of national employment policies.²¹ Box 3.2 gives examples of this employment policy work in a few countries with different social and economic circumstances: Burkina Faso, Uganda and Viet Nam.

Table 3.1. ILO support to help countries formulate national employment programmes in various areas and regions, 2006–09

Region		Number of countries and areas supported by the ILO
Africa	14	Burkina Faso, Cameroon, Democratic Republic of the Congo, Egypt, Ethiopia, Gabon, Liberia, Madagascar, Niger, Nigeria, Sierra Leone, Togo, United Republic of Tanzania, Zimbabwe
Asia and the Pacific	6	Afghanistan, China, India, Mongolia, Pakistan, Viet Nam
Europe (including Central Asia)	10	Albania, Azerbaijan, Bosnia and Herzegovina, Croatia, Kazakhstan, Kyrgyzstan, Republic of Moldova, Montenegro, Serbia, The former Yugoslav Republic of Macedonia
Latin America and the Caribbean	4	Argentina, Costa Rica, Nicaragua, Peru
Arab States	2	Jordan, Yemen
TOTAL	36	

²⁰ Based on internal evaluations of national employment policy and related documents by the Employment Policy Department, ILO, Geneva.

²¹ A database has also been established to enable analysis of employment and decent work issues in PRSs and measure progress across different generations of PRSs. This database is used by different technical units in the Office.

Box 3.2
Examples of employment policy work

The following examples give a snapshot of the unique way in which national employment policies are developed at country level.

Viet Nam's ten cluster approach to intensifying employment outcomes

In 2007, following the organization of the first Employment and Decent Work Forum, Viet Nam and the ILO signed a Memorandum of Understanding agreeing on technical assistance in the form of policy advice and capacity building for the integration of labour issues into the ten-year Socio-Economic Development Strategy (2011–20). In November 2008, the ILO supported the development of a workplan for background research and policy dialogues in ten cluster areas, identified in consultation with ministries and social partners. These cluster areas included employment-growth nexus; the informal economy; rural employment; investment, trade and enterprise development; employment and human resource and skills development; employment and labour market information systems; migration for employment; employment and industrial relations; and employment and social protection.

The outcome of the background research is expected to serve as the “building blocks” for employment to be included in the forthcoming Socio-Economic Development Strategy (2011–20). While the overall activities are coordinated by the Bureau of Employment within the Ministry of Labour, Invalids and Social Affairs, other ministries, institutes and national consultants are actively involved. It is a useful illustration of how early planning enables substantive in-country research and tripartite dialogue to feed into the planning process, including for the One UN Programme of support to Viet Nam.

Burkina Faso: A multi-sector national employment policy to intensify employment

The ILO began close work with the Ministry of Youth and Employment and the social partners in Burkina Faso to develop a national employment policy (NEP) and operational action plan (2008–11). The goal was to provide a framework for all employment interventions, and Burkina Faso succeeded in March 2008 when the NEP was adopted by the Council of Ministers. It has four strategic objectives based on the GEA: reinforcing employment within sectoral and macroeconomic policies; strengthening job creation; improving employability; and organization and functioning of the labour market.

NEP implementation has begun through activities to institutionally audit the new Ministry in order to: identify capacity needs; establish an inter-ministerial and tripartite National Council of Employment and Vocational Training to improve sector dialogue on employment, and its integration into sector-based policies and targets; ensure policy coherence between the NEP and the PRS; and enhance and support social partners' participation in the PRS process.

Uganda: Rapid crisis assessment kick-starts national employment policy formulation

A rapid assessment of the impact of the global economic crisis on Uganda was conducted with ILO support in October 2009 on behalf of the Ugandan Government and social partners. It revealed that Ugandan workers, particularly low-wage casual labourers, had been hard hit, resulting in a decline in real wages – particularly in the case of the most vulnerable. This key finding was taken up and incorporated in the long-awaited draft NEP, which calls for minimum wage legislation, investment in skills development demanded by the market and the strengthening of labour market information and administration. The whole NEP process has been speeded up by the rapid assessment exercise and by a tripartite technical workshop, during which there was a consensus on revisions. The NEP is expected to be reviewed and approved by the Cabinet in early 2010.

4. *Core ILO programmes*

172. The Office also responds to constituents' needs and priorities through core programmes that support the objective of full and productive employment and decent

work in specific targeted areas or groups. Four core programmes in which the Office has extensive expertise and technical cooperation portfolios are briefly reviewed in this section. These are: the Employment Intensive Investment Programme (EIIP); labour market policies and labour market information systems; youth employment; and social finance.²² Interventions in these areas are often an integral part of broader national employment policies or are requested as specific priorities in Decent Work Country Programmes.

4.1. The Employment-Intensive Investment Programme (EIIP)

173. Infrastructure is a prominent sector that attracts a high percentage of investment in most countries and has a great employment-creation potential.

174. Employment-intensive and local resource-based approaches are widely recognized as one of the most effective approaches for reaching out to the rural – and more recently also to the urban – poor. Many countries, particularly in Africa, Asia and Latin America, are aiming to increase the employment content of their regular infrastructure investment programmes. But there are important challenges: ministries responsible for employment creation (labour, planning, for instance) do not have sufficient governance over decisions influencing employment content in investments; what is more, the ministries undertaking the works do not necessarily own the “problem” of creating employment.

175. Recently, as a result of the economic crisis, there has been a strong revival of public works programmes. As noted in Chapter 2, fiscal support to infrastructure forms a major component of stimulus packages; 87 per cent of the countries reviewed by the ILO for the G20 stimulated labour demand by additional fiscal spending on infrastructure. However, only 33 per cent of the countries applied employment criteria to this spending.²³ The design of these programmes has taken into account new considerations in order to improve targeting (women, youth, disadvantaged groups); reinforce skills and entrepreneurship development; enhance governance for improved asset creation and management; and address environmental rehabilitation.

176. The ILO has over 30 years of experience of linking employment with infrastructure development through the EIIP. This programme currently engages in more than 40 countries worldwide, of which half are in Africa and a quarter each in Asia and in Latin America and the Caribbean. Its technical cooperation portfolio has remained the second largest of the ILO’s extra-budgetary TC portfolios, with an overall allocation for ongoing projects amounting to more than US\$95 million.

177. The programme’s activities promote the creation of productive employment and an active approach to social safety nets, economic and social infrastructures development; it also contributes to environmental sustainability through natural resources restoration and management. By providing basic infrastructure assets and services using local resource-based techniques, the programme addresses the huge unmet need of access to clean water, sanitation, energy, transport, health, education, information and communication for a large segment of the population.

178. The EIIP supports employment growth approaches highlighted in ILS, in particular Convention No. 122, and Convention No. 94 (which deals with labour clauses in public contracts), and in General Discussion recommendations, such as the 2007 resolution

²² For more detailed information, see the respective “Think Pieces” prepared by the Employment Sector, available upon request.

²³ ILO survey on measures taken to counter the crisis, prepared for the G20 Pittsburgh Summit. See Chapter 2, table 2.1.

concerning the promotion of sustainable enterprises. These ILO instruments explain how improvements in public procurement and contracting systems and their governance can help constituents achieve their economic and employment objectives. In some cases, the programme's efforts to create jobs are combined with social safety net strategies such as the Employment-Targeted Economic Programmes (Kenya) or the National Rural Employment Guarantee schemes (India).

179. In the follow-up action to the Global Jobs Pact, the Office is supporting the country responses by providing technical assistance to intensify the employment criteria and to develop capacities for scaling up employment-intensive investment programmes. One good example of these new initiatives is the current work of the EIIP in Indonesia, which is being carried out in collaboration with the Coordinating Ministry of Economic Affairs. It is also helping governments monitor the employment impact of infrastructure investments in the stimuli packages to respond to the current crisis. The work of the EIIP and its impact on policy is discussed in box 3.3.

Box 3.3 **Employment-intensive investments – Jobs and policy impact**

Jobs

EIIP strategies for productive, social and environmental infrastructure projects can yield up to five times more direct employment than traditional capital-based technologies. The multiplier effect is generally high (over 2.0). By increasing income for people in great need, they contribute significantly to poverty reduction.

The first phase of the Expanded Public Works Programme in South Africa, for example, created 1 million job opportunities between 2004 and 2008; in its second phase, where the target is now 4.5 million job opportunities, it was scaling up to 0.5 million attained in the first nine months of operation.

Influencing government policy – The cases of Cameroon and Paraguay

In a short period of three years, the Government of **Cameroon** piloted and demonstrated efficient job creation with decent working conditions in infrastructure provision. These achievements and recommendations from an employment impact assessment convinced Government decisions-makers to adopt a national strategy and action plan supporting employment-intensive investment programmes as a key instrument to operationalize development objectives of growth and employment focused in the latest PRS. Public investment and procurement are being strategically adapted as employment policy tools to actively integrate economic and social development. Its main achievements include:

- ❑ At the upstream policy level, the Ministries of Employment and Economic Planning and the Public Contract Regulatory Agency are coordinating various government departments to mainstream employment criteria in the planning and programming work of those ministries that are the main users of public investments.
- ❑ At the sectoral operational level, the National Rural Access Roads Programme, funded by the Government and an urban sanitation programme funded by the African Development Bank (ADB), are now building capacities for the large-scale application of EIIP strategies.

The ILO is working with responsible partners on setting up the strategic process (capacity building, monitoring and evaluation), which will enhance public and private sector implementation. This policy foundation will create new domestic markets for sustainable SMEs and more jobs, and will provide an important contribution to the local economy through increased demand for goods and services.

The example from **Paraguay** illustrates how the ILO works with constituents to support employment through public investment. A long-term effort to persuade national policy-makers to apply a labour-based approach to public investment has intensified during the present presidential administration, which has allocated a greater role to employment in economic and social policies. This sustained effort now counts the following institutional changes as its principal achievements:

- A new decree gives preferential access to micro-, small and medium-sized enterprises in public tenders under specifically defined circumstance. Administrative procedures for small-sized public tenders have been redesigned to make it easier for smaller enterprises to participate in competitive bids.
- A routine road maintenance system deliberately targets micro-enterprises in order to maximize the employment impact of this investment. Minor repairs and upkeep can be performed efficiently with little machinery, providing good jobs for local labour. This means that for the same level of public funding, maintenance can be continued for a longer period of time, improving the efficiency of the public investment. A newly formed Micro-Enterprise Unit in the Ministry of Public Works and Communication will provide training to micro-enterprises, with anticipated substantial job creation over the next few years. Based on these applications, a new Public Investment System, introduced by the Ministry of Finance, sets priorities for job creation in public investment and establishes decentralized assessment and monitoring systems.

4.2. Active labour market policies and labour market information systems

180. ALMPs are regulatory policies that influence the interaction between labour supply and demand.²⁴ Labour market measures that provide income replacement are usually called passive labour market policies. In the OECD context, ALMPs have been increasingly associated with the notion of “activation”, i.e. increasing efforts of recipients of unemployment benefits to actively search for a job or participate in training or employment programmes. These policy tools are usually delivered by public employment services (and private agencies) and target the unemployed with a view to increasing their employability (as explained in Chapter 5). The activation mechanism implies that benefits become conditional on participation in training or other programmes. In general, activation strategies focus on the development of individual action plans and regular reporting and monitoring of actions taken by the unemployed; job referrals for recipients; and programmes to improve motivation, skills and employability. In a broader sense, ALMPs can also encompass measures to maintain workers in their jobs, such as wage and job subsidies, public work programmes and entrepreneurship incentives. In addition, policies seek to target segments of the population vulnerable to long-term unemployment and discouragement, such as youth (see the following section on youth employment).

181. The recourse to ALMPs, in terms of scope and diversity, declines with the income level of countries, which reflects the financial and capacity constraints faced by countries. A recent Office survey of governments’ responses to the crisis²⁵ found that the most utilized policy response in the middle-income group is training, followed by job search assistance, entrepreneurship incentives and public works programmes.

182. Various departments in the Office work – often jointly – on ALMPs, and the nature of that work is research-intensive. Studies have been conducted, for example, on the

²⁴ For a further elaboration of the issues discussed in this paper, see S. Cazes, S. Verick, and C. Heuer: *Labour market policies in times of crisis*, Employment Working Paper No. 35 (Geneva, ILO, 2009).

²⁵ *idem*.

range and effectiveness of ALMPs²⁶ and their role in the light of the Termination of Employment Convention, 1982 (No. 158). The broader question of labour regulation with respect to economic performance has also been analysed, particularly in relation to the International Finance Corporation's (IFC) country rankings of employment protection legislation in the IFC's annual *Doing Business* reports, which influenced a change in the methodology and in the use of the rankings in policy work.²⁷ Office research on ALMPs frequently informs policy advice given to constituents.

183. The design and implementation of labour market policies will be refined on the basis of new research findings on their implementation and results, as well as on innovations.²⁸ This will contribute to a better understanding of labour market adjustments before and during the crisis.

184. Labour market information and analysis constitute an essential basis for developing focused and targeted employment and labour policies, as well as for monitoring their impact. As mentioned in Chapter 2, labour market data and statistics are still underdeveloped in many countries, despite the fact that constituents' requests for support have increased due to the need to monitor the impact of both the crisis and the policy response. It is not possible to develop comprehensive employment targets without accurate and timely information on changes in the labour market – and these can only be provided by good quality and regular labour force surveys. Yet, only 20 developing countries have semi-annual labour force surveys (and only one in Africa), while only 17 developing countries have up to date unemployment data.²⁹

185. In the developing world, much could be achieved by a better analysis of available data, an improved organization of institutional networks between users and producers of data, and targeted support to constituents. In much of Africa and parts of Asia, countries have both limited data and weak analytical capacity, outside of a few academic and research institutions.

186. The Office has a division of labour for the (1) collection and (2) analysis of labour market information. The former is the primary responsibility of the Department of Statistics, which, in addition to the compilation and dissemination of statistical data received from the member States and constituents worldwide, also coordinates the setting of international statistical standards and provides technical assistance to member States in the form of labour and establishment surveys, administrative records and other statistical sources to enable them to produce better labour statistics. The analysis of labour market data, such as through the publication of the *Global Employment Trends* series, is performed by economists in the Trends Unit of the Department of Economic and Labour Market Analysis in the Employment Sector. Other departments in the Office, both at headquarters and in the field, are also involved in the analysis of labour statistics.

187. A major effort is currently under way to develop decent work indicators. Many important elements of the multifaceted concept of decent work lend themselves to quantification – which, in turn, can yield a far more robust view of the labour market than reliance on traditional measures, such as labour force participation, employment

²⁶ P. Auer, P. Efendioglu and J. Leschke: *Active labour market policies around the world: Coping with the consequences of globalization* (Geneva, ILO, 2008).

²⁷ *The Doing Business indicators: Measurement issues and political implications*, see: www.ilo.org/empelm/what/pubs/lang--en/docName--WCMS_113905/index.htm.

²⁸ A comparative study on labour market functioning in Benin, Burkina Faso, Cameroon and Mali has already been launched and will provide policy recommendations on ALMPs.

²⁹ Department of Statistics, ILO, Geneva.

and unemployment. In this regard, the ILO hosted a technical meeting of experts who recommended a set of basic indicators covering the four pillars of decent work – which was backed by the 2008 International Conference of Labour Statisticians (ICLS) held in Geneva. Following these activities, the Policy Integration Department undertook, in coordination with the Department of Statistics, a set of decent work country profiles in order to test and promote the use of the agreed indicators so as to render a more in-depth view of labour conditions. As for a “reduced form” of decent work indicators, the ILO was successful in gaining UN acceptance of the inclusion of four new indicators adopted in 2007 for the MDG 1 on employment and poverty reduction.³⁰

188. The Office has stepped up its monitoring and dissemination of labour market information and analysis at the global and regional levels in response to the economic crisis.³¹ In addition, the Office continues to help countries establish their own national labour market information and analysis systems, both through specific interventions such as support for labour market analysis or the development of special purpose analytical tools,³² as well as through more comprehensive approaches including dedicated projects or project components.

189. A number of technical support activities designed to improve capacity to produce and use labour market information are shown in table 3.2.

Table 3.2. Countries that have received training for statistical and analytical capacity to monitor progress on MDG 1

Region	
Africa	Botswana, Democratic Republic of the Congo, Ethiopia, Ghana, Guyana, Liberia, Malawi, Mali, Namibia, Nigeria, Rwanda, Senegal, Sierra Leone, Somalia, South Africa, United Republic of Tanzania, Togo, Uganda, Zambia, Zimbabwe
Latin America and the Caribbean	Argentina, Brazil, Costa Rica, Ecuador, Jamaica
Arab States	Egypt, Lebanon, Sudan, Syrian Arab Republic
Asia and the Pacific	Cambodia, Fiji, India, Indonesia, Malaysia, Mongolia, Pakistan, Philippines, Solomon Islands, Sri Lanka, Viet Nam
Europe (including Central Asia)	Azerbaijan, Croatia, Kazakhstan, Kyrgyzstan, Montenegro, Tajikistan, Turkey, The former Yugoslav Republic of Macedonia, Turkmenistan, Uzbekistan

4.3. Youth employment

190. Youth employment is a national priority in most countries. In many instances, this priority does not translate into operational plans that align the provisions of key economic and social policies to action-oriented interventions supported by adequate investments – including human and financial resources. In many cases, the youth employment priority is operationalized through interventions that are limited both in time and in scope (e.g. programme approach). These are usually focused on supply-side

³⁰ The indicators are: employment to population ratio; the working poor; the share of vulnerable work; and labour productivity.

³¹ Apart from regular editions on the Key Indicators of the Labour Market (KILM), a series of quarterly updates of *Global Employment Trends* focusing on the labour market impact of the economic crisis were published in 2009. In addition, country briefs and global statistics on the labour market are posted in the ILO Global Jobs Crisis Observatory.

³² For example, the ILO initiated the development of a short-term employment projection tool in Ukraine; a similar tool may be introduced in Viet Nam in the context of support to employment promotion.

measures with skills training being the dominant intervention, followed by job-search skills, career counselling and other employment services. Measures to increase labour demand generally consist of employment subsidies for labour market entrants, public works and community services, self-employment and entrepreneurship promotion, including access to both financial and non-financial services.

191. Although the responsibility for youth employment usually lies with specific ministries and agencies, such as the ministries of education and employment, in some regions – for instance Africa – the ministries in charge of youth affairs are increasingly given responsibility for youth employment. This might contribute to a better integration of youth employment in youth development policies. However, it could also disconnect youth employment from employment and other economic and social policies if the governance system is not able to ensure coordination across various ministries in charge of policies affecting youth employment.

192. In the follow-up to the resolution concerning youth employment adopted by the ILC in 2005, the Office is currently supporting youth employment work in more than half of the existing Decent Work Country Programmes. Although the types of Office support to youth employment vary across countries and regions, these typically consist of:

- collection and analysis of data and information on youth labour markets;
- national policies and institutional frameworks, and dissemination of good practices;
- provision of technical support to mainstream youth employment in national development frameworks and policies (national employment policies and/or youth development strategies) and the development of action plans (e.g. youth employment national action plans);
- advice and technical assistance to design, implement, monitor and evaluate national youth employment programmes;
- advocacy, awareness raising and knowledge sharing to promote decent work for youth through country-level and regional tripartite dialogue.

193. The recent practice of joint UN programming on youth employment has provided the ILO with an opportunity to streamline its technical cooperation programme on youth employment within the UNDAF. The youth employment and migration window of the MDG Achievement Fund, sponsored by the Government of Spain, has allowed 12 UN agencies and the International Organization for Migration (IOM) to move towards more integrated and mutually supportive approaches that operationalize national youth employment priorities within the overall decent work concept. This initiative was convened by the ILO and resulted in joint UN programmes that are currently being implemented by 14 United Nations Country Teams. The ILO is lead or implementing agency in nine of them, involving some US\$18 million of the total US\$73 million allocated to this window. These programmes span across the four pillars of the Decent Work Agenda, from rights at work to integrated youth employment initiatives, conditions of work, labour migration policies and protection of migrant workers.

194. An independent evaluation of the ILO's strategy on youth employment during the period 2006–08 was carried out in 2009 and its findings discussed at the Governing Body in November 2009. The evaluation found that the ILO's youth employment approach and initiatives were relevant to the employment-related needs of youth,

national Decent Work Agendas and the priorities of ILO constituents.³³ The evaluation also urged the Office to support integrated approaches to youth employment at country level and to strengthen coordination and synergy between departments and programmes.

4.4. Social finance

195. Social finance or “inclusive finance” has become a key component of anti-poverty strategies and employment promotion policies in many countries. Policies that promote social finance address the challenges of financial services in terms of transparency, protection, proximity, affordability and access for under-served market segments.

196. The ILO Social Finance Programme (SFP) focuses on domestic financial sector issues, such as: financial liberalization and its impact on the poor; financial strategies that are sustainable commercially but also reduce poverty, including microfinance, or that can steer resources to corporations respecting ILS; and socially responsible investment. Innovations in finance that generate welfare gains for the working poor are a focus of ongoing work. The SFP seeks to demonstrate the impact of changes in finance delivery on decent work and employment, in the framework of two research initiatives: “Microfinance for decent work” and the “Microinsurance innovation facility”. The former is a partnership with 20 microfinance institutions catering to 2.1 million poor households; and disposing of a total loan portfolio of US\$1.6 billion. The latter provides innovation grants to institutions that seek to adapt microinsurance to the needs of poor households; up to now it has allocated US\$11.7 million in innovation grants to 82 grantees.

197. The impact of the Office’s work in these areas can be measured by the difference it has made to the institutions it has worked with – for instance, whether it has influenced and changed their actions, analyses and policies. The law constituting the first regulatory framework worldwide on microfinance, for example, was adopted by the Central Bank of West African States on the basis of the Office’s advice. Several other central banks have used this law as a model for the regulation of member-based financial institutions. Another case in point is the EDEN programme launched by the French Government to help the unemployed start their own business with collateral-free loans, which uses eligibility criteria for public and private intermediaries that were conceived and developed by the Office. The Reserve Bank of India decided to lift the maximum lending ceiling for collateral-free lending – especially for women borrowers – upon advice from the ILO. In South-East Asia more than 30,000 families at risk of child labour and human trafficking decreased their vulnerability through access to financial services and financial literacy training through a joint Office initiative.

5. *Governance and review*

198. The need for stronger governance and review mechanisms of employment policies has been recognized in the evaluation of the GEA implementation and in the follow-up to the Social Justice Declaration. Chapter 1 briefly reviewed the two existing processes: the supervisory machinery for ILS, including the General Survey; and the Governing Body ESP Committee, which discusses substantial issues in the Office’s work on employment and social protection and provides guidance on how the Organization can be more effective in achieving employment and social protection objectives.

³³ ILO: *Independent evaluation of the ILO’s strategy to increase member States’ capacities to develop policies and programmes focused on youth employment*, Governing Body, 306th Session, Geneva, Nov. 2009, GB.306/PFA/13/3.

199. The first mechanism provides for a legal review of countries' compliance with employment-related international standards based on country reports. An invaluable source of information, this process falls short of providing a comprehensive and interdisciplinary review of economic policies that are key to delivering on the cross-cutting objective of employment and reflecting fully action taken beyond ministries of labour. The identification and evaluation of good practices are difficult.

200. As for the ESP Committee, two countries per year have been invited since 2007 to make presentations in the Committee, based on a short set of guiding questions to help them prepare their presentations and to provide some similarity across countries. While the country case discussions have been enlightening, this review process has inherent shortcomings: only two countries per year present their employment policies to the ESP Committee; and there is little in the way of critical benchmarking.

201. The Bucharest Process, another innovative process, was launched in 2003 to formulate employment policies in South-East European countries. The Office – in partnership with the Council of Europe and in cooperation with the European Commission – provided strategic guidance and technical support to foster regional cooperation and a peer review mechanism of employment policies. Through the Country Reviews of Employment Policy (CREP), the employment policy in each country was analysed and recommendations made for improving it. Guided by ministerial conferences and reviewed by a permanent high-level committee composed of labour ministry directors of employment and the director-generals of the public employment services, the reports were discussed in national tripartite seminars in each country. Peer reviews of national employment policies were conducted among all participating countries, supported by ILO training workshops. With the completion of the reviews, the ILO is now assisting countries to implement the recommendations. The success of this peer review process yields important lessons and may be a potential model for application in other regions.

202. Other international institutions have different models for systematic review of policies under their core mandate. The WTO has its Trade Policy Reviews and the IMF has article IV reviews of macroeconomic and financial policies. The OECD and the EU have their own versions of peer review processes articulated around the guidelines of the Jobs Strategy and the European Employment Strategy, respectively (see box 3.1). Nothing of this nature exists for low- or middle-income member States of the ILO.

203. Strengthening the governance and review mechanisms of employment policies in the ILO may be a possible strategy for the future. Developing appropriate guidelines for countries at different levels of development would contribute towards a strengthened review mechanism. These guidelines, particularly aimed at low- and middle-income developing countries, would be based on ILO instruments and approaches and informed by good practice reviews, coupled with a stronger process of peer review of employment policies, possibly around the ESP Committee. The guidelines and a strengthened review process around them would provide member States and social partners in those countries with improved knowledge and policy advice.³⁴

Evaluation of impact

204. A review on the extent to which the ILO's work has had an impact on employment was carried out in preparation for this report. In general, while there have been regular

³⁴ This was proposed to the ESP Committee in: ILO: *Overview of the Global Employment Agenda implementation*, Governing Body, 300th Session, Geneva, Nov. 2007, GB.300/ESP/2.

evaluations of projects and programmes, the results of which are briefly highlighted in Appendix III, the impact of the Office's work on policy development has not been evaluated regularly.

205. The thematic evaluation of ILO participation in Poverty Reduction Strategy Papers (PRSPs) is considered a landmark review in this respect. The evaluation assessed the extent of integration of the Decent Work Agenda in the PRSPs of five countries,³⁵ and the degree of constituent and ILO engagement in – and impact on – the process.

206. One example of impact is that employment features increasingly in the second generation of PRS, reflecting the changing mindset amongst government agencies and multilateral partners that drive the process beyond the ILO constituency.

207. Figure 3.4 shows this change of focus. Employment is increasingly treated as a cross-cutting objective and given more prominence. Youth employment and gender issues are also given greater emphasis. But the evaluation showed that although the constituents had participated more in the formulation process and not just been consulted, participation weakened during the implementation and monitoring stages. Furthermore, employment linkages with macroeconomic issues are still relatively weak.³⁶ The evaluation also noted the good use of regular budget and extra-budgetary multi-donor support provided³⁷ to the Office to bring about these positive governance and peer reviews of employment policies.³⁸

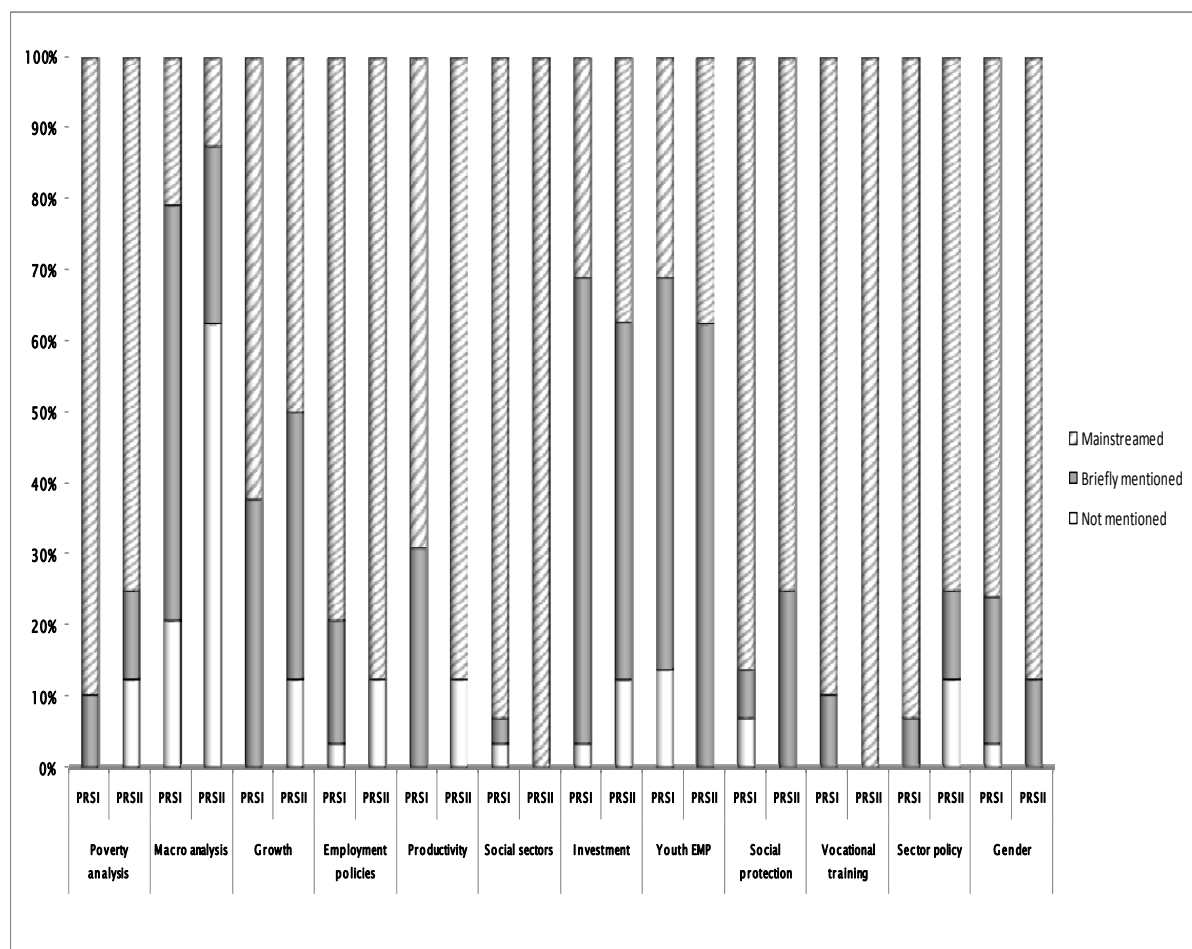
³⁵ Ghana, Indonesia, Mali, Nepal and United Republic of Tanzania.

³⁶ ILO: *The Decent Work Agenda in Poverty Reduction Strategy Papers (PRSPs): Recent developments*, Governing Body, 300th Session, Geneva, Nov. 2007, GB.300/ESP/3.

³⁷ The extra-budgetary funding support provided by DFID and DANIDA to the ILO in the earlier stages of this work enabled the expansion of country applications and capacity-building initiatives.

³⁸ The Employment Policy Department is undertaking a new round of in-depth review of a sample of employment policy development processes in some 20 countries across regions to draw lessons and assess approaches.

**Figure 3.4. First and second generation of poverty reduction strategies:
Content and employment**



Source: ILO, EMP/POLICY-CEPOL database on national employment policies and PRSs, 2009.

Means of action and future priorities

208. The Office supports the constituents' efforts to promote full and productive employment and decent work for all through a variety of means of action. **Policy advice** is a key element of this strategy. Experience over the years has shown that supporting policy development and implementation, as well as facilitating tripartite dialogue, cannot be met through one-off multidisciplinary advisory missions. Effective support requires a longer term and recurring engagement by the Office. The Office's current capacity consists of some ten employment policy specialists in the field, in all regions, and ten country employment policy analysts at headquarters. This clearly is inadequate to meet the range and depth of demands in a timely manner (see Appendix II for a summary of the full set of human resources committed to the employment objective).

209. **Policy research** has focused principally on the growth, employment, poverty reduction nexus, and on sector-specific studies and country analyses of employment and labour markets. The stock of knowledge needs to be expanded, updated and reoriented towards the new employment challenges that constituents face in a rapidly changing global economy. A research agenda was put in place as part of the GEA implementation plan. The Employment Sector, in coordination with the Social Protection Sector, reviewed the research projects under way and the knowledge gaps under each core element of the GEA. This review identified areas where the Office should seek to

strengthen research and reconfirm itself as a centre of excellence in employment issues. New quality assurance procedures were also introduced in line with Office-wide procedures under the new Research and Publications Committee (RPC).

