



## **Governing Body**

310th Session, Geneva, March 2011

**GB.310/16**

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### SIXTEENTH ITEM ON THE AGENDA

## **Report of the Working Party on the Social Dimension of Globalization**

### **Oral report by the Chairperson of the Working Party, HE Mr Matjila, Ambassador of South Africa and Permanent Representative of South Africa to the United Nations in Geneva**

1. The Working Party on the Social Dimension of Globalization met on 21 March 2011. HE Mr Matjila (Government, South Africa) chaired the meeting. Mr Funes de Rioja (Employer) and Mr Sommer (Worker) spoke for their respective groups.
2. The discussions on change in the Arab world and the debate on recovering from the crisis were extremely rich. In this report, I have endeavoured to synthesize for the Governing Body the main recurring themes of both discussions. A full summary of the discussions will be prepared by the Office and posted on the ILO website after the session.

### **Challenges and change in the Arab world**

3. The discussion on the evolving situation in the Arab world was opened by the Director-General, who recalled the several statements he had issued over the preceding weeks and reported on his recent visit to Egypt. He welcomed HE Mr Ahmed El-Borai, Minister of Manpower and Migration of Egypt; Mr Habib Yousfi, President of the General Confederation of Algerian Enterprises (CGEA); and Mr Abdessalem Jerad, General Secretary of the Tunisian General Federation of Trade Unions (UGTT). The first-hand accounts provided by the speakers of the dramatic changes in their countries and in the Arab world and their analysis of the implications and major challenges for the work of the ILO were extremely interesting and timely, as was confirmed by the subsequent discussion in the Working Party.
4. Mr El-Borai expressed his most sincere thanks to the Director-General “for the support extended to Egypt, for coming to Egypt and for joining in our declaration of trade union freedom”. He added: “We need to listen more than ever before to what the ILO calls for.” Mr Yousfi expressed his gratitude for the ILO’s initiatives “founded on the values of freedom and dignity that the Organization defends” and underscored how social dialogue was essential to combine economic efficiency and social justice. Mr Jerad thanked the Director-General for “his support for the Tunisian revolution”, recalling that the

fundamental conditions for countries to develop successfully were based on social justice and democracy.

5. Several themes recurred during the discussion:

- Recent events merited the term historic. The themes of dignity, rights, jobs and social justice were at the heart of the popular movements that were leading change and resonated with the ILO's Decent Work Agenda. The ILO Director-General's statements over the past few weeks had been much appreciated, as had the ILO missions to Tunisia and Egypt. Recent events in the Libyan Arab Jamahiriya, Bahrain and Yemen were matters of grave concern.
- Trade unions were playing a key role in the process of change and would be equally important in securing democratic freedoms and social justice. Reforms to guarantee freedom of association, collective bargaining and social dialogue were thus vital, alongside capacity building for new and reforming workers' organizations.
- Sustainable enterprise development and productive investment were key to meeting the aspirations of the people of the Arab world for a better life. Good governance and the rule of law were an essential foundation for investor confidence, foreign and domestic, small and large. Employers' organizations in the region were ready to play their part in political reform and economic and social recovery.
- Current economic and social challenges had their origins well before the world financial crisis, even though the crisis had exacerbated the difficulties that the region faced.

6. Employment and social issues required urgent action alongside democratic reform. Those included:

- unemployment and underemployment especially among young women and men;
- gaps in income distribution between social groups as well as between major urban centres and other cities and rural areas;
- caring for returning migrant workers and refugees from the Libyan Arab Jamahiriya;
- the construction of social protection floors;
- increased investment in sustainable enterprise development through the promotion of smaller businesses as well as foreign direct investment;
- rising prices of food and fuel;
- the reconfiguration of education and training systems to develop relevant skills for productive employment;
- the revitalization of tourism and other export sectors; and
- the development of minimum wage and collective bargaining systems.

7. External challenges to recovery and reform included the weak recovery of the global economy, especially among some of the region's main export and investment partners; disruptions to trade and commerce during the period of political change; excessive foreign debts incurred by the previous regimes and widespread corruption and non-transparent practices; and rising commodity prices, including of essential food and fuel.