210. The Office has also embarked on new initiatives to make the social partners more aware of the extent to which the lack of fiscal and policy space acts as a constraint on employment creation and to identify pragmatic options for enhancing this space. The issues being investigated include the need for a renewed commitment to domestic resource mobilization, especially in developing countries with low tax burdens and insufficient utilization of existing resources, and institutional arrangements for enhancing access to low-conditionality external finance that can be rapidly deployed during times of crisis and external shocks.³⁹ Research on macroeconomic policies and targeting “real” variables (employment and output) explores how the notion of “real targeting” can be formally incorporated as part of the mandates and key performance indicators of the monetary authorities, finance ministries and national planning ministries.⁴⁰

211. There is a strong case for investing more resources in building up new in-house knowledge by initiating new substantive research on the causes of poor employment performance in many developing countries despite adequate GDP growth, and on policies that can provide a more job-rich and inclusive growth. The new post-crisis environment suggests the need to step up and sharpen the focus of ILO’s analytical work on macroeconomic frameworks and sectoral strategies that target and deliver better on the goals of full and productive employment. In particular, the research agenda should focus on “rebalancing strategies” that might foster domestic demand and income-led growth. Similarly, there is a strong potential for investing in new research on the synergies across decent work objectives, as called for by the Social Justice Declaration, and on policy interactions between social protection and employment, wage policy and employment, labour migration and employment. Strengthened networking with academics and analysts is also necessary.⁴¹ A solid renewed research agenda is key to providing sound policy advice to constituents and to advocating policy coherence with the international financial institutions.

212. **Tools**, manuals and policy guidelines are an important means of disseminating knowledge, practical experience and good practice reviews in an effective and user-friendly manner. Table 3.3 presents some of the key tools developed and widely used in support of employment policy, as well as those that are being renewed and pilot tested. They fall into three categories: diagnostic tools that provide lenses and analytical frameworks for situation analysis and appraisal of constraints and opportunities; capacity-building and policy development tools that support advocacy and give practical guidelines for policy and programme development; and impact assessment tools that support the monitoring and evaluation of impact of policies and programmes.

³⁹ I. Islam, op. cit.

⁴⁰ This framework is suggested in G. Epstein: *Rethinking monetary and financial policy: Practical suggestions for monitoring financial stability while generating employment and poverty reduction*, Employment Working Paper No. 37 (Geneva, ILO, 2009).

⁴¹ In line with the ILO’s new Knowledge Strategy. See, ILO: *Results-based strategies 2010–15: Knowledge Strategy – Strengthening capacity to deliver decent work and the Global Jobs Pact*, Governing Body, 306th Session, Geneva, Nov. 2009, GB.306/PFA/12/3.

Table 3.3. Employment policy tools: Selected examples only
(analytic frameworks, manuals, policy briefs, methodologies)

Diagnostic tools
<input type="checkbox"/> Analytic framework for comprehensive employment policy review (based on the GEA)
<input type="checkbox"/> School-to-work transition survey
<input type="checkbox"/> Sectoral strategies for enhancing employment potential (<i>under development</i>)
<input type="checkbox"/> Guide on country-level rapid impact assessment of crisis on employment
<input type="checkbox"/> Employment targeting and constraints for employment growth (<i>under development</i>)
<input type="checkbox"/> Fiscal space evaluations for employment policy (<i>under development</i>)
Capacity-building and policy development tools
<input type="checkbox"/> Decent work and poverty reduction strategies (PRS) – A reference manual
<input type="checkbox"/> National action plans for youth employment
<input type="checkbox"/> Decent work and the informal economy: Facilitating transition to formality
<input type="checkbox"/> Employment and labour markets policies
<input type="checkbox"/> Gender, poverty and employment
<input type="checkbox"/> Guidelines on gender in employment policies
<input type="checkbox"/> Urban job creation policies (<i>under development</i>)
<input type="checkbox"/> Guide for public employment programmes (<i>under development</i>)
<input type="checkbox"/> Achieving equal employment opportunities for people with disabilities
<input type="checkbox"/> Decent work and people with disabilities
Monitoring and impact assessment tools
<input type="checkbox"/> Guide to the new MDG 1 employment indicators
<input type="checkbox"/> Employment impact assessment (EIA) of investments in infrastructure
<input type="checkbox"/> Public expenditure reviews and employment outcomes (<i>under development</i>)

213. Table 3.4 shows the extra-budgetary **technical cooperation** portfolio for the programmes under the strategic objective on employment, which amounted to nearly US\$332 million as of February 2010.

214. Based on the understanding of constituents' requirements, there is a need for additional funding to support employment policy development and dialogue, and for the systematic and recurring capacity building of ILO constituents, so that they might effectively advocate the centrality of employment in economic and social policies. This has been a rather neglected area for extra-budgetary resource mobilization. Because youth employment is such a high priority in all regions, this is another area where resource mobilization efforts should be stepped up.

Table 3.4. Extra-budgetary technical cooperation: Portfolios by employment themes*

Employment themes	Total budget as of February 2010 (US\$)
Employment policy	18 021 215
Skills development and employability	48 115 242
Enterprise development	93 968 346
Employment-intensive investment	84 599 097
Crisis response and reconstruction	30 746 050
Social finance	19 754 525
Trade and employment	3 397 590
Youth employment, and other integrated employment projects	32 913 172
TOTAL	331 515 237

* Available budgets as of February 2010, not including funding through the Regular Budget Supplementary Account. Projects targeting youth employment and trade and employment have been listed separately to reflect better their core purpose.

215. **The capacity building of ILO constituents** is conducted in various ways at the country level and provides support to: governments for the formulation of national employment policies or sector/theme specific strategies and programmes; and the social partners for effective participation and ability to engage in and influence policy processes. It further informs and facilitates tripartite dialogue and at the International Training Centre of the ILO (Turin Centre). Table 3.5 provides some recent examples. The identified gap of a regular course that keeps up to date with the new approaches is being filled through a new joint initiative between the Employment Sector and the Turin Centre.

Table 3.5. Capacity building of constituents: Some examples

Theme	Brief description
Integrating employment and decent work issues in PRSs and national development frameworks	A series of Turin seminars held regularly since 2002 focus on employment and labour market policies in developing low- and middle-income countries. A 2008 seminar organized and delivered jointly by the ILO and the World Bank for French-speaking Africa examined the coherence of policy support and advice. In addition to the capacity building of constituents, these seminars aim at building ILO staff capacity, in the field and at headquarters, to promote decent work and employment in national development planning processes.
Labour economics for development	A one-week course developed in collaboration with the Turin Centre and delivered in conjunction with the World Bank and the OECD. The long-term objective is to enhance capacity of senior policy-makers in middle- and low-income countries to adopt effective labour market and employment policies.
Social finance	Capacity building for selected employers' and workers' organizations on a range of topics such as formalization through access to finance; collateral law and reserve bank policies; firm-based voluntary insurance feasibility study; guarantee funds for laid-off workers; collective bargaining agreements; and access to finance.

216. **Expanded and strengthened partnerships** are crucial for advocacy and building new alliances to empower member States to guide post-crisis recovery with a truly central focus on employment. Table 3.6 gives some examples of recent and active partnerships.

Table 3.6. Some examples of partnerships and alliances

Area	Partnerships and alliances
Review of national employment policies of countries of South-Eastern Europe and the Republic of Moldova	ILO and Council of Europe initiative with support from the Belgian Government
Design and delivery of the EIIP	Confederation of International Contractors' Associations, Building and Woodworkers' International, World Bank, Asian Development Bank (ADB), African Development Bank, Inter-American Development Bank, EU and major bilateral donors
Design and delivery of programmes in social finance	Consultative Group to Assist the Poor, major European and Canadian universities, World Savings Banks Institute, European Mutual Guarantees Association, 22 microfinance and microinsurance institutions
Youth employment	Youth Employment Network (YEN) involving the ILO, UN agencies and the World Bank
Growth, poverty reduction and employment policy	ILO–One UN Programme: In the United Republic of Tanzania, the ILO plays a lead role within the One UN Programme on the Joint Programme for Growth and Poverty Reduction. The ILO represents other agencies in this area, and represents the UN in the larger Government-led forum that delivers on the national development framework (MKUKUTA). The document that governs this international partnership is UNDAF. Work with the ADB, the United Kingdom Department for International Development on a growth constraints diagnostic in Nepal.
Growth diagnostic studies to identify binding constraints on employment creation	Undertaken in collaboration with the ADB and the Islamic Development Bank in Indonesia and with the ADB in Nepal

Response to the crisis

Rapid impact assessments

217. The Office has redoubled efforts to promote productive employment and decent work at the national level in light of the global financial and economic crisis. One line of work has been the elaboration of rapid impact assessments. An Office-wide team drafted the *Country-level rapid impact assessment of crisis on employment* for constituents and field offices. Country-level demand for, and use of, this tool has been intense as it provides a core but flexible framework for assessing impact and intensifying dialogue on the Global Jobs Pact. Rapid impact assessments were conducted in Bangladesh, Cambodia, China, India, Indonesia, Liberia, Pakistan, Philippines, Uganda and Viet Nam.

218. These assessments triggered increased dialogue among policy-makers, workers and employers in jointly identifying responses at all levels – from macroeconomic to enterprise and labour adjustments. For example, in Liberia the rapid assessment stimulated discussions among constituents and Cabinet deliberations on rebalancing the national development strategy, one element of which was to expand demand and production of domestic rice as a means of reducing foreign currency expenditures on imported rice while boosting job creation, food security and poverty reduction. In Uganda, the assessment opened and advanced debate on minimum wages, as well as on the need to rapidly expand social protection measures for the most vulnerable rural women. Rapid assessments have also stimulated action in finalizing and endorsing national employment policies as the main domestic instrument for prioritizing means of action to expand productive employment.

Inventory of national policy responses

219. The London G20 Summit (April 2009) invited the ILO, working with other relevant organizations, to assess the employment and social protection policy actions

taken and those required for future action. The ILO Director-General was subsequently invited to the G20 Leaders' Summit in Pittsburgh (September 2009) and submitted two papers.⁴² The papers included an inventory of crisis response policy actions taken between mid-2008 and 30 July 2009 in 54 countries, spanning all income levels and regions and involving 32 specific measures grouped broadly under the heading of the Global Jobs Pact (as summarized in Chapter 2).

220. The World Bank and the ILO have agreed to collaborate on research and assessment of crisis response policies. As part of this agreement, the inventory of crisis response policies will be updated and expanded. This work will be led by the ILO and use the Global Jobs Pact framework. The ILO will be responsible for updating the database for the original 54 countries and adding a few more countries, and the World Bank will contribute profiles to the database mainly based on their work in Eastern Europe.

221. The expanded inventory will be a powerful tool for policy-makers and constituents on how to give effect to the Global Jobs Pact. It will also be used and disseminated through the training and policy advisory work of the World Bank and the ILO.

Regional meetings

222. Particularly since the third quarter of 2008, ILO Regional Meetings have focused on support to the constituents in their response to the crisis. This work, which was extensively reported to the Governing Body in November 2009⁴³ has been continued and strengthened. For example, the First African Decent Work Symposium (Ouagadougou, 1–2 December 2009), convened at the invitation of His Excellency Mr Blaise Compaoré, President of Burkina Faso, was aimed at operationalizing the Global Jobs Pact in Africa. The Symposium provided an opportunity for workers, employers and governments to interact to ensure an effective recovery in Africa from the global financial and economic crisis. At the end of the Symposium, the “Roadmap for the implementation of the Global Jobs Pact in Africa” was adopted. Another example is the meeting of Pacific Island labour ministers and social partners who, in February 2010, reached an agreement to support a jobs-led recovery by promoting decent work in the Pacific region by adopting the Port Vila Statement on Decent Work and its accompanying “Pacific Action Plan for Decent Work”. They further affirmed their commitment to the application of the Global Jobs Pact in their region.

Integrated application of the Global Jobs Pact

223. Through these Regional Meetings and initiatives, the Office has received requests from constituents for support in their crisis response measures. The Office support has been organized around specific crisis-related policy measures and has involved all the areas of the Decent Work Agenda: employment, social protection, labour standards and social dialogue. This work has been mainstreamed into the Programme and Budget (2010–11).

224. As the impact of the crisis has deepened, some member States have sought Office support to develop a more integrated set of crisis response measures based on the Global Jobs Pact policy portfolio. In response to this growing demand, the ILO Director-

⁴² ILO: *Protecting people, promoting jobs: From crisis response to recovery and sustainable growth*, Communication to G20 Leaders by the ILO Director-General; *Protecting people, promoting jobs: A survey of country employment and social protection policy responses to the global economic crisis*, Report to the G20 Leaders' Summit, Pittsburgh Summit, 24–25 September 2009 (Geneva, 2009).

⁴³ ILO: *Follow-up to the Conference debate and decisions on the economic and employment crisis: Strategy to give effect to the Global Jobs Pact*, Governing Body, 306th session, Nov. 2009, GB.306/3/1.

General put in place a Special Office Arrangement in November 2009 and identified five special assignments to support constituents to give effect to the Global Jobs Pact.⁴⁴

225. The first of these special assignments is specifically intended to “ensure sound and integrated technical support to the operational response to constituents in countries wanting to apply Global Jobs Pact’s policies”. Through this assignment, the Office has developed and applied a flexible approach and process that: is based on tripartite social dialogue, commitment and capacity building; involves an integrated review of national crisis responses and recovery measures using the framework of the Global Jobs Pact; and results in a prioritized roadmap for additional national policy responses and potential additional Office support. In some cases this work has led to the possibility of a “national jobs pact” or similar, and has involved mobilizing partnerships with other multilateral organizations.

226. At the time of preparing this report, ongoing support to countries committed to an integrated application of the Global Jobs Pact was taking place in Bulgaria, El Salvador, Indonesia, Jordan, and South Africa; and plans were in place to expand this work to other countries requesting similar types of assistance.

Inseparable, interrelated and mutually supportive strategic objectives

227. The Social Justice Declaration emphasizes the inseparable, interrelated and mutually supportive nature of the decent work strategic objectives. As reviewed above, Convention No. 122, the GEA and the Office support strategy promote comprehensive approaches towards the objective of full, productive and freely chosen employment that embraces both *the quantity and the quality of employment*. Two challenges are to be faced in realizing stronger synergies.

228. First, at the country level, there are multiple policy interfaces that need to be brought into a coherent and coordinated platform to deliver on the objective of full and productive employment. Policy-makers are often confronted with competing objectives and difficult choices at country level, in order to adjust priorities to their limited – real or perceived – policy and fiscal spaces. Furthermore, globalization is determining the range of policy options; policies adopted by one group of countries affect options in others. As developed earlier, the extent of policy coherence among multilateral organizations and the international development community is crucial to making employment and decent work a central target of economic and social policies.

229. The second challenge is for the Office to use integrated and effective approaches, as well as to deepen and expand joint analysis and support amongst technical units working on specific areas of the Decent Work Agenda. When preparing this report, a more systematic effort was made to map out the key elements of policy interactions with respect to the strategic objective of employment. The following examples of joint work undertaken recently have immense potential for further expansion to build and strengthen the knowledge and empirical base for analysing the multiple policy interactions across the policy areas outlined in figure 3.2, and for supporting constituents in a coordinated and integrated manner.

230. With respect to synergies and interaction across employment and social protection objectives, joint research and analysis was carried out in 2007 and 2008 on the

⁴⁴ ILO: *Director-General’s Announcement*, IGDS No. 127 (version 1), 6 Nov. 2009.

implications of demographic transitions, including the ageing population, for employment and social protection policies.⁴⁵ A newly launched EU-funded project on an integrated approach to improve employment and social protection in four developing economies, examines policies and fiscal space for promoting inclusion of the poor and the informal from a joint perspective, reflecting on the interactions between cash transfer programmes and targeted employment guarantee schemes. Wage policies and labour migration policies are other policy areas that are increasingly considered by the constituents to be elements of national employment policy development. ILO support on these issues is coordinated across a number of units.

231. The follow-up on the Global Jobs Pact and ILO support to crisis response at the country level is demonstrating the close inter-linkages between the social protection policies of income support and unemployment benefits and the programmes to maintain and expand employment opportunities.

232. The implications of labour market regulation on levels and quality of employment is another area for joint analysis and work. Support to labour law reform and employment policies are synchronized through Office initiatives in a few countries (e.g. China, Indonesia, Liberia, Mali, Nepal and Viet Nam).

233. As mentioned already, informed tripartite dialogue on employment policy is a key feature of the Office's support for policy development – i.e. strengthening the capacities of ministers of labour, employers and workers to create and sustain a common platform in order to influence major planning processes and contribute towards dealing with the informal economy. A more systematic review and analysis of effective tripartite institutions at country level and their role in employment policy is a new and promising area for cooperation.

234. Collaboration with ACT/EMP and ACTRAV is a systematic feature of ILO action on employment. Both these Bureaux have contributed to the preparation of policy statements (e.g. on social finance) and of policy manuals (e.g. on youth). As members of the Social Finance Network, both respond to the demands by workers' and employers' organizations in this area of work. Training and capacity-building seminars are held jointly in numerous areas of work at national, regional and international levels.

235. A joint review of the findings of the General Survey concerning employment instruments carried out by the Employment Sector and the International Labour Standards Department is pursued through a coordinated strategy to enhance the constituents' capacities for ratification, implementation of national employment policy, and the reporting on and monitoring of Convention No. 122, which is one of the governance Conventions highlighted by the Social Justice Declaration.

236. Core programmes such as the EIIP promote integrated approaches, for example by integrating labour rights and decent working conditions in public and community contracts. The programme encourages social dialogue in the planning process and in peace building in the case of post-conflict societies. Work on the informal economy implemented over previous biennia entailed close collaboration between the Employment and Social Protection Sectors (see Chapter 7). The Social Finance Programme works through an extended network of focal points across technical and field units.

237. At times, there are real constraints that need to be overcome – such as hurdles related to dedicated resource allocations for pre-defined issues; and limited staff time

⁴⁵ ILO: *Employment and social protection in the new demographic context* (Geneva, 2009, forthcoming).

and funding for broad integrated approaches, management and accountability frameworks that target specific sector, programme and project objectives under tight timelines.

Possible ways forward

238. This review has suggested key lessons of policy experience and identified gaps that need to be filled by ILO constituents and the Office to pursue the objective of full and productive employment and decent work for all. Although these gaps vary from country to country, they are summed up in the following paragraphs, together with suggestions for possible ways forward. The list is by no means exhaustive or predetermined, but provides material for further debate and reflection.

For member States

239. The member States need to increase the employment content (quantity and quality) of growth. Filling the gaps, where present, requires an energetic role for public policy and for the social partners.

240. **There is a need for a broad conceptualization of employment policy.** An often narrow vision of employment policy, typically limited to programmes delivered by the Ministry of Labour, was noted in the General Survey concerning employment instruments. Most developing countries have not integrated employment policy into overall development strategies or economic policies. The initiatives to improve the employment content of economic growth have received little attention. There is little systematic attempt to evaluate the effectiveness of growth policies and programmes on employment.

241. **There should be a stronger articulation of employment policies with national development frameworks,** such as national development plans and/or PRSs.⁴⁶ This requires a systematic incorporation of employment targets and policies in national policy and development frameworks, including quantitative and qualitative targets, sectoral approaches and target groups in national monitoring mechanisms.

242. **Employment should be targeted more explicitly.** Most countries define and measure economic performance through targets for inflation, production, exports or investment attraction. Ambitious employment targets that may have been announced are not given the same treatment as other economic targets, and they are not sufficiently integrated into economic policies, national development plans and investment strategies. Moreover, employment targets typically refer to quantity of employment. Only rarely are targets set with respect to improving the quality of employment, for example reducing underemployment, working poverty and informality. In addition, the monitoring systems and employment-related monitoring indicators are generally weak, whether within national systems of government reporting and monitoring or within sectors. Employment targets need to be supported by sound employment-oriented indicators as discussed in Chapter 2.

243. **There should be a renewed commitment to the role of macroeconomic policies in fostering growth and employment.** A core element of the GEA, macroeconomic frameworks play an important role in an employment-promoting environment. For about three decades, macroeconomic policy was geared towards containing inflation and ensuring that fiscal deficits remained below 3 per cent of GDP. These policy trends led

⁴⁶ National development frameworks are in some countries multi-year development plans and in others PRSs.

to high real interest rates in many low-income countries, which inhibited investment, and a reluctance on the part of both donors and national authorities to use deficit financing and mobilize domestic resources to boost public investment. In the wake of the global economic and jobs crisis of 2008–09, and as emphasized in recent G20 statements, there is a renewed commitment to the role that macroeconomic policies can play in fostering growth and employment. What is needed is **a sustained dialogue between the ILO, its constituents and development partners to implement a post-crisis macroeconomic paradigm**, in which the MDG goal of full and productive employment and decent work for all is pursued within a framework of price stability and fiscal sustainability.

244. **Fiscal and policy space** should be enhanced, which is a real challenge for many developing countries. This is compounded by an erosion of revenues and increased spending commitments engendered both by the global recession of 2008–09 and the energy and food price shocks of 2007 and 2008. Enabling such countries to enhance their fiscal and policy space to attain the goal of “full and productive employment and decent work for all” will require a combination of national commitment and international cooperation. Where binding, these constraints should be a major concern of employment and social protection policies to create the fiscal space for the necessary investments and policies, within a framework of macroeconomic stability.

245. **The importance of industrial policy and sectoral strategies should be reasserted.** Industrial performance and industrial employment have stagnated in many low-income countries, as a reflection of policy orientations that discouraged the use of sectoral strategies based on dynamic comparative advantage and on proactive structural transformation policies. On average, light manufacturing and low-technology products accounted for more than 90 per cent of all exports manufactured by the least developed countries in 2005–06, while medium- and highly-manufactured exports accounted for less than 2 per cent of total manufactured exports.⁴⁷ High growth of productivity is closely associated with industrialization. Sectoral and industrial policies matter because they can accelerate the path of knowledge, skills and capabilities accumulation. Therefore, new types of industrial and competitive advantage policies should receive more attention, while avoiding ineffective incentives and distortions.

246. **Strategies for the rural and informal economy** are necessary, as they are critical elements of national employment strategies in countries where large shares of the labour force are employed in these sectors. The agricultural sector has been neglected and received little attention in employment strategies. The resolution concerning promotion of rural employment for poverty reduction, adopted by the ILC in 2008, called for an integrated decent work perspective to promote rural employment. Countries need to prioritize rural development programmes in their development strategies with explicit employment, social protection and labour standards goals.

247. More attention needs to be given to **the quality and conditions of work, wage policy, freedom of association and collective bargaining**. The link between employment and social protection, on the one hand, and inequality, on the other, should be part of an integrated approach to tackle the challenges of employment and growing inequality in many countries.

248. **Non-discrimination and gender equality in employment should be reinforced.** The principle of freedom of choice is expressed in Convention No. 122, in terms of opportunity to obtain and use skills in jobs, without discrimination on the basis of race, colour, sex, religion, political opinion, national extraction or social origin. While most

⁴⁷ See UNCTAD: *The Least Developed Countries Report 2009*, op. cit.

national employment policies integrate gender equality concerns – some more extensively than others – monitoring effective implementation is key. In line with the general discussion on gender and the adoption of a resolution concerning gender equality at the ILC in 2009, as well as the adoption by the Governing Body of an action plan for gender in November 2009, the Office will support country initiatives for gender-responsive employment creation policies and pay special attention to women's entrepreneurship and women in the informal economy.

249. There is a call for policy coordination and coherence between the ministries of labour and economic affairs. The broader conception and integrated approach to employment policy, as called for by the GEA and the Social Justice Declaration, can only be effective where there is real coordination between ministries of finance and economic affairs, line ministries and the Ministry of Labour. This requires both a political commitment at the highest level and an appropriate institutional environment. These conditions are often not present. Employment outcomes are the result of growth strategies, economic policies and demand-generating strategies that go beyond the mandate of ministries of labour, which are increasingly called on to play the pivotal role of leading and monitoring employment outcomes. Supporting their capacity to perform this coordination role and to foster collaboration with other sectoral ministries, as well as with ministries and agencies entrusted with macroeconomic management – such as the Central Bank, finance ministries and national planning agencies – continues to be a key priority.

250. Tripartism and employment policy must be reinforced. Building and strengthening the capacities of employers' and workers' organizations and tripartite institutions for an informed and effective dialogue on employment policy and for influencing the centrality of employment goals, is a real priority in many countries and for the Office.

For the Office

251. The priority for the Office is to support constituents in filling the gaps identified above and to strengthen their capacities, within the available resources. In particular, the following is suggested:

252. Policy framework, governance and employment policy reviews. The GEA and the set of employment-related instruments offer rich guidance for employment policy. The gap identified is the need to adopt a practical approach to implement the GEA as a complete and balanced package through a strengthened process of employment policy reviews. The importance of establishing employment policy guidelines for middle- and low-income developing countries has already been touched. A related gap is the room for improvement in ILO mechanisms of governance and review around employment policies. The issues and possible modalities for making better use of existing mechanisms have also been touched upon, as have the additional modalities of peer review, strengthened governance around the ESP Committee and the use of guidelines.

253. Policy research and renewed knowledge. The section on means of action clearly made the case for a renewed and expanded agenda of research, focusing in particular on macroeconomic frameworks; "real targeting" and demand management policies; strategies to increase the employment content of growth; fiscal space for employment policies; and integrated analysis of quantity and quality of employment (see more details in Appendix III).

254. **Capacities of ILO tripartite constituents.** Strengthening the capacity of ministries of labour to develop, implement and evaluate sound employment strategies, and to coordinate coherent policies across ministries, continues to be a strong priority. Capacity building should also include finance, planning and economic ministries for targeting employment. There is a similar commitment to continue working with the social partners to improve their capacity to participate in policy-making processes and influence national development frameworks and PRSs and to implement the Global Jobs Pact in response to the current crisis.

255. **Promotion and support for the effective implementation of the Employment Policy Convention, 1964 (No. 122).** The Social Justice Declaration identified Convention No. 122 as a most significant instrument from the viewpoint of governance. As noted in the General Survey concerning employment instruments and developed earlier in this chapter, there are many areas where members States need to strengthen their capacity and action. One priority for the Office work is to support expanded ratification and to strengthen capacities for effective implementation of employment policy in member States and reporting on it.

Annex

Global Employment Agenda implementation: Scorecard

Objective	Progress/achievements	Implementation challenges	Proposed action/ priorities
I. Operational gaps (to make employment central in economic and social policy-making) 1. National level	<ul style="list-style-type: none"> – The GEA integrated approach and some core elements used in national policy frameworks, including PRSs in a relatively large number of countries – Participation of social partners in policy formulation and implementation encouraged – Closer coordination and interaction developed between labour, finance, planning and other key ministries in countries where the GEA has been used in an integrated manner – The GEA made an integral part of Decent Work Country Programme 	<ul style="list-style-type: none"> – Adapting the GEA to diverse national situations – Need practical guidelines for middle- and low-income countries (as exist for OECD) – Low capacity of ministries of labour and social partners in policy formulation & implementation – Weak policy coordination between labour, finance & economic ministries on employment – Office lacks critical mass in core competencies in key disciplines – Monitoring progress & impact evaluation needs to be strengthened 	<ul style="list-style-type: none"> – Develop guidelines using GEA and relevant tripartite documents, and their implementation, for countries at different development levels – Promote employment policy dialogue through inter-ministerial coordination and social dialogue – Continue activities to strengthen technical capacity of ministries of labour and social partners – Improve coordination, teamwork, networking, knowledge-sharing to expand capacity in core competencies – Develop more effective impact assessment methodologies & tools
	2. Global/ regional level	<ul style="list-style-type: none"> – DWA at regional levels has increased demand for use of the GEA framework and tools – Partnerships and alliances developed – The ILO “Toolkit for mainstreaming employment and decent work” endorsed by the CEB and ECOSOC 2007 draws on the GEA – ILO reports (KILM, GEM) draw attention to changing employment and labour market situation 	<ul style="list-style-type: none"> – The GEA as the ILO’s employment policy approach still not sufficiently recognized at global or regional levels (with some exceptions, e.g. Asian Regional Meeting, Busan, 2006) – Need to maximize the use of global and regional partnerships and alliances for better impact at national level

Objective	Progress/achievements	Implementation challenges	Proposed action/ priorities
<p>II. Knowledge gaps</p> <p>Developing an integrated, focused and operationally useful research agenda in support of the GEA implementation</p>	<ul style="list-style-type: none"> - Follow-up action taken on ESP guidance/decisions in discussion on the GEA core and reflected in policy and advisory services - ILO's analytical work internationally recognized in ALMPs, growth–employment–poverty nexus, enterprise development, skills, the EIIP, and minimum social protection package - Detailed “mapping” of ILO employment-related research 	<ul style="list-style-type: none"> - Office cannot deliver equally across all core elements. Some core elements have very limited research work - Priority research areas/possible centres of excellence: <ul style="list-style-type: none"> □ ALMPs and institutions □ entrepreneurship and enterprise development □ employability by improving knowledge and skills □ economic growth, poverty-employment nexus, including the informal economy □ social protection □ youth employment 	<p>employers' and workers' organizations</p> <ul style="list-style-type: none"> - Pursue a strategic, dynamic, focused and well-coordinated research agenda and continue to work on taking into account the general guidance provided by the Committee - Deal with following weaknesses: peer reviews; links with academics and universities; dissemination; coordination on research agenda between headquarters and field

Chapter 4

Sustainable enterprise and job creation

256. “An environment conducive to the creation and growth or transformation of enterprises on a sustainable basis combines the legitimate quest for profit – one of the key drivers of economic growth – with the need for development that respects human dignity, environmental sustainability and decent work.” Thus states paragraph 10 of the conclusions concerning the promotion of sustainable enterprises, adopted at the 96th Session (2007) of the International Labour Conference.¹ These Conclusions identify 17 components of an enabling environment, six categories of enterprise-level principles and describe the respective roles of governments, social partners and the Office in promoting sustainable enterprises.

257. The ILO’s approach to enterprise development stresses the principle that “business tends to thrive where societies thrive and vice versa” (paragraph 7). Making markets work and improving the investment and business climate is not simply about unleashing market forces. Efficient markets need effective institutions and policies. Markets left to themselves do not necessarily allocate resources efficiently.

258. This chapter outlines how the Office has responded to the various global and national challenges with reference to these Conclusions. This response includes the development of a new strategic framework for the Sustainable Enterprise Programme² and, within that, the development of a package of new or updated tools and capacity-building support which addresses the sustainability and responsibility agendas agreed by tripartite consensus in 2007.

Diverse realities and policy trends

259. Sustainable enterprises are a principal source of growth, wealth creation, employment and decent work. Most people around the world work in small enterprises. Enterprises are major motors of innovation and technology diffusion; the means by which goods and services are produced; and the basis for higher tax revenues which enable governments to function properly. Above all, enterprises generate higher incomes and economic empowerment, and are critical for achieving sustainable development and decent work.³

¹ ILO: *Conclusions concerning the promotion of sustainable enterprises*, ILC, 96th Session, Geneva, 2007.

² ILO: *The Sustainable Enterprise Programme: Strategic framework* (Geneva, 2010, forthcoming). The Strategic Policy Framework was developed, at the request of the Executive Director of the Employment Sector, through a participatory process, involving all members of headquarters staff in Geneva, enterprise specialists from the field and consultants. As part of this process a High-level Advisory Panel of internationally recognized leaders in the field of enterprise and entrepreneurship development was also convened to review the draft strategy.

³ ILO: *Conclusions concerning the promotion of sustainable enterprises*, op. cit.

260. Although the contexts and challenges vary between and within countries, all enterprises face the task of accessing resources – physical, financial, and human – and gaining access to markets, both through information on the market and the infrastructural wherewithal to gain access to those markets. When enterprises try hard to navigate various and often inappropriate regulations as well as outright corruption, struggle with weakly defined or enforced property rights, as well as commercial rights and protections, and are unable to plan in the knowledge of predictable regulations and macroeconomic stability, their potential contribution to job creation suffers.

261. The diversity of different contexts aside, there are some common challenges for enterprise development: how to implement enterprise development programmes that create jobs, especially for young men and women in both urban and rural settings; how to improve environments to enable formal enterprises to start and grow; and how to promote the adoption of workplace practices to improve the quality of employment. Three cross-cutting issues also present major challenges in most countries: enhancing gender equity and empowerment; upgrading and formalizing informal enterprises; and promoting environmental sustainability and recognizing the need to anticipate and mitigate the impact of enterprises on the natural environment.

262. To meet these challenges, many countries have private-sector or enterprise development programmes, policies or laws, often focused on SMEs or particular sectors, as well as designated ministries or public agencies responsible for implementing these policies. For example, the Republic of Korea has a framework act on small and medium enterprises, while Mongolia has a similar law. Argentina has a sub-secretariat for SMEs in the Ministry of Finance, and in Nicaragua the National Council on SMEs defines strategies and encourages public–private sector cooperation in promoting these enterprises; it also provides tax exemptions and credit access or guarantees. Similarly, most countries in Africa have policies and special agencies for the promotion of SMEs. In South Africa, a Skills Development Fund finances a range of training programmes for SMEs, and in Mauritius, a Business Facilitation Act simplifies licensing requirements. The Government of Mauritius notes that between 2002 and 2007, the value added produced by the SME sector increased 82 per cent and employment went up by 19 per cent.⁴

263. Member States have their own specific challenges and priorities in the field of enterprise development. For example, in many African and Arab states with relatively youthful populations, a high priority is accorded to promoting entrepreneurship as a vehicle for job creation among young people. In other States, primarily in the OECD, ageing populations are a key problem. To address this and other social challenges, some governments look to expanding the “social economy”. The social economy includes cooperatives and other businesses with primarily social objectives – where surpluses are principally reinvested rather than being driven by the need to maximize profit for shareholders and owners.

264. Two messages are clear: reducing red tape to facilitate doing business is important, but much more than this is needed to make the most of the job creation potential of enterprises. Increased productivity and competitiveness are based on an accumulation of knowledge and capabilities at the levels of both individuals (workers) and organizations (enterprises). In the productive structure of countries, and in their growth patterns, specific technologies and specific sectors matter because they entail different learning

⁴ ILO: *General Survey concerning employment instruments in light of the 2008 Declaration on Social Justice for a Fair Globalization* (Report III(1B)), Report of the Committee of Experts on the Application of Conventions and Recommendations, International Labour Conference, 99th Session, Geneva, 2010.

opportunities and varying income elasticities of demand. Therefore, today's sectoral specialization of an economy influences tomorrow's productivity growth, demand potential and international competitive position. This suggests that sectoral and industrial policies and institutions to accelerate the path of knowledge, skills and capabilities accumulation are important, and provides the fundamental rationale in favour of proactive productive transformation – or industrial – policies. It is also the fundamental reason why, in the face of the heightened awareness about climate change and the imperatives of a low carbon economy, many governments, particularly in the OECD and emerging economies, are putting policies and incentives in place to encourage green enterprises.

Low-income countries

265. In low-income countries the challenge is often to move beyond competing on cheap labour or the sale of particular commodities and to diversify the economy. This focus is on “basic conditions”, such as basic education and health, addressing infrastructure weaknesses and sound management of the economy. In the absence of opportunity for paid employment, “enterprise out of necessity” is pervasive in poor countries.

266. Low-income countries generally receive low rankings in surveys of national competitiveness or of the business environment. This is because many such countries face a regulatory thicket comprising outdated, multiple or inadequate regulations; lack of clarity; duplication; high compliance costs; frequent changes to regulations; low awareness levels among businesses; disparities or inconsistencies between regulations and the different bodies responsible for implementing them; and inadequate infrastructure. These are constraints to growth.

267. Partly as a result of the poor environment, one particular challenge common, but not unique, to many low-income countries, is that a high proportion of enterprises and income-generation activities take place in the informal economy (see Chapter 7).

268. In many countries, female-owned enterprises tend to dominate the informal economy. Subsequently, women's entrepreneurship programmes are likely to be particularly important both to address the need for upgrading informal enterprises run by women and to assess the challenges faced by women in business, and thus to design policies to support them. In Senegal, for example, there is a ministry responsible for women's entrepreneurship development and a women entrepreneurs' fund (*Fonds national de promotion de l'entrepreneuriat féminin*).

Middle-income countries

269. In many middle-income countries, including those in transition, a common focus in enterprise development is on reforms to the legal and regulatory environment. This has much to do with capacity building and institutional development – including investment in public goods – to guarantee effective tax policies and tax administration, and ensure that the rule of law exists and property rights are secure. Fostering accountability and transparency is paramount. For example, Tunisia has wide-ranging policies to promote SMEs. It has recently introduced changes in tax laws to provide more exemptions to these enterprises in the first three years after they start up and particular support to SMEs in high value-added industries such as biotechnology and multimedia.⁵

⁵ *ibid.*

270. Furthermore, transformational technologies such as mobile telephones and wireless internet are dramatically lowering the cost and increasing the availability of market information, making it easier to cut out market intermediaries. Consequently, they are, in a fundamental way, changing some production, distribution and retail value chains. Middle-income countries that have invested appropriately in human resource development are likely to be particularly well placed to capitalize on this.

High-income countries

271. For high-income countries, increasing the capacity to innovate becomes key, and national competitiveness is significantly influenced by factors such as the quality of corporate governance, the extent of bureaucratic red tape, the quality of labour and financial markets, barriers to foreign investment, and the depth of cluster development. In Singapore, for example, where SMEs employ six out of every ten workers, the Government has put in place policies to promote innovation. The key elements include subsidies and support for financing, management development, technology acquisition, access to markets in identified growth sectors, and maintaining one of the most business-friendly policy environments in the world.⁶

272. Many enterprise development policies are concerned with addressing market failures. Climate change is a major market failure. Globally, but perhaps most particularly in OECD and G20 countries, governments and businesses are searching for new solutions and driving the development of new technologies to ensure the sustainability of ecosystems and biodiversity. The policy response is to put in place the right incentives to change behaviour.

273. Gaining and maintaining the public's goodwill has become very important for many businesses, especially large businesses, in high-income countries. This is prompted by increasing awareness that responsible business practices help the bottom line and that "doing good and doing well" are mutually reinforcing; but it is also driven by consumer pressure, government policies, and incentives to encourage responsible and sustainable enterprise practices, such as "green" fiscal instruments and procurement policies.

The ILO's mandate on sustainable enterprises

274. After the adoption of the conclusions concerning the promotion of sustainable enterprises in 2007, the Sustainable Enterprise Programme was adjusted to better reflect the framework and guidance of the conclusions. They were reaffirmed in the Social Justice Declaration, which calls on member States to promote sustainable enterprises. The ILO Declaration on Fundamental Principles and Rights at Work also guides the work of the Office. Detailed instruments providing guidance on enterprise development include: the Job Creation in Small and Medium-Sized Enterprises Recommendation, 1998 (No. 189); the Promotion of Cooperatives Recommendation, 2002 (No. 193); and the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (the MNE Declaration).

Multinational enterprises

275. Globalization has brought unprecedented economic growth and opportunity for many in its wake, but it has also increased tension around income disparities, environmental degradation and market failures. The recent global economic and financial crisis has exposed the governance gaps of a global market economy. This has

⁶ *ibid.*

refocused attention on the social dimensions of business and given impetus to corporate social responsibility (CSR) and voluntary initiatives by a wide range of public and private actors who are increasingly referencing ILS. The MNE Declaration was developed to provide guidance to companies and States in such situations. It is the only ILO instrument directly addressing MNEs and other enterprises and is promoted to business in the context of CSR. The Office reports regularly at each Governing Body to the Subcommittee on Multinational Enterprises.

Cooperative enterprises

276. Cooperatives are member-owned businesses. Recommendation No. 193 mandates the Office to assist constituents and cooperative organizations in promoting cooperatives. This is in recognition of the inclusive economic and social role that cooperatives play in creating and maintaining jobs and in contributing to responsible and sustainable development. Indeed, although the global economic crisis has had a negative impact on most enterprises, cooperative enterprises around the world have shown resilience to the crisis. Financial cooperatives have remained financially sound; consumer cooperatives have reported increased turnover; and workers' cooperatives have witnessed increased growth as people have opted for the cooperative form of enterprise to respond to the new economic realities.⁷

Small and medium-sized enterprises (SMEs)

277. Small businesses are big employers. SMEs⁸ represent a very big slice of employment and economic activity in most economies. In Europe, for example, SMEs account for almost 99 per cent of all businesses and 67 per cent of private sector jobs. In the developing world, most poor people see self-employment as their best escape route out of poverty.⁹ It is in the smallest enterprises, particularly those operating in the informal economy, where decent work deficits can be most pronounced. The workers in small and micro-enterprises are often particularly exposed to changing economic conditions. SMEs in global value chains are especially vulnerable as they often bear the brunt of the difficulties of the large firms. Recommendation No. 189, which is particularly concerned with job creation in this sector, guides the Office's work in this respect.

Constituents' needs

278. The constituents make their needs known in two principal ways; the first of these involves the ILO governance structure. In addition to the instruments adopted and guidance given by the ILC, the Governing Body often discusses enterprise development themes, and the Office regularly receives advice from the ESP Committee and the Subcommittee on Multinational Enterprises.

279. Second, at country level, constituents communicate their needs to the Office through the elaboration of policy, primarily in terms of the formulation and implementation of Decent Work Country Programmes and projects linked to the

⁷ B. Johnston: *Resilience of the cooperative business model in times of crisis*, Sustainable Enterprise Programme (Geneva, ILO, 2009).

⁸ There is no common, universal definition for SMEs. Countries have their own definitions usually based on number of employees, turnover or assets: generally the richer the country, the higher the threshold.

⁹ D. Narayan-Parker: *Voices of the poor: Can anyone hear us?* (New York, Oxford University Press for the World Bank, 2000).

outcomes of these programmes. Nearly all Decent Work Country Programmes refer specifically to outcomes related to sustainable enterprise development. There is a particularly strong demand for support for job creation for young people and women through entrepreneurship, and for using enterprise development as a means for integrating disadvantaged people, such as the very poor and disabled people, into the labour market.

280. Constituents call on the Office for support in their policy dialogues leading to the development of national employment plans. These plans nearly always include sections on private-sector or enterprise development and, in many cases, member States have specific private-sector or SME policies that also draw on inputs from the constituents in collaboration with the Office. In light of the ILO's mandate on sustainable enterprises, constituents are increasingly seeking the Office's support on policies to foster green enterprise and the responsible stewardship of the environment.

Office response

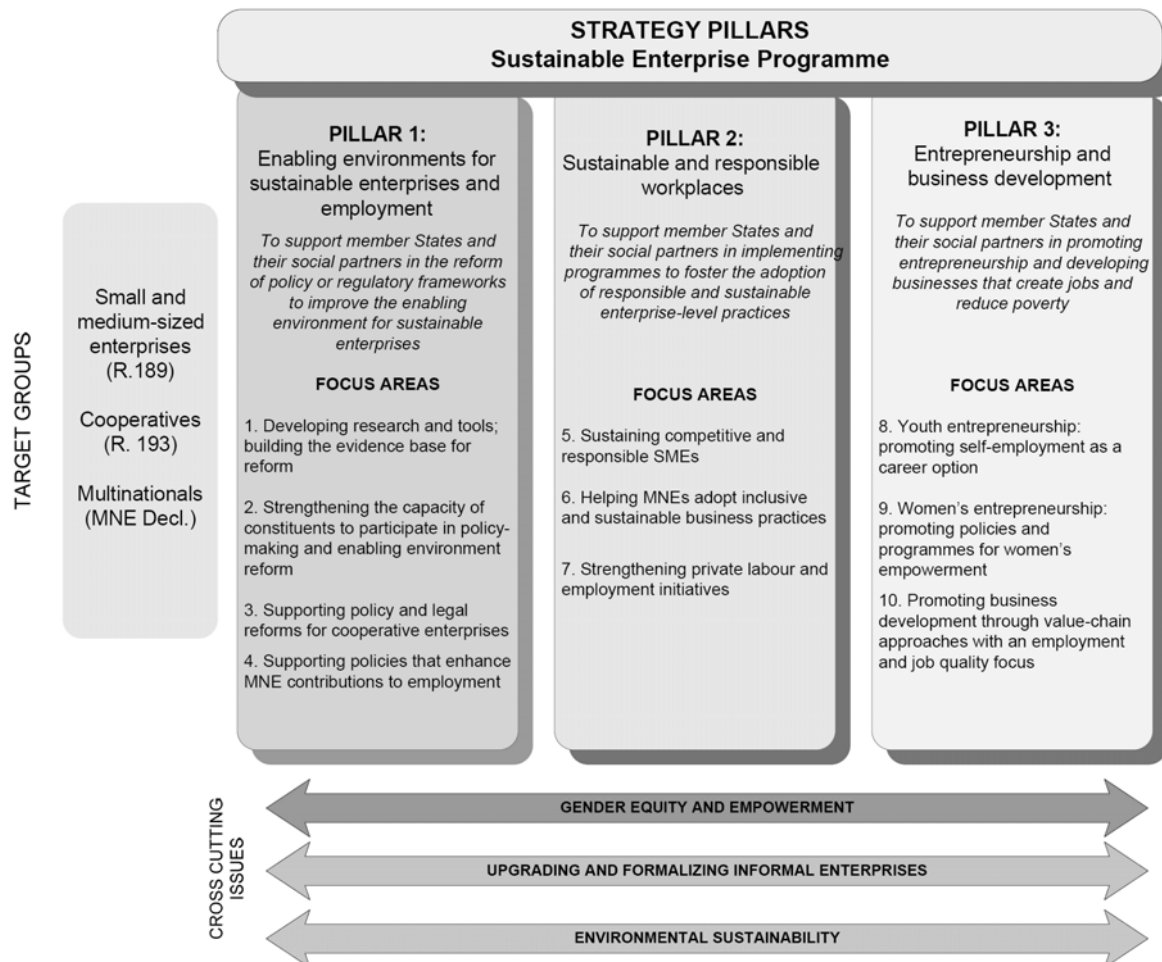
281. The Office has, over the years, developed a wide range of capacity-building tools and products to promote enterprises, including training resources, manuals, guidebooks, working papers and books.¹⁰ Many have their origins in technical cooperation projects conducted over years. These tools build on the ILO's comparative advantage and target not only job creation but job quality improvement at the enterprise level. Many have been updated to better reflect the Conclusions concerning the promotion of sustainable enterprises.

282. The Office now has a policy approach contained in these Conclusions. Since their adoption in 2007, the Office has aligned its work accordingly; for instance, it has developed a strategic framework for promoting job creation through the development of sustainable enterprises (figure 4.1), which is included in the Strategic Policy Framework 2010–15. This new conceptual framework is based on three pillars:

- Pillar 1 – Enabling environments for sustainable enterprises and employment. This pillar concerns the interconnected and mutually reinforcing conditions for sustainable enterprise development identified in the Conclusions concerning the promotion of sustainable enterprises. Enabling environments encourage investment, entrepreneurship, workers' rights, and the creation, growth and maintenance of sustainable enterprises that balance the needs and interests of the enterprise with the aspirations of society.
- Pillar 2 – Sustainable and responsible workplaces. This pillar recognizes the economic and social aspirations of the people on whom sustainable enterprises depend, as well as the impact of development on the natural environment. The aim is to focus on conditions of work and the quality of the working environment. This implies promoting social dialogue and collective bargaining, human resource development, addressing the matter of productivity, wages and shared benefits, as well as CSR, corporate governance and business practices.
- Pillar 3 – Entrepreneurship and business development. This pillar focuses on the role of the entrepreneur and the creation of businesses that lead to more and better jobs. It helps member States and their social partners stimulate entrepreneurship, especially among women and young people.

¹⁰ G. Buckley, M. Henriques, J.M. Salazar-Xirinachs: *The promotion of sustainable enterprises* (Geneva, ILO, 2009); N. Rogovsky et al.: *Restructuring for corporate success: A socially sensitive approach* (Geneva, ILO, 2005); available at www.ilo.org/empent/lang--en/index.htm.

Figure 4.1 The ILO's Sustainable Enterprise Programme



Pillar 1. Enabling environments for sustainable enterprises and employment

283. Governments are responsible for creating an environment conducive to the formation and growth of sustainable enterprises, including by establishing an enabling legal and regulatory framework. Good laws, regulations and institutions are necessary for all enterprises. Where these are weak, unduly burdensome, opaque or arbitrary, or unenforced, they may increase the costs of doing business, stifle innovation and competition, divert resources from optimal use or encourage informal activity. Where they are predictable, transparent and efficient, it is easier to obey the law and to benefit from the opportunities and protection the law provides.

284. A variety of instruments is used to assess the business environment, ranging from the relatively narrow focus on the costs of doing business in the annual *Doing Business* report of the World Bank and the International Finance Corporation (IFC), to the more integrated, holistic assessments of national competitiveness undertaken for the World Economic Forum's annual *Global Competitiveness Report*, the International Institute for Management Development's (IMD) *World Competitiveness Yearbook*, and the World Bank's *Investment Climate Surveys*. All tend to look at the business environment only from the business person's perspective. The ILO takes a broader approach, embracing the workers' rights perspective as well as the particular challenges faced by smaller enterprises.

285. Promoting sustainable enterprises is about strengthening the rule of law and the institutions and governance systems that support enterprises, such as labour administration, representative employers' and workers' organizations and collective bargaining. The intent is to advance towards prosperous, stable and equitable societies.

286. Office support to constituents in this area includes training and awareness-raising programmes in the field, especially for the social partners; support for the reform of laws and regulations, particularly labour and labour-related laws, so that they are more conducive to FDI by MNEs, as well as for the formation and growth of micro- and small enterprises; the integration of sustainable enterprise development in national policy, based on national employment plans with diagnostic assessments to identify the binding constraints on enterprise growth; and strategies to improve the representation of SME owners and workers among employers' and workers' organizations.

287. The Office has developed a number of tools to meet the demand for work on an enabling environment for business. In collaboration with the International Training Centre in Turin, a training course, *Creating an enabling environment for small enterprise development*, has been developed and subsequently customized for delivery at country level. It has been used to train over 300 policy-makers and business environment reformers. An assessment tool on women's entrepreneurship development has also been designed and used in a number of countries in Africa and Central Asia.

288. A detailed diagnostic tool to assess national-level binding constraints (corresponding to the 17 conditions for a conducive environment identified by the ILC in 2007) was piloted in a number of African countries, including Swaziland and Ghana, and a diagnostic assessment of the business climate for youth entrepreneurs was undertaken in Indonesia. The ILO has also developed various guidelines on the enabling environment, such as *Guidelines for cooperative legislation and participatory cooperative policy-making: A manual*.

Box 4.1

Enabling environments for cooperatives: Cooperative Facility for Africa, COOP^{AFRICA}

The Cooperative Facility for Africa, COOP^{AFRICA}* supports job creation, social protection and voice in society through the cooperative approach. At the legislative level, the programme supports legal and policy measures conducive to cooperative development (e.g. Lesotho, Mozambique, Uganda, Zanzibar). At the enterprise level, the programme supports services to primary cooperatives through identified "Centres of competence" and to cooperative stakeholders through a challenge fund. At the institutional level, the programme has established a network of cooperative business providers in the region and promotes coordinating structures (e.g. unions and federations) through National Advisory Groups. According to an independent mid-term evaluation (September 2009), the challenge fund has proven effective in providing demand-driven support services to cooperatives; some 70 projects reached over 224,000 cooperative members in 2008–09. Through partnering with the Social Finance Programme, the programme has increased insurance coverage to poor populations.

COOP^{AFRICA} has developed a monitoring and evaluation system making use of baseline studies and involving local and national stakeholders. The 2009 mid-term evaluation revealed: new cooperative policies and laws in seven countries; nearly 4,000 jobs created; and 225,000 cooperative members. Some 46 per cent of coop members are women and 40 per cent are young persons. The outreach of the programme benefits from partnerships with the ITUC, IOE, and Deliver as One initiatives. The programme is mainly funded by UKaid, DFID, as well as SIDA, the Government of Finland and AGFUND.

* www.ilo.org/coopafrika.

289. MNEs can have a significant positive impact on employment and national development. Governments can contribute to this objective by implementing policies that encourage investment and the creation of decent jobs by MNEs. With this objective in mind, the Office has engaged with tripartite constituents at the national level in Ghana and Argentina to foster enabling environments by strengthening dialogue between policy-makers, employers, workers and MNEs, and sharing experiences, concerns, and policy options. In addition, field research and subsequent capacity building has been conducted in three post-conflict states in Africa – Côte d’Ivoire, Sierra Leone, and Liberia – to explore the role of MNEs in youth employment and the options available to policy-makers to boost youth employment through this sector.

Pillar 2. Sustainable and responsible workplaces

290. There are two broad strands to the Office’s work in this area: one concerned with promoting the application of decent and productive workplace practices in SMEs, largely through capacity-building support to intermediary organizations; and one concerned with CSR and the promotion of the principles contained in the MNE Declaration.

291. Over many years the ILO has been involved in enterprise-level programmes to promote “human-centred” or “high-road” approaches to raising productivity and competitiveness. Such approaches are characterized by an emphasis on upgrading the inputs to the production process: technology, workers’ skills and cooperative/collaborative organizational structures, rather than on purely cost-cutting approaches. A sound evidence base has been built to show that decent work – implementing occupational safety and health, good worker–employer relations, cleaner production systems, and so forth – is the foundation for sustainable productivity improvements and greater competitiveness. Decent work, in short, is a productive factor.

292. The improvement of job quality and compliance with national labour laws and ILS in enterprises draws together various aspects of the ILO’s work, covering all four strategic objectives. Examples of this work include the Sustaining Competitive and Responsible Enterprises (SCORE) programme, which strengthens national capacities to deliver sustainable productivity and competitiveness upgrading programmes in SME clusters, based on labour standards, workplace cooperation and progressive management practices; and the Factory Improvement Programme (FIP) in factories in Sri Lanka, Viet Nam and India.

293. Responsible workplaces promote shared values, trust and cooperation – and fundamental to all this is the promotion of social dialogue and good industrial relations such as collective bargaining, worker information, consultation and participation. Programmes such as FIP and SCORE, as well as various international framework agreements between MNEs and GUFs in different industrial sectors, show that social dialogue can contribute to higher productivity and innovation as well as improved health and safety and fairness at the workplace.

294. A large portion of global productive capacity remains in the informal economy; many MNEs, whose profits can exceed the GDP of their host countries, operate across multiple jurisdictions, often in areas of weak governance, and with varied or limited labour and environmental standards. With growing demands for transparency by civil society and consumers, businesses are either adopting voluntary standards or developing their own codes of conduct. For the ILO it is important that voluntary initiatives converge around the MNE Declaration in order to eliminate a wasteful duplication of resources or conflicting approaches.

295. The MNE Declaration, adopted in 1977, is the only ILO normative instrument addressed directly to enterprises, which raised a new challenge. To address this, the MNE Subcommittee was established to implement a follow-up mechanism to measure the effect given to the instrument. Until recently, this follow-up was conducted by the Office by means of a periodic universal survey of tripartite constituents in member States. A decline in survey response rates and a growing recognition that a more proactive engagement model with MNEs, member States and other stakeholders might deliver more targeted outcomes led to a review of the methodology. In November 2009 a new follow-up strategy was approved by the Governing Body: the Office will now undertake country-level exercises at a national level, with emphasis on building awareness and promoting dialogue among constituents and MNEs.

296. To address the growing confusion around the proliferation of codes and standards, and in a shift to a proactive approach to promoting MNE principles, the Office has introduced a new “Help Desk” service. The service, launched in early 2009, provides free and confidential technical expert assistance on ILS directly to MNEs, workers, employers and member States. The service has been positively received and measures are being taken to meet increased demand.

297. Within the CSR discourse, the responsibility of MNEs with respect to the labour and environmental practices of their ever-expanding supply networks is a topic of growing concern. In this regard, the Office has launched a course for social auditors on implementing core labour standards in supply chains, which involves inputs from a number of departments, programmes and units across the Office, including ACT/EMP, ACTRAV, ITC/TURIN, Better Work Programme, IPEC, SafeWork and ILO/AIDS.

Pillar 3. Entrepreneurship and business development

298. The Office has considerable experience of fostering entrepreneurship through its provision of training and business services. Most support has targeted micro- and small enterprises and cooperatives, and is becoming more and more focused on women and young entrepreneurs. There is an increasing emphasis on promoting systemic approaches to making markets work through support to particular sectors or value chains, often by addressing challenges or constraints at the local level. One example is *Redturs*, an ILO market-oriented initiative to foster business opportunities and generate jobs in community-based tourism among rural and indigenous communities in Latin America.¹¹

299. The Women’s Entrepreneurship Development (WED) Programme, now operating in 24 countries, has succeeded in strengthening the voice and leadership of women entrepreneurs’ associations and has helped them gain access to policy-making levels and influence SME policies in a number of countries. In Africa, the continuing organization of “Month-of-the-Woman Entrepreneur” has raised the profile of women’s entrepreneurship and it has become an annual, self-sustaining activity in five countries. As WED moves from technical cooperation projects to a full programme, impact indicators are being developed and an evaluation tool is being piloted in Ethiopia to measure impact. WED indicators will be developed for governments and service providers to track changes over time and to document good practice.

300. In collaboration with the Gender Bureau, the ILO has contributed to the formulation of gender-sensitive SME policy in several countries and the Women Entrepreneurship Development and Gender Equality (WEDGE) project has developed various approaches and tools based upon the WED’s research findings.

¹¹ Available at www.redturs.org.

301. The ILO has pioneered the use of the mass media in enterprise development (e.g. television in China, street theatre in Sri Lanka and radio in Uganda and Viet Nam). Mass media offer an efficient and innovative means of reaching larger audiences and, more important, provide populations in developing countries with tools to take ownership of their own economic development. The ILO Small Enterprise Media in Africa (SEMA) project in Uganda, for example, has empowered the poor to advocate their own business interests by supporting commercial small business radio programmes (providing major outreach, as almost seven million people listen to business radio programmes in Uganda). One third of listeners report that they have expanded their business as a result of applying what they learned on the radio. Significant impact has been documented on the influence of the radio programmes on policy, legislation, business services and infrastructure.

302. Among the tools with the highest profile are those designed to encourage entrepreneurship. The Know About Business (KAB) entrepreneurship programme aims to contribute to the creation of an enterprise culture by making young people in secondary and tertiary education, and in technical and vocational training, more aware of the benefits and opportunities afforded by self-employment. The Start and Improve Your Business (SIYB) training package and related tools have been used to train a large number of potential and existing entrepreneurs. The Office has also developed guides and manuals to enhance entrepreneurs' access to financial services (including microfinance).

303. Each of these tools and policies is best framed in the context of a national development policy which makes explicit reference to the challenges facing young people and women in the labour market as well as to the challenge of addressing the needs of the informal economy (see Chapters 3 and 7).

Public enterprises

304. Governments can act as regulator, facilitator and promoter of sustainable enterprises. They assume the vital task of promoting social and environmental standards through procurement practices and investment programmes. States often play a role in the ownership and management of companies, usually because of market failure and/or public interest. Public enterprises are usually intended to operate in the public interest and, therefore, have the responsibility of operating as sustainable enterprises. To date, the Office's work on public enterprises has been limited largely to promoting social dialogue and improved human resource management in the public sector, often under the Sectoral Activities Department (SECTOR). For instance, SECTOR has an Action Programme "Enabling public service to contribute to sustainable development and poverty alleviation through improved social dialogue and HRD". Given the ILC 2007 mandate on the promotion of sustainable enterprises, there might be scope to increase the Office's support to public enterprises.

Supply chains and EPZs

305. Global business is done through global supply chains. The term "supply chain" (or "value chain") denotes a set of related businesses bringing a product or service from raw material to final consumer via a series of subcontracting relationships. Usually one or more companies in the higher – buyer – end of the value chain takes the lead, prescribing the standards and norms to be complied with in order to penetrate the market. A large number of systems of social auditing, monitoring and certification operate along value chains that often have their base in low-income countries, including the United Nations Global Compact and the Extractive Industries Transparency Initiative (EITI). International Framework Agreements (IFAs) represent an important dimension of some

global supply chains and the Office has undertaken extensive analytical work in this area. IFAs have been used as an information and consultation mechanism to mitigate the impact of the crisis on employment.

306. In principle, supply chains have significant potential to integrate enterprises of all sizes and types into national and global production systems and to increase jobs and incomes along the chain. In practice, supply chains are usually driven by “lead firms”, which set the operating parameters; this begs the question of who is capturing the value addition along the chain, and about the type and quality of jobs all along the supply chain. The Better Work Programme is the most prominent of the Office’s activities on supply chains (see box 4.2).

Box 4.2
Better Work

The Better Work Programme is a partnership between the ILO and the World Bank Group’s IFC, which now covers a number of countries. Launched in August 2006, with the aim of improving labour practices and competitiveness in global supply chains, Better Work helps enterprises improve their labour standards on the basis of core ILO labour standards and national labour law. This helps suppliers compete in global markets where many buyers demand compliance with labour standards.

Improving labour standards can help enterprises become more competitive by increasing quality and productivity. In Cambodia, where the Better Work Programme began some years earlier, over 340,000 workers in some 300 factories have been covered by the project. As a result, notable improvements both in the quality of the work environment (increased compliance with labour standards and labour law) and improved market performance (increased sales and market share) have been recorded.

In the face of weak governance in sourcing countries, buyers have been individually auditing working conditions in their supply chains, resulting in costly duplication of efforts as many factories sell to multiple buyers. Based on World Bank research in the garment industry in Viet Nam, the current system of multiple buyer audits costs approximately US\$50 per worker per year. Better Work helps consolidate these efforts; each year it conducts a single compliance assessment, which can be shared with many buyers, along with value-adding advisory services to help factories improve, costing approximately US\$2 per worker per annum. By reducing costs associated with the identification of problems, more funds can be redirected towards finding solutions.*

* Available at www.betterwork.org/public/global.

307. Supply-chain production often takes place in export processing zones (EPZs). EPZs can generate new opportunities for formal employment and, as such, can be major tools for employment creation. However, some EPZs become enclaves with few or no links to the local economy. Some are associated with less than perfect working conditions, poor labour relations and a lack or absence of workers’ rights, especially freedom of association. The ILO has been monitoring developments in EPZs for over 20 years, including a number of activities developed throughout 2007 and 2008 under the then InFocus Initiative on EPZs.¹²

308. For EPZs to achieve their potential to create jobs, governments should have a clear and comprehensive industrial and investment strategy, consistent with the need to promote economic development and respect for rights as defined in ILO standards.¹³

¹² These were reported in ILO: *Proposals for the agenda of future sessions of the Conference* (Appendix II), Governing Body, 303rd Session, Nov. 2008, GB.303/3/2. See also ILO: *Report of the InFocus Initiative on export processing zones* and *Report of the Subcommittee on Multinational Enterprises*, Governing Body, 301st Session, Geneva, Mar. 2008, GB.301/ESP/5 and GB.301/13(Rev.).

¹³ ILO: *Report of the Tripartite Meeting of Export Processing Zone-Operating Countries*, (Geneva, 28 September–2 October 1998), Governing Body, 273rd Session, Geneva, Nov. 1998, GB.273/STM/8/1.

The Office has initiated a number of research activities aimed at gathering both quantitative and qualitative information about industrial relations practices in EPZs (notably regarding freedom of association and collective bargaining, labour inspection, and social dialogue), including setting up an intranet site with a view to fostering knowledge sharing within the ILO on the subject.¹⁴

Response to the crisis

309. As noted previously, the global economic crisis saw a collapse in demand, declining trade and a credit squeeze which posed critical challenges for many enterprises and for small enterprises in particular. Job losses in large firms made the headlines, but many micro-enterprises and SMEs were also severely affected.¹⁵ It is important to remember that the crisis not only hit Wall Street and Main Street, but it affected the side streets, the dirt streets and the markets where many small retailers and producers struggle even in the best of times. Consequently, roughly three-quarters of all policy responses to the crisis have entailed measures taken to provide credit and tax benefits to SMEs (table 1.1).

310. Providing support to enterprises in times of crisis is not greatly dissimilar to providing support at other times. Good practices do not vary significantly in relation to economic conditions. However, in an economic downturn, the policy responses simply become more urgent and the needs of a greater magnitude.

311. The crisis has only served to highlight the imperatives of freedom of association and the right to collective bargaining as essential to all sustainable enterprises and as necessary platforms on which to implement such practices as work sharing¹⁶ and socially responsible restructuring more generally.

312. The ILO's Sustainable Enterprise Programme has prepared a set of policy briefs on SMEs, cooperatives and good workplace practices in times of crisis;¹⁷ provided refresher training to SIYB Master Trainers so that they might better support their clients in responding to the crisis; and, at the request of the G20, prepared a technical assessment of SME support measures in response to the crisis.

Resources and assets

313. In terms of resources, there are approximately 20 professional staff working in the Job Creation and Enterprise Development Department (EMP/ENTERPRISE) at headquarters and 11 enterprise specialists in various field offices, many of whom work in close collaboration with project-based staff.

314. The total annual regular budget is approximately US\$1 million (excluding staff costs); however, donors have consistently shown significant interest in supporting the

¹⁴ For example, M. Amengual, W. Milberg: *Economic development and working conditions in export processing zones: A survey of trends*, Working Paper No. 3, Social Dialogue Sector (Geneva, ILO, 2008); also available at www.ilo.org/public/english/dialogue/epz.htm.

¹⁵ Supporting constituents to implement the Global Jobs Pact forms a key element of the Sustainable Enterprise Programme.

¹⁶ See J.C. Messenger: *Work sharing: A strategy to preserve jobs during the global jobs crisis*, Travail Policy Brief No. 1 (Geneva, ILO, 2009).