8. The ILO should be a key partner for the emerging democracies of the region, taking into account the following:
- The initial reallocation of resources towards the region announced by the Director-General in the Programme, Financial and Administrative Committee was welcomed.
  - The ILO's Decent Work Agenda and Global Jobs Pact were of considerable importance. An integrated approach would be needed, embracing international labour standards, especially fundamental principles and rights at work, employment and enterprise development, with a particular focus on youth, extending social protection and broad-based dialogue, including social pacts.
  - Coherent policy approaches were vital so that people could see progress towards their aspirations.
  - ILO support to the region should be substantial and for the "long haul".
  - The ILO should work closely with other international partners in seeking to ensure that the promotion of decent work and social development were an integral part of a coherent international response to the challenges facing the region.
  - As well as support to countries, the ILO should be aware of the value of working with subregional and regional structures, such as those for the Maghreb, the Arab States and Africa.

## Recovering from the global crisis

9. The Working Party had before it a background paper<sup>1</sup> entitled "Addressing the global crisis: Findings of country experiences". The main messages of the paper were highlighted by the Director of the International Institute for Labour Studies, Mr Raymond Torres. Information notes were also provided, on social dialogue and adjustment in Romania, in the form of a progress report on ILO cooperation with constituents and the International Monetary Fund (IMF);<sup>2</sup> and on the outlook for the world economy.<sup>3</sup>
10. In his introductory remarks, the Director-General emphasized that, while many countries had pursued policies that drew on the Global Jobs Pact, it was increasingly clear that such policies were necessary but not sufficient for the recovery to become sustainable development. Financial reforms were incomplete and the real economy was not being adequately serviced by the financial sector. Growth had been and still was unevenly distributed. Averages masked large inequalities. Current growth patterns were inefficient in delivering the livelihoods that people needed. Past policies had narrowly focused on the goal of low inflation and the tool of monetary policy. In the future, a broader range of goals, relating among other things to the quantity and quality of employment, and a broader range of policies would be needed. That should involve smarter regulation rather than more regulation. In that respect, the full range of lessons from the crisis had not yet been learned. The discussion of the Working Party was a good place for the ILO to make that reflection.

<sup>1</sup> GB.310/WPSDG/2/1.

<sup>2</sup> GB.310/WPSDG/2/2.

<sup>3</sup> GB.310/WPSDG/2/3.

- 11.** The background paper for the discussion drew on several country studies initiated by the International Institute for Labour Studies under the series *Studies on Growth with Equity*. The Minister of Labour and Immigration of Spain, Mr Valeriano Gómez Sánchez, and the representatives of the Governments of Brazil, Germany and Indonesia commented on their countries' experiences with policy responses to the crisis. Mr Gómez Sánchez highlighted the importance of resumed social dialogue to a far-reaching reform of pension arrangements in Spain which, by enlarging the contribution base, would ensure the viability of the system for a period of increasing life expectancy and more flexible retirement ages. The representative of the Government of Germany underscored the importance of social dialogue in making his country's short-time working arrangements effective. Similarly, the representative of the Government of Brazil drew attention to the frequency of high-level tripartite meetings during the design and implementation of Brazil's policy package, which had drawn heavily on approaches contained in the Pact and showed that growth with equity was possible. The representative of the Government of Indonesia focused his remarks on the major and varied programme of labour-intensive investment projects that was being used to alleviate the risk of increased joblessness and poverty.
- 12.** A wide-ranging discussion ensued, in which the paper and the *Studies on Growth with Equity* were welcomed by many speakers. With growth uneven and weak, employment was lagging behind output recovery in a number of countries. The policy approaches in the Global Jobs Pact had proved to be a valuable framework for country-specific measures and were of continuing relevance worldwide. Based on experience of policy responses to the crisis, several issues were mentioned by a number of speakers.
- 13.** The value of strong mechanisms of social dialogue was a theme that ran throughout the discussions. Several speakers concurred with the Office paper that countries enjoying effective social dialogue, strong social protection systems and job-centred policies had shown better resistance to and had recovered faster from the crisis.
- 14.** Reducing social and labour market exclusion was a high priority for many countries, both to narrow inequalities and to support domestic consumer demand. That included:

  - efforts to tackle high levels of youth unemployment and underemployment, including through schemes to encourage young entrepreneurs;
  - stronger activation policies targeting those at risk of prolonged unemployment;
  - reducing informality;
  - extending and reforming social protection through well-designed measures;
  - increasing women's participation in employment, for example through measures to support workers with family responsibilities;
  - reducing the incidence of precarious work; and
  - the reintegration of returning migrant workers.
- 15.** Increasing the pace of the creation of decent work opportunities and reducing the loss of viable jobs was a further common policy focus. That included:

  - promoting sustainable enterprises, especially smaller businesses, through measures to improve government regulation, boost investor confidence, enlarge export opportunities, raise productivity and ensure credit flows;

- supporting short-time working arrangements with a view to retaining skills for recovery;
  - enhancing training provisions;
  - balancing policies to support stable employment with facilitating a dynamic labour market; and
  - employment-intensive investment programmes offering jobs to the unemployed or underemployed, for example for infrastructure construction or community services.
- 16.** Given the gap between productivity and wage growth in a number of countries for several years, the potential for minimum wage setting machinery and collective bargaining to support balanced growth was mentioned by a number of speakers. The implications of growing inequality were also highlighted.
- 17.** The importance of coherent policies nationally and internationally was stressed by many speakers in view of the fragile recovery, which was further placed at risk by the sharply rising prices of many commodities. More employment-oriented macroeconomic policies were needed. The capacity of a number of emerging and developing countries to respond to the crisis had been reinforced by policies adopted before the 2008 financial crash to prevent the growth of damaging financial practices, restrain the size of public debt and build automatic social and economic stabilizers. Completing financial reforms that supported the real economy remained urgent.
- 18.** For countries experiencing a rapid transformation from predominantly rural to urban economies, coherent employment and social policies were particularly important to narrow income inequalities, boost consumption, generate decent work and coordinate with international partners. Such policies included the extension of social protection and minimum wages. Employment impact assessments of fiscal and other policies were one mechanism that could be used to improve policy design and coherence. The forthcoming United Nations Conference on Least Developed Countries would provide an opportunity to focus on policy approaches attuned to the challenges that those countries faced. Similarly, the G20 process in 2011 was a vital mechanism for ensuring continued focus on quality jobs at the heart of the recovery, as initiated in Pittsburgh in 2009 and continued at the Seoul Summit in 2010.
- 19.** With regard to cooperation with the IMF following the Oslo Conference, the representative of the Government of Romania thanked the ILO for its support and looked forward to the continuation of that support. A Worker member from Romania, while also welcoming the ILO's work in his country, pointed out that the Office document did not cover the earlier period of the IMF programme, which had been one of substantial job losses and wage reductions. He expressed concern that current proposals for labour law reform were not in conformity with the ILO Conventions ratified by his country. An Employer member called for employers to be involved at an early stage and at the same time as unions in future work of a similar kind by the ILO. Tripartite discussions needed to be approached with an open mind to the potential benefits of reform.
- 20.** The discussions concluded with a briefing by HE Ambassador Gilles de Robien of France on the plans for his country's G20 Presidency. He said that the debate on recovery from the crisis had been extremely useful for his delegation at that stage of the preparations, not least because France viewed the social dimension of globalization as a key issue for the work of the G20. On 7 April 2011, a seminar on employment would be held, to which national directors of employment and the social partners would be invited. Four themes were envisaged: employment, especially for the young and the most vulnerable; social

protection; social rights at work; and policy coherence. With regard to social protection, the conclusions of the International Labour Conference would be a key input to the G20 discussions. Ms Bachelet would visit Paris shortly. On 23 May 2011, France would host a high-level conference on policy coherence, including between international organizations, which would draw on the experience of the ILO and IMF Conference in Oslo. The G20 Employment Ministers would meet on 26 and 27 September 2011. An informal meeting with G20 Ministers was also planned for the June 2011 session of the International Labour Conference, which would afford an opportunity to consult non-G20 countries and the social partners. All those reflections would converge at the G20 Cannes Summit on 4 and 5 November 2011.

Geneva, 23 March 2011