¹⁷ See P. Vandenberg: *Micro-, small and medium-sized enterprises and the global economic crisis: Impacts and policy responses*, Sustainable Enterprise Programme (Geneva, ILO, 2009); S. Ulrich, N. Rogovsky, D. Lamotte: *Promoting responsible and sustainable enterprise-level practices at times of crisis: A guide for policy-makers and social partners*, Sustainable Enterprise Programme (Geneva, ILO, 2009); J. Birchall, L. Ketilson: *Resilience of the cooperative business model in times of crisis*, Sustainable Enterprise Programme (Geneva, ILO, 2009).

ILO's enterprise development work. In late 2009, about 28 technical cooperation projects were under way, with total funding amounting to about US\$111 million (some of these projects are exclusively concerned with enterprise development, some have an enterprise development component within a broader integrated project).

315. Over the years, EMP/ENTERPRISE has developed a particularly close working relationship with the Enterprise, Microfinance and Local Development Programme (EMLD) at the International Training Centre in Turin, resulting in a great variety of joint training products, courses and projects, including the high-profile annual ILO Summer Academy on Sustainable Enterprise Development, which covers all aspects of the ILO's sustainable enterprise work and has attracted participants from all regions.¹⁸

316. The Department maintains a "resource platform" which is designed for the ILO's global team of practitioners (specialists, project staff, collaborators, trainers, researchers, etc.) to share information, including on knowledge management, best practices, funding and learning opportunities.

External partnerships

317. The ILO supports job creation through the development of sustainable enterprises by actively engaging with the United Nations family, especially at country level, in the design and implementation of UNDAF. Furthermore, it participates in the One UN initiatives and works together with the UN in technical cooperation programmes such as SCORE, where it partners with the United Nations Industrial Development Organization (UNIDO) on "green productivity".

318. The Office's work on cooperatives includes activities in partnership with the International Cooperative Alliance. It also plays a leading role in the UN inter-agency Committee for the Promotion and Advancement of Cooperatives, including in the forthcoming International Year of Cooperatives (2012).

319. To promote the MNE Declaration, the Office has developed close partnerships with the OECD and the UN Global Compact. The Office continues to collaborate with the OECD, especially on the OECD Guidelines for Multinational Enterprises, providing technical inputs to the updating of these Guidelines and ensuring coherence around the shared principles on labour standards. The Office provides secretarial support to the constituents engaged in the Labour Working Group of the UN Global Compact and responds to technical requests concerning the labour principles.

320. The Office has provided ongoing technical assistance to the ISO 26000 Working Group on Social Responsibility and collaborates with a network of business schools to ensure that principles of the MNE Declaration are included in the curricula of leading management and business schools in each region of the world. The Office is exploring new relationships with other relevant UN organizations, such as UNCTAD and UNIDO, as well as with sector-specific organizations, including trade unions operating at the global level.

321. Regarding small enterprise development, the Office is a key member of the Donor Committee for Enterprise Development (DCED). Through this collaboration, the Office has developed close and productive working relationships with – and influenced the practices of – donor organizations.

322. The ILO response during the global economic crisis has involved developing and strengthening partnerships with a variety of organizations and networks, both in terms of

¹⁸ Available at www.itcilo.org/enterpriseacademy.

the formulation of suitable technical advice and in terms of building the capacities of business service providers. In Ukraine, for example, this has involved collaboration with research institutes in undertaking a review of the enabling environment and support to export diversification and improved competitiveness strategies for particular sectors. On capacity building, the ILO has strengthened the SIYB trainers' network through regional-based refresher programmes so that they can better support SMEs – given that the latter are often particularly badly affected by severe economic downturns. The Office has also provided a policy brief for the G20 on crisis responses for SMEs.

Evaluation of impact

323. The evaluation of the Office's work in enterprise development has been conducted in various forums. For example, an independent evaluation of the InFocus Programme on Boosting Employment through Small Enterprise Development (IFP/SEED) was presented to the Governing Body in November 2003¹⁹ and in March 2007, the Committee on Technical Cooperation considered the thematic evaluation of the Office's work on women's entrepreneurship.²⁰

324. The Office's work on the enabling environment (Pillar 1) is comparatively new but some lessons have been learned, namely that: policy reform is more cost-effective at creating quality jobs than direct support to individual enterprises; simplifying compliance with laws and regulations is often more effective than granting exemptions; and incentives to encourage compliance often work better than the threat of sanctions. Reducing the cost of establishing and operating an enterprise and enhancing and promoting the benefits of compliance can contribute to the growth of sustainable enterprises and hence decent jobs.²¹

325. The ILO's work on the MNE Declaration is regularly monitored by the MNE Subcommittee. The Governing Body has undertaken periodic reviews of subjects closely related to aspects of the Office's work on enterprise development, such as the discussion on the employing workers indicator of the World Bank's *Doing Business* report in November 2007.²²

326. The Office has helped some 65 countries revise their policy and law on cooperatives over the past 15 years. It has contributed to the elaboration and adoption of a new "framework law" for cooperatives in Latin America (*ley marco para las cooperativas de America Latina*) and been involved in a similar initiative in the context of the Organization for the Harmonization of Business Law in Africa (OHADA).

327. As part of its work with the DCED, the Office was instrumental in helping produce a widely endorsed practical guide on good practices for supporting business environment reforms, which draws significantly on work by the ILO.²³ It underscores the importance

¹⁹ ILO: *Evaluation of the InFocus Programme on Boosting Employment through Small Enterprise Development*, Governing Body, 288th Session, Geneva, Nov. 2003, GB.288/PFA/11; and *Decent employment through small enterprise: A progress report on SEED activities* (Geneva, 2003).

²⁰ ILO: *Women's entrepreneurship and the promotion of decent work: A thematic evaluation*, Governing Body, 298th Session, Geneva, Mar. 2007, GB.298/TC/1.

²¹ ILO: *Promoting decent employment through entrepreneurship*, Governing Body, 289th Session, Geneva, Mar. 2004, GB.289/ESP/1; and *Business environment, labour law, and micro- and small enterprises*, Governing Body, 297th Session, Geneva, Nov. 2006, GB.297/ESP/1.

²² ILO: *The United Nations and reform: Developments in the multilateral system, World Bank Doing Business report: The employing workers indicator*, Governing Body, 300th Session, Geneva, Nov. 2007, GB.300/4/1.

²³ DCED: *Supporting business environment reforms: Practical guidance for development agencies* (Cambridge, 2008). Also available at www.business-environment.org.

of: taking stock of social and environmental costs and benefits in decision-making; aligning business incentives with sustainable development objectives; and balancing the need to reduce the costs of compliance with the need to safeguard and improve workers' protection, including their right to social protection.

328. The KAB programme – which seeks to foster an enterprise culture – has been translated into 22 languages and has reached nearly 500,000 young people in about 40 countries. Approximately 11,000 teachers and teacher educators have been trained in nearly 4,500 educational institutions.²⁴ KAB has been institutionalized in national curricula and education systems so that its impact will continue beyond the ILO's initial intervention.

329. Adapted for and introduced in about 90 member States, the SIYB programme – which seeks to foster enterprise start-up and growth – is estimated to have trained over 1.2 million entrepreneurs overall, resulting in the creation of over 300,000 businesses and 1.4 million jobs during the past 15 years. These impact figures are the result of a sustained effort to meet the demand for basic management training and the large-scale take-up that SIYB has had in China and Viet Nam.²⁵

Inseparable, interrelated and mutually supportive objectives

330. The ILO's mandate on the promotion of sustainable enterprises is grounded in tripartism and social dialogue and the promotion of rights, standards and laws pertaining to the workplace. It is also grounded in the promotion of social inclusion, including gender equity and the need to provide adequate working conditions and social security for workers. For the ILO, enterprise development is not just a matter of market forces unleashed, it is fundamentally about creating decent jobs.

331. Although EMP/ENTERPRISE leads the Office's work on sustainable enterprises and job creation, effective delivery requires considerable interdepartmental collaboration. Examples include: working with the Skills and Employability Department (EMP/SKILLS) in many areas including workplace learning and entrepreneurship training for women with disabilities (see Chapter 5); working with the Employment Policy Department (EMP/POLICY) on ways to integrate a business-enabling environment focus in broader national planning or employment policy work, as in Nigeria and Indonesia; working with the Social Finance Programme to ensure that entrepreneurs have better access to the full range of financial services needed by entrepreneurs to start, grow and stabilize their activity; partnership with ACT/EMP on the design of an electronic toolkit to help employers' organizations reach out and include the interests and concerns of SMEs in their core operations; and working with ACTRAV on the SYNDICOOP project, which enabled trade unions and cooperatives to jointly organize informal economy workers in East Africa; and more recently the nascent work on the social economy.

332. Two areas of activity that characterize the Office's integrated approach are Local Economic Development (LED) and work on the informal economy. LED refers to area-based development strategies – often, but not always, in rural areas – that are based

²⁴ T. Lucas de Rezende and J.D. Christensen: *Supporting entrepreneurship education: A report on the global outreach of the ILO's Know About Business Programme* (Geneva, ILO, 2009).

²⁵ ILO: *SIYB Global Outreach Study* (Geneva, 2003); and A. Atherton, K.O. Olming and L. Jun: *Evaluation of Start and Improve Your Business (SIYB) China* (Geneva, ILO, 2007).

on multifaceted interventions and participatory processes. The Office's support to LED typically draws on a range of inputs from technical areas such as skills development, labour-based methods for local infrastructure development, social protection for vulnerable groups and rights-based approaches – such as in the context of the Strategies and Tools against Social Exclusion and Poverty (STEP) global programme, which is concerned with the extension of social security in the field of health and the fight against social exclusion at the local level.

333. The Office promotes multifaceted or integrated approaches that often focus on increasing the competitiveness and employment outcomes in sector or value chains (see box 4.3).

Box 4.3
Building integrated and mutually supportive interventions: The Enter-Growth project in Sri Lanka

An integrated approach combines and orders interventions over time so as to maximize synergies and increase impact on job creation. It requires a carefully measured “light-touch” and strong partners.

The Enter-Growth project in Sri Lanka (2005–09) adopted a combination of approaches to tackle the need for a more conducive business environment, better market access and a greater acceptance for entrepreneurial culture. District-based forums – consisting of senior representatives from provincial and district government, the business community and business development services providers (NGOs, public and private) – played a pivotal role in establishing dialogue between the public and private sectors.

The forums used a participatory method for local economic and value chain development, in which local stakeholders presented priority proposals to develop the local economy, based on constraints and opportunities they had identified.

Evaluations show that 740 small enterprises gained access to credit or other types of financial service; at least 800 new enterprises were created in the targeted value chains and 63 per cent of existing firms substantially increased sales. The key factor was greater integration, either through horizontal collaboration or vertical linkages within subsectors and value chains (e.g. 520 dairy farmers were upgraded and now sell more milk to a large, fresh-milk factory, as well as locally).

The project's support for organization building led to 26 business associations being either revived or newly set up. New venues for business service providers were created, through large-scale service fairs and sectoral and value chain development work. Surveys indicate that 85 per cent of service providers increased their markets – for example in packaging, garment productivity training, and improved working practices.

The model is now being used for ILO headquarters/field staff capacity building and applied in other field programmes.

334. The benefits of an integrated approach in enterprise development are clear, as are some of the challenges. For example, working with and through social partners is often predicated on strengthening or deepening their outreach to micro- and small enterprises (where social dialogue and collective bargaining are typically very underdeveloped). The need to increase the coverage of social protection among all enterprises and their workers is a particular challenge given that, in many countries, many of those enterprises operate in the informal economy. Similarly, giving effect to ILS and implementing national labour law is difficult in environments where the rule of law and secure property rights are not firmly embedded.²⁶

²⁶ See *Conclusions concerning the promotion of sustainable enterprises*, op. cit., para. 10, point 9.

Possible ways forward

For member States

335. First, member States should foster **better business enabling environments**, making it easier and, where possible, cheaper to set up and successfully run a business. This involves strengthening the rule of law and the institutions and governance systems that nurture enterprises, ensuring that appropriate laws, regulations and policies are in place. In most low-income countries, binding constraints include not only regulatory frameworks but deficiencies in basic infrastructure (roads, telecommunications, energy), deficient investment in human capital (education, training), poor access to social finance and weak social protection systems.

336. Second, progressive enterprises of all sizes and types realize the value of being ahead of the curve in fostering **socially and environmentally responsible workplaces**, not least because social and environmental criteria are increasingly influencing consumer decision-making and the investment decisions of individuals and institutions. Governments have a fundamental role to play in managing knowledge on best practices in this field and in terms of ensuring that policies, laws, regulations and incentives are in place to make sure that human, financial and natural resources are combined equitably and efficiently.

337. Third, member States should encourage **inclusive and equitable markets based on equality of opportunity**. This means creating level playing fields for entrepreneurship, encouraging and, where necessary, empowering all members of society, including women and young people, to set up and run their own businesses if they so wish. It also implies encouraging spatial development that recognizes that the sustainable way forward is based on a balanced development between rural and urban areas and the fostering of economic opportunity at the local level.

For the Office

338. The ILO work on sustainable enterprises builds on strong collaboration and networks between headquarters, the field and the International Training Centre in Turin, as well as on the ILO's comparative advantage as a standards-setting body with a normative mandate.

339. With the conclusions concerning the promotion of sustainable enterprises, tripartite partners and the Office have a solid, modern and forward-looking approach towards sustainable enterprise promotion – and they are advocating and defining policies based on it.

340. The implementation of the conclusions has required the development of new areas of work and some adjustments to the work of the Office. As part of the new strategic framework for the Office's Sustainable Enterprise Programme, the Office is now in the process of implementing the following thematic priorities:

- Shifting from downstream delivery, often at enterprise level, to a **greater focus on upstream policy reform and an enabling environment for sustainable enterprises**. This will help achieve greater efficiency and increased impact, and link enterprise work more effectively with the mainstream employment work described in Chapter 3 and the challenges associated with informality (Chapter 7). The Office will pay greater attention to policy reform and an enabling environment for all types of enterprises – but especially for SMEs and cooperatives – and also to policies that foster green jobs and promote the green economy. This will entail

efforts to strengthen the constituents' capacity to participate in policy-making, and to establish an appropriate evidence base through research and tools development. It will also require increasing work with the national constituents on the application of the MNE Declaration along value chains, as a basis for developing national policies to attract FDI in order to maximize local employment outcomes.

- Providing greater support to **foster the adoption of responsible and sustainable workplace practices in enterprises**, in order to improve their productivity and competitiveness in a manner that contributes to sustainable and equitable economic development. Building on programmes such as SCORE, the Office will support national constituents' and other relevant partner organizations' capacities to deliver sustainable productivity and competitiveness upgrading programmes in SME clusters, based on labour standards, workplace cooperation and progressive management practices. This will include working with labour inspectorates to promote responsible workplace practices in SMEs. It will also involve working with national constituents, Global Union Federations (GUFs) and enterprises in the application of the MNE Declaration at the workplace. The level of development of the green jobs initiative and its placement in November 2009 in the Job Creation and Enterprise Department, will allow the Office to better respond to the increasing demand for practical approaches to the greening of enterprises, the promotion of green jobs in waste management and recycling, in renewable energy, energy efficiency and enterprise responses to climate change.
- Offering **increased support for women's and young people's entrepreneurship**. Another intention is to strengthen the leadership of the ILO in both the youth entrepreneurship and the women entrepreneurship fields, building on past successes and capacity building. The emergence and growth of women entrepreneurs is a global trend, with many countries working to stimulate women's entrepreneurship development as a way of encouraging poverty reduction and economic growth. Similarly, youth entrepreneurship is an important vehicle for ensuring the full and productive employment of young women and men, and there is a need to integrate youth entrepreneurship into youth employment strategies to ensure the successful transition of young people from school to work.

341. In addition to these thematic priorities, there are two important issues that may require some programme adjustments:

- Greater attention could be given to measuring the **progress and impact of programme interventions** on the creation of more and better jobs for women and men, as well as on the improvement of knowledge management and lesson learning processes. In developing these methodologies, the programme will collaborate with the ILO's Evaluation Unit and could benefit from the innovative multi-agency collaborative work that the Donor Committee on Enterprise Development is undertaking in this field. In these efforts, the programme will actively engage all relevant departments of the Office, as well as field offices and the social partners.
- The Office's capacity to deliver on **the ILO's mandate on sustainable enterprises is large but limited by resources – both human and financial**. More resources could allow the Office to scale-up work in all the areas above with a truly integrated programme that cuts across all three strategic pillars, with a particular focus on upstream policy work and capacity building for constituents.

Chapter 5

Skills for employability and productivity

342. Globalization places a high premium on education and skills. Countries at all levels of development find that growth is skills-biased: abundant education and skills increase the ability to innovate, adopt new technologies, and cope with accelerating changes in technology and markets. Countries with a greater share of educated and skilled workers have raised productivity at a higher rate.

343. A workforce that has been appropriately trained and has an ability to learn boosts investor confidence, spurs job growth and therefore constitutes an important ingredient for inclusive employment-led growth. In this long-term perspective, training can actually help create jobs. A skills development system is part of the enabling environment for sustainable enterprise, as discussed in the previous chapter.

344. Abundant education and skills influence the path of national economic and social progress. They make the difference between inclusive growth and growth that leaves large sections of society behind.

345. Focusing on education and training for young people is essential – but it is not enough. Lifelong learning is the only way for workers and enterprises to keep pace with the increasing obsolescence of skills and transformations in work organization brought about by globalization. The economic and financial crisis was a forceful reminder of how retraining and upgrading skills help retain workers in jobs or move to new ones and keep enterprises resilient. Lifelong learning is a lifeline for older workers; encouraging it is one of the responses to the demographic challenge confronting ageing economies.

346. At the high end of global competition, “knowledge” has become the major element of value added – not land, not labour, not physical infrastructure, indeed, not even capital. On the assumption that all countries can invest more, and more wisely, in education and skills, this is encouraging news for the distribution of innovation capabilities.

347. But the majority of the world still faces challenges of literacy and other barriers to learning. A large share of the workforce earns a living and has only opportunity to learn in the informal economy. There are widespread gender-based and ethnic-based barriers to good education and relevant job training. Discrimination is an appalling constraint to equal access to opportunity, beginning with the access to education and to skills acquisition well before entrance to the labour market.

348. The Social Justice Declaration therefore considered a sustainable institutional and economic environment for promoting employment as one in which “individuals can develop and update the necessary capacities and skills they need to enable them to be productively occupied for their personal fulfilment and the common well-being”.

349. How are constituents and the Office working together to tackle the skills development challenges to bring about fair globalization – especially to respond to the

challenges related to productivity, equity, and demographic changes raised in Chapter 2? This is the focus of this chapter.

Diverse realities and policy trends

350. Constituents consider skills development to be important in the drive to adapt societies to changing economic and environmental conditions, enhance productivity and innovation, stimulate economic competitiveness and build inclusive approaches to sustainable development. The status of training systems and institutions across countries and regions, as well as the level of economic development, pose diverse challenges and responses.¹

Low-income countries

351. A distinctive characteristic of the poorest countries is a generally low level of education. A scarcity of workers with demonstrated skills and the ability to acquire new ones on-the-job hamper growth in the productive formal economy.

352. Many financial and non-financial barriers have to be overcome in order to increase the access of the poor to training: opportunity costs of training time; high entry requirements or high fees for training courses; and social factors that often put pressure on women to enter training that only gives them access to low-productivity jobs. Women face obstacles in upgrading their work or receiving training because of the unpaid work they are expected to do within the household.

353. Education and training systems in low-income countries often favour academic non-technical qualifications, leaving vocational, technical and employability skills training in short supply. Policy responses focus on expanding access to training in the informal and rural economies, upgrading apprenticeships and combining institution-based education and training with enterprise-based learning.

354. The replies provided by the questionnaire to the General Survey concerning employment instruments revealed that growing numbers of countries are developing and implementing national policies on skills development or technical and vocational education and training (TVET) (e.g. Mali, Mozambique); national employment policies which address TVET (e.g. Madagascar); training legislation (e.g. Mauritius, Senegal); and/or public agencies dedicated to providing training and managing the training system (e.g. Uganda), which seek to expand training opportunities. These initiatives address such varied challenges as: resource constraints resulting in declining investments in TVET; skills mismatch and shortages; weak employability; unemployed university graduates; and inadequate training opportunities in the informal economy.

Middle-income countries

355. The “dual economy” is persistent; economies continue to be characterized by a combination of high growth and productivity in some sectors and regions that have low productivity and unrelenting poverty in their large informal economies (see Chapters 2 and 7).

356. To address skills shortages in high-growth sectors, countries are improving coordination between prospective employers and training providers. The role of skills development in promoting formalization has led countries to expand access to good

¹ For more information on challenges and responses globally, regionally and nationally, see ILO: *Skills for improved productivity, employment growth and development*, Report V, ILC, 97th Session, Geneva, 2008.

quality training. For example, Brazil, India, and Jamaica have policy initiatives to address challenges on coordination, expansion and inclusion by improving information flows on training needs and thereby reducing the skills mismatch. The replies provided by the questionnaire to the General Survey concerning employment instruments documented that many countries in Asia with HRD policies (e.g. the Philippines, Singapore, Thailand, Viet Nam) stress the importance of increasing employability through training in skills demanded by enterprises.

357. Improving skills matching and efforts to promote formalization through better skills development assumes an expanding formal economy with jobs to fill – an assumption not necessarily validated empirically. Training institutions are being adapted to the needs of people with low levels of education with little or no employment experience, in order to equip them with the skills and competencies required by smaller enterprises; at the same time, they are attempting to instil skills and an ability to learn that will, in turn, help these enterprises adopt newer technologies and become competitive in the formal economy. Several countries in Latin America, for example, reported placing a high priority on extending training opportunities to marginalized groups and the informal economy.

358. Most countries in Central and Eastern Europe (CEE) and the Commonwealth of Independent States (CIS) started the transition to a market economy with a strong tradition of TVET; however, much vocational training has become obsolescent. TVET systems have weakened and in some countries, they have practically collapsed. In addition, the ageing workforce presents a major economic, labour and policy challenge with important implications for education, training and migration policies.

359. Efforts to revitalize skills development include restructuring training systems to the demands of the new market economy, increasing intermediary employment services and providing opportunities for continued learning. Many CEE countries are upgrading secondary and vocational curricula and investing in new areas of skills, including training in core work skills to enhance individuals' employability. Investing in managerial and entrepreneurial training is also a high priority. Systems for skills assessment, accreditation and recognition are expected to improve individuals' employability and labour market efficiency.

High-income countries

360. As discussed in Chapter 2, major policy challenges for OECD countries stem from demographic trends, particularly the unprecedented shift in the age distribution of the population. Demographic trends plus heightened competition make the risk of skills and talent shortages and mismatches more acute, restricting enterprise growth and workers' employability. The low-skilled are losing out in this encounter with globalization.

361. Countries are addressing these challenges by: improving the relevance and quality of job-entry training; expanding lifelong learning opportunities; using ALMPs to combat inequality in training and employment; and reintegrating older workers in the labour market.²

362. Despite progress made in recent years, the failure of pre-employment and job-entry training to provide employable skills puts a brake on employment and productivity growth. The problem is being addressed by integrating core and technical skills training,

² OECD: *Boosting jobs and incomes: Policy lessons from reassessing the OECD Jobs Strategy* (Paris, 2006); EU: *New skills for new jobs anticipating and matching labour market and skills needs* (Brussels, 2008).

quality assurance, certification of skills and recognition of skills acquired on the job, occupational standards and competency-based training, and public–private partnerships in training.

363. Incentives can be helpful. Schemes that encourage enterprises and individuals to invest in lifelong learning include: deduction of training expenditures from corporate tax; compulsory tax exemption schemes that ensure a minimum level of expenditure on training; voluntary industry training levies to finance skills training and apprenticeships; training clauses in collective agreements; independent skills assessment centres for employees; and paid education and training leave. Incentives directed at individuals include: fellowships, vouchers, student loans and new financial mechanisms such as “individual learning accounts”.

364. ALMPs and adjustment programmes are being put in place to: address inequalities in access to jobs; tackle labour shortages; introduce people to work; promote entrepreneurship; and overcome social obstacles to hiring the disadvantaged or long-term unemployed. Such programmes combine career information and counselling, core work or life skills development, occupation-specific training, work experience (paid or non-paid), subsidized on-the-job training and support services such as childcare and transportation.

365. A number of countries have put in place programmes to achieve greater equality in terms of access to employment as well as conditions of employment through support services – such as training in literacy, numeracy and basic social skills, and individually tailored vocational training. The focus has principally been on disadvantaged youth (e.g. Italy, Spain, United Kingdom); the disabled (Japan, Netherlands, Spain, Sweden, United Kingdom); older workers (Italy, Japan, Netherlands, Portugal); and migrant workers (Canada, Netherlands, Portugal, Spain).³

Global issues

366. There are issues of global concern including youth employability (and the transition of child labourers into decent work), gender equality in education and training, and labour migration.

367. A comprehensive approach is required to integrate young people into the labour market, including the provision of quality skills training, and the availability of labour market information, career guidance and employment services; entrepreneurship should also be incorporated into vocational training. Improved basic education and core work skills enable young people to take advantage of pre-employment and on-the-job learning. Apprenticeships (formal and informal) are effective ways of bridging the school-to-work transition, and of overcoming discrimination and gender stereotyping.⁴

368. Special mechanisms to facilitate women’s participation⁵ are often needed in mainstream training and in targeted programmes, e.g. balancing work and family

³ Replies provided by the questionnaire to the General Survey concerning employment instruments.

⁴ ILO: *Conclusions on skills for improved productivity, employment growth and development*, International Labour Conference, 97th Session, Geneva, 2008, paras 62–64. For more information on youth, see ILO: *Youth: Pathways to decent work*, Report VI, International Labour Conference, 93rd Session, Geneva, 2005. Also see Chapters 2 and 3 of this report.

⁵ ILO: *Resolution concerning gender equality at the heart of decent work*, adopted by the ILC, 98th Session, Geneva, 2009.

responsibilities, avoiding discrimination, and recognizing the value of skills acquired through caregiving.⁶

369. Labour migration poses a variety of challenges and opens up opportunities for training and the deployment of skilled labour that include: compensating for skills shortages in destination countries; improving the recognition of skills across borders; and responding to development challenges in countries of origin when skilled workers find employment elsewhere. The potential for labour migration to contribute to development objectives in both countries of origin and of destination can be realized more fully by facilitating circular and return migration so that the skills acquired by migrant workers abroad benefit their countries of origin.

The ILO's mandate on skills development

370. The Human Resources Development Convention, 1975 (No. 142), stipulates that “Each Member shall adopt and develop comprehensive and co-ordinated policies and programmes ... [that] take due account of employment needs, opportunities and problems, ... the stage and level of economic, social and cultural development; and the mutual relationships between human resources development and other economic, social and cultural objectives” (Article 1).

371. The Decent Work Agenda provides the paradigm for the ILO's work on skills development; the GEA provides the policy pillars; and the Human Resources Development Recommendation, 2004 (No. 195), provides guidance on the content and reform of skills policy.

372. The Social Justice Declaration goes one step further by including skills development as part of a sustainable institutional and economic environment for promoting employment in which “individuals can develop and update the necessary capacities and skills they need to enable them to be productively occupied for their personal fulfilment and the common well-being” (Article I(A)(i)).

373. The resolution concerning skills for improved productivity, employment growth and development, adopted by the ILC in 2008, provides guidance on strengthening education, vocational training and lifelong learning as the central pillar of workers' employability and enterprise sustainability. This commitment was further strengthened by the conclusions on the promotion of rural employment for poverty reduction, adopted by the ILC in 2008, and the conclusions concerning gender equality at the heart of decent work, adopted by the ILC in 2009, which prominently feature skills development.

Constituents' needs

374. Recent Regional Meetings of the Organization have been notable for setting ambitious goals,⁷ and for defining skills development as necessary to achieving broader goals – rather than a goal in itself.⁸ A quite substantive list of constituents' needs

⁶ ILO: *Skills and entrepreneurship: Bridging the technology and gender divide*, brochure (Geneva, 2008).

⁷ For example, the 11th African Regional Meeting agreed that education and training strategies should establish targets with “the aim of ensuring that half of Africa's workforce has obtained new or improved skills by 2015”, 11th ILO African Regional Meeting, Addis Ababa, 24–27 April 2007, AfRM/XI/D.3(Rev.), para. 15.

⁸ For example, increasing productivity and competitiveness in Asia and the Pacific; reducing youth unemployment in the Americas.

emerged from the Conclusions on skills for improved productivity, employment growth and development, adopted by the ILC in 2008:

- ❑ formulating national skills policies and effective means of implementing, monitoring and evaluating them;
- ❑ establishing methods for the early identification of skills needs;
- ❑ addressing the challenges of skills shortages and gaps and linking skills provision to growth-potential sectors;
- ❑ using skills development to facilitate the transition of informal activities to the formal economy;
- ❑ managing skills recognition systems to support fair migration;
- ❑ increasing access to training by groups typically disadvantaged in the labour market; and
- ❑ improving employment services to help young women and men enter the labour market and help the unemployed return to gainful employment.

Office response

375. The ILO helps the constituents to ensure that skills development increases the employability of workers, the competitiveness of enterprises and the inclusiveness of growth.⁹ Reflecting the conclusions on skills for improved productivity, employment growth and development, the Office will work to:

- ❑ integrate skills development into sectoral or national development strategies and in broad responses to global drivers of change, e.g. technology, trade and the move to lower-carbon economies;
- ❑ expand access to employment-relevant training, e.g. overcoming discrimination against women and other groups and targeting disadvantaged youth, rural communities and persons with disabilities; and
- ❑ strengthen employment services to deliver on long-term employment policy objectives and immediate crisis response.

Strategic priority 1: Integrating skills development into sector or national development strategies

What constitutes good skills development policy?

376. Skills development policy needs to be linked to labour demand policies – embedded in, for example, national employment policies, sector development strategies, gender equality strategies, and broad economic policies targeting agricultural development, environmental policy, technology or trade. This reduces the risk of mismatches between supply and demand in the current labour market, while also preparing for future jobs, thereby contributing to overall productivity and employment growth.¹⁰

⁹ ILO: *Strategic Policy Framework 2010–15, Making decent work happen*, Governing Body, 304th Session, Geneva, Mar. 2009, GB.304/PFA/2(Rev.), para. 35(ii). Also see Chapter 4 for more information on the skills challenges faced by sustainable enterprises.

¹⁰ See ILO: *Conclusions on skills for improved productivity, employment growth and development*, op. cit; and ILO: *Conclusions concerning the promotion of sustainable enterprises*, ILC, 96th Session, Geneva, 2007.

377. Skills development policy has greater potential if it takes a dynamic view: preparing for today's jobs and building the human development capacity that attracts domestic and foreign investment, by removing labour supply constraints.

378. Successful policy development has built and sustained institutional arrangements that enable ministries, employers, workers and training institutions to work together to anticipate and respond effectively to changing skills needs.

Policy development ...

379. The replies provided by the questionnaire to the General Survey concerning employment instruments document a number of countries that link employability to the competitiveness of the economy. Similarly, many countries mentioned the importance of involving the private sector in the identification of training needs.

380. Recommendation No. 195 serves as a useful checklist against which to assess countries' skills development systems. A good example is India's National Skills Development Policy (approved in February 2009), which integrates supply and demand and is linked to other national development policies (box 5.1).

Box 5.1 India's National Skills Development Policy

India's 2007–12 plan aims to create a pool of skilled workers in line with employers' needs, and to enhance the number of quality-trained workers from currently 2.5 million to over 10 million per year.

The strategy involves: assessing skills deficits by sector or region and time-bound actions through public–private partnerships; realigning existing public-sector infrastructure; establishing a credible accreditation and certification system; developing sustainable funding for training; and repositioning employment exchanges as outreach points.

The policy development process included the following steps:

National consultation (jointly organized by the Ministry of Labour and Employment and the ILO) to identify the main challenges and policy options, involving the Ministry of Human Resource Development and other line ministries, the Planning Commission, state governments, trade unions, employers' organizations, academics, training providers, UN agencies, training practitioners and experts.

Committees on specific issues provided inputs on governance and the involvement of social partners; quality assurance; qualification frameworks; the informal economy; equity and access; lifelong learning; and financing. The ILO organized the participation of external experts to widen the range of options considered.

The Prime Minister's National Council on Skills Development and the National Coordination Board on Skill Development also contributed to finalizing the policy. India ratified Convention No. 142 in March 2009.

381. Integrating skills policies and national employment policies is a renewed focus for the Office. The experience in India, where the development of the skills policy was linked to the development of the broader employment policy, has demonstrated the high potential of expanding the skills capabilities of the labour force to sustaining employment-intensive growth. Similar examples of integrated planning may be found in Malaysia and Singapore.

382. Liberia's request for Office support to develop a national employment policy and revise their skills policy has resulted in collaboration between the Employment Policy Department (EMP/POLICY), the Skills and Employability Department (EMP/SKILLS) and the Employment Trends Unit (EMP/TRENDS) linking these key areas.

383. The Office has also provided immediate support to help countries respond to the emerging financial and employment crisis. In Chile, a Labour Observatory was launched to monitor training programmes under the Tripartite National Employment agreement (May 2009) covering such areas as pre-employment training, recognition of prior learning, on-the-job training, and scholarships for working women.

384. Support to constituents in post-crisis settings includes Iraq, where the ILO's wide range of expertise has grown from implementation of job creation projects to legislative drafting with strong ILS and social dialogue components. In Lebanon, a skills development project in the construction industry has upgraded local trainers, incorporated entrepreneurship training and employment services into vocational training, and integrated activities to ensure good working conditions with respect to occupational safety and health (OSH), minimum working age, and trade union rights.

385. The Office is working on monitoring impacts. The most common tool – tracer studies at training provision level – has been adapted for use in formal training (tracking graduates of TVET institutions, gauging employer satisfaction with new hires) and in informal training (tracking beneficiaries of community-based training or informal apprenticeships). Efforts are also being made to assist constituents in strengthening labour market information and skills acquisition data for better monitoring of effectiveness of training delivery.

386. Furthermore, research is being conducted on other important aspects of skills development policies:

- Given that the coverage and quality of countries' education and training provision affects their ability to adopt new technologies or to develop their own, research is examining how skills development systems can be a driver of change in opening opportunities to higher value-added economic activities.
- Empirical studies of "Skills for Green Jobs" are analysing country and industry strategies to identify and meet the skills needed in the low-carbon economy.
- Empirical examination of the design and implementation of qualification frameworks is assessing their impact on the labour market, through the views and experiences of employees, workers and training institutions, with a view to gaining more information on a variety of approaches to improve skills recognition, quality assurance and lifelong learning.

Strategic priority 2: Skills development to reduce poverty and support inclusive economic development

387. Acquiring education and skills can enable the working poor and vulnerable groups to escape the vicious cycle of inadequate education, poor training, low productivity and poor quality low-paid jobs. Women in vulnerable groups typically face additional difficulties or discrimination in accessing quality training and reaping its benefits.¹¹

Enhancing employability of vulnerable groups ...

388. The cultural, geographical, physical, economic and social barriers, which prevent some groups from enjoying the benefits of economic growth, must be overcome so that

¹¹ It is important to note that many groups face multiple disadvantages in the labour market. Knowledge, tools, capacity building and technical cooperation projects therefore often address more than one vulnerable group. This is evident in the presentation of this section. See also ILO: *Remove the obstacles! On the right track to equality*, Bureau for Gender Equality (Geneva, 2008).

all people can realize their productive potential and contribute to economic and social development. Efforts include: improving the availability and affordability of training in new skills and occupations; fostering equal opportunities for women; and expanding training opportunities in rural areas and the informal economy for disadvantaged youth, migrant workers and people with disabilities. The vast majority of the respondents to the General Survey concerning employment instruments indicated they had special policies in these areas.

... *informal economy*

389. Improving access to education and training in the informal economy is a developmental objective. The Office has long worked on the contribution of skills development to enhancing opportunities for workers in the informal economy.¹²

390. Current research and policy guidance focus on ways of upgrading informal apprenticeship systems in Africa – to help young people gain access to better jobs, improve working conditions and decrease gender-based occupational segregation. Studies of employers, apprentices and master craftspersons in the United Republic of Tanzania identified ways of improving apprenticeships. Pilot work testing some of these recommendations was launched through the United Republic of Tanzania One UN joint programme on wealth creation, employment and economic empowerment, and draws on background studies of informal apprenticeship.¹³

391. The Office tries to respond to constituents in an inter-disciplinary manner that emphasizes the importance of promoting economic, social and environmental objectives in tandem in areas such as youth employment. In Indonesia, the success of pilot programmes to incorporate entrepreneurship training into vocational schools led the Government to introduce entrepreneurship training into the overall national curriculum.

... *in rural communities*

392. Numerous challenges confront rural communities trying to expand training opportunities to under-served areas, and at the same time make education and training more relevant to wage- and self-employment.¹⁴ What a training strategy might look like for these rural workers – most of whom are in the informal sector – is discussed in box 5.2.

¹² ILO: *Conclusions on skills for improved productivity, employment growth and development*, op. cit., para. 61. See also the resolution concerning decent work in the informal economy, ILC, 90th Session, Geneva, 2002. See also a series of country studies on skills and the informal economy at www.ilo.org/public/english/support/lib/resource/subject/informal.htm under the “vocational training” theme, and a more recent synthesis in R. Palmer: *Skills and productivity in the informal economy*, Employment Sector Working Paper No. 5 (Geneva, ILO, 2008).

¹³ ILO: *Apprenticeship in the informal economy in Africa*, Employment Report No. 1, Workshop report, Geneva, 3–4 May 2007.

¹⁴ See ILO: *Promotion of rural employment for poverty reduction*, Report IV, ILC, 97th Session, Geneva, 2008; *Conclusions on promoting rural employment for poverty reduction*, International Labour Conference, 97th Session, 2008; and *Conclusions on skills for improved productivity, employment growth and development*, op. cit.

Box 5.2

The ILO's Training for Rural Economic Empowerment (TREE) Programme

The TREE programme helps women and men in poor rural communities learn new skills, start businesses and improve incomes. It teaches communities how to identify potential economic opportunities; determine the training and other support needed to exploit those opportunities; assess the quality and relevance of existing training programmes; and help local public and private training providers improve and deliver relevant training and access post-training support, such as local credit and market institutions.

This integrated approach builds on lessons from earlier community-based training programmes, recognizing the need for post-training support and linking technical and entrepreneurship training. Independent evaluations of several TREE projects led to further improvements – adding tools on gender issues, on including persons with disabilities and on incorporating TREE into local economic development programmes. The full set of tools is available in both English and French, and is being used to develop new programmes with partners in several countries in West and southern Africa. A community of practice to share experience from new projects will contribute further improvements. A programme with the Turin Centre is proposed to train project managers and show policy-makers how the TREE methodology could aid their rural employment development policies.

Notable outcomes in Pakistan (2002–07) included: 185 savings and credit groups organized (98 by women); seven business associations formed; and teachers trained to run the literacy centres. Furthermore TREE was adopted as a component of the national skills development strategy: *Skilling Pakistan*. In the Philippines (2002–07) the project targeted the reintegration of male ex-combatants through community group training and entrepreneurship, on average doubling the beneficiaries' incomes. Pilot work in Burkina Faso and Niger (2000–09) enabled some 240 women in rural communities to set up micro-enterprises or cooperatives based on newly-acquired skills.

Sources: *Pakistan and Philippines Fifth Technical Report* (Oct. 2004–Mar. 2005); *Pakistan and Philippines Seventh Technical Report* (Oct. 2005–Mar. 2006); *Burkina Faso project evaluation* (Sep. 2009)

... including disability

393. Without access to education, training and employment services, persons with disabilities become permanently marginalized from the labour market. Whenever possible, they should have access to training in mainstream settings or on-the-job. Although sheltered and transitional workshops can build competencies and self-confidence, integrating people with disabilities into mainstream workplaces is a better approach. Incentives such as tax reductions, subsidies for social insurance and help with workplace modifications can encourage enterprises to employ people with disabilities.

394. The Employment Sector adopted a Disability Inclusion Initiative in 2009, which encourages and provides support to staff (coaching, tools adaptation, a hotline) to enable them to include disability throughout their employment and labour market policies and entrepreneurship and skills development programmes.

395. In the past, disability-specific projects focused on developing skills training and income generation opportunities for disabled persons, sometimes through community-based rehabilitation programmes. In several Arab States and areas (Iraq, Jordan, Oman, occupied Arab territories, Syrian Arab Republic, Yemen), projects have been implemented to strengthen national capacity in the field of vocational rehabilitation and employment of disabled persons. In Central and Eastern Europe, the Office has worked to enhance the capacity of selected Balkan Stability Pact countries to provide vocational rehabilitation, training and employment-related services to persons with disabilities. In Cambodia, the ILO project “Alleviating poverty through peer training (APPT)” demonstrated the effectiveness of the Success Case Replication methodology, involving

informal and village-based apprenticeships, to enable people with disabilities to improve their livelihoods.

396. Current projects focus more on promoting an inclusive approach to disability issues. Newly adopted disability legislation (China, Ethiopia, Kenya, Mongolia, United Republic of Tanzania, Thailand, Uganda, Viet Nam and Zambia) have followed the Office's advocacy, tripartite consultations and technical reviews. This work follows the ILO standards on disability¹⁵ and also responds to demand from countries stemming from the adoption of the UN Convention on the Rights of Persons with Disabilities (in force since May 2008).

Strategic priority 3: Strengthening employment services to deliver on employment policy objectives

397. Public employment services (PESs) are agencies of labour market intermediation facilitating the "connect" between supply and demand. They fulfil this role by providing: improved labour market information; job search assistance and placement services; and the administration of unemployment insurance benefits and of various labour market programmes (comprehensive worker displacement, retraining, public service employment, etc.).¹⁶

398. The work of the Office centres on the analysis of good practices in employment services administration, the review of draft employment services legislation, capacity building through national assessments and training courses, and support to boost services during the economic crisis. Furthermore, a good deal of direct technical cooperation work has helped to establish emergency employment services in post-conflict or crisis response situations as part of the Office's broader efforts (Afghanistan, Argentina, Indonesia, Iraq, Lebanon, Liberia, Sierra Leone). Other technical cooperation projects have incorporated support to strengthen general PES capacity as part of their national programmes on youth employment, skills development, or migration (Egypt, Ethiopia, Jordan, Lebanon, South-Eastern Europe, Sri Lanka, and Viet Nam).

399. The Office helps constituents diagnose their needs regarding employment services. National PESs management and programme assessments summarize the current situation of employment services; make recommendations for action to improve programme management and services; and focus debate by stakeholders (box 5.3).

¹⁵ ILO: Vocational Rehabilitation and Employment (Disabled Persons) Convention, 1983 (No. 159), and its accompanying Recommendation (No. 168).

¹⁶ See ILO: *General survey concerning employment instruments*, 2010, op. cit. The Employment Service Convention, 1948 (No. 88), and the Private Employment Agencies Convention, 1997 (No. 181), guide member States in developing and strengthening employment services and provide the policy framework for support from the Office.

Box 5.3
Examples of reform efforts made after ILO PES assessments

South Africa (2003): The employment services' training programmes and the learnership programmes were coordinated to improve results.

Ethiopia (2003): Labour-exchange information technology systems were improved, including information on occupational requirements.

Mongolia (2008): Career guidance services and entrepreneurship services were improved through the PES (supported by resources from other ILO sources).

Egypt (2009): A three-year technical cooperation project to improve career guidance and youth employment services was launched.

Liberia (2009): Support was provided to assist in restructuring the employment services bureau along the lines of the assessment.

400. Partnership with the World Association of Public Employment Services (WAPES) helps promote the use of ILO tools and guidance. Through participation in WAPES conferences, the Office contributes to training activities and learns from national experience.

401. While the Office's focus is on PES, technical assistance on private employment services is also provided, typically through reviewing draft legislation regulating these agencies.¹⁷ The Committee of Experts has noted increased interest in Convention No. 88 and contemplation by governments and social partners of its ratification.

Response to the crisis

402. All countries have been affected by the 2009 financial and employment crisis, making skills development needs even more urgent. As mentioned in Chapter 2, the ILO survey on labour market policies for the G20 Leader's Summit in Pittsburgh (2009) noted that in high-income countries, job training, work-sharing, job search assistance and subsidies have been the most common labour market policy measures introduced. In low- to middle-income countries, the most common responses have been job training, job search assistance, entrepreneurship incentives and public works programmes.¹⁸

403. Training is an investment – and its returns are not immediate. When many jobseekers are out of work and without income, training activities often have to be accompanied by some kind of income support for adults who must support themselves and often others. This can be in the form of special training stipends, training vouchers or flexibility in applying the work search requirements for the receipt of unemployment insurance.

404. The crisis has highlighted the pivotal role that training, re-training and employment services can play. PES are the government institutions responsible for assisting workers and employers make transitions in the labour market through services such as job matching, information and access to ALMPs (skills training or re-training, and information on self-employment and starting a business); and helping jobseekers choose the best options to improve their individual employability, through dissemination of reliable labour market information, career guidance and counselling and a spectrum of job search assistance tools and techniques. Many PESs also administer unemployment insurance programmes as a means of providing temporary financial support to workers

¹⁷ ILO: *Guide to private employment agencies: Regulation, monitoring and enforcement* (Geneva, 2007).

¹⁸ S. Cazes, S. Verick and C. Heuer: *Labour market policies in times of crisis*, Employment Sector Working Paper No. 35 (Geneva, ILO, 2009).

while they focus on re-entering the labour market. Thus, PES offices in many countries have become the first points of contact – the “one-stop-centres” for assistance – for workers seeking to engage in the labour market in any capacity. The Office has provided technical advice on emergency employment services and on increasing PES capacity at meetings in Latin America, Africa and Europe, and by updating, translating and disseminating good practices guidelines.

405. The Global Jobs Pact¹⁹ acknowledges the key role of training and employment services in both immediate crisis response and longer-term development. Leaders of the G20 in Pittsburgh took skills development beyond the crisis-response stage in recognizing that “It is no longer sufficient to train workers to meet their specific current needs; we should ensure access to training programs that support lifelong skills development and focus on future market needs”.²⁰ The ILO was then asked to prepare a “training strategy” in consultation with the social partners and other international organizations, which could be discussed at the G20 Labour Ministers’ Meeting and Leaders’ Summit in 2010. Such a strategy focuses on preparing workforces for the economic recovery, lifelong learning and innovation.

Resources and assets

406. Work on skills for employability and productivity is led by EMP/SKILLS (11 posts, of which two are dedicated to employment services and two to disability) and by ten skills development specialists in field offices. The regular budget allocates US\$1.3 million per biennium in non-staff resources for work on skills and employability. The current portfolio of extra-budgetary support (technical cooperation projects) is about US\$53 million, of which 79 per cent is for projects decentralized to country offices.

407. The Inter-American Centre for Knowledge Development in Vocational Training (ILO–Cinterfor in Montevideo, Uruguay) has been active for decades as “a permanent learning and horizontal cooperation community among the national organizations in charge of vocational training disseminating knowledge, experience and good practices in the field of vocational training and human resources development for the creation of decent and productive work in Latin America and the Caribbean”.²¹ For work largely targeting its members – the national training institutions – ILO–Cinterfor’s staff and non-staff resources from the ILO regular budget account for about US\$1.7 million per biennium, supplemented by some US\$450,000 in members’ contributions.

408. Work on skills development in the Asia and the Pacific region has a particularly strong mission to enable ministries and training institutions to learn from each other’s experience. This work is carried out primarily through the region’s web-based knowledge-management system, community of practice and regional and subregional meetings as well as through support to the skills components of Decent Work Country Programmes and the large technical cooperation projects in the region.²²

¹⁹ ILO: *Recovering from the crisis: A Global Jobs Pact*, adopted at the 98th Session of the ILC, Geneva, 2009.

²⁰ G20 Pittsburgh Summit: Leaders’ Statement (Pittsburgh, 2009), para. 44.

²¹ ILO–Cinterfor: *Strategic plan for the future action of ILO–Cinterfor*, approved at the 38th Technical Committee Meeting, Cartagena de Indias, June 2007 (Montevideo, 2007). See www.ilo.org/cinterfor for more information.

²² See www.ilo.org/public/english/region/asro/bangkok/skills-ap/index.htm.

409. The Turin Centre offers courses on specific elements of TVET in several languages and delivers courses with EMP/SKILLS on skills development policy, private and public employment services, and labour market inclusion of persons with disabilities. Developing joint courses with skills development specialists in the field and at headquarters can turn research findings and programme experience into training materials suitable for diverse country circumstances.

External partnerships

410. Coordination with other UN agencies is important. Many agencies work directly on skills development (UNESCO, OECD, the European Training Foundation, the development banks); others need skills development to meet other development objectives, e.g. rural development (FAO) or trade readiness (WTO and UNCTAD). The World Bank and regional development banks have substantial research, advisory and lending programmes in education and training. The ILO draws on the work of these agencies and vice versa.

411. The Inter-Agency Working Group on TVET was reinvigorated in 2009 as a result of efforts led by UNESCO and the ILO. It provides a forum for UN agencies, the development banks and other multilateral agencies to share research findings and country experience, and to produce joint products (such as dissemination of good practices and methodologies for data collection and analysis). New initiatives by UNESCO and the Office will lead to joint country policy reviews and tools for use by UN Country Teams for assessing the links between basic education, vocational training, employment services and the world of work. The Inter-Agency Working Group provided an effective forum for consultations on the G20 training strategy and will continue collaboration in its follow-up and implementation.

Evaluation of impact

412. The evaluation of the work of the Office on skills development and employability has been conducted through various forums over time. These include department evaluations conducted by the ILO's Evaluation Unit (2004); evaluations of skills technical cooperation projects and the use of skills development tools (2000–01); impact of policy advisory services; evaluation of technical cooperation projects on "Including Disability" (2008); and an internal evaluation of work on public employment services (2007). Various recommendations were put forward, as noted in table 5.1.

Table 5.1 Evaluations of the work of the Office on skills and employability

IFP/SKILLS programme evaluation, 2004	
Principal recommendations	Current implementation
Focus on a limited number of priority themes in which the ILO has a clear mandate and comparative advantage.	Building on priority setting exercises since 2004 and in line with the GEA, work on skills development has been organized into three main areas: skills policies and systems; skills for poverty reduction; and skills for youth employment
The overall aim should be to influence the policies and decisions of constituents, donors and regional development agencies	Efforts launched over the past year aim at reinvigorating collaboration with UN and research institutions concerned with skills development, especially UNESCO
Develop a proactive strategy to mobilize resources for technical cooperation through building strategic alliances with donors	Fund-raising has focused most recently on ambitious national skills reform programmes and on increasing training and livelihood opportunities in disadvantaged rural areas
Revise strategic framework outcomes and indicators to improve performance monitoring and measurement	The Strategic Policy Framework (SPF) and Programme and Budget (P&B) outcome statement on skills and employability explicitly reflects the International Labour Conference 2008 conclusions. The indicators and measurement guides developed for the SPF and P&B 2010–11 provide clearer monitoring expectations and criteria
Technical cooperation evaluation, 2000–01	
Principal recommendations	Response of the Office
Strengthen linkages between training provision and employment services to improve employment outcomes	Numerous technical cooperation projects have included employment services components. Collaborative efforts include the Viet Nam project which aims to incorporate labour market information into the services offered by employment centres and training programmes
Develop more tools for employment counselling, vocational guidance and labour market information	Monitoring and evaluation techniques have been developed and used more consistently, notably tracer studies; guidance on conducting evaluations provided
Focus delivery of services to groups facing particular challenges	TREE methodology has been adapted to be used more widely: rural, informal economy; youth, women; persons with disabilities. There are specific modules on disability inclusion and gender
Make interventions of the Office and Turin Centre better articulated and complementary	Greater number of coordinated training programmes on skills development now being conducted; pooling of expertise to develop and deliver new Skills Development Course in the Turin Centre. There is a need for coordination on project selection
Impact of policy advisory services	
Techniques	Response
Impact assessments	Informal monitoring by field specialists or project staff; HQ and field staff are working together to establish methods
Set Indicators/targets	New or reformed legislation; implementation responsibilities and budgets
Evaluation of technical cooperation projects on “Including Disability”, 2008	
Recommendation	Response
Appropriate monitoring and evaluation techniques	Tools under development to measure the impact of activities concerning people with disabilities; Office compiling baseline data on inclusive TVET in Asia–Pacific
Internal evaluation of public employment services (PES), 2007	
Recommendation	Response
Exploit strategic external partnerships	Partnership with the WAPES and the International Confederation of Private Employment Agencies (CIETT) to help national employment services meet labour challenges; training workshops for PES staff
Increase cooperation with other ILO departments and units	
Strengthen advisory services	

Inseparable, interrelated and mutually supportive strategic objectives

413. Key partners for the research, service and advocacy on skills development are mainly within the Employment Sector but also units in other sectors such as MIGRANT, SECTOR, INTEGRATION, DIALOGUE, GENDER, and IPEC. The priorities for mutually-supportive work through the current and next biennia with units in other sectors include decent work indicators that link skills and wages – with TRAVAIL, STAT and INTEGRATION – and the facilitating of skills promotion work by ACTRAV and ACT/EMP with their constituents.

414. Priorities for expanded collaboration within the Employment Sector centre on skills for youth employment, guidance on linking national skills development and employment policies, and the Green Jobs Initiative.

415. A multi-sectoral, collaborative approach has characterized ILO activities in the field of disability for many years, both with constituents and collaborating partners, as well as within the Office. The Disability Team recognizes the need to promote social protection and rights at work for persons with disabilities as well as to encourage the involvement of the social partners.

416. In its active participation in the process of developing the UN Convention on the Rights of Persons with Disabilities, the Office is working to ensure that the progress achieved through Convention No. 159 and other ILS is consolidated and that further progress is made in anchoring the human rights of persons with disabilities in international law.

417. As reported in a recent Governing Body discussion paper²³ ILO activities in the area of employment services have also been characterized by collaboration with a variety of partners in the Office. Within the Employment Sector, there has been cooperation with EMP/TRENDS on labour market information activities in technical cooperation projects and the crisis response and reconstruction programme on emergency employment service responses in Afghanistan, Indonesia, Iraq, Lebanon, Liberia and Sri Lanka.

418. In other sectors of the Office, there has been active collaboration on employment service topics with NORMES and SECTOR to promote Convention No. 181 and with DECLARATION and MIGRANT to promote effective regulation of private employment agencies. Support is also provided to DIALOGUE in providing technical comments on draft national legislation regarding PES or private employment agencies.

Possible ways forward

419. The 2008 International Labour Conference conclusions represent a significant gain for tripartite commitment to practical work in the area of skills development by linking skills development to productivity and employment growth. Those conclusions, the regional and country programmes, and the mandate in the Social Justice Declaration and the Global Jobs Pact mark the near-term priorities for member States and for support from the Office.

²³ ILO: *ILO support for the role of public employment services in the labour market*, Governing Body, 306th Session, Geneva, Nov. 2009, GB.306/ESP/3/2.

For member States

- ❑ **Integrate skills development policies in national and sector development policies** and national response strategies to external drivers of change, such as global recessions, climate change, trade patterns and new technologies.
- ❑ **Develop institutions** for sustaining communication among training providers and employers to improve the short-term labour market impact of investments in training and to maintain long-term strategic planning with line ministries, workers and employers, in order to match education and skills preparation to development goals and industry competitiveness. Build capacity of labour market information systems and employment services as necessary labour market institutions.
- ❑ **Meet objectives for inclusive growth** by expanding opportunities for persons with disabilities, persons living in remote rural areas, young people who did not have the opportunity to secure a basic education, and women and other groups who face discrimination in the labour market to acquire and improve vocational skills.

For the Office

- ❑ **Develop policy briefs and guidance** notes to help constituents apply the principles of the GEA, the skills-related standards and the resolution concerning skills for improved productivity, employment growth and development (adopted by the ILC in 2008) to their circumstances and priorities.
- ❑ **Develop and test tools for tracking the implementation and impact** of national skills development policies and targeted programmes.
- ❑ **Target research** towards revealing which skills policies and approaches work well under what conditions, in combination with what other policies – and what financial and human resources they require. Current research priorities include skills development systems to promote innovation and green jobs, skills anticipation methods, upgrading informal apprenticeship systems and training programmes to speed up the re-employment of displaced workers.
- ❑ **Integrate skills development and employment services in the Office's support for national employment plans.** Deploy new tools and approaches on skills needs anticipation, on linking employers and training providers and on sustaining inter-ministerial coordination.
- ❑ **Support member States in creating a sustainable institutional environment for promoting skills and employability** through: the outreach, **adaptation** and translation of ILO tools on expanding the availability of good quality training to under-served populations (persons with disabilities, rural communities); through developing new tools on core skills, workplace learning and training in collective bargaining agreements; through applying tools to meet the special needs of women in accessing training and using it to secure good employment; and through improving employment services' capabilities to deliver labour market programmes, especially as part of national responses to financial and employment crises.

Chapter 6

Trade, international finance and labour markets

420. The Social Justice Declaration includes the words “fair globalization” in its title. It would therefore be relevant to look at the main channels through which globalization occurs, with trade and financial flows being the predominant ones.

421. Trade and international financial flows have significantly increased over the past 20–30 years. Their growth was particularly strong in the 1990s, significantly exceeding GDP growth. As a result, the average ratio of trade to GDP at the global level increased from 40 to 50 per cent between 1990 and 2000. Corresponding values for FDI inflows were 0.5 per cent in 1990 and 4 per cent in 2000.¹

422. In the 1970s and 1980s, trade liberalization tended to take the form of unilateral or multilateral liberalization within the General Agreement on Tariffs and Trade (GATT). The 1990s saw a surge in the number of regional trade agreements notified and this trend has continued ever since. Over the same period, countries increasingly opened their capital accounts and the number of bilateral investment agreements (BITs) exploded with 1,500 of them signed in the period 1995–2005.²

423. Many have benefited from increased trade and increased financial integration, through increases in wages and household incomes, and this has particularly been the case for those involved in export-related activities. The export performance of developing countries in manufactured goods has often relied heavily on female labour, even where women’s participation in paid work has been traditionally low and socially unacceptable. Being connected to the world economy may not be a guarantee for economic growth, but there have been few examples – if any at all – of countries that have managed to significantly enhance their growth performance while staying disconnected from global production and financial networks. But increased integration has also led to new challenges. Some of these challenges have a global character; others are specific to certain types of countries or regions.

¹ In the computation of the trade-to-GDP ratio, trade flows are measured in terms of value of imports and exports, while GDP is calculated on the basis of value added. This is one of the reasons why this ratio is significantly higher than the FDI–GDP ratio.

² R. Adlung and M. Molinuevo: *Bilateralism in services trade: Is there fire behind the (BIT) smoke?*, Staff Working Paper ERSD-2008-01, Economic Research and Statistics Division (Geneva, WTO, 2006).

Diverse realities and policy trends

Low-income countries

424. Many low-income countries are members of the World Trade Organization (WTO) and have liberalized trade in the context of multilateral liberalization over the years. At the same time, they have taken advantage of non-reciprocal preferential arrangements like the Generalized System of Preferences (GSP), the United States African Growth Opportunity Act (AGOA) or the EU “Everything But Arms” initiative. Although the benefits of those preferential schemes have been questioned, low-income countries are currently concerned that the preferential access provided by such schemes may be increasingly eroded by deeper multilateral liberalization.

425. Low-income countries have also followed the global trend of increased regional liberalization. In Africa, those efforts have often taken the form of far-reaching integration agreements. One of the problems African trade negotiators face is that they often have to negotiate simultaneously on different fronts: regional integration within Africa, regional trade liberalization with the EU (in the context of economic partnership agreements (EPAs)) and multilateral liberalization at the WTO. Given this situation, it is not easy for capacity-constrained countries to develop appropriate negotiation strategies, in particular when it comes to complex matters like services liberalization that often requires awareness of the linkages between regulation and liberalization.

426. As mentioned above, preferential market access in many cases has not led to the desired results. In particular, it has often failed to bring about the expected increase in exports. This “lack of supply response”, frequently due to insufficient basic trade infrastructure, has increasingly drawn the attention of policy-makers. In 2005, for instance, technical capacity building – known as “Aid for Trade” – was introduced as an essential complement to the Doha Round of multilateral trade negotiations.

427. Another problem many low-income countries face is their heavy reliance on very few export items, making them particularly vulnerable to price or demand shocks in these items, which tend to have significant spillovers on the rest of the economy.

Middle-income countries

428. Transition economies have undergone massive structural change in the past two decades. The move from centrally-planned to market economies induced deep and broad-ranging adjustment processes. On top of this, many transition economies liberalized their trade regime, often through the vehicle of WTO accession. Although the expected benefits of accession were significant, it also imposed important costs. In several areas, acceding transition countries have been required to make commitments that go beyond those made by incumbent WTO members,³ which has added additional pressure to the already ongoing adjustment processes.

429. In numerous transition countries, exports were heavily concentrated in a few industries and directed to a selected number of partners before the political changes 20 years ago. In those countries that have not managed to diversify their export structure in the past two decades, increased openness may have led to an increased vulnerability to external shocks. Indeed, a number of CIS countries are among the countries hit hardest by the current global economic and financial crisis.

³ See M. Bacchetta and Z. Drabek: *Effects of WTO accession on policy-making in sovereign States: Preliminary lessons from the recent experience of transition countries*, Staff Working Paper DERD-2002-02, Development and Economic Research Division (Geneva, WTO, 2002).

430. Most middle-income countries have been WTO members for a significant amount of time and do not face the severe adjustment problems referred to above. One of their major concerns is the limitation that WTO membership poses on their possibilities to actively apply industrial policies. Indeed, WTO provisions restrict the use of policies that actively support exporting industries and also limit the possibilities to use “infant industry policies”, i.e. to protect certain industries temporarily against foreign competition in order to allow them to grow.

431. Nevertheless, several emerging economies, like Brazil, China, India and South Africa, have become very successful players in global markets. Increased exports have resulted in new jobs, many of which are considered high-quality jobs. Although openness to trade and FDI has led to impressive productivity increases, it has had the downside of a lower job creation in export sectors than might have been expected. China, for instance, experienced massive increases in manufacturing exports in recent years, with average annual increases of 20 per cent in the 2000–07 period.⁴ Yet, in China the share of manufacturing employment has remained rather stable in the past ten years.⁵ So while exports contribute to growth and jobs are being created in exporting industries, those effects may not be large enough to meet labour supply, in particular in countries with strong population growth – India for one.

High-income countries

432. From the industrialized countries’ point of view, trade liberalization in large countries like Brazil, China and India has represented a massive surge in the “global supply of labour”, with ensuing pressure on wages in the industrialized world. Medium- and lower income countries together account for 73 per cent of the world’s labour force – and this number reaches 80 per cent when focusing on the world’s young workers.⁶ Although this picture may change in the future with slowing population growth in the developing world, pressure on industrialized country wages is unlikely to cease in the coming years; indeed, in several European economies, recent cohorts of entrants in the labour market are expected to receive lower incomes than their parents in real terms.

433. Concerns about the wage and employment effects of trade liberalization may be one of the main reasons why industrialized countries make increasing references to labour and social issues in preferential trade agreements. This is the case in both unilateral preferential schemes and bilateral or regional trade agreements.⁷ Relevant agreements increasingly mention the ILO Declaration on Fundamental Principles and Rights at Work. They also often refer to the ILO as a monitoring or implementation body and increasingly contain references to aid for trade that can be used for labour-related technical assistance.⁸

⁴ WTO: *International Trade Statistics 2008* (Geneva, 2008).

⁵ L. Chen and B. Hou: “China: economic transition, employment flexibility and security”, in S. Lee and F. Eyraud (eds): *Globalization, flexibilization and working conditions in Asia and the Pacific* (Oxford, Chandos, ILO, 2008).

⁶ A.K. Ghose, N. Majid and C. Ernst: *The global employment challenge* (Geneva, ILO, 2008).

⁷ ILO: *World of Work Report 2009: The global jobs crisis and beyond*, International Institute of Labour Studies (Geneva, ILO, 2009).

⁸ This evolution has been recognized by the ILO and is reflected in the reference to bilateral and regional trade agreements in the Social Justice Declaration (article II(B)(vii)).

Global challenges

434. Two policy challenges that many countries face, irrespective of their income level, are that the gains from liberalization are neither evenly distributed over time nor evenly distributed amongst individuals. Empirical research relevant to the first challenge found that open economies have bigger governments.⁹ When looking at the impact of the current crisis, it is easy to see why openness tends to increase exposure to external shocks and social protection systems play a crucial role in providing shelter against the negative effects of such shocks. Governments around the world thus face the challenge of designing protection schemes that are appropriate in an increasingly integrated world, and they face the task of finding the means to fund them.

435. While the gains from globalization can be large, they tend to be unevenly distributed among individuals. Globalization is, therefore, likely to be one of the drivers of the observed increases in inequality described in Chapter 2. The second policy challenge thus consists of finding ways to ensure that future gains from globalization are as evenly distributed as possible. Two possible answers to this challenge can be envisaged. One is to increase efforts to ensure that globalization is inclusive and directly generates welfare gains for all individuals. A second answer is to redistribute wealth from those who gain to those who lose. The latter is, however, rendered difficult by the fact that winners from globalization (typically capital or high-skilled workers)¹⁰ tend to be more mobile than losers (typically low-skilled workers). Capital, being the most mobile factor, can potentially circumvent redistribution efforts by governments through moving abroad.

436. An overwhelming part of global trade takes place within the context of global supply chains. Companies that manage to become part of those supply chains can prosper, but those who do not manage find it hard to survive in an increasingly competitive environment. Empirical evidence for industrial countries has shown that the majority of active players in global markets are large or very large companies. Recent theoretical models – based on the so-called new-new-trade theory – explain why small companies, even in exporting industries, find it hard to overcome the fixed costs inherent in trading or in productive activities in multiple markets. As such, globalization poses important challenges to many SMEs.

437. In order to remain competitive, global actors constantly seek to invest in environments that allow for the highest levels of productivity. In order to attract global actors (in the form of foreign investment) or to avoid their departure, local actors – such as governments, workers and local suppliers – therefore have incentives to offer more attractive environments than their counterparts in other countries. Globalization can thus have the effect of putting local actors in competition with local actors abroad that belong to the same group of ILO constituents. In this context, it can be challenging to find ways to jointly defend interests that are common across countries. The ILO looked at these “micro-dynamics” of globalization as long ago as 1991.¹¹

⁹ D. Rodrik: “Why do more open economies have bigger governments?”, in *Journal of Political Economy*, 106(5), Oct. 1998.

¹⁰ M. Jansen and E. Lee: *Trade and employment: Challenges for policy research*, a joint study of the ILO and the Secretariat of the WTO (Geneva, 2007).

¹¹ D. Campbell: *Globalisation and strategic choices in tripartite perspective: An agenda for research and policy issues*, ILS (Geneva, ILO, 1991).

The ILO's mandate on trade and employment

438. The promotion of trade and investment for productive employment and market access for developing countries is one core element of the GEA. Another refers to the role of macroeconomic policy for growth and employment, and contains a call for policy integration. As globalization affects men and women differently, the different needs of both women and men deserve further reflection.¹²

439. The relevance of trade and international finance to the Decent Work Agenda is also strongly emphasized in the Social Justice Declaration. It recognizes that “other international and regional organizations with mandates in closely related fields can have an important contribution to make to the implementation of the integrated approach” (article II(C)). The Declaration further stipulates in the same article that:

The ILO should invite them to promote decent work, bearing in mind that each agency will have full control of its mandate. As trade and financial market policy both affect employment, it is the ILO's role to evaluate those employment effects to achieve its aim of placing employment at the heart of economic policies.

440. Office work on the nexus between trade/international finance and productive employment is thus explicitly embedded in the ILO's mandate.¹³ Until now, however, no work on this linkage has been done within a well-established framework, partly because of the complexity of the issues involved and their rapidly changing nature. As a cross-cutting theme, trade and international finance touches on the four pillars of the Decent Work Agenda and on all the core elements of the GEA. This, and the fact that other international agencies have closely related mandates, makes the design of an effective ILO work programme on trade, international finance and employment particularly challenging.

Constituents' needs

441. The needs of ILO constituents are articulated in two main ways: via the ILO's governance structure and country-level dialogue. The linkage between productive employment on the one hand and trade and international finance on the other has mainly been discussed within the Governing Body Working Party on the Social Dimension of Globalization and the ESP Committee, both of which have often emphasized the need for greater policy coherence at the international level.

442. At the country level, constituents seek support from the Office in elaborating projects and developing policy through the formulation and implementation of Decent Work Country Programmes. A trade-related request featuring prominently in these Programmes is for assistance in improving export competitiveness (for example, in Bangladesh, Lesotho and Romania). Relevant requests tend to refer explicitly to specific sectors – most prominently the garment industry but also agriculture-based products or leather and leather goods.

¹² ILO: *Conclusions concerning gender equality at the heart of decent work*, ILC, 98th Session, Geneva, 2009, para. 7.

¹³ In fact the ILO's mandate to deal with the linkages between trade, finance and labour markets can be traced back to the 1919 Constitution, which states in its Preamble: “Whereas also the failure of any nation to adopt humane conditions of labour is an obstacle in the way of other nations which desire to improve the conditions in their own countries”; and to the Declaration of Philadelphia: “It is a responsibility of the International Labour Organisation to examine and consider all international economic and financial policies and measures in the light of this fundamental objective.”

443. Some countries express concern about evidence that FDI inflows have mainly created low-skilled jobs in low-end production, and Decent Work Country Programmes request help in diversifying exports. Sometimes the relationship between trade and employment is reflected in countries' national employment policies, for instance through reference to the possible use of aid-for-trade to help diversify exports and enhance integration in global markets, or to the need for more sophisticated evaluation of the employment impact of regional trade agreements.

Office response

From analysing linkages to developing analytical tools

444. In the past the Office's response to constituents' requests often took the form of analytical background papers for the Governing Body, working papers, journal articles or books. The focus tended to be on international trade, with the notable exception of a November 2005 Governing Body paper on the international financial dimension of growth, investment and jobs.¹⁴ Country requests were often met with country-level studies that supported national policy debates. These studies often had a sectoral focus, mostly on textiles. Female employment received particular attention in much of the work on textiles, mainly because employment in the textile industry tended to be predominantly female. As a consequence, ups and downs in the industry were reflected in the creation or destruction of women's jobs.

445. Recently, greater attention has been paid to developing tools to assess the employment effects of trade, as follows:

- A country-level rapid employment impact assessment has been developed to analyse the employment effects of the global and financial crisis, notably the role of trade and FDI in the transmission of the crisis from country to country. The focus is on delivering enabling rapid assessments within short time frames, notably when availability of data is limited.
- Sophisticated empirical tools to estimate the employment effects of trade have been developed or exploited for country-level assessments. These tools deliver meso- and macro types of information, and are applicable when high-quality data is available. Developing these tools is very time consuming, but once they exist they can be applied to a variety of uses in a relatively short time.
- An EU-funded project on assessing and addressing the effects of trade on employment aims, inter alia, to develop tools for empirical analysis, including in situations where data are scarce or unreliable, and for analysing effects beyond those on wages and number of jobs. This project will be implemented in four pilot countries (Bangladesh, Benin, Guatemala and Indonesia) that have been selected in consultation with the donor and constituents.

Trade-related technical assistance

446. So far, trade-related technical assistance mainly focuses on the competitiveness of companies with export potential, seeking to enhance their productivity. Several existing ILO technical assistance tools also target productivity increases, notably the SCORE programme and the Better Work Programme, a joint ILO–IFC initiative (see box 4.2).

¹⁴ ILO: *Growth, investment and jobs: The international financial dimension*, Governing Body, 294th Session, Geneva, Nov. 2005, GB.294/WP/SDG/2.

Efforts are under way to adapt these programmes to trade-specific contexts. In particular, the ILO is currently contributing to the design of a trade-related technical assistance project to be implemented by the UN CEB Inter-agency Cluster on Trade and Productive Capacity and the ILO. In another project, implemented with the support of the Regional Office for Europe and Central Asia, tools for sustainable enterprise development, skills-mapping techniques and methods of evaluating potential export competitiveness have been combined, in order to enhance export diversification.

447. In the context of the EPAs under negotiation between the EU and the African, Caribbean and Pacific Group of States (ACP), the ILO undertook a number of activities including stakeholder consultations and capacity building.¹⁵ The Turin Centre developed a course on trade and employment, focusing on regional integration and EPA negotiations in Africa.¹⁶ It is about to launch an open course on international trade and labour markets prepared with inputs from the Office.

Crisis response

448. In the context of the crisis, numerous country-level assessments have been conducted to evaluate the employment impact of changes in trade or FDI flows, with a view to helping governments design appropriate crisis responses. Different tools have been used to conduct these assessments. Pilot rapid employment impact assessment studies have been produced for Cambodia, Egypt, Liberia, Uganda and Ukraine, as well as for the textiles sector in Morocco and the Katanga Province in the Democratic Republic of the Congo. Empirical tools have been applied to estimate the effect of trade on employment during the crisis in Brazil, India and South Africa.

Impact of Office work

449. The impact of Office work on international trade and finance has not undergone a systematic evaluation at the country level and it is too early to report on this. An internal ILO report on strengthening ILO research and research networks was carried out by the ILO's International Institute for Labour Studies (IILS) in 2007. It evaluated the Office's relevant analytical work and found out that, notwithstanding its high quality, the ILO's research on globalization was less widely cited than might be expected and, in particular, less widely publicized than related work sponsored by the World Bank and the IMF.¹⁷

Resources and assets

450. At present, the Office has no integrated programme specifically on trade, finance and employment. In January 2009 the Employment Sector established a position of one full-time senior economist responsible for this theme, assisted by an economist on a one-year contract. Since February 2009, this team has been backstopping a four-year European Community-funded project on assessing and addressing the employment effects of trade, involving US\$3.4 million.

¹⁵ Following the 11th African Regional Meeting (Addis Ababa, 2007), social partners launched a project to identify the main challenges arising from EPAs. Two regional conferences were organized in 2007, one by ACTRAV in Kampala and the other by ACT/EMP in Dakar. The two resulting declarations both stress the need for analysis in greater depth of the expected impact of EPAs on national socio-economic structures.

¹⁶ This curriculum is going to be further elaborated in the context of the EU-funded project on assessing and addressing the employment effects of trade that was initiated in February 2009.

¹⁷ As a remedy, the report proposes that the ILO publish more research in good quality journals or through recognized publishers. It also calls for an increased emphasis on presenting research in relevant national, regional and international conferences in order to increase its visibility.

451. In the past, several staff members from different departments have worked on trade issues and now belong to the recently created internal trade research group. Their work has been financed from relevant department budgets.

Inseparable, interrelated and mutually supportive strategic objectives

452. The linkages between trade and international finance and employment are complex and touch upon all four pillars of decent work. The abovementioned informal Office-wide research team has so far mainly served for consultation purposes and information exchange. The first steps have been taken towards jointly designed research projects. Furthermore, an agreement has been reached between the Employment Sector, NORMES and external academics to pursue a joint research project on labour provisions in preferential trade agreements. Discussions are also ongoing between the Employment Sector and the Statistics Department on possible collaboration on trade and employment-related statistics.

453. A concrete example of joint delivery across strategic objectives is the collaboration between the Employment Sector and DIALOGUE in the context of EPA negotiations, as mentioned above. Another example is the ongoing effort to design a trade-related technical assistance project with the UN CEB Inter-agency Cluster on Trade and Productive Capacity. The negotiations involve close collaboration between representatives from the Employment Sector and SECTOR, reflecting the positive contribution social dialogue is expected to have on the creation of productive employment through increased export competitiveness.

The need for policy coherence and the role of partnerships

454. At policy level, attempts were made to strengthen the ILO's links with other international institutions, notably through the Policy Coherence Initiative (PCI).¹⁸ Representatives of international institutions, e.g. the World Bank, IMF, WTO, UNCTAD, UNIDO, UNDP, met twice a year for an exchange of information and views. Other activities took place at regional and national levels.

455. At the technical level, joint activities between the ILO and other relevant international institutions recently increased and resulted, inter alia, in two joint publications with the WTO,¹⁹ two joint publications with the Association of Southeast Asian Nations (ASEAN)²⁰ and a joint publication with the Carnegie Endowment for International Peace and the UNDP.²¹ Collaboration with other agencies has also taken the form of joint events. In 2009, for instance, a joint workshop was organized with the World Bank Institute and another joint workshop with the WTO.²²

¹⁸ The "PCI" was the first recommendation of the Report of the World Commission on the Social Dimension of Globalization, and spearheaded by the ILO in 2004. Ten meetings at the global level were held in 2008.

¹⁹ M. Bacchetta, E. Ernst and J.P. Bustamante: *Globalization and informal jobs in developing countries*, a joint study of the ILO and the Secretariat of the WTO (Geneva, 2007).

²⁰ T. Hidayat and D. Widarti: *ILO-ASEAN joint study on social implications of ASEAN Free Trade Agreement (AFTA) on labour and employment: The case of Indonesia* (Jakarta, ILO, 2005).

²¹ S. Polaski et al.: *Brazil in the global economy: Measuring the gains from trade* (Washington, DC, Carnegie Endowment for International Peace; and Geneva, ILO, 2009).

²² Information on both events can be found at www.ilo.org/trade.

456. The Office's efforts to expand and deepen collaboration with other institutions have extended to recruitment: the three staff members currently working on linkages between trade and productive employment were recruited from UNCTAD, the World Bank and the WTO, respectively.

Possible ways forward

For member States

457. Member States face numerous challenges when trying to make the best of the opportunities provided by trade and financial openness. Much may be gained from increased coherence between labour market policies on the one hand and trade and financial policies on the other. To achieve this, two matters may be beneficial: more intense collaboration between the relevant ministries; and the opening of a dialogue on the sequencing of labour and trade policy reforms.

458. Liberal trade policies do not necessarily lead to more exports and related job creation. Government intervention is sometimes needed to trigger the expected supply response, in particular in developing countries. This has been recognized by the WTO membership and has led to the availability of "Aid for Trade" to developing countries. Preferential trade agreements also increasingly contain a technical assistance component. ILO constituents may want to consider that ILO's decent work principles can be a useful element in relevant technical assistance projects.

459. In the context of the global economic and financial crisis, it has become evident that openness creates vulnerability. Yet, open economies have not all been affected in the same way. There appears to be broad agreement that financial openness needs to go hand in hand with appropriate financial regulation. There are also indications that geographical and product diversification in exports reduces vulnerability to trade shocks. Member States may want to take these aspects into account when opening their economies.

460. Nevertheless, no perfect shield against external shocks is likely to exist and open economies will regularly be hit by external shocks of different sizes. It could, therefore, be argued that open economies need broader and deeper social protection systems to help those suffering from negative external shocks. ILO research of more than a decade ago showed that freedom of association and the mitigation of the social consequences of trade went hand in hand.²³

For the Office

461. During the period 2004–09, a significant amount of work on the linkages between trade, international finance and employment was carried out by the ILO. In the light of recent fluctuations in commodity markets, the ongoing financial and economic crisis and continuing uncertainty over how the crisis will unfold in the medium to long term, discussions are continuing on the need to expand work on international finance. In particular, it may be important to understand better:

- the role of certain aspects of financial openness as a driver of economic volatility, especially in light of evidence that its effect on economic volatility may be greater than that of openness in trade;

²³ R. Torres: *Towards a socially sustainable world economy: An analysis of the social pillars of globalization*, (Geneva, ILO, 2001).

- the way in which the link between the financial economy and the “real” economy can be strengthened in order to ensure that free financial markets contribute to the creation of “real” wealth and jobs.

Given the significant increase in numbers of (bilateral) investment agreements, it may also be useful to analyse how those agreements relate to the decent work objective.

462. The Office has also significantly expanded its technical collaboration on trade matters with other relevant international institutions or NGOs. There is a solid foundation to maintain and extend these efforts.

463. In line with the approaches taken in the field of trade, new work on international finance could be done in collaboration with relevant international institutions. In particular, there may be scope for increased technical collaboration with the IMF, the OECD or the Bank for International Settlements. Further work could build upon existing expertise within the Employment Sector, the Integration Department and the ILS.

464. In trade-related research, the Office is gearing up to maintain efforts to build analytical tools to evaluate the employment effects of trade, in terms of overall effects but also in terms of gender-, skills- or income-differentiated effects. Such tools will enable the Office to act swiftly with policy advice based on thorough analysis, if the need arises. These tools should ideally also strengthen the Office’s capacity to publish analytical work in refereed journals, thus contributing to enhancing the reputation of Office work among peers in other institutions.

465. As to capacity building, the Office and the Turin Centre are developing tools for use in response to country requests. The first moves by the Centre in this direction have shown that there is a latent demand for capacity building on trade, notably in the context of regional trade liberalization.

466. Regarding technical assistance, the development of tools to be used in the context of trade-related technical assistance has only just started, but can build on existing tools targeting enterprise development. A start has also been made to apply ILO expertise on skills development to the policy target of export competitiveness or diversification. Such efforts correspond to the concept of “Aid for Trade”, which focuses on enhancing export competitiveness. The need to assist countries in “moving up the value chain” could be one of the aspects to be taken into account in the design of relevant tools.

467. Recent preferential trade agreements also referred to the use of “Aid for Trade” in support of social and labour policies. There appears to be scope for proactive thinking by the ILO on the forms this type of trade-related technical assistance might take.

Chapter 7

Work in the informal economy and policies to facilitate transition to formality

Diverse realities and policy trends

A global challenge

468. Informality remains a serious obstacle to the realization of decent work for all. In 2010, a significant percentage of the global workforce, women and men, works and earns a living in the “informal economy”. Those working in the informal economy – whether as wage or piece-rate workers, or self-employed in micro-enterprises operating on their own – have limited access to social and labour protection, finance and property (and property rights) and have low returns for their labour. Their lack of legal identity means that they have restricted bargaining power, representation, legal protection and inability to project into the future.¹ The informal economy attracts the most vulnerable groups in the labour market, including the low-skilled, youth, elderly, women and migrants.

469. While some countries, such as Argentina and Brazil, have succeeded in curbing the growth of informality for a period of time, the share of informal employment, by and large, remains high – and it may have further increased in some countries and regions over the past decade. The underlying causes of the persistence and/or growth of informality are the subject of much debate and diverging views. What is clear is that the root causes of informality and its new dynamics are multiple. A principal factor is the inability of economies to create sufficient numbers of quality jobs to absorb all jobseekers, as reviewed in Chapters 2 and 3. Employment growth in the formal segment of the economy in most countries has lagged behind the growth of the labour force, and these trends are likely to continue and become worse as a result of the financial and economic crisis. Another pattern seen in many countries is the declining ability of the industrial sector to absorb labour. The phenomenon of employment leapfrogging from agriculture to the lower end of the service sector, where low productivity and poor-quality jobs are more widespread, may also be observed. Another contributing factor is the pressure on local enterprises of all sizes, including micro- and small enterprises, to become more competitive on account of growing global competition, so that they might survive, adapt and grow. The changes in production strategies, as well as in employment patterns and contracts, have given rise to new work arrangements such as subcontracting, part-time employment, temporary or casual work, which offer no or limited security and social protection compared with formal or regular employment contracts. Economic restructuring processes, including the large-scale privatization of state enterprises and

¹ ILO: *Decent work and the informal economy*, Report VI, ILC, 90th Session, Geneva, 2002.

public services, have contributed to the growth of the informal economy in transition countries – even those that previously had high economic growth.

470. The informal economy performs a counter-cyclical function. It expands during economic downturns such as the structural adjustment processes or in the current global economic crisis, suggesting that work in the informal economy is far more of a survival strategy than a “choice”. But conversely, evidence shows that informality does not automatically shrink with high economic growth.

471. Realities – and consequently the needs – of constituents undoubtedly vary across countries with different socio-economic characteristics and policy agendas, as discussed in the following section; but they also differ according to the specific drivers of informality and to the various segments of workers and entrepreneurs engaged in the informal economy.

Low- and middle-income countries

472. The incidence of informality ranges from 35 to 90 per cent of total employment in developing countries.² In this context, informality is structurally linked to the development process.

473. In sub-Saharan Africa, the formal segment of the economy does not employ more than 10 per cent of the labour force. This rate has not changed in the recent past and extreme poverty has increased in contrast to other regions.³ Policies addressing the challenge of the informal economy and PRSs are therefore closely intertwined.

474. In the Asia and the Pacific region, despite rapid and strong economic growth, as well as a considerable reduction in poverty in some countries, the share of working poor remains significant – within a range of 47 and 84 per cent of workers in East and South Asia, respectively (living on US\$2 per day or less).⁴ Furthermore, the restructuring of Asian economies as they adapt to global competition, changing technology and new production strategies by expanding global production chains have led to increases in subcontracting and the outsourcing of production. Many of those at the lower end of global supply chains are micro-enterprises or homeworkers, who are unrecognized, unprotected and lack access to basic services and rights.⁵

475. In Latin America, the informal economy is essentially perceived as an urban phenomenon. It is estimated that the informal economy concerns some 75 per cent of workers in Latin America, contributes to about 40 per cent of the region’s GDP, and that over the last 15 years it accounted for 70 per cent of the total number of jobs created.⁶ For the past two decades, the conceptualization and policy debate on the informal

² ILO: *Women and men in the informal economy – A statistical picture* (Geneva, 2002) and various country reports published since.

³ United Nations Economic Commission for Africa: *Meeting the challenge of employment in Africa: An issues paper*, prepared for the 25th meeting of the Committee of Experts of the Conference of African Ministers of Finance, Planning and Economic Development, Ouagadougou, 10–13 May 2006.

⁴ ILO: *Realizing decent work in Asia*, Report of the Director-General, 14th Asian Regional Meeting, Busan, Republic of Korea, August–September 2006 (Geneva, 2006).

⁵ ILO: *Guidelines concerning a statistical definition of informal employment*, endorsed by the 17th International Conference of Labour Statisticians (November–December 2003); the “Delhi Group” is an international expert group on informal sector statistics supported by the Government of India, which is preparing a manual on surveys of informal employment and the informal sector.

⁶ ILO: *Decent work in the Americas: An agenda for the Hemisphere, 2006–15*, Report of the Director-General, 16th American Regional Meeting, Brasilia, May 2006 (Geneva, 2006).

economy have been unabated. A number of countries have adopted special legislation to facilitate the transition to formality of micro-enterprises, and to regulate domestic labour and the extension of social protection. The summits of the Organization of American States and successive Inter-American Conferences of Labour Ministers, have placed special priority on tackling informality.⁷

476. In all regions, developing countries are taking initiatives to tackle the challenge of the informal economy by means of one or more of the specific measures listed in figure 7.1. These include: improving productivity and employment generation; extending social protection; promoting gender equality; promoting a favourable regulatory environment and labour rights; providing entrepreneurial and skills support; and strengthening labour administration and labour inspection and social dialogue. Good practices to facilitate transition to formality are also being developed, but often through pilot project frameworks with short-term funding.⁸

477. Few countries have set in motion a comprehensive and integrated framework that brings together the development agenda and the functioning of labour market institutions. As mentioned earlier, some Latin American countries (e.g. Argentina and Brazil) have nevertheless made recent progress in curbing informality by combining multiple policy actions.

High-income countries

478. Since the 1990s, informality has become an issue of significant policy concern in the EU accession countries, new EU member countries and other industrialized countries, mostly in the form of undeclared work – although this affects a smaller proportion of the workforce. In some transition countries, its contribution to GNP is estimated to vary from 6 to 30 per cent. In OECD member countries, where the incidence of informal employment remains high, the *OECD Employment Outlook 2006* underlines the paramount importance of measures promoting transitions to formal employment.⁹ The EU Member States have devised new policies to reduce the extent of undeclared work, with the support of the social partners.

479. The European Commission has been tackling undeclared work since 2001, and in 2003 it issued employment guidelines¹⁰ that provide a framework for action to EU Member States.¹¹ Approaches to tackling undeclared work in the EU Member States vary depending on the prevailing type of undeclared work and the economic sectors most affected – for instance, construction, hospitality (hotels, restaurants), domestic services and agriculture. The range of policies and programmes include focus on supply

⁷ Organization of American States: *Declaration of Port-of-Spain: Making decent work central to social and economic development*, XVth Inter-American Conference of Ministers of Labour, Port-of-Spain, Trinidad and Tobago, 11–13 September 2007. The XVIth High-Level Meeting of Ministries of Labour of the Americas, held in October 2009, considered the informal economy as one of the main challenges to be addressed by the region and underscored the important role of ministries of labour in dealing with the informal economy. Available at www.sedi.oas.org/ddse/english/cpo_trab_XVI_CIMT.asp.

⁸ ILO: *Decent work and the transition to formalization: Recent trends, policy debates and good practices*, Report of the Tripartite Interregional Symposium on the Informal Economy: Enabling transition to formalization, Geneva, November 2007 (Geneva, 2008).

⁹ OECD: “Boosting jobs and incomes: Policy lessons from reassessing the OECD Jobs Strategy”, *Employment Outlook 2006* (Paris, 2006).

¹⁰ EU: “Council Decision of 22 July 2003 on guidelines for the employment policies of the Member States, 2003/578/EC”, in *Official Journal of the European Union* (Brussels), L 197, Vol. 13, 5 Aug. 2003.

¹¹ European Commission: “Council resolution on transforming undeclared work into regular employment”, in *Official Journal of the European Union* (Brussels), C260, Vol. 46, 29 Oct. 2003.

chains, registration and information campaigns, support to SMEs and active employment policies.¹² They also cover measures and legislation with respect to labour inspection, taxation and social security by Member States, which act as a deterrent (detection and penalties) or encourage compliance by focusing on preventative and curative measures to foster commitment (e.g. through promoting benefits of declared work), or a combination of both.¹³

The ILO's mandate on the informal economy and its evolution

480. The ILO has more than 35 years' experience in conceptual and practical work related to the informal economy, starting with its 1972 Kenya employment mission which was instrumental in drawing attention to the significance of the "informal sector" for employment and development in developing countries. In 1999, the Decent Work Agenda was defined to explicitly include both formal and informal work.¹⁴ More recently, the resolution concerning decent work and the informal economy, adopted by the ILC in 2002, introduced policy recommendations for ILO constituents and provided guidance for Office work.¹⁵ Numerous other resolutions adopted by the ILC since 2002 have addressed the issue and included specific recommendations with respect to the informal economy; these resolutions have related to sustainable enterprises (2009), rural employment (2008), skills development (2008) and gender equality (2009). This chapter reviews the nature of constituents' demands and the Office's response to this, concluding with proposals for future priorities.

481. The 2002 resolution proposed a comprehensive tripartite platform for action that acknowledges the diversity of informal work. The Office was specifically called upon to take account of this diversity and heterogeneity in developing action to address decent work deficits in the informal economy.

482. In subsequent policy discussions, for instance the ESP Committee review (March 2007)¹⁶ and the Tripartite Interregional Symposium on the Informal Economy (November 2007),¹⁷ ILO constituents fine-tuned and reconfirmed the objective of "moving out of informality" as the optimal and ultimate goal. At the Symposium, constituents from 30 countries examined a range of country experiences and good practices documented by the Office across the spectrum of the Decent Work Agenda. Throughout these discussions, there was recognition that there were multiple avenues to facilitate transition to formalization – and that formalization was a gradual process cutting across several policy areas. The Office was encouraged to continue documenting

¹² J. Heyes: *Tackling unregistered work through social dialogue: The Turkish and European experience*, Dialogue Paper No.14 (Geneva, ILO, 2007).

¹³ P. Renooy; S. Ivarsson; O. van der Wusten-Gritsai; R. Meijer: *Undeclared work in an enlarged Union. An analysis of undeclared work: An in-depth study of specific items*, Final report, European Commission, Directorate-General for Employment and Social Affairs (Brussels, 2004).

¹⁴ ILO: *Decent Work*, Report of the Director-General, ILC, 87th Session, Geneva, 1999.

¹⁵ ILO: *Resolution and conclusions concerning decent work and the informal economy*, ILC, 90th Session, Geneva, 2002, available at www.ilo.org/public/english/standards/reim/ilc/ilc90/pdf/pr-25.pdf (pp. 52–61).

¹⁶ ILO: *The informal economy*, Governing Body, 298th Session, Geneva, Mar. 2007, GB.298/ESP/4.

¹⁷ ILO: *Decent work and the transition to formalization: Recent trends, policy debates and good practices*, Report of the Tripartite Interregional Symposium on the Informal Economy: Enabling Transition to Formalization, Geneva, 27–29 November 2007, (ILO, 2008), available at www.ilo.org/public/english/employment/policy/events/informal/download/report.pdf.

country experiences; to facilitate exchange of experiences and good practices; and to build the capacities of constituents in approaches that facilitate this transition.

Constituents' needs

483. Addressing the informal economy also emerged as a priority area at four recently held ILO Regional Meetings: the 16th American Regional Meeting (2006); the 11th African Regional Meeting (2007); the 14th Asian Regional Meeting (2007); and the Eighth European Regional Meeting (2009). The American Regional Meeting for example, committed to a ten-year target for the elimination of legal and administrative barriers to formalization.

484. The review of Decent Work Country Programme priorities shows that some ten countries have included the development of comprehensive policies for the informal economy as a priority area of focus and almost all countries have outcomes and/or targets addressing specific issues and challenges with respect to the informal economy – such as the development of national employment and social protection policies, skills and enterprise development, labour administration and labour inspection.

Crisis and informality

485. The global financial and economic crisis has created a new context and additional demands. The response to crisis has demonstrated the value of formal employment in times of economic downturn, when policy attention and recovery packages primarily target the regular and protected formal workers and employees. Informal workers and entrepreneurs have been doubly hit: the informal economy has had to absorb additional jobseekers, but the contraction of aggregate demand globally and in key sectors, such as construction, textiles or the toy industry, is also affecting informal jobs and businesses that are linked in one way or another to formal chains of production. In some countries, the impact of the food crisis – compounded by the implications of the financial crisis – is exerting multiple pressure, leading to a further deterioration in job opportunities, earnings and conditions of work, and increasing vulnerability.

486. In Indonesia, for example, the global recession led to a steep fall in the growth of wage employment which grew only by 1.4 per cent between February 2008 and February 2009, compared to 6.1 per cent in the previous period. Casual and temporary workers in export-oriented industries have been particularly affected. Many of the displaced workers have been absorbed in the informal economy, the size of which, based on the official definition, increased by more than 4 million between 2006 and 2009.¹⁸

487. The Director-General's Report to the 2009 ILC¹⁹ warned about the impact of the crisis on increasing informality and working poverty, which is likely to set back the goal of transition to formality and gains achieved in the previous period. The Global Jobs Pact, adopted at the same session of the Conference, includes informal economy workers amongst those particularly vulnerable to the crisis and proposes policy measures to mitigate impact and speed up recovery. Some of the recovery measures proposed are particularly relevant for the informal economy, such as: the implementation of employment guarantee schemes; targeted employment programmes in the rural and

¹⁸ ILO: *Labour and social trends in Indonesia: Recovery and beyond through decent work* (Jakarta: ILO, 2009) and S. Nazara: *The informal economy in Indonesia: Size, composition and evolution* (Geneva, ILO, 2010, forthcoming Employment Working Paper).

¹⁹ ILO: *Tackling the global jobs crisis: Recovery through decent work policies*, Report of the Director-General, ILC, 98th Session, Geneva, 2009.

urban areas; public works; support to micro- and small enterprises; and the social protection floor.

Office response

488. The 2002 resolution called for a twofold response by the Office. It advocated a mainstreaming approach throughout the Organization, its global agendas and major programmes; and “an identifiable and highly visible programme with dedicated resources that is able to draw together relevant expertise”. It further called for the efforts of the Office to “be reflected in the programme and regular budget and technical assistance priorities and supported by adequate regular budget and extra-budgetary resources”.²⁰

489. The Office support strategy has been organized around the following principles: a more pronounced and systematic approach by technical units across the Decent Work Agenda to deepen their work around issues of informality; an integrated perspective and modality of work to analyse and support transition to formality; responsiveness to diversity of local demands; and capacity building of constituents on policy and organizing.

490. From 2002 to 2005, a knowledge-sharing project supported by funding by the UK Department for International Development (DFID) facilitated an interchange of experience between field and headquarters units, and created a comprehensive database on decent work and the informal economy.²¹ An ILO Knowledge Fair on Decent Work and the Informal Economy was organized at the 2005 ILC and four regional sub-projects in East Africa, East Asia, Central Asia and Caucasus and Latin America were completed in 2006, generating lessons and good practices around a wide range of issues.

491. Office follow-up was continued under the “InFocus Initiative on the informal economy” (2006–07) and a “joint outcome” framework (2008–09), cutting across all four strategic objectives. Managed jointly by the Employment and Social Protection Sectors, the integrated modality of work gave all units at headquarters and the field the chance to identify priorities of work and allocate resources. A joint field–headquarters planning meeting involving all four technical sectors and field specialists was held in December 2007, following the Interregional Symposium on the Informal Economy. It provided an opportunity for mapping priorities and exploring synergies. In the Programme and Budget for 2010–11, Outcome 1 “More women and men have access to productive employment, decent work and income opportunities” includes an indicator to track members’ “initiatives in policy areas that facilitate transition of informal activities to formality”. These measures refer to the integrated policy framework (figure 7.1).

An integrated policy and diagnostic framework across decent work objectives

492. The Social Justice Declaration affirms that the four strategic objectives are “inseparable, interrelated and mutually supportive”. The very concept of informality and the ILO’s 2002 platform for action call for an interdisciplinary analysis and integrated and interactive processes of support across all four pillars of the Decent Work Agenda.

²⁰ ILO: *Resolution and conclusions concerning decent work and the informal economy*, op. cit., para. 36.

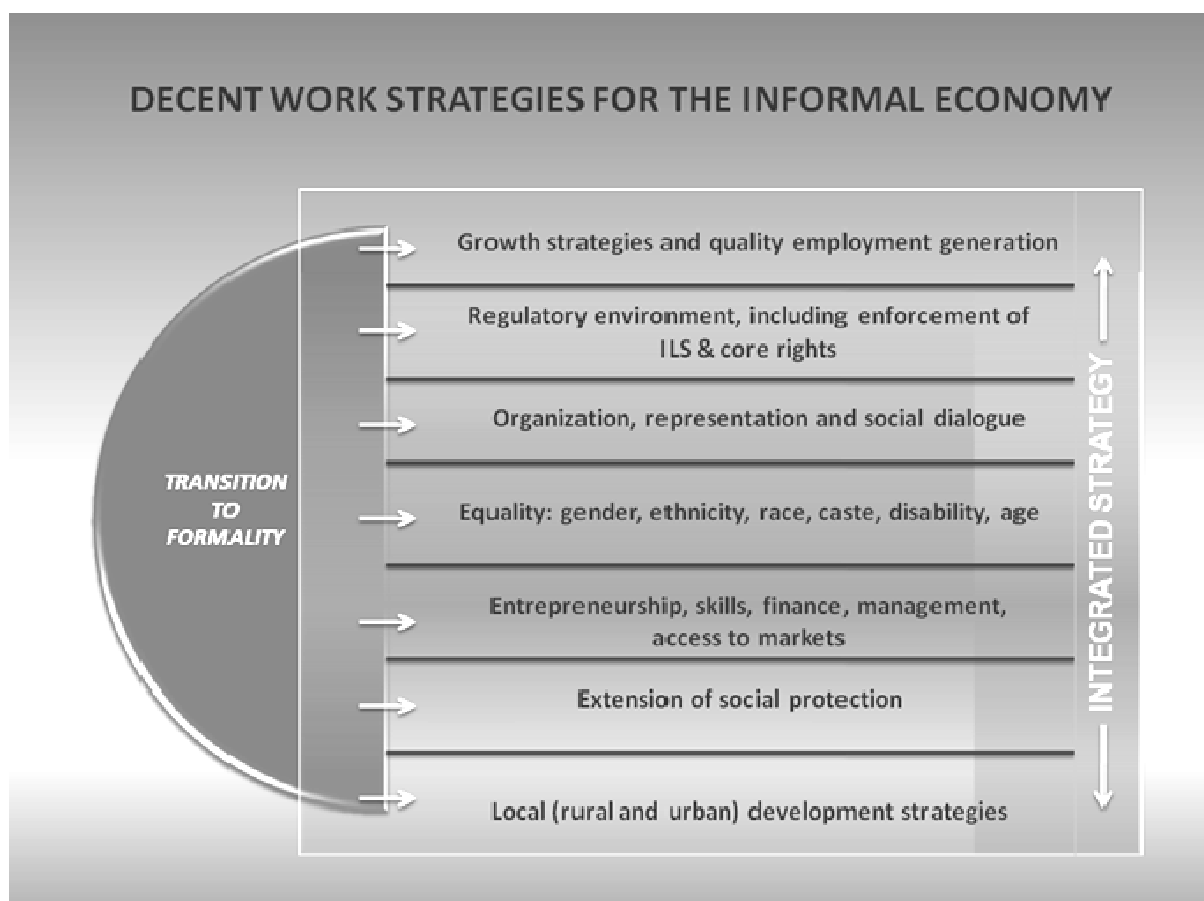
²¹ ILO: *Resource database on poverty, local development and decent work*, available at www.ilo.org/dyn/dwresources/dwbrowse.home.

Successful country experiences demonstrate how important policy coherence is to facilitate transition to formalization.

493. The synergies between the objectives of employment and social protection have been summarized as follows: “to promote decent work, there needs to be a comprehensive and integrated strategy cutting across a range of policy areas that eliminates the negative aspects of informality, while preserving the significant job creation and income-generation potential of the informal economy, and that promotes the protection and incorporation of workers and economic units in the informal economy into the mainstream economy”.²²

494. Drawing on analytical and practical work, the Office translated this comprehensive and integrated perspective into a policy and diagnostic framework that includes seven key areas of action, as shown in figure 7.1. This framework serves multiple functions. It is for use as a *diagnostic* tool to analyse and monitor processes and determinants of informalization/formalization in a given country context; encourage broad-based tripartite dialogue for assessing the impact of policies; and engage in dialogue with other global actors and international institutions which increasingly focus on the informal economy and promote their own perspectives.

Figure 7.1. Integrated policy and diagnostic framework



495. The framework points to the multiple avenues towards formality by deepening action in each of the policy areas (listed in the rows in figure 7.1). It also shows that it is

²² ILO: GB.298/ESP/4, op. cit.

the total impact of these different policies that can create an enabling/disabling environment towards formality in a given context (coherence among these policy areas). The totality of the incentives and/or disincentives that motivate each of the players, governments, employers' and workers' organizations, as well as the workers and entrepreneurs in the informal economy, can be better evaluated as a result.²³ This framework provides a concrete example of the application of the principle of "integrated, interrelated and mutually supportive objectives".

Focus on informality in specific policy areas

496. The Office (technical and field units) have supported specific country priorities and the production of knowledge and tools around the abovementioned policy areas. Examples are briefly reviewed in the following sections.

497. Work on the informal economy is closely integrated in national employment policy development, as reviewed in Chapter 3. It is an integral component of the growth, employment and poverty nexus, and of the analysis of growth patterns and the quality of jobs created. Improving productivity, incomes and conditions of work, as well as facilitating their progressive transition to formal employment, constitute the focus of policy measures at sectoral, local and target group levels that are prioritized by national employment policies and PRSs. There are numerous examples of how the Employment Intensive Infrastructure Programme (EIIP), the work on small and micro-enterprises and the Social Finance Programme – especially microcredit and microinsurance schemes – contribute to upgrading work in the informal economy and supporting transition to formality.

498. Table 7.1 gives more examples of research, policy support and technical cooperation activities.

Table 7.1. Some examples of ILO outputs in key policy areas addressing the informal economy *

Policy areas	Selected outputs 2006–09
Growth strategies and quality employment generation	<ul style="list-style-type: none"> ❑ Analysing the levels and characteristics of underemployment, working poverty and vulnerability, conditions of work and mainstreaming the informal economy in poverty reduction strategies (PRSs) and national employment policy frameworks as reviewed in Chapter 4 ❑ In-depth evidence-based country analysis of impact of policies and drivers of informality with reference to the integrated diagnostic framework (e.g. Argentina, Brazil, Chile, India, Mexico)
Regulatory environment, including enforcement of ILS and core rights	<ul style="list-style-type: none"> ❑ Promotion of fundamental rights including through technical cooperation (TC) projects in informal economy settings (e.g. forced labour, child labour) ❑ Preparatory work for the examination of a new standard on domestic labour for 2010 ILC ❑ Review of labour law and medium and small enterprises (MSEs) (country reports) ❑ Innovative labour inspection approaches to informal workers and guidelines for undeclared workers ❑ Promotion of Convention No. 150 as the first ILO instrument to prioritize capacity building calling upon ministries of labour to address informal economy workers
Organization, representation and social dialogue	<ul style="list-style-type: none"> ❑ EU–ILO project on social dialogue to address the informal economy ❑ Collaboration with ITUC on a global action plan for trade union actions

²³ As shown by its application in selected country reviews.

Policy areas	Selected outputs 2006–09
Equality: gender, ethnicity, race, cast, disability, age	<ul style="list-style-type: none"> <input type="checkbox"/> Women, gender and the informal economy (a review of research findings and of field programmes) <input type="checkbox"/> Policy research on homeworkers and street vendors <input type="checkbox"/> Guidelines on disability <input type="checkbox"/> Series of studies on gender and informality in various countries and regions <input type="checkbox"/> Methodology to support informal economy associations to develop non-discrimination messages on HIV/AIDS
Entrepreneurship, skills, finance, management, access to markets	<ul style="list-style-type: none"> <input type="checkbox"/> Review of apprenticeship systems in the informal economy in Africa and feasibility for fusion within formal skills strategies <input type="checkbox"/> SYNDICOOP and cooperative facility for Africa <input type="checkbox"/> Micro- and Small Enterprise Cluster Development Programme <input type="checkbox"/> Social marketing campaign for better job quality <input type="checkbox"/> Local economic development (LED) <input type="checkbox"/> Women's Entrepreneurship Development and Gender Equality (WEDGE) <input type="checkbox"/> Law-growth nexus: A mapping of labour law and MSE development <input type="checkbox"/> TREE (Training for Rural Economic Empowerment Programme)
Social security, working conditions and occupational safety and health	<ul style="list-style-type: none"> <input type="checkbox"/> Strategies for the extension of social security coverage (including social protection floor); TC projects to implement such strategies in about 30 countries in all continents <input type="checkbox"/> Review of the implications for the Decent Work Agenda of large-scale social assistance programmes <input type="checkbox"/> National systems to disseminate safety information on chemicals to all workers
Local (rural and urban) development strategies	<ul style="list-style-type: none"> <input type="checkbox"/> ILO support to local government strategies for inclusion of the informal economy

* These activities and outputs are initiated by numerous units across the Office and, in a number of cases, through joint collaboration and exchange.

Transition to formality: Promoting an integrated and coherent perspective

499. The integrated strategy underlined in figure 7.1 has been led by the Employment and Social Protection Sectors²⁴ and applied through a variety of means. These have included in-depth country reviews and policy dialogues, capacity-building activities for ministries of labour and social partners, and global products – some of which are highlighted below.

500. **Evidence-based country reviews** were launched to analyse: the drivers of formality from a common and integrated perspective, reviewing countries' economic performance and ability to generate quality jobs; and the policy framework applying to the informal economy, assessing the impact of labour market policies institutions. The findings of these country reviews led to follow-up action. For example, in Brazil, a technical cooperation project supported by the Inter-American Development Bank was launched to explore various approaches towards formality, improved productivity and access to social protection for three different target groups. The exchange of the findings of research across countries contributes to building the much needed evidence-based platform for diagnosing drivers of formality and policies that help or hinder formalization.

²⁴ These activities are led by the Employment Policy Department (EMP/POLICY) in the Employment Sector and the focal point in the Social Protection Sector.

Box 7.1

Argentina – public policies for reversing informality

Argentina is a clear example of an explicit strategy developed by the Ministry of Labour with the support of the Office that has succeeded in curbing the trends in increased informality that followed the 2001 economic crisis. In a context of strong employment growth, unregistered salaried employment decreased from 43 per cent to 39 per cent between 2004 and 2007. Lessons learned include the following: the strategy for transition to formality is embedded in the core of the employment and labour strategy pursued by the Government and the Ministry of Labour and not as a stand-alone project; the curbing of informality was projected as a major priority and challenge; the strategy pursued was consistent with a public policy framework and promoted social partnerships; and the implementation has been monitored and evaluated periodically. The ILO advocated an integrated strategy framed in the Decent Work Country Programme that included action in six areas: prioritizing employment in the growth strategy; defining a consistent policy and regulatory framework; strengthening labour inspection and labour administration; promoting education and awareness on formalization issues; extending social protection to the informal economy; and promoting social actors and private–public partnerships.

501. **Policy dialogues and the exchange of good practices** were organized. The *Interregional Tripartite Symposium on the Informal Economy: Enabling Transition to Formalization* (Geneva, November 2007) brought together experts and practitioners in the field, as well as representatives from government and employers' and workers' organizations from some 30 countries to share their effective experiences and policy responses. It examined good practices that help formalization, specifically relative to: labour legislation, labour administration and labour inspection; organization and representation; the regulatory environment; social security; gender equality; productivity and working conditions; and integrated strategies at the local level.²⁵ The Symposium launched a strong call for the examination of a new standard-setting activity for domestic labour. This call has been followed by the Office and a first discussion will be held at the 2010 ILC. It also called on the Office to expand this type of capacity building to ensure a broader exposure of tripartite constituents to good practice reviews. This demand is a clear priority for follow-up activities.

502. Two regional policy dialogues addressed issues of informality. The Asian Regional Employment Forum (Beijing, 2007), organized as part of the follow-up to the 14th Asian Regional Meeting in Busan, discussed “Rolling back informality” as one of the four priority policy issues.²⁶ In September 2008, in partnership with the African Union, the ILO organized the regional *Workshop on the Informal Economy in Africa*.²⁷ Other tripartite national dialogues examined policies facilitating transition to formality – Argentina, Brazil and Hungary are cases in point. The ILO facilitated an exchange of experiences across countries and regions.

503. **Measurement and data collection** in line with the 2002 broadened definition of the informal economy has been another line of action. The Department Of Statistics, entrusted with helping member States collect, analyse, and disseminate statistics on the informal economy, conceptualized a new framework of measurement and successfully

²⁵ ILO: *Decent work and the transition to formalization: Recent trends, policy debates and good practices*, op. cit.

²⁶ ILO: *Rolling back informality*, Issues paper discussed at the Asian Employment Forum: Growth, Employment and Decent Work, Beijing, 13–15 August 2007.

²⁷ ILO: *The informal economy in Africa: Promoting transition to formality: Challenges and strategies* (Geneva, 2009).

tested it in several pilot countries. This framework was endorsed by the 17th ICLS in 2003, as an international statistical standard. Subsequently, the Office, in collaboration with the “Delhi Group”,²⁸ has embarked on the preparation of a *Manual on surveys of informal employment and the informal sector*, completed in April 2010. The *Manual* provides international guidelines for measuring informal employment and the informal sector and will assist countries in undertaking surveys of the informal economy and developing harmonized indicators for monitoring trends and informing policy decisions. In addition, guidelines are being developed to facilitate the integration of questions concerning social security, working conditions, occupational health and safety and HIV/AIDS at work in the informal economy in regular household surveys.

504. Recently, a joint project has been agreed by the Office²⁹ and the Women in Informal Employment Globalizing and Organizing (WIEGO) network to identify and analyse unprocessed data on the informal economy in some 60 countries, with a view to updating the statistical publication on women and men in the informal economy.³⁰ New initiatives were also taken in some African countries to assess the conditions of work and employment for workers in the informal economy through a newly developed survey instrument in collaboration with the European Foundation for the Improvement of Living and Working Conditions.

505. A **comprehensive resource guide** including policy briefs and tools facilitating transition to formality was published in April 2010 to provide an integrated perspective and up to date knowledge on key policy issues.³¹ The guide is also intended to facilitate navigation across numerous ILO technical and specific tools. A database organizing the most recent and relevant publications along the strategic objectives of the Decent Work Agenda was set up in 2004 with more than 300 entries.³² Joint work involving several technical units is under way to elaborate labour inspection and labour administration guidelines to deal with undeclared work.³³

506. **Dialogue and partnerships with regional and international institutions** are actively pursued to confront ideas and theses,³⁴ assess new information and analysis.

507. The Office worked in partnership with the EU and the African Union in organizing national and regional dialogues on the informal economy. It also collaborated with the OECD’s Development Centre on a new study on informality.³⁵ It has been actively participating in the Network on Poverty Reduction (POVNET) of the OECD Development Assistance Committee (DAC) to define policy statement and policy

²⁸ A group of experts and statisticians working on the informal economy.

²⁹ Joint initiative of the Department of Employment Policy, Department of Statistics and selected field units.

³⁰ ILO: *Women and men in the informal economy: A statistical picture* (Geneva, ILO, 2002).

³¹ Available at www.ilo.org/emppolicy/lang--en/index.htm.

³² Available at www.ilo.org/integration/lang--en/index.htm. and www.ilo.org/emppolicy/lang--en/index.htm.

³³ Available at www.ilo.org/labadmin/what/events/lang--en/docName--WCMS_112341/index.htm.

³⁴ See for example D. Kucera and L. Roncolato: “Informal employment: Two contested policy issues”, in *International Labour Review* (Geneva, ILO), Vol. 147, Dec. 2008, pp. 321–348; and some of the World Bank research findings in: N. Loayza, A.M. Oviedo and L. Servén: *The impact of regulation on growth and informality: Cross-country evidence* (Washington, DC, World Bank, 2005); N. Loayza and J. Rigolini: *Informality trends and cycles*, World Bank Policy Research Working Paper Series 4078 (Washington, DC, World Bank, 2006); and W. Maloney: *Informality revisited*, World Bank Policy Research Working Paper Series 2965 (Washington, DC, World Bank, 2003).

³⁵ OECD: *Is informal normal?: Towards more and better jobs in developing countries* (Paris, 2009).

guidance on promoting pro-poor growth through employment and social protection.³⁶ The ILO and WTO jointly carried out and published a research study on trade and informality.³⁷

508. Most noteworthy was the ILO's participation in the Commission on Legal Empowerment of the Poor³⁸ throughout the period from 2006 to 2008. The Commission, comprising of independent high-level experts including former Heads of State and Government and international institutions, as well as representatives of the private sector, focused its work on the issue of existing legal frameworks in relation to the informal economy. The Office introduced a strong employment and labour agenda in the Commission's recommendations that has been widely echoed at the United Nations. The Commission recommended examining the adequacy of the regulatory frameworks in local contexts with a view to strengthening its empowering role for those working in the informal economy. It also recommended the development and effective enforcement of a minimum package of rights that embraces and goes beyond the ILO Declaration on Fundamental Principles and Rights at Work.

509. The UN High-level Committee on Programmes is developing a common "One UN" concept of a social protection floor that was initially introduced in the context of the World Commission on the Social Dimension of Globalization. The ILO and the WHO, with the support of UNDESA and UNICEF, are leading the effort by building a coalition of international agencies and donors, so as to enable countries to plan and implement sustainable social transfer schemes on the basis of the social protection floor concept.

510. **Response to crisis and the follow-up to the Global Jobs Pact** at the country level includes an appraisal of the impact on the informal economy and advocates use of targeted employment schemes and cash transfer strategies in the recovery programmes.

Possible ways forward

511. This review has pointed out numerous policy issues and initiatives to tackle the challenge of informality and promote decent work for the majority of the labour force. The following are some suggested areas for the way forward.

For member States

512. Transition to formality is re-emerging as a priority issue in growth and employment agendas and as a rights-based approach to development and a fair globalization. Given the diversity of conditions, the research effort of better understanding informality still matters greatly. Good data and indicators through comparable definitions need to be generated, analysed and mainstreamed in national monitoring systems of employment, conditions of work and social protection. The policies to encourage formalization need to play a prominent role in national employment policies, social protection strategies, gender equality and measures to prevent precarization and improve conditions of work. Strengthening the organization and representation of workers and entrepreneurs in the informal economy is a clear priority.

³⁶ OECD: *Promoting pro-poor growth: Employment and social protection* (Paris, 2009).

³⁷ M. Bacchetta, E. Erust, J. Bustamante: *Globalization and informal jobs in developing countries* (Geneva, ILO-WTO, 2009).

³⁸ The Commission on Legal Empowerment of the Poor (CLEP) was established in 2006 and concluded its work in 2008. See CLEP-UNDP: *Making the law work for everyone*, Vol. 1, Final report of the Commission, and Vol. 2, Technical reports presented by five working groups (New York, 2008).

513. There is a need for an integrated perspective of policy initiatives that can provide the right incentives to all partners for transition to formality and promote policy coherence and integration.

514. Transition to formality is a long-term objective that needs sustained policy focus, resources and broad partnerships within countries – and externally by the international community.

For the Office

515. Work by the Office focuses on the research agenda, a strategy for statistical compilation, and a platform for tripartite dialogue and capacity building on the transition to formalization. Two gaps and priorities for future work have been identified: a strong resource mobilization strategy and an effective management mechanism that can deliver and monitor the impact of the comprehensive and integrated frame of action.

516. Resource limitations (human and financial) have been the primary obstacles to realizing the call by the 2002 ILC for a well-resourced visible programme. The activities reviewed above were delivered by sharing regular budget resources – human and financial – allocated to other programme and budget outcomes within the purview of each unit.³⁹ Mobilizing extra-budgetary resources and international partnerships to support the integrated approach and to expand country assistance appears to be a clear priority.

517. Under the assumption of adequate resource availability and an improved system of management and accountability to maintain a coherent and integrated vision, priorities of work could include:

- ❑ **Expanding and deepening research and knowledge development**, in particular through country studies analysing trends and impact of policies; monitoring crisis impact on specific sectors and target groups; and examining the interaction of regulatory frameworks with informality. Maintaining and strengthening regular interactions with outside research networks working on informality are particularly important for influencing policy debates.
- ❑ **Intensifying dialogue and partnerships for policy coherence** with external partners actively engaged in the informal economy including the World Bank, OECD, EU, UNDP, UNCTAD, FAO, WTO and regional organizations on research and practical activities.
- ❑ **Expanding efforts to collect statistical data**, to build coherence across indicators, and encourage their integration in national monitoring systems.
- ❑ **Expanding support to Decent Work Country Programmes** to realize the goals set out in the ILO Strategic Policy Framework 2010–15 (Outcome 1 indicator 6 and other relevant indicators) and to offer regular opportunities for the exchange of good practices.
- ❑ **Conducting systematic capacity-building initiatives** for constituents at country, regional and interregional levels, and with each of the Workers' and Employers' groups to review approaches to facilitate the transition towards formalization. This could include designing a new course for the Turin Centre.

³⁹ For example, no programme or unit could afford to appoint dedicated and exclusive staff time.

Chapter 8

Concluding remarks and a possible way forward for the Organization

518. The previous chapters have sought to provide an analysis of the role of the ILO in the context of twenty-first century challenges for social justice, fair globalization and decent work, from the particular perspective of the employment strategic objective. In line with the Social Justice Declaration, three areas for governance and capacity building were identified: improved multilateral partnerships and dialogue for more effective global governance around employment issues; enhanced employment policy formulation, implementation and coordination at the national level; and the role of the Office in ensuring its effectiveness and efficiency in all its means of action to support the job creation and decent work objectives of member States.

519. This final chapter is not a summary of what has preceded in the report; rather it is a distillation of critical issues – an endeavour to suggest eight key points towards a possible strategy on how both the Office and constituents together might approach the goal of giving full effect to the Social Justice Declaration’s commitments in pursuit of the ILO’s employment strategic objective. Strategy implies not merely vision, but priority, and these suggested points attempt the same. As such, the report concludes by restating not the main strengths, but the main gaps and issues relating to overall employment policy work; and the effort is no longer, as in previous chapters, to discriminate between challenges for the Office and those for the Members; we move now to challenges for the Organization:

- (i) *Promoting and implementing the Global Jobs Pact at international and national levels:* The Global Jobs Pact is the primary vehicle for giving effect to the principles of the Social Justice Declaration in the context of the 2008 economic crisis and its immediate aftermath. Experience has shown that labour markets recover from crisis only with a substantial time lag. The risk of slow recovery is clearly amplified by the magnitude of the recent crisis and the havoc it has wrought in labour markets around the world. A major effort of the Global Jobs Pact is the search of solutions to reduce the time lag of labour market recovery. However, its relevance extends far beyond the immediacy of crisis response. The economic recovery ought not to mean a return to “business as usual”. Indeed, the global economic and social imbalances associated with “business as usual” was a fundamental factor in unleashing the crisis in the first place. The Global Jobs Pact is thus an opportunity over the longer term for galvanizing the new-found focus on centrality of employment and social protection in macro policies, which the crisis served to reveal.
- (ii) *Promoting and supporting the implementation of the international labour standards relating to employment:* The Social Justice Declaration identifies Convention No. 122 as an important instrument for aligning constituents on the

importance of the quantity and quality of employment. The report notes that Convention No. 122, a true fundament, is joined by a range of other employment-related standards instruments. For the Office, and for constituents of the Organization, there is a need to promote the ratification of all the employment-related standards. But the Organization must go further – moving from ratification, a political achievement, to implementation, a practical one.

- (iii) *Using the policy framework, evaluating its impact and strengthening employment policy review processes.* The GEA is an embracing charter of what is important in promoting employment. The Governing Body has been committed to the GEA since 2003, and it has been amply discussed in the ESP Committee. But there are three main weaknesses, and they co-involve the Office and constituents: first, the GEA is an under-referenced resource at national levels in, for example, the elaboration of national employment policies; second, the sage guidance that it gives, and as agreed by the Organization, needs more. General guidance is one thing, specific guidelines for countries at different levels of economic development are another, and they are lacking. Similarly, there is a need to systematically incorporate employment targets (both quantitative and qualitative) in national policy and development frameworks. A third gap is the lack of a strong process to review employment policies, including through peer reviews. Other international organizations have different models for systematic review of policies under their core mandate. As regards employment, wealthy countries have these, whether through the OECD process or the EU process of peer reviews. The same does not exist for developing countries – and it ought to, under the auspices of the GEA and the Organization’s custodianship of this tool.
- (iv) *Building the capacity of constituents:* The ILO constituents need to address the economics of employment outcomes. In the Office’s experience, this will often require training. This report has made abundantly clear that major macroeconomic variables influence the ILO’s mandate and its ability to pursue that mandate. Literacy in the issues is thus fundamental. Constituents need to be able to evaluate, for example, in the context of the current crisis, the (employment) quality of fiscal stimulus instruments on offer. That need, irrespective of the present crisis, is made clear in the Declaration of Philadelphia of 1944: it is reiterated in the Social Justice Declaration. Where to begin, therefore? The labour market information on which to craft and assess policies is sorely lacking. Building up countries’ institutional capacity to collect, analyse, and disseminate labour market information is a cornerstone of the Office’s work. That work is behind the demand curve, however. Training in the analysis of results, and what to draw from these in policy terms, remains a challenge inadequately met. One cannot connect to relevant policy discourse without the information to do so.
- (v) *Evaluating impacts:* What difference have the Office and constituents made in the various programmes, policy advice and other interventions? The answer is a rather chequered one. The Office can and will need to improve on tracking results of its interventions. It is easier to quantify results in technical cooperation demonstration projects, e.g. “how many jobs were created?”, “what was the rate of pay?”, “what was the gender composition of the project?”. But what about major ILO inputs into policy? Were they adopted? Did Government priorities change? Was ILO advice acted upon? And, most critically, were subsequent policy choices implemented? What about “capacity building” initiatives in which we are so often engaged? Was capacity, in fact, built? How (and where) has that capacity been used? There is a keen sense, expressed by the Office and also by constituents, that evaluation of

impact is a fundamental matter on which both the Office and constituents need to work. In what the ILO does, results often defy measurement. That said, current priorities are to improve a sound diagnostic basis for employment outcomes resulting from Decent Work Country Programmes, including the refinement of indicators, the establishment of baselines, and the understanding of causality of interaction.

- (vi) *Maintaining and enhancing the Office's expertise on employment issues:* Needs to strengthen the talent pool of the Office have been identified in a number of areas. One is high-level expertise in the domain of employment policy, a requisite for ensuring the centrality of employment in broader economic policy, particularly with relevance to what we see in the field of competition: increasing competition among development partners to provide their own expertise; the growing influence of international financial institutions with finance and planning authorities; and the volatility of country political institutions and consequent demands for expert advice on labour issues. There is also a need to make better known the portfolio of what the ILO has on offer in broad employment policy terms, as well as in specific areas such as labour market analysis and policy, employment services, informality, skills development policies and green jobs. Competencies in these and other areas are either insufficient or fragmented.
- (vii) *How can we achieve greater policy coherence, internally and externally?* The matter relates to two “coherencies” here. The first is external. The Organization has been remarkably successful in bringing the message of decent work to agencies in the multilateral system at global and regional levels. This is gradually compelling a reflection by agencies for whom decent work is not their primary mandate to reflect on how their mandates can indeed meet the challenge of decent work. A second point invites a reiteration of a former one: the Office and constituents need to be increasingly mindful of how the economics ministries at national level influence the success or failure of the ILO's core mandate. Better inter-ministerial coordination over the employment objective is something for which the Office and the constituents should definitely strive. Internal policy coherence? This is the mandate given to the Office and the Organization by the Social Justice Declaration. The process of thinking through just how the strategic objectives are “integrated, inseparable, and mutually supportive” is ongoing, but two conclusions are clear: there is a significant amount of integrated conceptual and practical work, as documented in this report – but there are important opportunities and scope to strengthen this integration.
- (viii) *How to improve the knowledge base?* The Office has little to offer but the knowledge of its officials. In raw accounting terms, this fact is reflected in the budget. As ILO publications have shown, we live in a world in which the information that can be translated into knowledge is growing at an exponential rate. If the Office “product line” is knowledge products, then quite obviously it behoves the Organization to pay particular attention to the quality of technical expertise available in the Office, as well as to its most productive use. Let us first recognize the positive track record: the ILO invented the concept of the informal economy; the ILO is the clearing house for information on child and forced labour; the ILO invented and quantified the notion of the working poor; the international financial institutions rely on the ILO for its assessment of global employment trends. The genesis of ILS is perhaps the work for which we are best known, yet this report has clearly indicated where much more needs to be known. The challenge for the Office is not the paucity of the intellect of serving officials; it is the paucity of

serving officials. This is a binding constraint, of course, and probably an insoluble one. The Employment Sector has put in place a system of research themes and teams which is a practical form of “inseparable interrelated and mutually supportive” work: Office-wide teams of researchers engaged in exploration of many of the themes highlighted in this report where, it was deemed, knowledge accumulation would be a distinct asset. The review of the ILO’s research capacity carried out for the preparation of this report pointed out significant gaps in the existing body of knowledge that need to be filled, as pointed out in the thematic chapters and in Appendix III.

Appendix I

Instruments adopted by the International Labour Conference of particular relevance for the work of the employment strategic objective

I. Economic policies for market expansion and increase in labour demand

- ❑ Employment Policy Convention, 1964 (No. 122), and Employment Policy Recommendation, 1964 (No. 122).
- ❑ Employment Policy (Supplementary Provisions) Recommendation, 1984 (No. 169).
- ❑ Employment Promotion and Protection against Unemployment Convention, 1988 (No. 168), and Employment Promotion and Protection against Unemployment Recommendation, 1988 (No. 176).

II. Skills, technology and employability

- ❑ Human Resources Development Convention, 1975 (No. 142), and Human Resources Development Recommendation, 2004 (No. 195).
- ❑ Vocational Rehabilitation (Disabled) Recommendation, 1955 (No. 99), Vocational Rehabilitation and Employment (Disabled Persons) Convention, 1983 (No. 159), and Vocational Rehabilitation and Employment (Disabled Persons) Recommendation, 1983 (No. 168).
- ❑ ILO code of practice on managing disability in the workplace, 2002.
- ❑ Employment Service Convention, 1948 (No. 88), and Employment Service Recommendation, 1948 (No. 83).
- ❑ Private Employment Agencies Convention, 1997 (No. 181).

III. Labour market policies

- ❑ The employment policy standards, including vocational rehabilitation and security of employment (listed above).
- ❑ Standards related to labour market access for groups traditionally discriminated against:
 - Discrimination (Employment and Occupation) Convention, 1958 (No. 111), and Discrimination (Employment and Occupation) Recommendation, 1958 (No. 111);
 - Older Workers Recommendation, 1980 (No. 162);¹

¹ Instrument has been given interim status by the Governing Body.

- Special Youth Schemes Recommendation, 1970 (No. 136);¹
- Indigenous and Tribal Peoples Convention, 1989 (No. 169), and Indigenous and Tribal Populations Recommendation, 1957 (No. 104);
- ILO code of practice on HIV/AIDS and the world of work, 2001;
- Standards addressing equal remuneration:
 - Equal Remuneration Convention, 1951 (No. 100), and Equal Remuneration Recommendation, 1951 (No. 90).
- Instruments concerning migration policies:
 - Migration for Employment Convention (Revised), 1949 (No. 97), and Migration for Employment Recommendation (Revised), 1949 (No. 86);
 - Migrant Workers (Supplementary Provisions) Convention, 1975 (No. 143);
 - Migrant Workers Recommendation, 1975 (No. 151).

IV. Enterprise and cooperatives development

- Job Creation in Small and Medium-Sized Enterprises Recommendation, 1998 (No. 189).
- Promotion of Cooperatives Recommendation, 2002 (No. 193).

V. Improved governance

- Instruments related to building institutions for employment promotion include:
 - Employment Service Convention, 1948 (No. 88),² and Employment Service Recommendation, 1948 (No. 83),²
 - Private Employment Agencies Convention, 1997 (No. 181), and Private Employment Agencies Recommendation, 1997 (No. 188).
- Instruments providing guidance on governance issues related to MNEs and their impact on economic and social development include:
 - Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, 1977 (amended 2000).

VI. Underpinning all of the five areas are the instruments contained in the ILO Declaration on Fundamental Principles and Rights at Work and its Follow-up

- Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87).
- Right to Organise and Collective Bargaining Convention, 1949 (No. 98).
- Forced Labour Convention, 1930 (No. 29).
- Abolition of Forced Labour Convention, 1957 (No. 105).
- Minimum Age Convention, 1973 (No. 138).
- Worst Forms of Child Labour Convention, 1999 (No. 182).
- Equal Remuneration Convention, 1951 (No. 100).
- Discrimination (Employment and Occupation) Convention, 1958 (No. 111).

² Instrument has been given interim status by the Governing Body.

Appendix II

Distribution of Office work on employment

	P/D posts *	
	Programme or Office subtotals	Department or regional totals
Employment Sector (EMP)		2
<i>Departments</i>		
Economic and Labour Market Analysis Department (EMP/ALP)	1	13
Employment Analysis and Research (EMP/ANALYSIS)	5	
Employment Trends (EMP/TRENDS)	7	
Employment Policy Department (EMP/POLICY)	2	12
Country Employment (CEPOL)	7	
Employment Intensive Investment (EMP/INVEST)	3	
Job Creation and Enterprise Development Department (EMP/ENTERPRISE)	3	18
Boosting Employment through Small Enterprise Development (EMP/SEED)	6	
Cooperatives (EMP/COOP)	3	
Multinational Enterprises (EMP/MULTI)	4	
Local Economic Development (LED)	1	
Green Jobs Programme	1	
Skills and Employability Department (EMP/SKILLS)	7	11
Include Disability	2	
Employment Services	2	
<i>Programmes</i>		7
Crisis Response and Reconstruction Programme	3	
Social Finance Programme	2	
Youth Employment Programme	2	
Total headquarters Employment Sector		63
Regions **		
Regional Office for Africa (Addis Ababa)	1	16
Addis Ababa (former Subregional Office)	3	
Cairo (North Africa)	3	
Dakar (West Africa)	3	
Harare (Zimbabwe)	2	

	P/D posts *	
	Programme or Office subtotals	Department or regional totals
Pretoria (southern and East Africa)	2	
Yaoundé (Central Africa)	2	
Regional Office for Latin America and the Caribbean		15
Brasilia (Brazil)	1	
Buenos Aires (Argentina)	1	
Lima (Andean countries)	2	
Mexico City (Mexico and Cuba)	1	
Montevideo (ILO–Cinterfor)	2	
Port-of-Spain (Caribbean)	3	
San José (Central America, Panama and Dominican Republic)	2	
Santiago (Chile, Paraguay and Uruguay)	3	
Regional Office for Arab States (Beirut)	3	3
Regional Office for Asia and the Pacific (Bangkok)	3	14
Bangkok (East Asia, South-East Asia and Pacific Islands)	5	
Beijing (China and Mongolia)	1	
Jakarta (Indonesia and Timor-Leste)	1	
New Delhi (South Asia)	4	
Regional Office for Europe and Central Asia (Geneva)		2
Budapest (Central and Eastern Europe)	1	
Moscow (Eastern Europe and Central Asia)	1	
Total in regions		50
Total headquarters and field		113
Other headquarters units		9
An estimated 154 work-months devoted to promoting employment from units in other headquarters sectors; equivalent to about 6 posts in a biennium plus three posts in the Department of Statistics.***		
Total headquarters and field posts plus work-month equivalents from other headquarter units		122

* Employment specialist posts funded through the regular budget at Professional through Director levels as at end 2009. ** Field offices listed had at least one employment specialist post on regular budget funds as at end 2009. *** Estimate based on information received from units outside the Employment Sector on the amount of headquarters staff time (measured in work-months) devoted to the ILO's employment strategic objective, for work carried out at headquarters or in the field, during the 2008–09 biennium. Three of these posts are in the Department of Statistics.

Appendix III

Findings on cross-cutting issues

The introduction to this report noted that the preparation of this report included a series of in-depth reviews in areas corresponding to strategic orientations of the 2008 Declaration: (1) constituents' needs and priorities; (2) field-headquarters coordination and joint delivery; (3) the "inseparable, interrelated and mutually supportive" nature of the strategic objectives; (4) lessons learned from impact evaluations; and (5) employment-related research. These areas were also explicitly assessed in the "Think Pieces" prepared on 14 employment themes and programmes and by the five regional offices (see figure in the Introduction). This appendix highlights some of the main conclusions and gaps found in these five areas.

Understanding better the needs of constituents in their diverse realities

Investigation scope and method

The Office conducted an independent review of 36 Decent Work Country Programmes and the comments made in the internal quality appraisal process; the sections related to Employment for the last five Regional Meetings; three recent technical reports to the International Labour Conference; the papers prepared for the Governing Body's ESP Committee over the last three years; thematic self assessments by respective line managers; and interviews with officials.

Lessons learned and gaps

Setting priorities for work on employment is a complex balancing act of responding to: country needs, identified through Decent Work Country Programmes; regional priorities, agreed upon in recurrent tripartite Regional Meetings; and global priorities originating from the International Labour Conference and Governing Body. This process also involves being "proactive" in identifying emerging trends and new challenges and responding through fresh research and contemporary policy advice. The Office's "programme of work" is an accumulation of what has been agreed upon by the Organization at all these levels and within the context of the programme and budget and the Strategic Policy Framework. Constituents' needs are expressed in all these different instances, which makes it a complex process for the Office to prioritize its response.

This complexity raises the question of the coherence of needs and priorities. Of the Decent Work Country Programmes reviewed, 72 per cent identified youth employment as a priority, followed by skills and entrepreneurship development (at 64 per cent each), and national employment planning (at 55 per cent). Conclusions from Regional Meetings most often identified similar priorities, reflecting those concerns held in common by countries in their regions. While the GEA has been the subject of many ESP Committee discussions, very few references to it were found in Decent Work Country Programmes. This finding needs qualifying as GEA component parts came up very frequently. But it indicates that a more focused set of guidelines for countries at different levels of development may be a way forward to turn the Agenda into a truly operational framework that promotes a comprehensive and coherent employment programme.

Furthermore, it is useful to assess the extent to which demand is “informed” – meaning that is based on sound diagnosis – and to what extent it is “effective” – implying that it is supported by broad-based, and tripartite, commitment to act upon policy advice and the capacity to do so.

Sustained communication and partnership between the Office and the Organization at the national level is of prime importance. The knowledge that the Office builds up on constituents’ needs, their ability to implement, the history of what has been tried, the political environment, the context of both the donor and UN communities – all of these help both the Office and constituents evaluate the quality of needs and the feasibility of addressing them.

In addition, as pointed out throughout this report, the absence of adequate labour market information basically makes it difficult to understand constituents’ realities and needs.

Assessing effectiveness in delivery and coordination between headquarters and the field

Methodology and scope

During the third quarter of 2009, an Internet-based survey was conducted by independent consultants to assess effectiveness of coordination between headquarters and the field. It canvassed 101 specialists in the employment sector serving both at headquarters and field offices, with a response rate of 50 per cent. This survey was a supplement to a broader data collection exercise, which used a semi-structured questionnaire for face-to-face or Skype interviews with key staff from headquarters and field offices. Regional offices were asked to identify strengths and weaknesses in headquarters–field collaboration in their “Think Pieces”.

Lessons learned and gaps identified

Units have set up different “business models” for field–headquarters collaboration that reflect characteristics such as the extent of technical cooperation projects and level of expertise in field offices. The review of five such models¹ showed that mechanisms for interaction between headquarters and field staff, if their functioning was clear, were generally considered to improve coordination and collaboration. Methods ranged from the use of focal points, IT-based interaction forums and virtual networking, and regular face-to-face meetings. These mechanisms helped combine the global knowledge and expertise from headquarters with the reality and experience of colleagues in the field. Some aspects of good practice included regular communications on ongoing work; yearly planning meetings; joint programming exercises; and the use of modern communications technology. Field–headquarters collaboration peaked in the planning phases of work and tapered off during implementation.

The survey also looked at the allocation of time across means of action. Research was cited most frequently as requiring more time, and meriting it as the basis for good policy advice and capacity building. Both headquarters and field staff allocated the bulk of their time to meeting country-level demands, including through developing or backstopping technical cooperation projects.

From a field perspective, ILO involvement in working as “One UN”, known as “Delivering as One”, was reported, while important, as being extremely demanding with a high transaction cost. Combining these efforts with field–headquarters coordination was felt to be an additional burden as the kinds of demands created, and their timing, were difficult to reconcile.

That said, there are successes to report. Leadership in multi-agency efforts documented in the regions’ “Think Pieces” shows that the ILO’s approach to combining a livelihood and a rights-based approach is a source of competitive advantage. The Office is leading thematic

¹ Social Finance Programme, Global Team Approach EMP/ENTERPRISE, Global Employment Intensive Investment Programme; ILO/CRISIS; and focus countries with lead coordinators.

groups at country level to build coherence in areas where many agencies' mandates overlap. This has resulted from the documented visible impact of ILO tools and the commitment of the staff representing the ILO in the country to invest time in extensive planning and coordinating exercises, as shown by the following examples.

- ❑ **Arab States.** Efforts in joint programming have resulted in several programmes being funded under the MDG Spanish funds: “Gender equality and women’s empowerment in the Occupied Palestinian Territory”; labour market information and gender in Yemen; work with UNDP on the Global Compact in the Syrian Arab Republic; and “Conflict prevention and peace building” in Lebanon.
- ❑ **Bangladesh.** An ILO assessment of livelihood prospects for refugees led to the UN adopting a local economic development framework for joint work in the country.
- ❑ **Europe.** Joint ILO/UN agency activities are supporting the implementation of youth employment, entrepreneurship training and gender projects in many countries (e.g. Albania, Azerbaijan, Kyrgyzstan, Serbia, Ukraine and Uzbekistan).
- ❑ **Iraq.** The ILO’s engagement in the CCA/UNDAF process led to employment being identified as a cross-cutting theme and to connecting inclusive economic growth and good governance issues.
- ❑ **Liberia.** Joint research by the ILO and FAO on technology and skills to upgrade jobs in agriculture has informed new project work on community-based training, now going forward with donor funds to support multi-agency efforts.
- ❑ **United Republic of Tanzania.** The ILO manages the joint UN programme on “wealth creation, employment and economic empowerment,” which is linked to the national cluster of effort on growth, income and poverty reduction.
- ❑ **Viet Nam.** Employment and sustainable enterprise development has been adopted as one of the strategic priority areas of the “One UN”.

The survey called for a clearer definition of how headquarters and the field work together in order to improve efficiencies and delivery. In fact, the wise and efficient use of the human resources available has become increasingly important as the number of people working on matters related to labour markets and employment – and thus the critical mass – has declined, whereas needs and demands have expanded. These reductions were seen as constraining the scope for research, policy advice and capacity-building services to constituents, as well as jeopardizing the overall job satisfaction, health and well being of staff.

Headquarters–field cooperation works best when it builds on a complementary division of labour. At headquarters, the presumptive value-added is technical competence and knowledge of international good practices. In the field, the technical competence of officials combines with an understanding of countries’ priorities, political processes, and local partnerships with other agencies. The field comparative advantage is to know not merely what needs to be done – but how politically, and institutionally – it can be.

Good communication between parties was considered an absolute necessity to successful delivery and for the efficient use of resources. It facilitates transfer of knowledge. While informal contacts are important, the relationship between field and headquarters was perceived to rely too much on these and a communication gap was perceived by most respondents. Interviewees expressed concern about the lack of incentives to encourage and promote joint work. Successes were rarely celebrated and often not documented.

The “inseparable, interrelated and mutually supportive” nature of the strategic objectives (IIMS)

Methodology and scope

All managers were requested to reflect on the “inseparable, interrelated and mutually supportive” nature of programmes in their “Think Pieces”. Regional offices were also invited to provide examples of integrated work on employment.

Lessons learned and gaps

While the constraints are real, there are opportunities for the Office and the Organization to strengthen integration across the different strategic objectives and, therefore, the four pillars of decent work.

Such integration relies fundamentally on two mechanisms or processes, the first of which is social dialogue. Since 1919, no international labour standard has ever been promulgated without the prismatic focus that tripartism contributes. Whatever the subject of the standard, there are distinct perspectives and interests of the different social partners and government. Viewed from different angles, and vetted on the basis of different interests, the ultimate “product” of a labour standard reflects integration.

There is a second mechanism, upon which the Office and Organization have successes to report, and which is a candidate, at the same time, for future development. This relates to exploring the “mutually supportive” linkages across the ILO’s strategic objectives. A simple, conceptual example illustrates the point: the effect of “social protection” on “employment” is such that, with some social protection, people are willing to take risks that they would not otherwise be willing to take, thereby improving their income-generation capacities. One could argue the causality in reverse: without productive employment, social protection systems are weakened, becoming under-funded. Theory and evidence support both of these propositions.

More must be done to promote conceptual and empirical work on these interrelationships at the headquarters level. A reorientation of an Office-wide research agenda, as agreed by the Governing Body in November 2009, is a promising step forward.

But integrated work takes place all the time at country level. In addition, programmes that focus on target populations involve a holistic approach, to address decent work deficiencies in rights and livelihoods. The report documented many interventions, joint products and knowledge-sharing that integrate employment with other strategic objectives. The following examples illustrate some of the most common applications of the IIMS approach.

- Labour-based investment, entrepreneurship, and cooperatives development projects in Africa have promoted occupational safety and health standards and good practices, respect for minimum wages, HIV/AIDS awareness, gender equality in terms of employment opportunities and wages, and the rights of persons with disabilities and indigenous peoples.
- In the Americas, creating decent work through public investments not only used labour-based production methods, but complementary measures to ensure adequate remuneration and social protection. The ILO’s interventions entered the national legislation sphere in areas such as the legal status of micro-enterprises, minimum wages, and social protection.
- In the Arab States, support to constituents in post-crisis settings have focused on job creation, and this has served as a platform for sharing information on ILS, labour law, and the instrumental value of social dialogue.
- In Asia and the Pacific, the Office has helped forge national dialogue between constituents and the key ministries involved in green jobs, calling attention to employment issues in the national environment/climate change agenda.

Evaluation of the impact of the Office's work on employment

Methodology and scope

An independent consultant reviewed to what extent the ILO's work on employment has been objectively evaluated and how findings informed improvements. This review aimed at improving results-based management through the more strategic use of evaluation results. An inventory was made of 87 evaluations, comprising 66 technical cooperation project evaluations completed since 2005, nine thematic evaluations completed since 2001 and 12 Decent Work Country Programme reviews. The Office has drawn up a plan for addressing the gaps that were identified and embarked on a second phase to review other organizational approaches to impact assessment and further strengthen the work in this area.

Lessons learned and gaps identified

The report noted the growing trend to evaluate projects and programmes. It concluded that the evaluation function was well established and that the independence of evaluation was consistently adhered to – but there was concern related to the documentation of methods used.

Although the sample of Decent Work Country Programme evaluations was small (12), one general conclusion was that they were not yet showing evidence that larger projects and pilots were working in a cohesive and mutually reinforcing way, within a coordinated framework of scaled-up work on employment. The evaluations also indicated that many Decent Work Country Programmes had not been active long enough to permit an impact assessment; however, there were already indications that wider impact at the level of national employment priorities would require a higher level of integration and collaboration – more likely at sector rather than at project level.

As the Office is focusing more on policy reform and less on project interventions, the challenge for measuring results attributed to the ILO's work is increasing because of control and attribution issues. The balance to strike is to apply a methodology for Decent Work Country Programme evaluations where change in the bigger picture is monitored – tracking how the Office contributed to this change. Currently, Decent Work Country Programmes are only partially funded, making it difficult to plan and conduct credible evaluations, and they do not usually have the resources needed for costly comprehensive evaluations. The Regular Budget Supplementary Account (RBSA) window could in future look at filling this gap.

The transition towards results-based management still requires considerable investment in capacity development. For nearly all evaluations, employment outcomes were found to be unfocused and spread thinly over many specific areas of work, and generally not clearly geared towards achieving unified impact. Indicators to assess these outcomes, as well as the baselines measures, appeared weak.

The majority of evaluations (62 per cent) did not address cost effectiveness, lacking “value for money” information. Only 7 per cent of the reports provided a detailed cost–benefit analysis, including information on the methods used. While the review points out a number of good reasons why this information is missing, it also notes that this is a major constraint for being able to scale up projects and national ownership.

Evidence of strong policy linkages could be easily discerned in cases when the ILO was recognized by constituents to have a clear comparative advantage in a specific field of work. Employment-intensive investment, entrepreneurship development, integrated training approaches for rural economic empowerment, and the inclusion of the Decent Work Agenda in second generation PRSs, were identified as good practices as they had succeeded in establishing a clear link to policy development. Projects were more likely to lead to policy change when the demonstration effort was of a sufficiently large scale to make a strong impression, or when job creation tools were directly provided to development planners. Evaluators were not convinced that most projects had effectively demonstrated impact on employment or poverty. The typically

short duration of projects – over half of the evaluations reviewed has a project life of two years or less – may be largely to blame.

The inclusion of institutional development in projects appears to be standard and is an important condition to enable national institutions to deliver on employment objectives and to decrease reliance on external donor support.

The review found that when impact assessments had been carried out routinely, they had been based on solid methods, such as in employment-intensive investment and enterprise development programmes. Newer projects tended to integrate impact assessment in their planning stages. But, more frequently, there was an absence of verifiable indicators and lack of established methodologies to assess progress, hence an increased risk of subjective (and biased) analysis.

The Office has a potentially important role to play in assisting constituents' own planning, monitoring and evaluation processes. Furthermore, the review found a list of manuals, guides, communities of practice and other knowledge-sharing platforms that were being used for this purpose.

Evaluators indicated some concern about the effectiveness of “integrated programmes” – at least in their current application. Nearly a third of the projects evaluated addressed multiple and “chronic” decent work deficits through integrated approaches, and this was questioned as being overly ambitious and unwieldy. While this concept responds to the complexity of job creation, it may create an unrealistic expectation of what impact project “outputs” can have. Broader development objectives are beyond the scope and timeline of these “projects”. The evaluators recommended concentration on a few – more strategic – interventions that could then influence policy choices. At the same time, evaluators recommended paying greater attention to coordination across different Decent Work Country Programme components and finding specific ways to promote joint work where, indeed, broad comprehensive programmes are required.

Evaluators also found that the ILO needed to do much more to network and partner with others in the development community, including international finance institutions. In some cases Decent Work Country Programmes are well integrated into broader frameworks; in others they are not. Broad-based partnerships were seen as essential for taking the employment agenda forward at national level.

Employment-related research agenda

The review of the ILO's research capacity carried out for the preparation of the current report pointed out significant gaps in the existing body of knowledge that need to be filled.

One new research issue springs from the salience given to the role of policy integration by the Social Justice Declaration. This implies a corresponding need for the Office to broaden its knowledge base on how to design the most effective sets of integrated policy packages. The Social Justice Declaration explicitly calls for the ILO to take steps to: “strengthen its research capacity, empirical knowledge and understanding of how the strategic objectives interact with each other and contribute to social progress, sustainable enterprises, sustainable development and the eradication of poverty in the global economy”.

A few examples of research needs

The formulation of an integrated set of policies to achieve full employment and decent work in the global economy requires a broadening and deepening of the research programme of the Office on employment policy. A key example of this is in the area of economic and financial policies that have an important impact on employment outcomes. As the employment impact of the current crisis has so vividly demonstrated, there is a strong interdependence between employment, economic, and financial policies. The objectives of ensuring full employment and decent work for all cannot be realized without due attention to economic and financial policies. Already present since the adoption of the Declaration of Philadelphia in 1944, this has been

reaffirmed in the Preamble to the Social Justice Declaration which provides the ILO with “the responsibility to examine and consider all international economic and financial policies in the light of the fundamental objective of social justice”.

Despite the two Declarations mentioned above, recent work by the Office on some important economic and financial policies affecting employment and social justice has been questioned as to whether such work is outside the mandate of the ILO. In addition, it has been argued that undertaking such work would constitute an unhelpful intrusion by the ILO into the role of other international organizations. Within these mandates, the question is not whether the ILO should work on economic and financial policies but rather what type of work should be carried out on these issues.

In the context of the Social Justice Declaration, it would be in the ILO’s interest to build up a research capacity and technical knowledge in some areas of economic and financial policy. The selection of these areas should be guided by the requirements for framing integrated policies for achieving full employment and social justice. For example, it is necessary for the ILO to have a better understanding of how different configurations of macroeconomic policies affect employment. At the national level, this would improve the quality of the policy advice provided to constituents. Employment policies would be framed with a better understanding of prevailing macroeconomic constraints and of alternative policies that could better achieve the employment objective without sacrificing macroeconomic stability.

Furthermore, similar benefits would be realized at the international level. The ILO would be better equipped to point out the employment implications of international economic and financial policies and hence ensure that this important consideration is better taken into account when framing these policies. The Organization would become a more technically substantive and hence more persuasive interlocutor on these issues within the multilateral system.

Supporting new work on the relationship between employment and macroeconomic policy would strengthen current work that has been appreciated by constituents. A prime example is the work on the relationship between trade policy and employment. The two joint ILO–WTO studies on this issue have been welcomed, as has been the Office’s own country-level work on the same topic. Similarly, the ILO’s work on social protection policies has inevitably required engagement with important aspects of fiscal policy that relate to the financial sustainability of such policies. A further example is the fact that the ILO’s work on the promotion of sustainable enterprises encompasses work conducted on aspects of the financial system (e.g. how to improve the access of small and micro-enterprises to credit markets), the fiscal regime (e.g. incentive and disincentives faced by SMEs), and the regulatory environment. More recently, and at the request of the G20 countries, the Office evaluated the employment consequences of fiscal stimulus packages.

The ILO’s clarion message from the onset of the financial crisis in 2008 has been that the crisis has raised greater awareness of the need for the fundamental changes called for in the Social Justice Declaration, such as re-evaluating the development strategies that were pursued in the pre-crisis period and responding to the challenges to employment policy posed by the rapid globalization over the past two decades. Many concerns related to this issue require empirical research and analysis to determine:

- whether export-led growth may be a less attractive option for large developing countries in the post-crisis global economy because of the anticipated fall in effective demand from industrialized countries, implying that large emerging economies should begin to look more towards domestic sources of growth;
- whether developing countries need to reclaim more “policy space”: the autonomy to frame their own economic and social policies in order to implement new development strategies, requiring a reassessment of the terms under which developing countries have been incorporated into the global economy;

- the role for the State in promoting economic development and structural change, based on the view that the pre-crisis neo-liberal development strategy failed to deliver equitable and stable growth, rapid industrialization and decent work for all;
- whether the employment-intensity of growth has been declining in many developing countries, and if so, why; and whether it is a root cause of growing unemployment and underemployment; and how it has been affected by globalization through the use of more capital-intensive technologies and the imperatives to attract FDI and remain competitive.

In many of the above questions, data are weak and analysis has focused only on a handful of countries. These questions highlight major themes to which research could profitably be directed. Other areas of Office research are also directed towards the benefit of constituents.

Appendix IV

Summary: Possible ways forward

	For member States and social partners	For the Office
Trends and challenges in employment – Chapter 2	<p>Addressing the issue of paucity of labour market information. Addressing the policy challenges at the national level requires information upon which to base choices and monitor progress.</p>	<p>The ILO functions of compilation, dissemination and analysis of statistical data received from the member States underwent a major revision in 2009 and new directions are being put in place in 2010.</p> <p>A project to develop a comprehensive set of decent work indicators is under way.</p> <p>Several employment policy-related databases are being strengthened and new ones are under construction, including in relation to crisis response.</p> <p>The Office has created a Research and Publications Committee (RPC) which acts as a clearing house and identifies research needs. A research strategy was approved in 2009. Twelve research themes in employment have been identified and respective Office-wide teams put in place. There is a need to strengthen and step up research and improve dissemination and visibility of research results.</p>
	<p>Give effect to the commitment to implement the Global Jobs Pact.</p> <p>Increase awareness and use of the Pact at the national level.</p>	<p>Support should be given to constituents in their recovery measures and in implementing the Global Jobs Pact. There is a need to:</p> <ul style="list-style-type: none"><input type="checkbox"/> continue to deliver on requests by the G20;<input type="checkbox"/> continue to mobilize resources;<input type="checkbox"/> continue producing relevant research and policy assessments;<input type="checkbox"/> deliver on the special assignments as announced by the Director-General on 6 November 2009.

	For member States and social partners	For the Office
<p>Policies to promote full and productive employment and decent work for all – Chapter 3</p>	<p>A key direction of the ILO approach to employment policy is the need to increase the employment content of growth, that is, more inclusive and job-rich. To advance in this direction the main gaps to be addressed include:</p> <ul style="list-style-type: none"> ❑ An often narrow conceptualization of employment policy. ❑ The need to systematically incorporate employment targets (both quantitative and qualitative) and policies in national economic and development frameworks, sectoral approaches and labour market policies for specific vulnerable groups. ❑ The need for a renewed commitment to the role of macroeconomic policies in fostering growth and employment, as emphasized in recent G20 statements, in a framework of strong, sustainable and balanced growth. ❑ Fiscal and policy constraints can be major obstacles to the implementation of effective employment policies. Where binding these constraints should be a major concern of employment and social protection policies to create the fiscal space for the necessary investments and policies, within a framework of macroeconomic stability. ❑ A reassertion of the importance of more proactive competitive, industrial innovation and sectoral policies, while avoiding ineffective incentives and distortions. ❑ Strategies for rural and informal economy are critical elements of national employment strategies in countries where large shares of the labour force are employed in these sectors. ❑ More attention needs to be paid to conditions of work, wage policy and industrial relations in the context of employment strategies. 	<p>Policy framework, governance and peer review. A main gap identified is the absence of a user-friendly package of guidelines for middle- and low-income developing countries that can provide sharper guidance for countries at different levels of development. These guidelines could also serve as focal points to strengthen employment policy review processes. There is considerable room for better use of existing mechanisms as well as for exploring additional modalities of peer review and strengthened governance.</p> <p>Capacity building of constituents. The quality and effectiveness of policies at the national level are likely to be substantially enhanced when they draw on the collective energies, expertise and experience of empowered constituents. The role of Ministries of Labour to coordinate action needs to be supported, and the capacities of finance and economic ministries to target employment enhanced.</p> <p>A strengthened evaluation of impacts. Mindful of existing control, attribution and cost factors, the Office should expand its work on impact evaluations by providing clear and concrete monitoring frameworks, capacity building and tools and by changing its own working methods.</p> <p>There is a need for:</p> <ul style="list-style-type: none"> ❑ renewed and expanded research agenda focusing, in particular, on macroeconomic frameworks, “real” targeting and integrated analysis of quality and quantity of employment; ❑ expanded ratification of and support to the effective implementation of Convention No.122;

	For member States and social partners	For the Office
	<ul style="list-style-type: none"> ❑ The link between employment–social protection and inequality should be part of an integrated approach to tackle the challenges of the growing inequality in many countries, including fundamental determinants such as wages policy and freedom of association and collective bargaining. ❑ While most national employment policies adopted in recent years systematically integrate non-discrimination and gender equality concerns, more emphasis is often required in effective implementation and monitoring. ❑ The integrated approach to employment policy can only be effective where there is effective coordination between economic, financial, line ministries and the Ministry of Labour. This requires both political commitment at the highest level and an appropriate institutional environment. These conditions are often not present. ❑ Reinforcing tripartism and effective tripartite institutions for employment policy dialogue, and strengthening capacities of social partners. <p>Filling these gaps, where present, requires an invigorated role for public policy and for social partners.</p>	
Sustainable enterprise and job creation – Chapter 4	<p>Building better business enabling environments which balance enterprises' interests with societies' aspirations for decent work (rule of law, institutions, governance). In least-developed countries, the basic infrastructure limitations and human resource deficiencies pose particular challenges.</p> <p>Promoting socially and environmentally sustainable enterprises through policies, laws, regulations and incentives that drive enterprises towards innovation and increased productivity at the workplace.</p> <p>Inclusive and equitable markets based on equality of opportunity by creating level playing fields for entrepreneurship that encourage people who want to set up businesses to do so, including women and youth. Also important is the fostering of economic opportunity at local level.</p>	<p>Implement approach as articulated in the Conclusions concerning the promotion of sustainable enterprises. In particular:</p> <p>Place greater focus on upstream policy reform and enabling environment work. This involves improving mainstreaming with broader work on employment policy and making use of the MNE Declaration along value chains to attract FDI and maximize local employment; and promotion of the green economy.</p> <p>Promote the adoption of responsible and sustainable workplace practices that improve productivity and competitiveness, while contributing to sustainable and equitable development – including work on green jobs.</p> <p>Strengthen support in entrepreneurship with focus on: two thematic groups – women and youth; increased attention to impact evaluations; important elements of crisis response; resource limitations to be addressed.</p>

	For member States and social partners	For the Office
Skills for employability and productivity – Chapter 5	<p>Integrate skills development policies in national and sectoral development policies and national response strategies to external drivers of change, such as global recessions, climate change, trade patterns and new technologies.</p> <p>Develop institutions for sustaining communication among training providers and employers to improve the short-term labour market impact of investments in training and to maintain long-term strategic planning with line ministries, workers and employers to match education and skills preparation to development goals and industry competitiveness. Build capacity of labour market information and analysis and employment services.</p> <p>Focus on policy implementation through building capacity of employment services, labour market information systems and other labour market institutions, and cost-effective monitoring and evaluation.</p> <p>Meet objectives for inclusive growth by expanding opportunities for persons with disabilities, persons living in remote rural areas, young people who do not have opportunity to secure basic education, and women and other groups who face discrimination in the labour market to learn and improve vocational skills.</p>	<p>Develop policy briefs and guidance notes to help constituents apply the principles of the GEA, the skills-related standards and the 2008 ILC resolution on skills development to their circumstances and priorities.</p> <p>Develop and test tools for tracking the implementation and impact of national skills development policies and targeted programmes.</p> <p>Direct research towards understanding which skills policies and approaches work well under what conditions, in combination with what other policies, and requiring what financial and human resources – particularly on: training systems to promote innovation; skills-anticipation methods; and employment servicers and training programmes to speed the re-employment of displaced persons.</p> <p>Integrate skills development and employment services in the Office's support for national employment plans: Deploy new tools and approaches on: skills needs anticipation; linking employers and training providers; and sustaining inter-ministerial coordination.</p> <p>Help ILO member States adapt ILO tools on expanding the availability of good quality training to underserved populations (persons with disabilities, rural communities). Develop new tools on core skills, workplace learning and incorporating training in collective bargaining agreements. Apply tools to meet the special needs of women in accessing training and using it to secure good employment.</p> <p>Improve capacity of national employment services: Focus employment services on building seamless pathways from education to training to employment; improve capacity to implement labour market programmes, especially as part of national responses to financial and employment crises.</p>
Trade, international finance and labour markets – Chapter 6	<p>Importance of having trade agendas coordinated with national employment frameworks to optimize job creation and mitigate possible negative effects.</p> <p>Integrate decent work principles in technical assistance projects that aim at stimulating the supply response.</p> <p>Deeper social protection systems to help in mitigating external shocks associated with transition processes.</p>	<p>In the area of trade: continue the development of the knowledge base and, as a next step, strengthen capacity-building and trade-related technical assistance.</p> <p>In the area of finance: assessing the scope to expand work on international finance; explore expanded collaboration with other organizations.</p>

	For member States and social partners	For the Office
<p>Work in the informal economy and policies to facilitate transition to formality – Chapter 7</p>	<p>There is need for clear monitoring frameworks founded on a conceptual agreement of when transition from informal to formal is achieved and a distinct set of indicators of success.</p> <p>Policies to encourage formalization should be prominent in national employment policies, social protection strategies, gender equality and conditions of work.</p> <p>There is a need for an integrated perspective, sustained policy focus and broad partnerships (internal and external) to facilitate transition to formality.</p> <p>A comprehensive and coherent set of policy initiatives is required.</p>	<p>To build on results and achieve a more visible and impactful response, there is need for a well-resourced programme directed by an effective management mechanism.</p> <p>Resource limitations are primary obstacles that should be remedied by mobilizing extra-budgetary resources.</p> <p>Research should be deepened and knowledge expanded on various drivers of informality and of policies that work.</p> <p>There should be intensified partnerships and dialogue with other institutions for policy coherence.</p> <p>Statistical analysis should be strengthened and stronger coherence built across indicators of informal economy.</p> <p>There should be support to formalization in the context of the Decent Work Country Programmes.</p> <p>There should be renewed, systematic capacity building for social partners, including through collaboration with the Turin Centre.</p>